Monterey Bay Aquarium Research Institute

Financial Statements
December 31, 2022

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Report of Independent Auditors

To the Board of Directors of Monterey Bay Aquarium Research Institute

Opinion

We have audited the accompanying financial statements of Monterey Bay Aquarium Research Institute (the "Institute"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and of cash flow for the year then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 the Institute 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 accounting principles generally accepted in the United States of America, 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 the Institute'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 US GAAS 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 US GAAS, 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 the Institute'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 the Institute'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.

PricewaterhouseCoopers LLP

San Francisco, California
June 12, 2023

Monterey Bay Aquarium Research Institute
Statement of Financial Position
December 31, 2022

(in thousands of dollars)

		2022
Assets		
Cash and cash equivalents	$	48,117
Receivables		
The David and Lucile Packard Foundation		68,068
Federal awards and other		7,153
Prepaid expenses and other assets		20,567
Deposits on capital acquisitions		33,504
Deferred compensation plan investments		4,977
Right of use lease assets		3,047
Property and equipment, net		58,199
Total assets	$	243,632
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	6,190
Accrued expenses and other liabilities		7,218
Operating lease liabilities		3,115
Deferred compensation plan liabilities		4,977
Postretirement benefit liabilities		14,144
Total liabilities		35,644
Net assets		
Without donor restrictions		
Undesignated		82,504
Board designated		23,812
From The David and Lucile Packard Foundation		
For ongoing operations		53,069
For vessel and shore side infrastructure		46,103
		205,488
With donor restrictions		
Purpose restricted		2,500
		2,500
Total net assets		207,988
Total liabilities and net assets	$	243,632

The accompanying notes are an integral part of these financial statements.

Monterey Bay Aquarium Research Institute
Statement of Activities
Year Ended December 31, 2022

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Funding from The David and Lucile Packard Foundation	$ 68,069	$ -	$ 68,069
Federal awards	18,254	-	18,254
Nonfederal awards	681	2,500	3,181
Other	1,695	-	1,695
Total revenue and other support	88,699	2,500	91,199
Expenses			
Research and development	53,922	-	53,922
Marine operations	2,980	-	2,980
Information and technology dissemination	2,123	-	2,123
Operational support	8,856	-	8,856
Total expenses	67,881	-	67,881
Increase in net assets, before nonoperating postretirement activity	20,818	2,500	23,318
Components of net periodic postretirement benefit cost other than service cost	2,423	-	2,423
Net periodic postretirement benefit cost	1,330	-	1,330
Increase in net assets	24,571	2,500	27,071
Net assets without donor restrictions			
Beginning of year	180,917	-	180,917
End of year	$ 205,488	$ 2,500	$ 207,988

The accompanying notes are an integral part of these financial statements.

Monterey Bay Aquarium Research Institute
Statement of Cash Flows
Year Ended December 31, 2022

(in thousands of dollars)

Cash flows from operating activities		
Cash received from donors	$	100
Cash received from grants		19,150
Cash received from other support		636
Cash received from interest		797
Cash paid for employees		(34,798)
Cash paid for program expenses		(23,355)
Cash paid for taxes		(4)
Cash paid from deferred compensation		(190)
Net cash used in operating activities		(37,664)
Cash flows from investing activities		
Purchase of deferred compensation plan investments		(904)
Proceeds from maturity of certificates of deposit		29,162
Purchase of certificates of deposit		(47,660)
Proceeds from sale and maturity of deferred comp investments		817
Deposit on capital acquisitions using capital grant funding		(18,849)
Purchase of property and equipment using capital grant funding		(7,754)
Purchase of property and equipment		(7,143)
Net cash used in investing activities		(52,331)
Cach flows from financing activities		
Cash received from The David and Lucile Packard Foundation		76,274
Net cash provided by financing activities		76,274
Net decrease in cash and cash equivalents		(13,721)
Cash and cash equivalents		
Beginning of year		61,838
End of year	$	48,117
Supplemental information		
Noncash donation of capital asset by MBARI	$	170

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

1. Organization and Summary of Significant Accounting Policies

Organization

The Monterey Bay Aquarium Research Institute (the "Institute") is a not-for-profit organization founded in 1987 for the purpose of conducting scientific research in marine biology, oceanography, underwater geology, and other kinds of marine research in and around the Monterey Bay and elsewhere and to educate the scientific community and the general public in regard to such research. The Institute's primary facilities are located in Moss Landing, California.

