Monterey Bay Aquarium Research Institute

Financial Statements and Report of Independent Certified Public Accountants

December 31, 2023

Monterey Bay Aquarium Research Institute
Index
December 31, 2023

GRANT THORNTON LLP
10 Almaden Blvd., Suite 800
San Jose, CA 95113

D +1 408 275 9000
F +1 408 279 4817

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Monterey Bay Aquarium Research Institute

Opinion

We have audited the financial statements of Monterey Bay Aquarium Research Institute (the "Institute"), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities, and cash flows for the year 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 the Institute as of December 31, 2023, and the results of its operations 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 of the financial statements 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 Auditor's 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 one year after the date the financial statements are issued.

Auditor's 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 auditor's 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.

Grant Thornton LLP

San Jose, California
May 31, 2024

Monterey Bay Aquarium Research Institute
Statement of Financial Position
December 31, 2023

(in thousands of dollars)

		2023
Assets		
Cash and cash equivalents	$	63,677
Receivables		
The David and Lucile Packard Foundation		54,926
Federal awards and other		10,573
Prepaid expenses and other assets		7,995
Deposits on capital acquisitions		33,504
Deferred compensation plan investments		5,741
Right of use lease assets		2,822
Property and equipment, net		81,177
Total assets	$	260,415
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	8,200
Accrued expenses and other liabilities		6,064
Operating lease liabilities		2,949
Deferred compensation plan liabilities		5,741
Postretirement benefit liabilities		14,961
Total liabilities		37,915
Net assets		
Without donor restrictions		
Undesignated		103,303
Board designated		34,404
From The David and Lucile Packard Foundation		
For ongoing operations		54,926
For vessel and shore side infrastructure		22,417
		215,050
With donor restrictions		
Purpose restricted		7,450
		7,450
Total net assets		222,500
Total liabilities and net assets	$	260,415

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

Monterey Bay Aquarium Research Institute
Statement of Activities
Year Ended December 31, 2023

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Funding from The David and Lucile Packard Foundation	$ 54,926	$ -	$ 54,926
Federal awards	18,840	-	18,840
Nonfederal awards	361	5,724	6,085
Net assets release from restrictions - non federal	774	(774)	-
Other	4,757	-	4,757
Total revenue and other support	79,658	4,950	84,608
Expenses			
Research and development	51,676	-	51,676
Marine operations	5,823	-	5,823
Information and technology dissemination	2,195	-	2,195
Operational support	9,619	-	9,619
Total expenses	69,313	-	69,313
Increase in net assets, before nonoperating postretirement activity	10,345	4,950	15,295
Components of net periodic postretirement benefit cost other than service cost	2,639	-	2,639
Net periodic postretirement benefit cost	(3,422)	-	(3,422)
Increase in net assets	9,562	4,950	14,512
Net assets without donor restrictions			
Beginning of year	205,488	2,500	207,988
End of year	$ 215,050	$ 7,450	$ 222,500

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

Monterey Bay Aquarium Research Institute
Statement of Cash Flows
Year Ended December 31, 2023

(in thousands of dollars)

Cash flows from operating activities		
Cash received from donors	$	591
Cash received from grants		19,996
Cash received from other support		653
Cash received from interest		3,543
Cash paid for employees		(35,582)
Cash paid for program expenses		(25,713)
Cash paid for taxes		(49)
Cash paid from deferred compensation		(472)
Net cash used in operating activities		(37,033)
Cash flows from investing activities		
Purchase of deferred compensation plan investments		(850)
Proceeds from maturity of certificates of deposit		12,448
Proceeds from sale and maturity of deferred comp investments		1,050
Purchase of property and equipment using capital grant funding		(21,838)
Purchase of property and equipment		(6,285)
Net cash used in investing activities		(15,475)
Cach flows from financing activities		
Cash received from The David and Lucile Packard Foundation		68,068
Net cash provided by financing activities		68,068
Net increase in cash and cash equivalents		15,560
Cash and cash equivalents		
Beginning of year		48,117
End of year	$	63,677

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 2023 approximately 65% 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 is considered equity transactions. In 2023 the Foundation committed to fund the Institute's subsequent year's operations in the amount of $54,926. Additionally, the Institute has received funding between 2017 and 2022 in the amount of $85,000 for specified capital projects. As these funds are used to pay for those capital projects, the Institute will report these funds as board designated within net assets without donor restriction on the statement of financial position until their anticipated completion in 2024.

