



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

Financial Statements and Schedules

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1–2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5–6
Statements of Cash Flows	7
Notes to Financial Statements	8–14



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

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Seward Association for the Advancement of Marine Science (SAAMS), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SAAMS as of September 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAAMS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAAMS's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAAMS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAAMS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated *[date of report]* 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAAMS's 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**

Anchorage, Alaska  
March 24, 2023

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

Statements of Financial Position

September 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Current assets:		
Cash and cash equivalents	\$ 4,305,406	5,059,777
Cash restricted by the City of Seward	1,677,852	1,644,953
Receivables, net	577,247	353,361
Inventory	138,481	133,664
Total current assets	6,698,986	7,191,755
501 Trust employment tax reserve	118,470	88,759
Beneficial interest in assets held by Alaska Community Foundation	482,498	551,228
Unconditional promise to give, pledge for the use of land and building	25,651,697	26,572,388
Facilities and equipment, net	7,325,032	7,694,940
Total assets	\$ 40,276,683	42,099,070
Current liabilities:		
Accounts payable and accrued expenses	\$ 552,865	714,377
Accrued salaries and related taxes payable	209,141	320,626
Deferred revenue	695,469	954,449
Total current liabilities	1,457,475	1,989,452
501 Trust employment tax liability	275,297	245,586
Total liabilities	1,732,772	2,235,038
Net assets:		
Without donor restrictions	12,378,058	13,076,433
With donor restrictions	26,165,853	26,787,599
Total net assets	38,543,911	39,864,032
Commitments and contingencies		
Total liabilities and net assets	\$ 40,276,683	42,099,070

See accompanying notes to financial statements.

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

Statements of Activities

Years ended September 30, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Membership and gate entry fees, net	\$ 4,024,545	—	4,024,545	3,547,368	—	3,547,368
Retail sales, net	224,647	—	224,647	186,833	—	186,833
Education programs	125,457	—	125,457	12,511	—	12,511
Grants:						
Federal	2,193,151	—	2,193,151	2,519,521	—	2,519,521
Other	453,213	—	453,213	369,592	—	369,592
North Pacific Marine Research Institute	29,412	—	29,412	190,925	—	190,925
Contracts	213,672	—	213,672	95,346	—	95,346
Donations	1,026,917	306,776	1,333,693	2,125,585	25,672	2,151,257
Investment and interest income (loss)	(45,407)	—	(45,407)	99,130	—	99,130
Fiscal agent fees	517,886	—	517,886	575,484	—	575,484
Other	253,606	—	253,606	222,670	—	222,670
Net assets released from restriction	928,522	(928,522)	—	884,096	(884,096)	—
Total support and revenues	9,945,621	(621,746)	9,323,875	10,829,061	(858,424)	9,970,637
Expenses:						
Program:						
Research	842,141	—	842,141	666,700	—	666,700
Stranding	381,309	—	381,309	418,905	—	418,905
Education	394,329	—	394,329	338,776	—	338,776
North Pacific Marine Research Institute (NPMRI)	29,412	—	29,412	190,925	—	190,925
Total program expenses	1,647,191	—	1,647,191	1,615,306	—	1,615,306
Support services:						
Front of the house	843,325	—	843,325	771,630	—	771,630
Fundraising	392,656	—	392,656	279,571	—	279,571
Facilities	4,783,204	—	4,783,204	3,952,494	—	3,952,494
Husbandry	1,688,257	—	1,688,257	1,333,602	—	1,333,602
Administrative	1,289,363	—	1,289,363	1,226,333	—	1,226,333
Total expenses	10,643,996	—	10,643,996	9,178,936	—	9,178,936
Change in net assets	(698,375)	(621,746)	(1,320,121)	1,650,125	(858,424)	791,701
Net assets at beginning of year	13,076,433	26,787,599	39,864,032	11,426,308	27,646,023	39,072,331
Net assets at end of year	\$ 12,378,058	26,165,853	38,543,911	13,076,433	26,787,599	39,864,032

