

Gulf of Maine Research Institute

Consolidated Financial Statements and
Supplemental Information

Years Ended June 30, 2023 and 2022



WIPFLI

Independent Auditor's Report

To the Board of Directors
Gulf of Maine Research Institute and its Subsidiaries
Portland, Maine

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf of Maine Research Institute, (a nonprofit organization) and its Subsidiaries, Gulf of Maine Properties, Inc., Gulf of Maine Sashimi, Inc., Union Wharf, LLC, and Gulf of Maine Ventures, LLC which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gulf of Maine Research Institute and its Subsidiaries as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Gulf of Maine Research Institute and its Subsidiaries 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 opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf of Maine Research Institute and its Subsidiaries' 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Gulf of Maine Research Institute and its Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf of Maine Research Institute and its Subsidiaries' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of Gulf of Maine Research Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gulf of Maine Research Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulf of Maine Research Institute's internal control over financial reporting and compliance. The financial statements of Gulf of Maine Properties, Inc., Gulf of Maine Sashimi, Inc., Union Wharf, LLC, and Gulf of Maine Ventures, LLC were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.



Wipfli LLP
Augusta, Maine
December 7, 2023

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,265,220	\$ 8,274,717
Short term investments	3,046,872	-
Accrued interest and dividend receivable	41,148	38,722
Promises to give, current	3,177,117	1,688,904
Accounts receivable	1,808,649	1,607,061
Inventory	90,434	98,137
Security deposit	3,300	3,300
Prepaid expenses	311,546	186,431
Total current assets	14,744,286	11,897,272
Property and equipment:		
Property and equipment	34,657,971	34,604,364
Less: accumulated depreciation/amortization	9,543,403	8,595,993
Net property and equipment	25,114,568	26,008,371
Other non-current assets:		
Long-term investments:		
Designated for capital and operations	939,330	840,541
Designated for endowment	11,734,674	9,871,742
Incentive compensation	709,684	697,870
Investment - other	1,000	-
Beneficial interest in pooled investments held by others	2,850,487	2,810,173
Promises to give, non-current, net of amortized discount	3,462,882	2,079,790
Beneficial interest in charitable remainder trust	168,474	157,740
Total other non-current assets	19,866,531	16,457,856
Total assets	\$ 59,725,385	\$ 54,363,499
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 298,787	\$ 309,643
Accounts payable	799,413	779,250
Accrued vacation	287,787	227,256
Accrued payroll liabilities	200,744	146,195
Accrued income tax	1,727	21,142
Accrued interest	21,750	21,750
Current portion of accrued incentive compensation	224,357	159,224
Refundable advance liability	453,555	-
Deferred revenue	65,400	65,893
Total current liabilities	2,353,520	1,730,353
Long-term liabilities:		
Long-term debt, net of current portion	15,261,410	15,219,669
Accrued incentive compensation	624,623	721,392
Convertible notes payable, at fair value	1,405,000	1,405,000
Accrued interest on convertible notes payable	114,556	56,356
Security deposit payable	30,260	28,556
Total long-term liabilities	17,435,849	17,430,973
Total liabilities	19,789,369	19,161,326
NET ASSETS (DEFICIT) AND EQUITY		
Additional paid in capital	133,206	99,441
Without donor restrictions:		
Undesignated	(760,680)	(604,947)
Board-designated	12,175,817	10,482,038
Investment in property, equipment and site acquisition cost	10,276,946	10,861,274
Total without donor restrictions	21,692,083	20,738,365
With donor restrictions	18,110,727	14,364,367
Total net assets	39,802,810	35,102,732
Total net assets and equity	39,936,016	35,202,173
Total liabilities and net assets and equity	\$ 59,725,385	\$ 54,363,499

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Federal and state grants	\$ 8,288,494	\$ 188,526	\$ 8,477,020
Contributions	3,080,213	7,098,605	10,178,818
Investment income	1,226,163	239,343	1,465,506
In-kind income	414,509	-	414,509
Contract income	517,325	-	517,325
Rental income	1,716,534	-	1,716,534
Property management fee	10,540	-	10,540
Sales	1,014,362	-	1,014,362
Other income	2,610	-	2,610
Net assets released from restrictions	3,780,114	(3,780,114)	-
Total support and revenue	20,050,864	3,746,360	23,797,224
Expenses:			
Program expenses:			
Research	3,181,542	-	3,181,542
Education	3,363,983	-	3,363,983
Community	2,329,728	-	2,329,728
Business development	1,046,568	-	1,046,568
Subsidiary expenses	3,050,431	-	3,050,431
Support services:			
Development	1,245,198	-	1,245,198
Management, general & facilities	4,879,696	-	4,879,696
Total expenses	19,097,146		19,097,146
Change in net assets	953,718	3,746,360	4,700,078
Net assets, beginning of year	20,738,365	14,364,367	35,102,732
Net assets, end of year	\$ 21,692,083	\$ 18,110,727	\$ 39,802,810

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Federal and state grants	\$ 6,570,348	\$ 303,616	\$ 6,873,964
Contributions	2,999,166	4,948,624	7,947,790
Investment income (loss)	(1,200,456)	(705,531)	(1,905,987)
In-kind income	452,081	-	452,081
Contract income	370,047	9,579	379,626
Rental income	972,858	-	972,858
Property management fee	5,040	-	5,040
Sales	988,391	-	988,391
Other income	2,638	-	2,638
Net assets released from restrictions	2,780,294	(2,780,294)	-
Total support and revenue	13,940,407	1,775,994	15,716,401
Expenses:			
Program expenses:			
Research	2,796,167	-	2,796,167
Education	2,746,204	-	2,746,204
Community	1,947,774	-	1,947,774
Business development	870,840	-	870,840
Subsidiary expenses	2,270,575	-	2,270,575
Support services:			
Development	1,212,627	-	1,212,627
Management, general & facilities	4,111,921	-	4,111,921
Total expenses	15,956,108	-	15,956,108
Change in net assets	(2,015,701)	1,775,994	(239,707)
Net assets, beginning of year	22,754,066	12,588,373	35,342,439
Net assets, end of year	\$ 20,738,365	\$ 14,364,367	\$ 35,102,732

