

Monterey Bay Aquarium Research Institute

**Financial Statements
December 31, 2021**

Monterey Bay Aquarium Research Institute
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December 31, 2021

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Report of Independent Auditors

To the Board of Directors of Monterey Bay Aquarium Research Institute

Report on the Audit of the Financial Statements

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, 2021, and the related statements of activities and of cash flows 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, 2021, 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 audits. 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.

A handwritten signature in black ink that reads "Priscilla A. Hunt" followed by a stylized monogram.

San Francisco, California
June 9, 2022

Monterey Bay Aquarium Research Institute
Statement of Financial Position
December 31, 2021

(in thousands of dollars)

Assets

Cash and cash equivalents	\$	61,838
Receivables		
The David and Lucile Packard Foundation		76,274
Federal awards and other		3,479
Prepaid expenses and other assets		1,935
Deposits on capital acquisitions		14,658
Deferred compensation plan investments		6,001
Property and equipment, net		<u>51,168</u>
Total assets	\$	<u>215,353</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	4,028
Accrued expenses and other liabilities		6,302
Deferred compensation plan liabilities		6,001
Postretirement benefit liabilities		<u>18,105</u>
Total liabilities		<u>34,436</u>

Net assets

Without donor restrictions		
Undesignated		50,311
Board designated		21,309
From The David and Lucile Packard Foundation		
For ongoing operations		51,274
For vessel and shore side infrastructure		<u>58,023</u>
Total net assets		<u>180,917</u>
Total liabilities and net assets	\$	<u>215,353</u>

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

Monterey Bay Aquarium Research Institute
Statement of Activities
Year Ended December 31, 2021

(in thousands of dollars)

Revenue and other support

Funding from The David and Lucile Packard Foundation	\$ 51,324
Federal awards	13,221
Nonfederal awards	658
Other	913
	<u>66,116</u>

Total revenue and other support

Expenses

Research and development	48,296
Marine operations	3,141
Information and technology dissemination	1,805
Operational support	8,506
	<u>61,748</u>

Total expenses

Increase in net assets, before nonoperating postretirement activity	4,368
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Components of net periodic postretirement benefit cost other than service cost	2,336
Postretirement benefit-related changes other than net periodic postretirement benefit cost	-
	<u>(1,890)</u>
Increase in net assets	4,814

Net assets without donor restrictions

Beginning of year	<u>176,103</u>
End of year	<u>\$ 180,917</u>

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

Monterey Bay Aquarium Research Institute
Statement of Cash Flows
Year Ended December 31, 2021

(in thousands of dollars)

Cash flows from operating activities

Cash received from donors	\$ 147
Cash received from grants	11,813
Cash received from other support	734
Cash received from interest	41
Cash paid for employees	(33,849)
Cash paid for program expenses	(18,415)
Cash paid for taxes	(6)
Cash paid from deferred compensation	(158)
Net cash used in operating activities	<u>(39,693)</u>

Cash flows from investing activities

Purchase of deferred compensation plan investments	(1,864)
Proceeds from maturity of certificates of deposit	5,000
Purchase of certificates of deposit	(500)
Proceeds from sale and maturity of deferred comp investments	1,773
Deposit on capital acquisitions using capital grant funding	(14,658)
Purchase of property and equipment using capital grant funding	(5,296)
Purchase of property and equipment	(7,515)
Net cash used in investing activities	<u>(23,060)</u>

Cash flows from financing activities

Cash received from The David and Lucile Packard Foundation	79,540
Net cash provided by financing activities	<u>79,540</u>
Net increase in cash and cash equivalents	16,787

Cash and cash equivalents

Beginning of year	45,051
End of year	<u>\$ 61,838</u>

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

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2021

(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 2021 approximately 78% 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 2021 the Foundation committed to fund the Institute's subsequent year's operations in the amount of \$51,274. Additionally, in 2020, the Institute was awarded funding in the amount of \$75,000 for specified capital projects. This funding, together with an award received in 2017 of \$10,000, will be used on those specified capital projects. The remaining receivable from this funding as of December 2021 is \$25,000. 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, 2021 there were no net assets with donor restrictions.

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

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2021

(in thousands of dollars)

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. 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 \$497 as of December 31, 2021.

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:

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 59,577	\$ -	\$ -	\$ 59,577
Certificates of deposit	497	-	-	497
	<u>\$ 60,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,074</u>

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.