Since 1994, The David and Lucile Packard Foundation (the "Foundation") has been the Institute's only member, with the power to elect the Board of Directors. In 2022 approximately 75% of the Institute's revenues and other support came from the Foundation. In addition, certain trustees and officers of the Foundation are also directors or officers of the Institute.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities,* which requires the Institute to classify its net assets into two categories according to donor-imposed restrictions – net assets without donor imposed restrictions and net assets with donor-imposed restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions represent resources which do not have donor-imposed stipulations available to support the Institute's operations. Additionally, an operating reserve has been established for use on specific projects subject to the Board of Directors' approval. Funding received from the Foundation are considered equity transactions. In 2022 the Foundation committed to fund the Institute's subsequent year's operations in the amount of $53,069. Additionally, the Institute has received funding between 2017 and 2022 in the amount of $85,000 for specified capital projects. During 2022 the Institute was awarded its final installment of $15,000 to be paid in 2023 for use on specified capital projects. As these funds are used to pay for those capital projects, the Institute will report these funds as undesignated within net assets without donor restriction on the statement of financial position.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions that are limited in use by the Institute in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Institute according to the terms of the contributions. At December 31, 2022 the Institute had $2,500 in net assets with donor restrictions which have a donor-imposed stipulation to be used on capital purchases related to the construction of a new building. As of December 31, 2022 the Institute had not met any of those stipulations to remove the restriction.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant

(in thousands of dollars)

estimates include the accrual for postretirement benefit liabilities and the estimated useful life for property and equipment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to credit risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained by major financial institutions and include investments in money market funds. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Institute believes that credit risk related to such accounts is minimal. Receivables consist primarily of funds due from the Foundation (Note 3). The Institute closely monitors receivables and has not experienced significant credit losses to date.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, money market funds and highly liquid investments purchased with an original maturity date of three months or less.

Other Assets

The Institute's other assets include deferred compensation plan investments and certificates of deposits with original maturity dates greater than 90 days which are reported at fair value.

Certificates of deposit totaled $18,908 as of December 31, 2022.

Investments

Fair value is determined in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction at the measurement date. The Institute determines fair value based upon the fair value hierarchy established under applicable accounting guidance which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. Investments are categorized as Level 1 when the valuation is based upon quoted prices in active markets for identical assets or liabilities; Level 2 when the valuation is based upon inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 when the valuation is based upon unobservable inputs in which little or no market data exists, therefore requiring the Institute to develop assumptions to determine the best estimate of fair value. All of the Institute's financial securities (nonretirement investments) are considered Level 1, as disclosed in the following table:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 45,925	$ -	$ -	$ 45,925
Certificates of deposit	18,908	-	-	18,908
	$ 64,833	$ -	$ -	$ 64,833

Investment transactions are recorded on a trade date basis. Realized gains and losses on dispositions of investments represent the difference between the original cost of the investment and the proceeds received from the sale. Money market funds are reported on the balance sheet as cash and cash equivalents. Certificates of deposit are reported on the balance as prepaid expenses and other assets.

(in thousands of dollars)

Property and Equipment
Property and equipment are recorded at cost or at the fair market value at the date of donation and are depreciated on the straight-line basis over the estimated useful lives of the assets (3 to 30 years). Capitalized costs for self-constructed assets include direct labor and benefits for employees specifically identified with the project. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Revenue Recognition
Contributions are recognized as revenues when they are unconditionally pledged or received. The Institute reports contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the accompanying statement of activities as net assets released from restrictions. Contributions with donor restrictions are reported as contributions without donor restrictions when the restriction is met in the same period as the contribution is received.

Contracts deemed exchange contracts are recognized in accordance with ASC 606. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer. We recognize revenue when it satisfies a performance obligation by transferring control over goods and services to a customer.

Performance Obligations
The Institute is occasionally engaged by organizations with the intention to transfer goods or services which are outlined by a scope of work in every contract and have discrete pricing associated with the service to be provided. Each service is accounted for as a separate performance obligation. Generally, these performance obligations are satisfied over time and recognize revenue as the goods or services are provided, as this best represents the transfer of control to the customer.

Disaggregation of Revenue
The Institute's revenue is disaggregated by customer type, contract type and service type. The majority of the Institute's exchange contract revenue is from contracts with government entities either directly or as a subcontractor and is recognized over time as the services are performed. These contracts are cost reimbursable. The Institute also earns royalty revenues from the licensing and sales of intellectual property which are recognized at a point in time. Revenue from these sources is reported on the Statement of Activities as Other income.