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services								Management and General			Development	Total
	Research Programs	Education Programs	Community Programs	Business Development	Gulf of Maine Sashimi, Inc.	Union Wharf, LLC	Gulf of Maine Ventures, LLC	Total Program Services	GMRI Management & Administration	GMPInc Operations Facilities	Total		
Salaries	\$ 1,712,638	\$ 1,005,095	\$ 785,033	\$ 445,354	\$ 373,679	\$ -	\$ -	\$ 4,321,799	\$ 1,798,847	\$ -	\$ 1,798,847	\$ 789,238	\$ 6,909,884
Fringe benefits, net	661,087	391,732	306,163	156,102	93,598	-	-	1,608,682	774,477	-	774,477	250,568	2,633,727
Supplies & materials	69,135	45,917	25,025	9,096	907,233	-	-	1,056,406	126,764	-	126,764	30,644	1,213,814
Sub-contracted services	404,168	1,146,997	342,791	36,580	42,761	-	-	1,973,297	297,900	-	297,900	42,030	2,313,227
In-kind expense	-	-	117,737	296,772	-	-	-	414,509	-	-	-	-	414,509
Facilities	16,074	11,974	5,638	1,432	140,090	807,854	-	983,062	39,191	1,062,248	1,101,439	1,112	2,085,613
Other administrative expenses	35,775	20,035	33,175	7,470	211,667	455,770	417	764,309	725,585	-	725,585	46,270	1,536,164
Travel & entertainment	53,082	75,895	154,005	31,274	17,362	-	-	331,618	74,631	-	74,631	37,336	443,585
Special direct costs	229,583	666,338	560,161	62,488	-	-	-	1,518,570	(19,947)	-	(19,947)	48,000	1,546,623
Total Expenses Before Indirect Charge	3,181,542	3,363,983	2,329,728	1,046,568	1,786,390	1,263,624	417	12,972,252	3,817,448	1,062,248	4,879,696	1,245,198	19,097,146
Indirect Charged to Direct Research and Development													
Indirect	1,358,117	899,136	779,678	352,264	-	-	-	3,389,195	(3,999,359)	-	(3,999,359)	610,164	-
Special indirect	1,507	29,532	11,601	3,124	-	-	-	45,764	(48,873)	-	(48,873)	3,109	-
Total Expenses After Indirect Charge	\$ 4,541,166	\$ 4,292,651	\$ 3,121,007	\$ 1,401,956	\$ 1,786,390	\$ 1,263,624	\$ 417	\$ 16,407,211	\$ (230,784)	\$ 1,062,248	\$ 831,464	\$ 1,858,471	\$ 19,097,146

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services							Management and General			Development	Total
	Research Programs	Education Programs	Community Programs	Business Development	Gulf of Maine Sashimi, Inc.	Union Wharf, LLC	Total Program Services	GMRI	GMPInc	Total		
								Management & Administration	Operations Facilities			
Salaries	\$ 1,562,238	\$ 812,275	\$ 644,259	\$ 298,158	\$ 451,306	\$ -	\$ 3,768,236	\$ 1,591,091	\$ -	\$ 1,591,091	\$ 770,815	\$ 6,130,142
Fringe benefits, net	596,817	309,144	249,584	116,281	86,071	-	1,357,897	639,676	-	639,676	228,647	2,226,220
Supplies & materials	32,586	20,391	10,321	4,044	884,246	-	951,588	92,518	-	92,518	25,771	1,069,877
Sub-contracted services	265,388	980,532	112,280	40,289	44,651	-	1,443,140	388,928	-	388,928	53,751	1,885,819
In-kind expense	-	-	234,098	217,983	-	-	452,081	-	-	-	-	452,081
Facilities	11,710	8,409	3,855	179	114,670	161,268	300,091	44,126	859,970	904,096	1,341	1,205,528
Other administrative expenses	19,443	7,100	14,017	1,963	123,292	400,621	566,436	449,502	-	449,502	60,527	1,076,465
Travel & entertainment	29,489	32,171	42,755	2,382	4,450	-	111,247	43,749	-	43,749	27,275	182,271
Special direct costs	278,496	576,182	636,605	189,561	-	-	1,680,844	2,361	-	2,361	44,500	1,727,705
Total Expenses Before Indirect Charge	2,796,167	2,746,204	1,947,774	870,840	1,708,686	561,889	10,631,560	3,251,951	859,970	4,111,921	1,212,627	15,956,108
Indirect Charged to Direct Research and Development												
Indirect	1,125,893	706,960	514,926	233,952	-	-	2,581,731	(3,138,466)	-	(3,138,466)	556,735	-
Special indirect	578	27,545	28,320	9,467	-	-	65,910	(68,769)	-	(68,769)	2,859	-
Total Expenses After Indirect Charge	\$ 3,922,638	\$ 3,480,709	\$ 2,491,020	\$ 1,114,259	\$ 1,708,686	\$ 561,889	\$ 13,279,201	\$ 44,716	\$ 859,970	\$ 904,686	\$ 1,772,221	\$ 15,956,108

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 4,700,078	\$ (239,707)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	984,276	802,027
Loss (gain) on fixed asset disposal	62,865	(10,950)
Imputed interest on debt issuance costs	4,169	7,042
Realized and unrealized (gain) loss on investments	(1,129,116)	2,033,435
Bad debt expense	-	39,074
Stock option compensation cost	33,765	99,441
Reinvested dividends and interest	(268,988)	(190,291)
Change in discount on promises to give	(333,195)	(15,202)
Change in value in charitable remainder trust	(10,734)	62,504
Permanently restricted contributions	(5,000)	(241,200)
(Increase) decrease in assets:		
Accrued interest and dividend receivable	(2,426)	(2,711)
Net promises to give	(2,538,110)	178,313
Accounts receivable	(201,588)	(375,898)
Inventory	7,703	(79,483)
Prepaid expenses	(125,115)	4,984
Increase (decrease) in liabilities:		
Accounts payable	20,163	313,537
Accrued vacation	60,531	24,066
Accrued payroll liabilities	54,549	(254,445)
Accrued income tax	(19,415)	21,142
Accrued interest	58,200	63,883
Accrued incentive compensation	(31,636)	60,724
Deferred revenue	(493)	46,964
Refundable advance liability	453,555	-
Security deposit payable	1,704	16,175
Net cash and cash equivalents provided by operating activities	1,775,742	2,363,424
Cash flows from investing activities:		
Purchase of property and equipment	(161,204)	(2,776,431)
Purchase of investments	(6,397,230)	(1,680,285)
Proceeds from sale of investments	2,733,613	492,500
Proceeds from disposal of fixed assets	7,866	8,255
Net cash and cash equivalents used in investing activities	(3,816,955)	(3,955,961)
Cash flows from financing activities:		
Proceeds from issuance of debt	325,549	3,044,663
Proceeds from issuance of convertible notes	-	455,000
Repayments on long-term debt	(298,833)	(160,964)
Repayments on capital lease	-	(1,550)
Permanently restricted contributions	5,000	241,200
Net cash and cash equivalents provided by financing activities	31,716	3,578,349
Net change in cash and cash equivalents	(2,009,497)	1,985,812
Cash and cash equivalents, beginning of year	8,274,717	6,288,905
Cash and cash equivalents, end of year	\$ 6,265,220	\$ 8,274,717
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 19,836	\$ -
Cash paid during the year for interest	\$ 675,149	\$ 240,111
Supplemental disclosures of noncash investing and financing activities:		
During the year ended June 30, 2022, Union Wharf, LLC obtained new financing for the purchase of a wharf. Financing of \$9,824,613 went directly to the seller for the purchase. Additionally, debt issuance costs of \$19,762 were relieved through closing.		
During the year ended June 30, 2022, Gulf of Maine Properties, Inc. refinanced debt of \$2,785,926 with a new lender. Debt issuance costs of \$19,535, accrued interest of \$8,126 and an escrow account of \$1,750 were established or paid through closing.		