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

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(in thousands of dollars)

Property and Equipment

Property and equipment are stated 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. The Institute had \$29 in outstanding receivables associated with contracts accounted for under ASC 606 as of December 31, 2021. The Institute deferred \$83 of revenue and expenses associated with contracts as of December 31, 2021.

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.

Monterey Bay Aquarium Research Institute

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(in thousands of dollars)

The following table disaggregates revenue based on the timing of revenue recognition for the year ending December 31, 2021:

	2021
Over time (procurement)	\$ 303
Point in time (royalties)	<u>203</u>
	<u>\$ 506</u>

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 that the Institute carries out activities that are subject to unrelated business income tax, it is subject to income taxation.

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, 2021.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2022 for the Institute. The Institute is evaluating the impact of the new guidance on the financial statements.

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December 31, 2021

(in thousands of dollars)

2. Property and Equipment

Property and equipment at December 31, 2021 consist of the following:

	2021
Land	\$ 4,236
Buildings	55,300
Research vessels	46,652
Remotely operated vehicles	24,338
Ocean deployed equipment	32,028
General equipment, furniture, and fixtures	21,257
Capital projects in progress	<u>18,080</u>
	201,891
Less: Accumulated depreciation	<u>(150,723)</u>
Property and equipment, net	<u>\$ 51,168</u>

Depreciation expense for the year ended December 31, 2021 was \$8,387. As of December 31, 2021, the carrying value of the leased property for which the Institute is the lessor is as follows:

	2021
Land	\$ 165
Buildings	1,397
Less: Accumulated depreciation	<u>(1,194)</u>
Lease property, net	<u>\$ 368</u>

Change in estimates

During 2021 the Institute formalized plans to decommission the Research Vessel ("RV") Western Flyer and real property commonly known as Building G. The RV Western Flyer and its improvements are depreciated over a period of 10 years and have been revised down to 18 months to coincide with its decommissioning in September of 2022 with an estimated salvage value of \$400. Building G and its improvements are depreciated over a period of 30 years and have been revised down to 12 months to coincide with its expected demolition as of June 2022. The effect of these changes on actual and expected depreciation expense is as follows.

	2021	2022
Increase in depreciation expense - Western Flyer	\$ 337	\$ 253
Increase in depreciation expense - Building G	<u>290</u>	<u>249</u>
Total	<u>\$ 627</u>	<u>\$ 502</u>

3. Related-Party Transactions

In December of 2021, the Institute received funding from the Foundation to support the subsequent year's operations. The receivable from the Foundation was \$51,274 as of December 31, 2021 and

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2021

(in thousands of dollars)

is included in net assets without donor restrictions. In addition to the funding for the Institute's operations, the Institute received funding from the Foundation in the amount of \$75,000 on October 30, 2020 for project management and construction costs for a new flagship research vessel and related onshore infrastructure, capital grant. In 2021 the Institute received \$30,000 of the capital grant from the Foundation. The receivable from the Foundation for the capital grant as of December 2021 is \$25,000.

4. Commitments and Contingencies

The Institute leases certain land and facilities under noncancelable operating leases. The terms of these leases expire in 2025 through 2039, with certain options to renew. Certain rental rates are subject to adjustment based on increases in the consumer price index. Future minimum lease payments under noncancelable operating leases as of December 31, 2021 are approximately as follows:

Year ending December 31,	
2022	\$ 217
2023	221
2024	223
2025	176
2026	36
Thereafter	520
	<u>\$ 1,393</u>

Rent expense was \$216 for the year ended December 31, 2021.

During 2021 the Institute entered into contracts with Construcciones Navales P. Freire S.A. to construct a new research vessel and Avila Brothers, Inc. to construct a field expedition staging building. The contract amount with Construcciones Navales P. Freire S.A. is \$41,880 which the Institute made deposits of \$14,658 during 2021. The remaining amount of \$27,222 is to be paid out in 2022 and 2023 in accordance with the completion of specific milestones. The contract amount with Avila Brothers, Inc is \$4,651 with installments of \$1,869 paid during 2021. The remaining \$2,782 is to be paid during 2022.

As of December 31, 2021 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, respectively. 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.

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2021

(in thousands of dollars)

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. Minimum Future Rental Revenues

The Institute leases land and facilities to others under noncancelable leases with lease terms expiring in 2022 and 2025, with options to renew. Certain rental rates are subject to annual increases ranging up to 3%.