(in thousands of dollars)

The following table disaggregates revenue based on the timing of revenue recognition for the year ended December 31, 2022:

		2022
Over time (procurement)	$	583
Point in time (royalties)		173
	$	756

Deferred Grant Revenue
Deferred grant revenue represents funds which have been received for programs which have not yet been completed or taken place, and therefore have not yet been earned.

Income Taxes
The Institute is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes pursuant to Section 501(a) of the Code and Section 23701(d) of the California Tax Code. To the extent thatthe Institute carries out activities that are subject to unrelated business income tax, it is subject to income taxation. Income tax incurred by the Institute is reported on the statement of activities under operational support.

The Institute is a private operating foundation within the meaning of Section 509(a) of the Code that makes its required charitable expenditures by sponsoring and managing its own programs.

Pursuant to Section 4940(a) of the Code, the Institute's investment income, reduced by certain allowable expenses, is subject to excise tax at a rate of 1.39% of investment income. The Institute's status as an operating foundation is determined annually by satisfying the income test and certain other numerical tests. Generally, a private operating foundation must make qualifying distributions of 4.25% of the average fair value of the foundation's investment assets directly for the active conduct of the activities for which it is organized and operating. The Institute has met the requirements for private operating foundation status through December 31, 2022.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability, on a discounted basis substantially for all leases as well as additional disclosures regrading leasing arrangements. The Institute adopted this standard on January 1, 2022 The Institute has operating leases primarily for real estate including warehouse space and submerged lands. As permitted under the transition guidance in ASC 842, the Institute has applied the transitional package of practical expedients allowed by the standard relating to the carry forward of historical lease identification, classification and initial direct costs of leases. The Institute has elected not to apply recognition requirements of the guidance to short term leases (leases that are 12 months or less) and elected not to separate lease and non-lease components. Upon adoption, at January 1, 2022, the Institute recognized $3,272 in operating lease right of use assets with corresponding operating lease obligations of $3,272 in the statement of financial position.

(in thousands of dollars)

2. Property and Equipment

Property and equipment at December 31, 2022 consist of the following:

		2022
Land	$	4,236
Buildings		51,117
Research vessels		9,330
Remotely operated vehicles		25,178
Ocean deployed equipment		33,539
General equipment, furniture, and fixtures		34,845
Capital projects in progress		18,022
		176,267
Less: Accumulated depreciation		(118,068)
Property and equipment, net	$	58,199

Depreciation expense for the year ended December 31, 2022 was $8,308.

3. Related-Party Transactions

In December of 2022, the Institute received funding commitment from the Foundation to support the subsequent year's operations. The receivable from the Foundation was $53,069 as of December 31, 2022 and is included in net assets without donor restrictions. In addition to the funding for the Institute's operations, the Institute received funding commitment from the Foundation in the amount of $15,000 on December 16, 2022 for project management and construction costs for a new flagship research vessel and related onshore infrastructure, capital grant. The receivable from the Foundation for the capital grant as of December 2022 is $15,000. During 2022 the Institute received the final payment of $25,000 from a $75,000 capital grant that was awarded in October 2020.

4. Commitments and Contingencies

Leases

The Institute leases certain land facilities and equipment under operating and financing leases. The terms of these leases expire in 2031 through 2039, with certain options to renew which are expected to be exercised. Under the accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the statement of financial position "Right of use lease assets" represent the Institutes right to use an underlying asset for the lease term and the "Operating lease liabilities" represent the Institutes' obligation to make lease payments arising from the lease based the on present value of lease payments over the lease term.

(in thousands of dollars)

Components of lease expense for the year ended December 31, 2022 are as follows:

Year ended December 31, 2022		
Lease Cost		
Operating lease cost	$	217
Short term lease cost		35
Finance lease cost		
Amortization of leased assets		1
Interest on lease liability		1
Total lease Cost	$	254

The right of use asset obtained in exchange for lease obligations for the year ended December 31, 2022 is as follows:

Operating lease	$	3,047
Finance lease		14
Total lease right-of-use asset		3,061
Operating lease		3,115
Finance lease		13
Total lease liability	$	3,128

The following table displays the weight-average term and discount rate for operating leases as of December 31, 2022:

Weighted-average term (years)	14
Weighted-average discount rate	1.93%

The undiscounted cash flows for future years as of December 31, 2022 are as follows:

Undiscounted cash flows due within:		Operating
2023	$	223
2024		230
2025		237
2026		244
2027		251
2028 and thereafter	$	2,386

Rent expense was $216 for the year ended December 31, 2022.