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

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements reflect the application of the accounting policies described in this note.

Nature of Operations

Gulf of Maine Research Institute (GMRI) was incorporated in 1994 under the laws of the State of Maine as a not-for-profit corporation committed to (i) facilitating and conducting marine research; (ii) educating the public about the oceans; (iii) enabling informed decisions about the stewardship and use of our marine resources; (iv) supporting investment in marine communities; (v) applying lessons learned in the Gulf of Maine to other marine communities worldwide; and (vi) undertaking the financing, siting, design, construction and operation of facilities to support its education, research, and community development interests.

In 2004, Gulf of Maine Properties, Inc. (GMPInc) was incorporated as a not-for-profit corporation and a wholly-owned subsidiary of GMRI under the laws of the State of Maine to acquire, hold, manage, maintain, develop, or dispose of real property for the benefit of and in connection with GMRI. Collectively, GMRI and GMPInc comprise the Institute.

During 2019, Gulf of Maine Sashimi, Inc. (GOMS) d/b/a True Fin was incorporated by action of the GMRI Board, as a wholly-owned for-profit subsidiary of GMRI under the laws of the State of Maine. GOMS was formed as a taxable C-Corporation and its primary purpose is to buy sashimi grade fish from commercial fishermen and sell it to dealers, retailers, and restaurants locally and outside the region. Subsequent to year end the Board of GOMS made a decision to dissolve the entity (see Note 25).

During 2022, Gulf of Maine Ventures, LLC (GOMV) was incorporated by action of the GMRI Board, as a wholly-owned single member limited liability company subsidiary of GMRI under the laws of the State of Maine.

During 2022, Union Wharf, LLC (UW) was incorporated by action of the GMRI Board, as a wholly-owned single member limited liability company subsidiary of GMRI under the laws of the State of Maine. On December 29, 2021, this entity purchased the property located on Union Wharf and assumed operations thereof.

Basis of Presentation

The consolidated financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

All inter-entity balances and activities have been eliminated in presenting the consolidated financial statement amounts.

Use of Estimates

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

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (No. 2016-02, Leases (Topic 842)). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases in the statement of financial position. The Institute adopted the guidance for the year ended June 30, 2023 resulting in no material impact to the consolidated financial statements or the related disclosure notes.

Cash and Cash Equivalents

For financial statement purposes, the Institute considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, other than those balances held as a portion of investments. Cash equivalents are carried at cost, which approximates fair value.

Promises to Give

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The carrying value of promises to give is reduced by a reserve for estimated uncollectible amounts based on a periodic review of outstanding promises to give by management. Conditional promises to give are not included as support until the conditions are substantially met. Management determined there was no reserve for uncollectible amounts necessary as of June 30, 2023 and 2022.

Accounts Receivable

Accounts receivable consist of amounts due from funders under various grants, contracts and rental agreements. Management provides for probable uncollectible amounts through a charge to a reserve for bad debt based on its assessment of the current status of individual accounts. No reserve for uncollectible amounts is deemed necessary as management views all such balances, which are primarily from governmental entities, to be fully collectible.

Investments

Investments are carried at estimated fair value based on quoted market prices. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment and Depreciation

Property and equipment are carried at cost if purchased, or fair market value if donated. The Institute depreciates property and equipment using the straight-line method over the following estimated useful lives of the respective assets:

Land	N/A
Artwork	N/A
Buildings	25 to 40 years
Site improvements	15 years
Leasehold improvements	15 years
Exhibits (permanent)	10 years
Equipment, furniture, and fixtures	5 to 7 years
Vehicles	5 years
Computer hardware and software	3 to 5 years

The Institute uses the following thresholds in determining the capitalization of assets. An individual purchase of equipment, furniture and fixtures, greater than or equal to \$5,000, will be capitalized and depreciated. A purchase of such that is less than \$5,000 will be expensed. Soft costs of design consulting, software development, and content development for educational programs will be expensed. Given market valuation uncertainties and unknown future value of the educational content, this policy takes the most conservative approach by assigning no future value to these assets. Depreciation expense for the years ended June 30, 2023 and 2022, was approximately \$984,000 and \$802,000, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund.

Net assets without donor restrictions for GMRI reflect accumulated operating losses from GMRI's subsidiary GOMS totaling \$1,668,578 and \$1,051,877 as of June 30, 2023 and 2022, respectively.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Contribution Revenue

Contributions are recognized as revenue when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue when the barriers to entitlement are met and overcome.

Contributions received are classified based on the existence or absence of donor or grantor-imposed restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (this is when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Restricted support whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

Grant and Contract Revenue

Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant agreement.

Grant and contract awards that are contributions - Grant and contract awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contracts with Customers

The Institute provides contract, conference, and other services to customers. Under these performance obligations, the Institute charges customers based on terms over the life of the contracts. The Institute applies a practical expedient to recognize revenue over time in the amount to which it has the right to invoice, if its right to consideration is equal to the value of performance completed to date. Performance obligations are typically satisfied as the services are rendered. The Institute applies the output method to recognize revenue as it is the most reasonable depiction of the transfer of services to its customers.

Revenues from contracts with customers recognized over time for the years ended June 30, 2023 and 2022, are \$530,475 and \$387,304, respectively.

The Institute's subsidiary GOMS sells sashimi grade fish to various dealers and retail outlets. In accordance with Accounting Standards Update (ASU) 2014-09, revenue is recognized upon satisfaction of all contractual performance obligations and is measured at the amount of consideration to which GOMS expects to be entitled to for the corresponding merchandise. Substantially all of the sales are single performance obligation arrangements with the transaction price being the stand-alone selling price of each item. Revenue is recognized at a point in time, which occurs at the point of sale, when the customer receives and pays for the purchased goods. Revenue recognized at a point in time was \$1,014,362 and \$988,391 for the years ended June 30, 2023 and 2022, respectively.

Receivables, exclusive of amounts due under grant agreements, were \$69,666 and \$103,907 as of June 30, 2023 and 2022, respectively. Contract liabilities consist of deferred revenue of \$954 and \$65,893 as of June 30, 2023 and 2022, respectively. Receivables were \$64,929 and contract liabilities were \$18,929 as of July 1, 2021.

Rental Income

The Institute's subsidiaries, GMPInc and UW, lease space to third parties under leases that range from one to eleven years with no right of purchase. Rental revenues are reported and recognized in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases*, using a method for revenue recognition that represents a straight-line basis over the term of the lease. Rent revenue is recognized in the period in which it is earned. Any amounts received for future periods are reported as deferred income. The subsidiaries elected to not separate the lease components of a contract and its associated non-lease components of lessor-provided maintenance and other services.

