

Monterey Bay Aquarium Research Institute

**Financial Statements and Report of Independent
Certified Public Accountants**

December 31, 2025

Monterey Bay Aquarium Research Institute
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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, 2025, and the related statements 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, 2025, 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 for one year after the date the financial statements are available to be 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

New York, New York
June 24, 2026

Monterey Bay Aquarium Research Institute
Statement of Financial Position
December 31, 2025

(in thousands of dollars)

2025

Assets

Cash and cash equivalents	\$	16,860
Receivables		
The David and Lucile Packard Foundation		58,838
Federal awards and other		10,433
Investments		10,025
Prepaid expenses and other assets		2,749
Deferred compensation plan investments		7,768
Right of use lease assets		3,813
Property and equipment, net		<u>159,304</u>
Total assets	\$	<u>269,790</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	7,578
Accrued expenses and other liabilities		5,787
Operating lease liabilities		4,044
Deferred compensation plan liabilities		7,768
Postretirement benefit liabilities		<u>14,629</u>
Total liabilities		<u>39,806</u>

Net assets

Without donor restrictions		
Undesignated		147,588
Board designated		18,699
From The David and Lucile Packard Foundation		
For ongoing operations		<u>58,838</u>
		<u>225,125</u>
With donor restrictions		
Purpose restricted		<u>4,859</u>
		<u>4,859</u>
Total net assets		<u>229,984</u>
Total liabilities and net assets	\$	<u>269,790</u>

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

Monterey Bay Aquarium Research Institute
Statement of Activities
Year Ended December 31, 2025

<i>(in thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Funding from The David and Lucile Packard Foundation	\$ 58,838	\$ -	\$ 58,838
Federal awards	24,120	-	24,120
Nonfederal awards	115	2,324	2,439
Net assets released from restrictions - non federal	5,665	(5,665)	-
Other	2,802	-	2,802
Total revenue and other support	<u>91,540</u>	<u>(3,341)</u>	<u>88,199</u>
Expenses			
Research and development	64,909	-	64,909
Marine operations	10,721	-	10,721
Information and technology dissemination	1,996	-	1,996
Operational support	13,347	-	13,347
Total expenses	<u>90,973</u>	<u>-</u>	<u>90,973</u>
Increase (decrease) in net assets, before nonoperating postretirement activity	567	(3,341)	(2,774)
Components of net periodic postretirement benefit cost other than service cost	784	-	784
Net periodic postretirement benefit (decrease)	<u>(2,644)</u>	<u>-</u>	<u>(2,644)</u>
(Decrease) in net assets	(1,293)	(3,341)	(4,634)
Beginning of year	<u>226,418</u>	<u>8,200</u>	<u>234,618</u>
End of year	<u>\$ 225,125</u>	<u>\$ 4,859</u>	<u>\$ 229,984</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, 2025

(in thousands of dollars)

Cash flows from operating activities

Cash received from donors	\$ 400
Cash received from grants	27,209
Cash received from other support	833
Cash received from interest	1,643
Cash paid for employees	(41,477)
Cash paid for program expenses	(36,217)
Cash paid for taxes	(26)
Cash paid from deferred compensation	(324)
	<hr/>
Net cash used in operating activities	(47,959)

Cash flows from investing activities

Purchase of deferred compensation plan investments	(1,330)
Purchase of investments	(10,049)
Proceeds from sale and maturity of deferred comp investments	1,391
Purchase of property and equipment	(21,733)
	<hr/>
Net cash used in investing activities	(31,721)

Cash flows from financing activities

Cash received from The David and Lucile Packard Foundation	56,848
Cash paid for operating lease liabilities	(530)
	<hr/>
Net cash provided by financing activities	56,318
	<hr/>
Net decrease in cash and cash equivalents	(23,362)

Cash and cash equivalents

Beginning of year	40,222
	<hr/>
End of year	\$ 16,860

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

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2025

(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 2025 approximately 67% 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 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 and have been recorded as contributions on the statement of activities. In 2025 the Foundation committed to fund the Institute's subsequent year's operations in the amount of \$58,838.