During 2022 the Institute entered into a contract to construct a research and robotics building. The contract amount is $40,386 with installments of $2,822 paid during 2022. The remaining $37,564 is to be paid throughout 2023 and 2024, as construction of the building is completed.

(in thousands of dollars)

During 2021 the Institute entered into a contract with Construcciones Navales P. Feire S.A. to construct a new research vessel. The contract value is $41,880 which the Institute has made deposits of $33,504 as of December 31, 2022. The remaining amount of $8,376 is expected to be paid out in 2023.

As of December 31, 2022 the Institute has $500 on deposit as collateral to guarantee that the Institute will comply with the provisions of a land lease entered into with the State of California, California State Lands Commission to obtain right-of-way use needed for the operation of one of the Institute's projects, the MARS Project. This amount is included in prepaid expenses and other assets in the statement of financial position.

The Institute derives a portion of its revenues from various federally funded programs that are subject to review and audit by governmental oversight agencies. Institute management believes that the Institute is in material compliance with the standards set forth by the federal governmental agencies and that the outcome of reviews and audits conducted by such agencies will not have a significant effect on the financial position of the Institute.

Claims

Claims are filed from time to time against the Institute in the ordinary course of business. The Institute is not aware of any such matters that would have a material adverse effect on the Institute's financial position.

5. Retirement Plans

The Institute sponsors a defined contribution plan under IRC 403(b). The DC Plan covers all employees who meet eligibility requirements. Contributions to the 403(b) plan are made by the Institute at 10% of an employee's annual salary. Under the 403(b) plan and subject to statutory limits, employees may make voluntary deferred salary contributions to the 403(b) Plan. Total expenses related to this plan were $2,506 in 2022.

The Institute sponsors a Section 457(b) Qualified Eligible Salary Deferral Plan (the "Salary Deferral Plan") primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Salary Deferral Plan enables participants to defer income on a pre-tax basis. There are no Institute contributions related to this plan. At December 31, 2022 the Institute held plan investments of $4,865 that are included in deferred compensation plan investments. These assets are designated by the Institute to pay future Salary Deferral Plan liabilities of $4,865 as of December 31, 2022. These liabilities are included in deferred compensation plan liabilities.

The Institute also sponsors a Nonqualified Deferred Compensation Restoration Plan (the "Compensation Restoration Plan") primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Compensation Restoration Plan provides for the Institute to make contributions to a participant's account equal to the amount in excess of IRC limits which the participant would otherwise have been eligible for in accordance with the Institute's 403(b) plan. At December 31, 2022 the Institute held plan investments of $112, that are included in deferred compensation plan investments, which are designated by the Institute to pay future Compensation Restoration Plan liabilities of $112 December 31, 2022. These liabilities are included in deferred compensation plan liabilities.

(in thousands of dollars)

At December 31, 2022 all the Institute's deferred compensation plan investments were classified as Level 1 as they are mutual funds with daily traded fair market values and consisted of the following:

		2022
Equity and bond mutual funds	$	2,144
Equity mutual funds		2,761
U.S. Government securities mutual funds		72
Total fair value of deferred compensation plan investments	$	4,977

The Institute has a contributory retiree health insurance program (the "Plan") which covers substantially all employees who meet the eligibility requirements. Each August 1, the Institute contributes on behalf of each retired employee to a health reimbursement account ("HRA"). The amount of the contribution is 50% of the premium in effect as of August 1, 2017 with the same family status (single or two-party coverage) as the retiree. The retiree may then spend the amount in the HRA on any medical expenses that are tax-deductible, including premiums for health insurance.

The following information presents the Plan's unfunded status and the amounts recognized in the statement of financial position as of December 31, 2022 on a measurement date of December 31, 2022:

		2022
Benefit obligation	$	14,144
Fair value of plan assets		-
Unfunded status	$	14,144
Amount recognized in the statements of financial position as postretirement benefit liabilities	$	14,144

Amounts recognized in net assets without donor restrictions at December 31, 2022 were as follows:

		2022
Net loss	$	1,749
Prior service cost		(8,132)
	$	(6,383)

The Plan's net periodic postretirement benefit cost reflected in operating expenses in the statement of activities for the year ended December 31, 2022 was ($2,078).