Minimum future rental receipts from operating leases having noncancelable lease terms in excess of one year as of December 31, 2021 are approximately as follows:

Year ending December 31, 2021

2022	\$	110
2023		40
2024		40
2025		41
Thereafter		-
	\$	<u>231</u>

6. Retirement Plans

The Institute sponsors a defined contribution plan under IRC 403(b). The 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 Plan. Total expenses related to this plan were \$2,502 in 2021.

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, 2021 the Institute held plan investments of \$5,895 that are included in deferred compensation plan investments. These assets are designated by the Institute to pay future Salary Deferral Plan liabilities of \$5,895 as of December 31, 2021. 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, 2021 the Institute held plan investments of \$106, that are included in deferred compensation plan investments, which are designated by the Institute to pay future Compensation Restoration Plan liabilities of \$106 December 31, 2021. These liabilities are included in deferred compensation plan liabilities.

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2021

(in thousands of dollars)

At December 31, 2021 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:

	2021
Equity and bond mutual funds	\$ 2,487
Equity mutual funds	3,293
U.S. Government securities mutual funds	<u>221</u>
Total fair value of deferred compensation plan investments	<u>\$ 6,001</u>

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, 2021 on a measurement date of December 31:

	2021
Benefit obligation	\$ 18,105
Fair value of plan assets	<u>-</u>
Unfunded status	<u>\$ 18,105</u>
Amount recognized in the statements of financial position as postretirement benefit liabilities	\$ 18,105

Amounts recognized in net assets without donor restrictions at December 31, 2021 were as follows:

	2021
Net loss	\$ 6,436
Prior service cost	<u>(11,489)</u>
	<u>\$ (5,053)</u>

The Institute Plan's net periodic postretirement benefit cost reflected in the statement of activities for the years ended December 31, 2021 was (\$1,960).

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2021

(in thousands of dollars)

Changes other than net periodic postretirement benefit cost recognized in the statement of activities for the year ended December 31, 2021 was as follows:

	2021
Net actuarial loss (gain)	\$ (869)
Amortization of net loss	(598)
Plan amendment	-
Amortization of prior service cost	<u>3,357</u>
Total changes other than net periodic postretirement benefit cost/credit	<u>\$ 1,890</u>

Total contributions paid by the Institute to the Plan for the years ended December 31, 2021 were \$382. Total benefit payments made from the Plan for the years ended December 31, 2021 were \$453.

The weighted-average discount rate used in determining the accumulated postretirement benefit liabilities was 2.67% as of December 31, 2021 and in determining the net periodic postretirement benefit cost was 2.30% the year ended December 31, 2021.

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:

2022	\$ 565
2023	634
2024	680
2025	731
2026	794
2027-2031	4,553

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) was assumed to be 6.8% in 2022 and declining by 0.2% per year until the ultimate trend rate of 5.0% is reached by 2031.

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(in thousands of dollars)

7. Analysis of Expenses

	2021					
	Program Services			Supporting Activities		
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salaries, fringe, board fees	\$ 20,664	\$ 7,247	\$ 1,004	\$ 28,915	\$ 5,033	\$ 33,948
Other expenses and allocations	18,117	(5,057)	451	13,511	3,597	17,108
Depreciation	5,565	195	11	5,771	2,616	8,387
Occupancy	3,669	661	204	4,534	(3,205)	1,329
Travel, conferences and meetings	195	88	24	307	50	357
Printing and publications	86	7	111	204	16	220
Accounting fees				-	239	239
Legal fees				-	160	160
Postretirement benefit costs - interest and amortization	(1,422)	(499)	(69)	(1,990)	(346)	(2,336)
Total expenses	<u>\$ 46,874</u>	<u>\$ 2,642</u>	<u>\$ 1,736</u>	<u>\$ 51,252</u>	<u>\$ 8,160</u>	<u>\$ 59,412</u>

Monterey Bay Aquarium Research Institute

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December 31, 2021

(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.

8. Available Resources and Liquidity

The Institute has a board designated operating reserve of \$21,309 as of December 31, 2021. This is a governing board-designated reserve with the object 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, 2021.

	2021
Cash and cash equivalents	\$ 61,838
David and Lucile Packard Foundation receivables	76,274
Federal awards and other receivables	<u>3,479</u>
Total financial assets	<u>141,591</u>
Less those unavailable due to designations	
Board designations	
Operating reserve	21,309
Funding from David and Lucile Packard Foundation for capital projects	<u>58,023</u>
Total amounts unavailable for general expenditures	<u>79,332</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 62,259</u>

9. Subsequent Events

The Institute has evaluated subsequent events for the period December 31, 2021 through June 9, 2022, the date financial statements were available to be issued.