In-Kind Contributions - Contributed Nonfinancial Assets

The Institute's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed nonfinancial assets consist of contributed services of \$414,509 and \$452,081 for the years ended June 30, 2023 and 2022, respectively. The Institute recognizes contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions - Contributed Nonfinancial Assets (Continued)

Contributed services recognized comprise professional services from local advisors, fisherman and fleet management companies. These services were utilized during the reporting period for business development and community programs. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses which cannot be specifically identified to programs (indirect costs) are allocated based on modified total direct costs for each program. Management distributes these costs based on a cost allocation plan using a federally negotiated indirect cost rate. Expenses which have been allocated using this method include, but are not limited to, administrative salaries and wages, occupancy, supplies, telephone, and accounting.

ASC 842 Lease Accounting

The Institute may at times enter into noncancelable operating leases. If the contract provides the Institute the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

For all underlying classes of assets, the Institute has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Institute is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Institute recognizes short-term lease cost on a straight-line basis over the lease term.

Income Taxes

GMRI and GMPInc have been determined to be exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and have both been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

GOMS is a for-profit taxable subsidiary and is subject to income taxes. Deferred income taxes arise from temporary differences in the bases of assets and liabilities for financial reporting and tax purposes. Deferred taxes are classified as current or non-current, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current, depending on the periods in which the temporary differences are expected to reverse. GOMS has accumulated net operating losses for tax purposes of approximately \$1,549,000. The losses represent a deferred tax asset of \$379,000 which management believes will likely be realized if debt forgiveness occurs with the dissolution of GOMS (see Note 25).

GOMV and UW are single-member limited liability companies disregarded for federal tax purposes.

The Institute has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. The Institute is subject to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for three years after the filing of the Institute's return.

Stock-based Compensation

GOMS has a stock-based employee compensation plan. The fair value of the stock options was estimated as of the date of grant using a 409A valuation approach for a start-up company performed by a third-party valuation specialist. The fair value of each common stock award is estimated on the date of grant using a market approach valuation model that uses various assumptions and weighted probabilities and the most recent financing of the company.

The resulting compensation cost for common stock awards are amortized on a straight-line basis over the vesting period for the entire award. Forfeitures are accounted for as they occur.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Institute uses various methods, including market, income and cost approaches. Based on these approaches, the Institute often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Institute is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Institute performs a detailed analysis of the assets and liabilities. At each reporting period, if applicable, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Charitable Remainder Trust

The fair value of the charitable remainder trust is determined based on calculating the present value of future distributions expected to be received, using applicable life expectancy tables and discount rates.

Interest in Pooled Investments

The beneficial interest in pooled investments held by others is valued at fair value using GMRI's calculated share of the pooled fund and the underlying value of the fund's assets at June 30.

Convertible Notes Payable

The fair value of the convertible notes payable is determined based upon a valuation of the potential stock price under a market approach. The underlying value of the tangible and intangible assets of GOMS as well as the present value of the future cash flows expected from GOMS was used in determining the fair value.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Loan Financing Costs

Unamortized loan origination costs related to issuance of long-term debt are amortized over the life of the related debt using the straight-line method, and have been recorded as a reduction to the related notes payable obligation. Net deferred financing costs as of June 30, 2023 and 2022, were \$69,266 and \$73,435, respectively.

New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments, will require the Institute to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. This accounting standard will be effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The Institute is evaluating what impact this new standard will have on its consolidated financial statements.

Subsequent Events

Management has evaluated all other subsequent events through December 7, 2023, the date the consolidated financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of these consolidated financial statements.

Subsequent to year end GOMS board of directors approved a plan of liquidation for the entity (see Note 25).

Note 2: Liquidity and Availability of Financial Resources

The Institute strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Institute's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the date of the consolidated statements of financial position because of donor restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability of Financial Resources (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 6,265,220	\$ 8,274,717
Less board-designated cash for specified purposes	(1,483,591)	(1,636,256)
Short term investments	3,046,872	-
Accrued interest and dividend receivable	41,148	38,722
Promises to give, current	3,177,117	1,688,904
Accounts receivable	1,808,649	1,607,061
Long-term investments: designated for endowment appropriation	428,300	357,671
Total	\$ 13,283,715	\$ 10,330,819

The Institute's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Institute's board-designated endowment of \$9,869,657 and \$8,122,074 as of June 30, 2023 and 2022, respectively, is subject to an annual distribution rate of 4.0 percent, as described in Note 9. Although the Institute does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

Note 3: Cash and Cash Equivalents

Cash balances were held in various checking and money market accounts in various financial institutions at June 30, 2023 and 2022. These accounts are all considered cash and cash equivalents for determining the change in cash in the accompanying consolidated statements of cash flows. At June 30, 2023 and 2022, account balances were insured up to \$250,000. Management has not experienced any losses in these accounts and believes that it is not exposed to any significant risk on cash or cash equivalents.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 4: Promises to Give and Conditional Promises Receivable

Promises to give or pledges, net of unamortized discount and allowance for uncollectible accounts, are summarized as follows at June 30, 2023 and 2022. Interest rates based on market factors are used to discount the future payments of each respective year's pledges.

<i>June 30,</i>	2023	2022
Pledges receivable expected to be collected in:		
Less than one year	\$ 3,177,117	\$ 1,688,904
One year to five years	3,871,000	2,154,713
Subtotals	7,048,117	3,843,617
Less: discount to net present value at rates ranging from 0.07% to 5.4%	408,118	74,923
Pledges receivable, net	6,639,999	3,768,694
Less: current portion, net	3,177,117	1,688,904
 Pledges receivable, net of current portion	 \$ 3,462,882	 \$ 2,079,790

Management estimates the allowance for uncollectible pledges based on a review of specific pledges outstanding. An allowance was not considered necessary as of June 30, 2023 and 2022.

In addition, at June 30, 2023 and 2022, GMRI holds conditional promises in the total amount of \$2,671,829 and \$2,842,087, respectively, which have not been reflected in these consolidated financial statements. These are due to be received from the donors in future years upon the satisfaction of certain conditions.