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, 2023 the Institute had $7,450 in net assets with donor restrictions of which $4,950 is purpose restricted for specific research and $2,500 is restricted for use on specified capital projects. Of that $7,450, $2,882 also has time restrictions. During the year ended December 31, 2023 the Institute incurred expenditures of $774 that met stipulations of the donations.

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, bonds and certificates of deposits with original maturity dates greater than 90 days which are reported at fair value.

Certificates of deposit totaled $450 and bonds totaled $6,020 as of December 31, 2023.

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. The Institute's financial securities (nonretirement investments) are categorized in the following levels of the fair value hierarchy at December 31, 2023:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 61,889	$ -	$ -	$ 61,889
Certificates of deposit	-	450	-	450
Bonds	-	6,020	-	6,020
	$ 61,889	$ 6,470	$ -	$ 68,359

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 statement of

(in thousands of dollars)

financial position as cash and cash equivalents. Certificates of deposit and bonds are reported on the statement of financial position as prepaid expenses and other assets.

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. Capitalized costs are subject to a threshold of $5 to be accounted for as property and equipment. 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. The Institute recognizes 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, 2023:

	2023
Over time (procurement)	$ 312
Point in time (royalties)	122
	$ 434

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. As of December 31, 2023 the Institute had deferred revenue of $272.

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. 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, 2023.

(in thousands of dollars)

2. Property and Equipment

Property and equipment at December 31, 2023 consist of the following:

		2023
Land	$	4,236
Buildings		51,135
Research vessels		9,679
Remotely operated vehicles		25,547
Ocean deployed equipment		34,992
General equipment, furniture, and fixtures		35,474
Capital projects in progress		43,790
		204,853
Less: Accumulated depreciation		(123,676)
Property and equipment, net	$	81,177

Depreciation expense for the year ended December 31, 2023 was $6,871.

3. Related-Party Transactions

In June of 2023, the Institute received funding commitment from the Foundation to support the subsequent year's operations. The receivable from the Foundation was $54,926 as of December 31, 2023 and is included in net assets without donor restrictions.

4. Contributions receivable

Contributions receivable at December 31, 2023 consist of the following and are grouped within federal awards and other receivables on the statement of financial position:

		2023
Contributions receivable before discount	$	3,052
Less: Unamortized discount*		(170)
Net contributions receivable	$	2,882

Contributions receivable are estimated to be collected as follows as of Decmber 31, 2023:

Amounts due in		
Less than one year	$	1,637
One to two years		1,415
	$	3,052

*The discount rate used to present value contributions for the year ended December 31, 2023 was 6.77%.

(in thousands of dollars)

The Institute had conditional contributions of $44,075 as of December 31, 2023. These are comprised of federal awards that the Institute has obtained but not yet met the conditions to recognize as revenue. As the conditions are met revenue will be recorded as federal awards on the statement of activities.

5. Commitments and Contingencies

Leases

The Institute leases certain land facilities and equipment under operating 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 Institute’s right to use an underlying asset for the lease term and the “Operating lease liabilities” represent the Institute’s obligation to make lease payments arising from the lease based the on present value of lease payments over the lease term.

Components of lease expense for the year ended December 31, 2023 are as follows:

Year ended December 31, 2023		
Lease Cost		
Operating lease cost	$	223
Short term lease cost		56
Total Lease Cost	$	279
Year Ending December 31, 2023		
Operating lease		2,822
Total lease right-of-use asset		2,822
Operating lease		2,949
Total lease liability	$	2,949

The following table displays the weight-average term and discount rate for operating leases as of December 31, 2023:

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

(in thousands of dollars)

The undiscounted cash flows for future years as of December 31, 2023 are as follows:

Undiscounted cash flows due within:	Operating
2024	$ 230
2025	237
2026	244
2027	251
2028	259
2029 and thereafter	2,127
Total undiscounted cash flows	3,349
Less present value	400
Total lease liability	$ 2,949

Rent expense was $291 for the year ended December 31, 2023.

Other commitments and contingencies

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 and $19,024 incurred during 2022 and 2023 respectively. The remaining $18,540 is to be paid in 2024, as construction of the building is completed.

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, 2023. The remaining amount of $11,062 is expected to be paid out in 2024.

As of December 31, 2023 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.

During 2023 the Institute had a structural evaluation completed on a commercial pier that it wholly owns. As a result of the evaluation it was determined that the pier was no longer fit for use and will need to be demolished. The net book value of the pier is not material. The Institute is currently not under an obligation to demolish the pier and as such, the cost to do so has not been reflected in the 2023 financial statements.

(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.