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2022

	<b>Research</b>	<b>Stranding</b>	<b>Education</b>	<b>NPMRI</b>	<b>Front of the house</b>	<b>Fundraising</b>	<b>Facilities</b>	<b>Husbandry</b>	<b>Administrative</b>	<b>Total</b>
Salaries and wages	\$ 476,575	216,043	226,756	—	390,983	178,336	612,831	891,332	841,909	3,834,765
Fringe benefits	170,351	92,696	92,661	—	122,117	76,955	261,929	425,452	207,188	1,449,349
Contractual and outside services	42,412	31,521	8,928	29,412	100,727	63,486	660,769	32,380	162,006	1,131,641
Contributed occupancy costs	—	—	—	—	—	—	920,691	—	—	920,691
Depreciation	—	—	—	—	—	—	809,396	—	—	809,396
Utilities	—	—	—	—	—	—	791,739	—	—	791,739
Supplies, computer and copying	111,501	30,256	30,272	—	59,522	24,258	196,222	230,466	29,774	712,271
Insurance	—	—	—	—	—	—	460,273	—	—	460,273
Bank and credit card fees	—	204	—	—	108,126	13,518	—	—	1,617	123,465
Rent	4,632	3,894	7,316	—	11,194	2,101	3,233	36,717	8,674	77,761
Travel	17,942	2,928	820	—	990	4,706	1,054	23,901	9,977	62,318
Phone and internet	—	431	191	—	311	—	47,680	—	2,962	51,575
Advertising	1,294	1,073	1,742	—	36,113	815	3,792	3,164	3,366	51,359
Postage and freight	2,409	1,395	1,347	—	6,569	19,455	2,308	7,919	2,191	43,593
Equipment rental	—	411	—	—	—	—	1,701	578	—	2,690
Miscellaneous	15,025	457	24,296	—	6,673	9,026	9,586	36,348	19,699	121,110
	<u>\$ 842,141</u>	<u>381,309</u>	<u>394,329</u>	<u>29,412</u>	<u>843,325</u>	<u>392,656</u>	<u>4,783,204</u>	<u>1,688,257</u>	<u>1,289,363</u>	<u>10,643,996</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2021

	<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	\$ 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
Contractual and outside services	126,599	19,538	48,976	190,925	60,865	50,430	178,021	21,386	107,531	804,271
Contributed occupancy costs	—	—	—	—	—	—	860,459	—	—	860,459
Depreciation	—	—	—	—	—	—	803,415	—	—	803,415
Utilities	—	—	—	—	—	—	647,381	—	—	647,381
Supplies, computer and copying	100,711	57,007	29,210	—	50,229	10,468	231,674	161,160	21,785	662,244
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
Travel	14,062	11,602	298	—	3,750	1,988	750	2,436	7,617	42,503
Phone and internet	—	448	193	—	—	—	47,772	—	67	48,480
Advertising	12	687	694	—	20,813	751	192	299	11,542	34,990
Postage and freight	1,743	2,156	1,072	—	5,473	19,187	3,383	4,740	2,951	40,705
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**

Statements of Cash Flows

Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,320,121)	791,701
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Depreciation	809,396	803,415
Loss on disposal of fixed assets	—	25,970
Contributed occupancy costs	920,691	860,459
Donation revenues restricted to purchase of equipment	(306,776)	(25,672)
Gain (loss) on endowment held by Alaska Community Foundation	68,729	(81,239)
Changes in assets and liabilities that provided (used) cash:		
Receivables	(223,886)	457,193
Inventory	(4,817)	(55,813)
Accounts payable and accrued expenses	(161,512)	230,891
Accrued salaries and related taxes payable	(111,485)	8,092
Deferred revenue	(258,980)	(190,230)
Net cash provided by (used in) operating activities	<u>(588,761)</u>	<u>2,824,767</u>
Cash flows from investing activities:		
Insurance proceeds	—	123,392
Proceeds from sale of property and equipment	—	415,495
Purchase of facilities and equipment	(439,487)	(443,057)
Net cash provided by (used in) investing activities	<u>(439,487)</u>	<u>95,830</u>
Cash flows from financing activities:		
Donation revenues restricted to purchase of equipment	306,776	25,672
Net cash provided by financing activities	<u>306,776</u>	<u>25,672</u>
Net increase (decrease) in cash and cash equivalents	(721,472)	2,946,269
Cash, cash equivalents, and restricted cash at beginning of year	6,704,730	3,758,461
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 5,983,258</u>	<u>6,704,730</u>
Cash, cash equivalents, and restricted cash consist of the following:		
Cash and cash equivalents	\$ 4,305,406	5,059,777
Cash restricted by the City of Seward	1,677,852	1,644,953
	<u>\$ 5,983,258</u>	<u>6,704,730</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2022 and 2021

**(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, 2022 and 2021

**(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.

Gate entry fee revenue is recognized at the point of admission to the ASLC. Membership revenue is recognized at the time of purchase, which does not differ materially from revenue recognition over the term of membership.

**(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.

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

Notes to Financial Statements

September 30, 2022 and 2021

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, 2022.

**(2) Restricted Cash**

Under the ASLC lease agreement with the City, SAAMS is required to maintain cash reserves in a separate fund of \$1,677,852 and \$1,644,953 at September 30, 2022 and 2021, respectively, with annual escalations of 2%. Under the lease agreement, the Termination Fund Requirement reserves were \$978,747 and \$959,556, and the Renewal and Replacement Fund Requirement reserves were \$699,105 and \$685,397 at September 30, 2022 and 2021, respectively. These funds began earning interest in late 2022.