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, 2025 the Institute had \$4,859 in net assets with donor restrictions of which \$4,859 is purpose restricted for specific research. As of December 31, 2025 the Institute incurred expenditures of \$5,665 that met stipulations of the donation.

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 actuarial assumptions used in estimating 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, 2025

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

Certificates of deposit totaled \$490 as of December 31, 2025.

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, 2025:

	2025			
	Level 1	Level 2	Level 3	Total
Money market mutual funds \$	15,142	\$ -	\$ -	\$ 15,142
Corporate bonds	-	10,025	-	10,025
Certificates of deposit	-	490	-	490
	<u>\$ 15,142</u>	<u>\$ 10,515</u>	<u>\$ -</u>	<u>\$ 25,657</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. Money market funds are reported on the statement of financial position as cash and cash equivalents. Corporate Bonds are reported on the statement of financial position as investments. Certificates of deposit are reported on the statement of financial position as prepaid expenses and other assets.

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2025

(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. 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

The Institute recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update (“ASU”) 958-605, Not-for-Profit entities – Revenue Recognition. Accordingly, the Institute evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Institute applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Institute evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Institute is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

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

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

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.

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. 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, 2025.

2. Property and Equipment

Property and equipment at December 31, 2025 consist of the following:

	2025
Land	\$ 4,236
Buildings	101,882
Research vessels	67,777
Remotely operated vehicles	27,697
Ocean deployed equipment	34,624
General equipment, furniture, and fixtures	44,612
Capital projects in progress	14,335
	<u>295,163</u>
Less: Accumulated depreciation	(135,859)
Property and equipment, net	<u>\$ 159,304</u>

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2025

(in thousands of dollars)

The Institute's depreciation expense for the year ended December 31, 2025 was \$13,365.

3. Related-Party Transactions

In June of 2025, the Institute received funding commitment from the Foundation to support the subsequent year's operations. The receivable from the Foundation was \$58,838 as of December 31, 2025 and is included in net assets without donor restrictions.

4. Contributions Receivable

Contributions receivable at December 31, 2025 consist of the following and are grouped within federal awards and other on the statement of financial position:

	2025
Contributions receivable before discount	\$ 1,580
Less: Unamortized discount*	<u>-</u>
Net contributions receivable	<u>\$ 1,580</u>

Contributions receivable are estimated to be collected as follows as of December 31, 2025:

Amounts due in

Less than one year	\$ 1,580
One to two years	<u>-</u>
	<u>\$ 1,580</u>

The Institute had conditional contributions of \$34,482 as of December 31, 2025. 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 on the present value of lease payments over the lease term.

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

Components of lease expense for the year ended December 31, 2025 are as follows:

Year ended December 31, 2025

Lease Cost

Operating lease cost	\$	623
Short term lease cost		<u>52</u>
Total Lease Cost	\$	<u>675</u>

Year Ending December 31, 2025

Operating lease	<u>3,813</u>
Total lease right-of-use asset	<u>3,813</u>
Operating lease	<u>4,044</u>
Total lease liability	<u>\$ 4,044</u>

The following table displays the weighted-average term and discount rate for operating leases as of December 31, 2025:

Weighted-average term (years)	11.75
Weighted-average discount rate	1.93%

The undiscounted cash flows for future years as of December 31, 2025 are as follows:

Undiscounted cash flows due within:	<u>Operating</u>
2026	\$ 630
2027	637
2028	645
2029	652
2030	275
2031 and thereafter	<u>1,586</u>
Total undiscounted cash flows	4,425
Less present value	<u>381</u>
Total lease liability	<u>\$ 4,044</u>

Rent expense was \$289 for the year ended December 31, 2025.

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2025

(in thousands of dollars)

Other Commitments and Contingencies

As of December 31, 2025 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 government 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.

6. Retirement Plans

The Institute sponsors a defined contribution plan under Internal Revenue Code ("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 \$3,005 in 2025.

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, 2025 the Institute held plan investments of \$7,547 that are included in deferred compensation plan investments. These assets are designated by the Institute to pay future Salary Deferral Plan liabilities of \$7,547 as of December 31, 2025. 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, 2025 the Institute held plan investments of \$221, that are included in deferred compensation plan investments, which are designated by the Institute to pay future Compensation Restoration Plan liabilities of \$221. These liabilities are included in deferred compensation plan liabilities.