6. Retirement Plans

The Institute sponsors a defined contribution plan under IRC 403(b). The defined contribution 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 $2,671 in 2023.

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, 2023 the Institute held plan investments of $5,605 that are included in deferred compensation plan investments. These assets are designated by the Institute to pay future Salary Deferral Plan liabilities of $5,605 as of December 31, 2023. 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, 2023 the Institute held plan investments of $136, that are included in deferred compensation plan investments, which are designated by the Institute to pay future Compensation Restoration Plan liabilities of $136 December 31, 2023. These liabilities are included in deferred compensation plan liabilities.

At December 31, 2023 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:

	2023
Equity and bond mutual funds	$ 2,256
Equity mutual funds	3,333
U.S. Government securities mutual funds	152
Total fair value of deferred compensation plan investments	$ 5,741

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 thousands of dollars)

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, 2023 on a measurement date of December 31, 2023:

		2023
Benefit obligation	$	14,961
Fair value of plan assets		-
Unfunded status	$	14,961
Amount recognized in the statements of financial position as postretirement benefit liabilities	$	14,961

Amounts recognized in net assets without donor restrictions at December 31, 2023 were as follows:

		2023
Net loss	$	1,814
Prior service cost		(4,775)
	$	(2,961)

The Plan's net periodic postretirement benefit cost reflected in operating expenses in the statement of activities for the year ended December 31, 2023 was ($2,403).

Net periodic postretirement benefit cost recognized in the statement of activities for the year ended December 31, 2023 was as follows:

		2023
Net actuarial (gain)	$	98
Amortization of net (loss)		(33)
Plan amendment		-
Amortization of prior service cost		3,357
Net periodic postretirement benefit cost/credit	$	3,422

The net actuarial loss for the year ended December 31, 2023 was primarily attributable to the decrease in the discount rate from 4.96% as of December 31, 2021 to 4.77% as of December 31, 2023.

Total contributions paid by the Institute to the Plan for the year ended December 31, 2023 were $112. Total benefit payments made from the Plan for the year ended December 31, 2023 were $398.

(in thousands of dollars)

The weighted-average discount rate used in determining the accumulated postretirement benefit liabilities was 4.77% as of December 31, 2023 and in determining the net periodic postretirement benefit cost was 4.96% for the year ended December 31, 2023.

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:

2024	$	619
2025		708
2026		792
2027		858
2028		937
2029-2033		5,182

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) was assumed to be 8.6% in 2023 and declining by 0.4% per year until the ultimate trend rate of 5.0% is reached by 2033.

(in thousands of dollars)

7. Functional Expenses

	2023					
	Program Services				Supporting Activities	
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salaries, fringe, board fees	$ 22,686	$ 6,500	$ 1,264	$ 30,450	$ 5,809	$ 36,259
Other expenses and allocations	19,603	(1,768)	502	18,337	4,479	22,816
Depreciation	4,220	61	97	4,378	2,718	7,096
Travel, conferences and meetings	777	292	22	1,091	237	1,328
Occupancy	4,339	735	243	5,317	(4,175)	1,142
Legal fees	19	-	-	19	369	388
Accounting fees	-	-	-	-	164	164
Printing and publications	33	3	67	103	18	121
Postretirement benefit costs - interest and amortization	(1,651)	(473)	(92)	(2,216)	(423)	(2,639)
Total expenses	$ 50,026	$ 5,350	$ 2,103	$ 57,479	$ 9,196	$ 66,675

(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. Allocable costs from the marine division are captured in cost centers and then allocated based on days the organizational function uses those operations. Facilities costs are allocated based on square footage of the facility and the function occupying the area. 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 incurred costs for award acquisition of $82 during 2023 which are reflected in operational support. 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.

(in thousands of dollars)

8. Available Resources and Liquidity

The Institute has a board designated operating reserve of $34,404 as of December 31, 2023. 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, 2023.

	2023
Cash and cash equivalents	$ 63,677
David and Lucile Packard Foundation receivables	54,926
Federal awards and other receivables	10,573
Total financial assets	129,176
Less those unavailable due to designations	
Board designations	
Operating reserve	34,404
Funding from David and Luclie Packard Foundation for capital projects	22,417
Funding from Valley Foundation for capital projects	2,500
Total amounts unavailable for general expenditures	59,321
Financial assets available to meet cash needs for operating expenditures within one year	$ 69,855

9. Subsequent Events

The Institute has evaluated subsequent events for the period December 31, 2023 through May 31, 2024, the date the financial statements were available to be issued.