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2023:

	GMRI	GMPInc	GOMS	UW	Total
Land	\$ 1,521,336	\$ 2,540,526	\$ -	\$ 3,819,266	\$ 7,881,128
Building	-	11,397,121	-	-	11,397,121
Wharf	-	-	-	8,701,156	8,701,156
Site improvements	2,387,314	377,125	-	-	2,764,439
Artwork	-	6,345	-	-	6,345
Leasehold improvements	324,057	88,686	-	-	412,743
Furniture and fixtures	222,459	302,297	-	-	524,756
Computer hardware and software	156,783	-	25,470	-	182,253
Equipment and vehicles	1,459,930	171,721	24,787	-	1,656,438
Exhibits	1,131,592	-	-	-	1,131,592
 Total	 \$ 7,203,471	 \$ 14,883,821	 \$ 50,257	 \$ 12,520,422	 \$ 34,657,971

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 5: Property and Equipment (Continued)

A summary of property and equipment is as follows as of June 30, 2022:

	GMRI	GMPInc	GOMS	UW	Total
Land	\$ 1,521,336	\$ 2,540,526	\$ -	\$ 3,819,266	\$ 7,881,128
Building	-	11,397,121	-	-	11,397,121
Wharf	-	-	-	8,701,156	8,701,156
Site improvements	2,387,314	377,125	-	-	2,764,439
Artwork	-	6,345	-	-	6,345
Leasehold improvements	324,057	88,686	81,414	-	494,157
Furniture and fixtures	212,459	302,297	-	-	514,756
Computer hardware and software	156,783	-	25,440	-	182,223
Equipment and vehicles	1,308,727	171,721	50,999	-	1,531,447
Exhibits	1,131,592	-	-	-	1,131,592
Total	\$ 7,042,268	\$ 14,883,821	\$ 157,853	\$ 12,520,422	\$ 34,604,364

Note 6: Investments

Following is a summary of GMRI's and GMPInc's investment securities at June 30, 2023:

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	\$ 5,372,615	\$ -	\$ 5,372,615
Domestic exchange traded funds	8,208,310	367,591	8,575,901
Non-government fixed income	1,149,275	548,945	1,698,220
Foreign fixed income	285,044	-	285,044
Cash and cash equivalents	475,986	22,794	498,780
Total	\$ 15,491,230	\$ 939,330	\$ 16,430,560

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 6: Investments (Continued)

Following is a summary of GMRI's and GMPInc's investment securities at June 30, 2022:

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	\$ 2,240,390	\$ -	\$ 2,240,390
Domestic exchange traded funds	6,321,300	312,618	6,633,918
Non-government fixed income	1,127,140	467,674	1,594,814
Foreign fixed income	321,327	-	321,327
Cash and cash equivalents	559,455	60,249	619,704
Total	\$ 10,569,612	\$ 840,541	\$ 11,410,153

Investment income consists of the following as of June 30, 2023:

	GMRI	GMPInc	Union Wharf	Total
Interest and dividends	\$ 329,233	\$ 35,138	\$ 11,331	\$ 375,702
Change in beneficial interest in charitable remainder trust	10,734	-	-	10,734
Unrealized and realized gains	1,119,255	9,861	-	1,129,116
Less: fees	(47,528)	(2,518)	-	(50,046)
Total	\$ 1,411,694	\$ 42,481	\$ 11,331	\$ 1,465,506

Investment income (loss) consists of the following as of June 30, 2022:

	GMRI	GMPInc	Union Wharf	Total
Interest and dividends	\$ 228,124	\$ 14,720	\$ 1,393	\$ 244,237
Change in beneficial interest in charitable remainder trust	(62,504)	-	-	(62,504)
Unrealized and realized losses	(1,938,069)	(95,366)	-	(2,033,435)
Less: fees	(51,743)	(2,542)	-	(54,285)
Total	\$ (1,824,192)	\$ (83,188)	\$ 1,393	\$ (1,905,987)

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Beneficial Interest in Pooled Investments Held by Others

In 2013, GMRI established an endowment fund held by the Maine Community Foundation (the Foundation). Pursuant to the terms of the resolution establishing this fund, property contributed to the Foundation is held as a separate fund designated for the benefit of the Institute. In accordance with its spending policy, the Foundation makes distributions from the fund to GMRI. The value of the interest in pooled investments totaled \$2,850,487 and \$2,810,173 at June 30, 2023 and 2022, respectively.

Note 8: Beneficial Interest in Charitable Remainder Trust

In 2008, GMRI was notified that it had been named a remainderman of a charitable remainder trust established by a particular donor who passed away during that year. Under the terms of this trust, a specified life tenant is to receive an annual distribution equal to 6% of the fair market value of the trust assets, as measured annually. Upon the death of this life tenant, the remaining trust assets are then to be distributed to various charitable beneficiaries; GMRI's share is to be one-third of such assets. At June 30, 2023 and 2022, the fair value of GMRI's interest in this trust was estimated to be \$168,474 and \$157,740, respectively, and in accordance with GAAP is recorded as an asset within the consolidated statements of financial position.

At June 30, 2023, this fair value estimate was based on the readily-determinable market value of the underlying trust assets, an assumed remaining life expectancy of the life tenant of 6 years from that date, assumed annualized nominal rates of return for the trust assets of 5.5%, and a discount rate of 4.13%. The change in the value of GMRI's interest in this trust is included in net investment income (loss) in the amount of \$10,734 and \$(62,504) for the years ended June 30, 2023 and 2022, respectively.

Note 9: Endowments

As noted elsewhere in the consolidated financial statements, at June 30, 2023 and 2022, the Board of Directors had designated \$9,869,657 and \$8,122,074, respectively, of GMRI's net assets without donor restrictions for long-term investment purposes. The purpose of these assets is to serve as a board designated endowment, the income from which is to be used to help meet the operating costs of GMRI and, if necessary, the balance of which is to provide a last-resort source of funds in the case of serious financial need.

Relevant Law

GMRI's endowment consists of various funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to act as endowments. Endowment net assets, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Endowments (Continued)

GMRI's endowment (the Endowment) consists of various funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. The Board of Directors has interpreted the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, GMRI retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment; and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by GMRI in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, GMRI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of GMRI and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources and the investment policies of GMRI.

Under that statute, GMRI's board designated investments acting as endowments are not considered to constitute an endowment from a legal perspective under UPMIFA, though they do constitute a board designated endowment from a financial accounting and reporting perspective.

Endowment Spending Policy

The Board of Directors has approved an annual distribution of 4% of the trailing 12-quarter average value of the endowment fund to support current operations. However, during endowment-building campaigns, distributions may be calculated on the ending balance of the endowments in lieu of the average value over the trailing 12 quarters. No other withdrawals, expenditures or transfers from the Board designated endowment may be made without prior approval by the Board of Directors.

Endowment Investment Policy

GMRI has adopted a policy under which its board designated, and donor restricted endowment fund investments shall be comprised of 70-90% equities, 10-30% debt securities, and 0-10% cash and cash equivalents with a strategic target asset allocation of 80% equities and 20% debt securities. The fund is to be managed to achieve a moderate degree of risk, neither seeking the highest possible returns, nor avoiding all risk of loss, managing volatility in endowment asset value through an investment portfolio diversified by market geography, investment style, and asset class. GMRI believes that these parameters serve to appropriately guide the management of this fund to achieve the purposes stated earlier.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Endowments (Continued)

The Institute's endowment balances were comprised of the following as of June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 9,869,657	\$ 2,339,569	\$ 12,209,226
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,688,453	1,688,453
Accumulated investment gains	-	217,008	217,008
Total	\$ 9,869,657	\$ 4,245,030	\$ 14,114,687

Included in endowment investments as of June 30, 2023, is accrued interest and dividends receivable in the amount of \$40,443.