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

At December 31, 2025 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:

	2025
Equity mutual funds	\$ 3,621
Equity and bond mutual funds	3,948
U.S. Government securities mutual funds	<u>199</u>
Total fair value of deferred compensation plan investments	<u>\$ 7,768</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, 2025 on a measurement date of December 31, 2025:

	2025
Benefit obligation	\$ 14,629
Fair value of plan assets	<u>-</u>
Unfunded status	<u>\$ 14,629</u>
Amount recognized in the statements of financial position as postretirement benefit liabilities	\$ 14,629

Amounts recognized in net assets without donor restrictions at December 31, 2025 were as follows:

	2025
Net loss	\$ 45
Prior service cost	<u>73</u>
	<u>\$ 118</u>

The Plan's net periodic postretirement benefit cost for the year ended December 31, 2025 was (\$618).

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

Changes other than net periodic postretirement benefit cost recognized in the statement of activities for the year ended December 31, 2025 was as follows:

	2025
Net actuarial (gain)	\$ (1,153)
Amortization of net loss	31
Amortization of prior service (gain)	<u>(1,522)</u>
Net periodic postretirement benefit cost/credit	<u>\$ (2,644)</u>

Total contributions paid by the Institute to the Plan for the year ended December 31, 2025 were \$537. Total benefit payments made from the Plan for the year ended December 31, 2025 were \$537.

The weighted-average discount rate used in determining the accumulated postretirement benefit liabilities was 5.32% as of December 31, 2025 and in determining the net periodic postretirement benefit cost was 5.44% for the year ended December 31, 2025.

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:

2026	\$ 857
2027	926
2028	971
2029	1,021
2030	1,034
2031-2035	5,421

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) was assumed to be 12% in 2025 and declining by 0.7% per year until the ultimate trend rate of 5.0% is reached by 2036.

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

7. Functional Expenses

	2025					
	Program Services			Supporting Activities		
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salaries, Fringe, Board Fees	\$ 25,127	\$ 8,637	\$ 1,254	\$ 35,018	\$ 6,616	\$ 41,634
Miscellaneous	26,966	(421)	417	26,962	5,361	32,323
Depreciation	7,253	157	97	7,507	5,858	13,365
Occupancy	4,854	2,040	205	7,099	(5,279)	1,820
Travel, Conferences and meetings	658	216	14	888	329	1,217
Legal Fees	-	57	-	57	261	318
Printing and publications	-	-	-	-	28	28
Accounting Fees	51	35	9	95	173	268
Postretirement benefit costs - interest and amortization	(473)	(163)	(24)	(660)	(125)	(785)
Total expenses	<u>\$ 64,436</u>	<u>\$ 10,558</u>	<u>\$ 1,972</u>	<u>\$ 76,966</u>	<u>\$ 13,222</u>	<u>\$ 90,188</u>

Monterey Bay Aquarium Research Institute

Notes to Financial Statements

December 31, 2025

(in thousands of dollars)

The Institute classifies program operating cost amongst its three main activities. Costs 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 \$88 during 2025 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.

8. Available Resources and Liquidity

The Institute has a board designated operating reserve of \$18,699 as of December 31, 2025. 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 and corporate bonds. 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.

Monterey Bay Aquarium Research Institute
Notes to Financial Statements
December 31, 2025

(in thousands of dollars)

The following represents the Institute's financial assets as of December 31, 2025:

	2025
Cash and cash equivalents	\$ 16,860
Investments - corporate bonds	10,025
David and Lucile Packard Foundation receivables	58,838
Federal awards and other receivables	<u>10,433</u>
Total financial assets	<u>96,156</u>
Less those unavailable due to designations	
Net assets with donor restrictions	4,859
Board designations	
Operating reserve	<u>18,699</u>
Total amounts unavailable for general expenditures	<u>23,558</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 72,598</u>

9. Subsequent Events

The Institute has evaluated subsequent events for the period December 31, 2025 through June 24, 2026, the date the financial statements were available to be issued.