(in thousands of dollars)

Changes other than net periodic postretirement benefit cost recognized in the statement of activities for the year ended December 31, 2022 was as follows:

	2022
Net actuarial (gain)	$ (4,228)
Amortization of net (gain)	(459)
Plan amendment	-
Amortization of prior service cost	3,357
Total changes other than net periodic postretirement benefit cost/credit	$ (1,330)

The net actuarial gain for the year ended December 31, 2022 was primarily attributable to the increase in the discount rate from 2.67% as of December 31, 2021 to 4.96% as of December 31, 2022.

Total contributions paid by the Institute to the Plan for the year ended December 31, 2022 were $472. Total benefit payments made from the Plan for the year ended December 31, 2022 were $553.

The weighted-average discount rate used in determining the accumulated postretirement benefit liabilities was 4.96% as of December 31, 2022 and in determining the net periodic postretirement benefit cost was 2.67% for the year ended December 31, 2022.

The Plan is fully insured and is funded on a pay-as-you-go basis. The estimated minimum benefit payments by year that reflect expected future service to be paid by the Institute are as follows:

2023	$ 656
2024	723
2025	761
2026	823
2027	872
2028-2032	4,954

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) was assumed to be 9.0% in 2023 and declining by 0.4% per year until the ultimate trend rate of 5.0% is reached by 2032.

(in thousands of dollars)

6. Functional Expenses

	2022					
	Program Services				Supporting Activities	
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salaries, fringe, board fees	$ 21,941	$ 6,348	$ 1,138	$ 29,427	$ 5,196	$ 34,623
Other expenses and allocations	21,636	(4,414)	544	17,766	4,184	21,950
Depreciation	5,389	97	17	5,503	2,838	8,341
Occupancy	4,284	761	240	5,285	(4,028)	1,257
Travel, conferences and meetings	526	149	6	681	181	862
Legal fees	71	31	-	102	219	321
Printing and publications	77	8	177	262	18	280
Accounting fees	-	-	-	-	247	247
Postretirement benefit costs - interest and amortization	(1,535)	(444)	(80)	(2,059)	(364)	(2,423)
Total expenses	$ 52,389	$ 2,536	$ 2,042	$ 56,967	$ 8,491	$ 65,458

(in thousands of dollars)

The Institute classifies program operating cost amongst its three main activities. Cost are associated with each activity either by occurring directly within that activity or by allocation from another activity. Allocations are made for facility and ship usage to better align costs with each activity's use of resources. Total program expenses shown on the analysis of expenses do not articulate with total expenses shown on the statement of activities. Interest expense and gain amortization associated with the contributory retiree health insurance program are reflected in the analysis of expenses with their respective program activity. The Institute's expenses are classified within the following activities:

Research and Development
Develop and adapt innovative technologies for advancing our understanding of the ocean.

Marine Operations
The Division of Marine Operations serves a role in the support of the Institute's research and development by operating and maintaining the Institute's research vessels and remotely operated vehicles. The support provided by the Division of Marine Operations facilitates the work of developing, adapting and utilizing innovative technology.

Information Dissemination
Information and technology dissemination serves as a gateway for the transfer of knowledge gained, solutions devised and technologies developed to communities outside of the Institute. These communities include researchers, educators, policy makers, resource managers, industry and the general public.

7. Available Resources and Liquidity

The Institute has a board designated operating reserve of $23,812 as of December 31, 2022. This is a governing board-designated reserve with the objective of setting aside funds to be used on specifically approved projects. The Institute maintains the reserve at no less than $6,000 which was determined by management as the minimum needed to meet capital fluctuations during a given year. The operating reserve consists of unused funds that result from support in excess of actual expenditures. Over the course of a given year, the Institute may realize surpluses or deficits relative to its proposed revenue and expenditures; these fluctuations are added to or are deducted from the operating reserve at the end of each calendar year. The operating reserve is held as money market funds. Although the Institute does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the operating reserve could be made available by the Board of Directors if necessary.

The following represents the Institute's financial assets as of December 31, 2022.

	2022
Cash and cash equivalents	$ 48,117
David and Lucile Packard Foundation receivables	68,068
Federal awards and other receivables	7,153
Total financial assets	123,338
Less those unavailable due to designations	
Board designations	
Operating reserve	23,812
Funding from David and Luclie Packard Foundation for capital projects	46,103
Funding from Valley Foundation for capital projects	2,500
Total amounts unavailable for general expenditures	72,415
Financial assets available to meet cash needs for operating expenditures within one year	$ 50,923

8. Subsequent Events

The Institute has evaluated subsequent events for the period December 31, 2022 through June 12, 2023, the date the financial statements were available to be issued.