The changes in the Institute's endowment balances for the year ended June 30, 2023, were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, beginning of year	\$ 8,122,074	\$ 1,787,759	\$ 9,909,833
Contributions	1,169,920	-	1,169,920
Investment return:			
Investment income	135,130	28,326	163,456
Net appreciation	786,761	164,971	951,732
Total investment return	921,891	193,297	1,115,188
Appropriation of endowment assets pursuant to spending rate-policy	(344,228)	(75,595)	(419,823)
Endowment investments, end of year	9,869,657	1,905,461	11,775,118
Promises to give for endowment, board-designated, net of discount	-	2,339,569	2,339,569
Total endowment net assets, end of year	\$ 9,869,657	\$ 4,245,030	\$ 14,114,687

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Endowments (Continued)

The Institute's endowment balances were comprised of the following as of June 30, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 8,122,074	\$ 2,164,956	\$ 10,287,030
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,688,453	1,688,453
Accumulated investment gains	-	99,306	99,306
Total	\$ 8,122,074	\$ 3,952,715	\$ 12,074,789

Included in endowment investments as of June 30, 2022, is accrued interest and dividends receivable in the amount of \$38,089.

The changes in the Institute's endowment balances for the year ended June 30, 2022, were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, beginning of year	\$ 8,317,198	\$ 1,886,764	\$ 10,203,962
Contributions	575,543	241,200	816,743
Transfer from board designated reserve	739,436	-	739,436
Investment return:			
Investment income	130,397	28,545	158,942
Net depreciation	(1,338,360)	(295,518)	(1,633,878)
Total investment return	(1,207,963)	(266,973)	(1,474,936)
Appropriation of endowment assets pursuant to spending rate-policy	(302,140)	(73,232)	(375,372)
Endowment investments, end of year	8,122,074	1,787,759	9,909,833
Promises to give for endowment, board-designated, net of discount	-	2,164,956	2,164,956
Total endowment net assets, end of year	\$ 8,122,074	\$ 3,952,715	\$ 12,074,789

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 10: Fair Value Measurements

Fair values of assets and (liabilities) measured on a recurring basis at June 30, 2023, are as follows:

	Total	Level 1	Level 2	Level 3
U.S. Treasury and government agencies	\$ 5,372,615	\$ 5,372,615	\$ -	-
Domestic exchange traded funds	8,575,901	8,575,901	-	-
Non-government fixed income	1,698,220	1,698,220	-	-
Foreign fixed income	285,044	285,044	-	-
Cash and cash equivalents	498,780	498,780	-	-
Interest in pooled investments	2,850,487	-	2,850,487	-
Charitable remainder trust	168,474	-	-	168,474
Total assets	\$ 19,449,521	\$ 16,430,560	\$ 2,850,487	\$ 168,474
Convertible notes	\$ (1,405,000)	\$ -	\$ -	\$ (1,405,000)
Total liabilities	\$ (1,405,000)	\$ -	\$ -	\$ (1,405,000)

Fair values of assets and (liabilities) measured on a recurring basis at June 30, 2022, are as follows:

	Total	Level 1	Level 2	Level 3
U.S. Treasury and government agencies	\$ 2,240,390	\$ 2,240,390	\$ -	-
Domestic exchange traded funds	6,633,918	6,633,918	-	-
Non-government fixed income	1,594,814	1,594,814	-	-
Foreign fixed income	321,327	321,327	-	-
Cash and cash equivalents	619,704	619,704	-	-
Interest in pooled investments	2,810,173	-	2,810,173	-
Charitable remainder trust	157,740	-	-	157,740
Total assets	\$ 14,378,066	\$ 11,410,153	\$ 2,810,173	\$ 157,740
Convertible notes	\$ (1,405,000)	\$ -	\$ -	\$ (1,405,000)
Total liabilities	\$ (1,405,000)	\$ -	\$ -	\$ (1,405,000)

There were no transfers in or out of Level 3 during the fiscal years ended June 30, 2023 and 2022.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 11: Lines of Credit

During fiscal year ended June 30, 2022 GMRI held two lines of credit with local banks. The first of bore a maximum credit limit of \$750,000, with interest payable monthly at a variable rate equal to the lesser of Wall Street Journal prime less 0.25% or BBA LIBOR plus 2.35%, was payable on demand, and was secured by collateral comprising certain investments. The second line of credit bore interest at prime, plus 0.25%, with a floor of 4.00% and was secured by all business assets of GMRI. This credit line was subject to a maximum credit limit of \$1,000,000. Both lines of credit were closed during the fiscal year ended June 30, 2022.

A line of credit was established with Androscoggin Bank upon the refinancing that occurred during the year ended June 30, 2022. The line of credit has a credit limit of \$1,400,000, with interest payable monthly at a variable rate equal to Wall Street Journal prime with a floor of 3.00% (8.25% and 4.75% as of June 30, 2023 and 2022, respectively). The line of credit matures January 27, 2024, and requires the obligation to be at zero for 30 successive days during the term. The line of credit is cross-defaulted and cross-collateralized with the GMPInc note payable. There was no balance outstanding on this credit line at June 30, 2023 and 2022.

Note 12: Notes Payable

A summary of notes payable as of June 30 is as follows:

<i>June 30,</i>	2023	2022
GMPInc \$2,860,000 note payable to a bank, at a fixed rate of 3.35% with monthly principal and interest payments of \$14,089 through September 27, 2031, with a balloon payment due at that time. The note is collateralized by an assignment of leases and rents and all buildings and improvements held by GMPInc. The note is cross-defaulted and cross-collateralized with the line of credit and is guaranteed by GMRI.	\$ 2,731,636	\$ 2,806,408
GMRI six individual friendly loans for varying amounts totaling \$2,900,000 used for the purchase of Union Wharf. The loans bear interest at 1.5% for years one through three and 3% for years four through seven. Interest is payable annually on the anniversary of the notes all dated December 22, 2021, with the entire principal amount due December 2028. One of these is a related party loan for \$1,500,000 with a member of the Board of Director's family foundation.	2,900,000	2,900,000
UW fixed rate mortgage note payable with a lender, interest at 5.05% with monthly principal and interest payments of \$25,677 through January 1, 2047. The note is collateralized by an assignment of leases and rents and the buildings and improvements held by UW. The loan is cross-defaulted and cross-collateralized with the UW variable rate mortgage.	4,240,624	4,332,021
Balance Forward	\$ 5,631,636	\$ 10,038,429

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Notes Payable (Continued)