**(3) Receivables**

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

Receivables consist of the following:

	<u>2022</u>	<u>2021</u>
Grants	\$ 419,251	189,476
Pledges	1,434	5,179
Other	<u>156,562</u>	<u>158,706</u>
	<u>\$ 577,247</u>	<u>353,361</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, 2022 and 2021, 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, 2022 and 2021 was \$11,341,903 and \$10,421,213, respectively.

Net amortization of the contribution was as follows:

	<u>2022</u>	<u>2021</u>
Contributed use of facility	\$ 2,780,758	2,780,758
Less interest income	<u>(1,860,067)</u>	<u>(1,920,299)</u>
Net contributed occupancy cost	<u>\$ 920,691</u>	<u>860,459</u>

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

Notes to Financial Statements

September 30, 2022 and 2021

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	(1,795,619)	985,139
Two to five years	11,123,033	(6,442,892)	4,680,141
More than five years	28,766,416	(8,779,999)	19,986,417
			<u>\$ 25,651,697</u>

**(5) Facilities and Equipment**

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

	<u>2022</u>		
	<u>Funded by resources</u>		
	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>Total</u>
Land	\$ —	185,982	185,982
Building	3,490,150	12,286,869	15,777,019
Exhibits	1,562,954	1,569,193	3,132,147
Furniture and equipment	3,340,421	1,797,216	5,137,637
Vehicles	122,819	76,312	199,131
Construction in progress	—	344,250	344,250
	<u>8,516,344</u>	<u>16,259,822</u>	<u>24,776,166</u>
Less accumulated depreciation	<u>(6,393,571)</u>	<u>(11,057,563)</u>	<u>(17,451,134)</u>
	<u>\$ 2,122,773</u>	<u>5,202,259</u>	<u>7,325,032</u>

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

Notes to Financial Statements

September 30, 2022 and 2021

<b>2021</b>			
<b>Funded by resources</b>			
	<b>With donor restrictions</b>	<b>Without donor restrictions</b>	<b>Total</b>
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)
	<u>\$ 2,243,280</u>	<u>5,451,660</u>	<u>7,694,940</u>

**(6) Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following:

	<b>2022</b>	<b>2021</b>
City of Seward lease contribution (note 4)	\$ 25,651,697	26,572,388
Donor-restricted contributions	514,156	215,211
	<u>\$ 26,165,853</u>	<u>26,787,599</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, 2022 and 2021

Changes in the beneficial interest in the Foundation and related unrestricted net assets for the years ended September 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Beneficial interest, beginning of year	\$ 551,228	469,989
Interest and dividend income	9,535	8,294
Net realized and unrealized investment gains (losses)	<u>(73,250)</u>	<u>77,816</u>
Investment returns (losses) or returns, net	(63,715)	86,110
Administrative and management fees	<u>(5,015)</u>	<u>(4,871)</u>
Beneficial interest, end of year	\$ <u><u>482,498</u></u>	<u><u>551,228</u></u>

As of September 30, 2022, SAAMS has cumulative investment returns, net of fees, of \$36,131 available for appropriation.

**(8) Operating Lease**

SAAMS leases certain property and equipment under various operating leases. Rental expense was \$77,760 and \$61,518 for the years ended September 30, 2022 and 2021, respectively. Future minimum payments under noncancelable operating leases are \$20,619 for the year beginning October 1, 2022.

**(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, 2022 and 2021.

**(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, 2022 and 2021

**(11) Concentration of Revenue**

Federal grants have accounted for approximately 24% and 25% of total support and revenues for fiscal years 2022 and 2021, 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 \$293,780 and \$287,250 from NPRB for the years ended September 30, 2022 and 2021, respectively. Fiscal agent fees totaled \$224,106 and \$288,234 for AOOS for the years ended September 30, 2022 and 2021, respectively.

**(13) Liquidity**

At September 30, 2022, SAAMS has approximately \$4.31 million of financial assets available to meet its operating cash needs for general expenditures within one year and can borrow against up to 80% of the cash, treasury and CD portions of operating and replacement fund investments when needed. SAAMS has been awarded federal grants totaling \$1.3 million that will be recognized in the period allowable costs are incurred.

At September 30, 2021, SAAMS had approximately \$5.06 million of financial assets available to meet its operating cash needs for general expenditures within one year.

**(14) Subsequent Events**

In connection with the preparation of the financial statements, SAAMS evaluated subsequent events through March 24, 2023, 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, 2022

(With Independent Auditors' Reports Thereon)

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

**Table of Contents**

	<b>Page(s)</b>
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 <i>Government Auditing Standards</i>	1–2
Independent Auditors' Report on Compliance for The Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3–5
Schedule of Expenditures of Federal Awards	6–7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9



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, 2022, 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 24, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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 the entity's internal control or on



compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Anchorage, Alaska  
March 24, 2023



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

**Independent Auditors' Report on Compliance for The 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 The Major Federal Program**

*Opinion on The Major Federal Program*

We have audited Seward Association for the Advancement of Marine Science's (SAAMS) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on SAAMS's major federal program for the year ended September 30, 2022. SAAMS's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, SAAMS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

*Basis for Opinion on The Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SAAMS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of SAAMS's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

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

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SAAMS's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government*



*Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SAAMS's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SAAMS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SAAMS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SAAMS's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 the SAAMS as of and for the year ended September 30, 2022, and have issued our report thereon dated March 24, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. 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*

Anchorage, Alaska  
March 24, 2023

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Federal grantor/pass-through grantor program title	Assistance Listing number (ALN)	Grant number	Subrecipient expenditures	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	\$ —	\$ 159,617
Passed through the University of California Santa Cruz	11.439	NA19NMF4390083	—	96,806
Physiological Capacities and Constraints of Ice-Dependent Alaskan Seals			—	256,423
Unallied Science Program:				
Passed through North Pacific Research Board:				
Deep Conversations: Teacher and Stakeholder Workshop on Shark Research and Management in Alaska	11.472	2004-90/1953	—	599
Are Changes in Suitability of Essential Lagoon Habitats Driving Declines of Steller's Eiders in the Eastern Aleutians?	11.472	1814	—	95,841
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	—	16,015
			—	112,455
U.S. Geological Survey Research and Data Collection				
Assessing the Effects of Saxitoxin Ingestion by Common Murres	15.808	G20AC00237	—	182,166
Total Research and Development			—	551,044
National Oceanic and Atmospheric Administration:				
National Marine Fisheries Service:				
Prescott Live Marine Mammal Response in Alaska	11.439	NA20NMF4390369	—	80,112
Department of the Interior:				
U.S. Fish and Wildlife Service:				
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	—	9,359
Prescott Live Marine Mammal Response in Alaska	15.683	F21AP03091-00	—	94,992
Prescott Live Marine Mammal Response in Alaska	15.683	F22AP03077-00	—	22,010
Prescott Correlations between Pathogen Presence, Harmful Algal Bloom Toxins, and Prey Selection in Apparently Healthy and Stranded Northern Sea Otters	15.683	F20AP11046-00	2,800	7,292
			2,800	133,653
Passed through the Association of Zoos and Aquariums:				
COVID-19 – Endangered Species COVID-19 Relief	15.657	042222-03-0	—	188,229

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Federal grantor/pass-through grantor program title	Assistance Listing number (ALN)	Grant number	Subrecipient expenditures	Federal expenditures
National Park Service:				
Changing Tides – Bivalve Bioassay and Analysis Component	15.945	P15AC00797	\$ —	\$ 8,132
Changing Tides: A Virtual Field Trip	15.945	P17AC00481	—	11,771
Alaska SeaLife Center Marine Science Interpretation Internships	15.945	P16AC00329	—	4,993
Teacher Professional Development Workshop	15.945	P19AC00160	—	5,208
Changing Tides – Detecting Population Changes in a Popular Clam Fishery	15.945	P19AC00407	—	11,833
SeeBird: High School Citizen Scientists Monitor Seabirds	15.945	P21AC10238	—	11,074
Alaska Rural Village Outreach	15.945	P20AC00007	—	165
			<u>—</u>	<u>53,176</u>
Seabird Surveys & Outreach in Resurrection Bay	15.944	P19AC00200		27,581
Department of Treasury:				
Passed through the Alaska Community Foundation:				
ARPA Nonprofit Recovery Fund	21.027	27167	—	50,000
National Endowment for the Humanities:				
Passed through the State of Alaska: Division of Libraries, Archives and Museums:				
Easy ARPA Grant	45.310	EASY22-079	—	3,500
ARPA Project Grant	45.310	ARPA68	—	36,036
			<u>—</u>	<u>39,536</u>
Total federal expenditures			\$ <u>2,800</u>	\$ <u>1,123,331</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, 2022

**(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, 2022. 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 SAAMS's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Loan Programs**

SAAMS has not entered into any federal loan programs.

**(4) Cost Rate**

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

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

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

**(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 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>Assistance listing number</u>	<u>Name of federal program</u>
Various	Research and Development Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X Yes \_\_\_\_\_ No

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

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