<i>June 30,</i>	2023	2022
Balance Forward	\$ 5,631,636	\$ 10,038,429
UW variable rate mortgage note payable with a lender, interest at the lender's variable rate (7.50% and 3.25% at June 30, 2023 and 2022, respectively), with monthly principal and interest payments of \$24,814 through January 1, 2047, with a balloon payment due at that time. The note is collateralized by an assignment of leases and rents and the buildings and improvements held by UW. The loan is cross-defaulted and cross-collateralized with the UW fixed rate mortgage.	\$ 5,358,499	\$ 5,464,318
GMRI \$100,000 loan from a local institution with expected additional advances of \$100,000 in 2023 and 2024. The loan bears interest at 5% but does not require the accrual of interest until April 2025 upon which time principal and interest payments of \$5,639 are payable monthly through the maturity date of March 1, 2030.	100,000	100,000
GOMS \$230,000 note to Finance Authority of Maine. The loan bears interest at 6%. Loan commenced in November 2022 and will bear interest only payments from May 2023 through November 2023. Subsequent to November 2023 payments are \$3,341 per month until the maturity date of October 19, 2027, at which point any unpaid principal and interest will be due.	209,802	-
GOMS \$65,000 note to Portland Development Corporation. The loan bears interest at 5.5%. Loan commenced on October 19, 2022, and will bear interest only payments from July 2023 through December 2023. Subsequent to December 2023 payments are 1,242 per month until the maturity date of May 2028 at which point any unpaid principal and interest will be due.	58,353	-
GOMS \$30,549 forgivable note to Finance Authority of Maine under the Thrive Loan program. A portion of the unsecured note is forgiven annually beginning in December 2023 in increments of 25% unless an event of default occurs which would require repayment of the outstanding balance including any interest accrued at 3%.	30,549	-
Total	15,629,463	15,602,747
Less: current portion	298,787	309,643
Less: deferred loan financing costs	69,266	73,435
Long-term portion, net	\$ 15,261,410	\$ 15,219,669

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Notes Payable (Continued)

The \$2,731,636 note along with line of credit (See Note 11) carry certain financial covenants. Among these covenants is a debt service coverage requirement under which GMP Inc's debt service coverage ratio must be maintained at a level of at least 1.25 to 1.

Interest expense for the years ended June 30, 2023 and 2022, was \$733,349 and \$312,119, respectively.

Scheduled principal payments on long-term debt at June 30, 2023, including current maturities, are summarized as follows:

<i>Year Ended</i>	
2024	\$ 298,787
2025	329,951
2026	361,073
2027	380,828
2028	450,517
Thereafter	13,808,307
Total	\$ 15,629,463

Note 13: Convertible Notes Payable

During the fiscal years ended June 30, 2022 and 2021, GOMS issued convertible notes payable for aggregate cash proceeds of \$455,000 and \$1,000,000, respectively. The notes accrue interest at 4% and all accrued interest and principal is due 60 months from the date of the note.

The notes convert to equity in the event that a qualified financing occurs which is defined as an equity financing of at least \$2,000,000. The conversion price is the lesser of the price per share paid by the purchasers in the qualified financing, less a discount of twenty percent (20%) or the price equal to the quotient of \$5,000,000 for the convertible notes issued in 2021 or \$7,500,000 for the convertible notes issued in 2022, divided by the aggregate number of outstanding shares of the Company's stock as of immediately prior to the initial closing of the qualified financing.

In the event the company is sold or 50% of the company's voting stock or capital stock is transferred, the holders will have the option to convert their notes into a senior class of preferred stock at a conversion price equal to the last price paid for that stock in an arm-length transaction or receive payment in the aggregate amount equal to 1.5 times the outstanding principal under the note with any accrued interest.

If a qualified financing does not occur before the maturity date, then the note holders may elect to convert the outstanding principal balance and any unpaid accrued interest into the most senior class of stock at a conversion price equal to the quotient of \$2,500,000 for the convertible notes issued in 2021 or \$3,750,000 for the convertible notes issued in 2022, divided by the aggregate number of outstanding shares.

The note is subordinated to certain entities. All payments under these notes shall be applied first to accrued but unpaid interest, and next to outstanding principal. Interest accrued under these notes totaled \$114,556 and \$56,356 as of June 30, 2023 and 2022, respectively.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 13: Convertible Notes Payable (Continued)

GOMS elected the fair value option of accounting in accordance with ASC 825 for the convertible notes payable upon issuance to reduce accounting complexity. Fair value is measured on a recurring basis and related unrealized gains or losses are recognized in unrealized gain or loss on change in fair value of convertible notes payable in the statements of activities. The fair value for the convertible notes payable is estimated based on a market analysis that was completed in June 2022. Due to the board's decision subsequent to year end to liquidate, no change in fair value was deemed necessary. During the years ended June 30, 2023 and 2022, GOMS recorded no gain or loss on the change in fair value, as management has determined that any change in fair value would not be material to the consolidated financial statements.

Note 14: Stock Option Plan

GOMS developed a stock option plan that authorizes the granting of stock options to selected employees for up to 31,860 shares of common stock. Under the plan, the exercise price of each option equals the market price of the GOMS stock on the grant date, and an option's maximum term to exercise is ten years. Options were granted on October 28, 2021, and began to vest monthly until October 2023. Upon the occurrence of certain defined performance metrics, 14,500 total options can vest in the years ending June 30, 2024 and 2025. Compensation cost for performance vesting options is recognized if the performance metric is deemed probable. The Company concluded that the performance vesting options are not probable of vesting as of June 30, 2023. The fair value of each option grant was measured based on an independent party valuation.

During the year ended June 30, 2023 and 2022, GOMS recognized stock-based compensation expense of \$33,765 and \$99,441, respectively. The compensation expense was determined based on the number of shares vested and an estimated fair value at the grant date of \$7.78. Total unrecognized compensation cost, including performance options, related to stock options is \$114,664 and \$148,429 at June 30, 2023 and 2022, respectively, which will be recognized over the vesting period.

The following table shows stock option activity for the years ended June 30, 2023 and 2022:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life - Years
Options outstanding, July 1, 2021	-	\$ -	-
Granted	31,860	7.78	-
Forfeited	-	-	-
Options outstanding June 30, 2022	31,860	7.78	9.33
Granted	-	-	-
Forfeited	-	-	-
Options outstanding June 30, 2023	31,860	\$ 7.78	8.30
Options exercisable, June 30, 2023	17,122	\$ 7.78	8.30

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 14: Stock Option Plan (Continued)

The following table shows the fair value of non-vested stock options as of June 30, 2023:

	Number of Options	Weighted- Average Grant Date Fair Value
Non-vested options, July 1, 2022	19,078	\$ 7.78
Granted	-	-
Forfeited	-	-
Vested	(4,340)	7.78
<hr/>		
Non-vested options June 30, 2023	14,738	\$ 7.78

The following table shows the fair value of non-vested stock options as of June 30, 2022:

	Number of Options	Weighted- Average Grant Date Fair Value
Non-vested options, July 1, 2021	-	\$ -
Granted	31,860	7.78
Forfeited	-	-
Vested	(12,782)	7.78
<hr/>		
Non-vested options June 30, 2022	19,078	\$ 7.78

Note 15: Refundable Advance

At June 30, 2023, the Institute had a refundable advance liability of \$453,555. This amount represented the receipt of an award from the Small Business Administration. The Institute determined the award was a conditional grant and applied the policy as described in Note 1. Accordingly, the award was reported as a refundable advance liability until the conditions were substantially met or explicitly waived. The Institute interpreted the condition of the award to be the incurrence of eligible expenditures for the Gulf of Maine Blue Economy.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 16: Net Assets

Net assets without donor restrictions, but designated by the Board for specific uses, consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Endowment funds	\$ 9,869,657	\$ 8,122,074
Reserved for research and scientist guarantee surpluses	171,890	252,886
Reserved for capital projects and equipment and other	1,012,097	1,091,720
Capacity building	299,604	291,650
GMPInc	822,569	723,708
Total board designated net assets	\$ 12,175,817	\$ 10,482,038

Net assets with donor restrictions consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Net assets with donor restriction:		
Subject to expenditure for specified purpose:		
Future program expenses	\$ 6,546,306	\$ 5,840,000
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts	168,474	157,740
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	4,300,430	1,603,739
	11,015,210	7,601,479
Endowments:		
Subject to GMRI's spending policy and appropriation:		
Unconditional promises to give, net - donor restricted for general endowment	2,339,569	2,164,956
General use	217,008	99,306
Endowment investments held in perpetuity	1,688,453	1,688,453
	4,245,030	3,952,715
Not subject to spending policy or appropriation:		
Pooled investments held by community foundation	2,850,487	2,810,173
	2,850,487	2,810,173
Total	\$ 18,110,727	\$ 14,364,367

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 17: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Research	\$ 184,845	\$ 395,920
Climate center	334,506	280,328
Convening	835,918	240,748
Education	604,025	445,310
Development	627,727	628,676
Business development	368,508	109,721
Management	38,990	133,359
Endowment	710,000	473,000
General purpose spending rate distributions and appropriations from endowments	75,595	73,232
Total net assets release from restrictions	\$ 3,780,114	\$ 2,780,294

Note 18: Formation of Condominium Association

During 2011, GMPInc formed a condominium association, Gulf of Maine Properties I, through which all rentable space in the building has been converted into condominium units. As of June 30, 2023 and 2022, GMPInc was the sole unit owner of the units thus created. As of and for the years ended June 30, 2023 and 2022, Gulf of Maine Properties I had no financial activity or balances.

Note 19: Retirement Plan

GMRI sponsors a Section 401(k) plan for its employees. Under the 401(k) plan, participant eligibility is established upon the completion of one year of employment constituted by at least 1,000 hours of service. Total retirement expense under this plan for the years ended June 30, 2023 and 2022, was \$308,406 and \$269,746, respectively.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 20: Related Parties

Executive Employment Agreement - Effective January 1, 2016, the Institute entered into an employment agreement with their executive. The total compensation under the agreement was contingent upon the executive's employment through December 31, 2020, and reaching long-term goals. This contract was amended and extended the executive's employment through December 31, 2023. Portions are pro-rated based on months of employment should the executive voluntarily leave, or the Board dismisses the executive for other than cause before that date. The agreement includes:

- Annual performance payments for success against financial and other organizational goals, as determined by the Board of Directors. During the years ended June 30, 2023 and 2022, \$59,931 and \$47,636 was earned, respectively.
- Deferred incentive compensation for progress on meeting long-term financial goals from 2015 through 2023, under which payments will be made starting in 2021. At June 30, 2023 and 2022, the total accrual was \$264,051 and \$259,350, respectively.
- A non-qualified supplemental retirement plan under Sections 409 and 457 of the Internal Revenue Code with a total obligation up to \$800,000. The Plan is fully vested by December 2023 unless the executive voluntarily leaves the Institute, or the Board dismisses the executive other than for cause before that date. In this case, vesting is pro-rated based on full months of employment. Funding of this plan began in 2016 and payments started in 2021. During 2022, a Rabbi Trust account was set-up to set aside assets to meet this liability.

Note 21: Risks and Contingencies

All government grants and contracts are subject to audit and acceptance of final costs by the appropriate governmental agency. Most contract terms contain a provisionally approved overhead rate that is subject to final government audit. To date, government audits have resulted in only minor settlement amounts.

In the opinion of the Institute, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants. Therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingency.

The Institute invests in various investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the investment balances.

Note 22: Economic Dependency

The Institute receives a substantial portion of its total revenues from contributions. For the years ended June 30, 2023 and 2022, the Institute received approximately 42% and 51%, respectively, of its total revenues from contributions. Of these contribution revenues, 54% were from two donors in 2023. Those two donors also consist of 69% of the pledges receivable outstanding at June 30, 2023.

Gulf of Maine Research Institute and its Subsidiaries

Notes to Consolidated Financial Statements

Note 23: Lease Commitments

UW leases space in its buildings and at the wharf to various tenants under multiple operating leases.

The cost and carrying amounts for all leased buildings and improvements is approximately \$12,520,000 and \$11,998,000 at June 30, 2023, and \$12,520,000 and \$12,346,000 at June 30, 2022.

Future rent under the foregoing lease agreements, by year and in the aggregate, is as follows:

<i>Year Ended</i>	
2024	\$ 1,187,419
2025	817,854
2026	269,368
2027	162,444
Total	\$ 2,437,085

Note 24: Sale of Subsidiary

GMRI created a for-profit subsidiary during the fiscal year ended June 30, 2019. This subsidiary was called New England Marine Monitoring (NEMM). Due to legislation passed during the fiscal year ended June 30, 2021, GMRI found it necessary to sell this for-profit subsidiary. On June 9, 2021, NEMM was sold to Always Blue Technologies Inc. for \$100,000 in cash, a senior, unsecured note for \$250,000 and a junior unsecured note for \$250,000.

For accounting purposes, management considers the collection of the notes and the associated accrued interest to be contingent on the buyer either selling the Company, issuing equity of at least \$1.5 million, or generating cash from operations to pay the notes. As such, the Company has not had the opportunity between the sale date and the date of the financial statements to raise capital or generate cash from operations to pay the unsecured notes.

Under FASB ASC 450, a contingency that might result in a gain usually should not be reflected in the consolidated financial statements because to do so might recognize revenue before its realization. As such, management has not recorded this contingent gain of \$500,000.

Note 25: Going Concern Gulf of Maine Sashimi, Inc.

As indicated in the accompanying consolidated financial statements, GOMS showed a deficit in net assets of \$1,668,578 at June 30, 2023. Subsequent to June 30, 2023, GOMS board of directors approved a dissolution plan. An asset purchase agreement was signed with a third party. The agreement provides for the sale of frozen inventory, branded packaging and materials, the customer list and other intellectual property. The purchase price will be the cost of the inventory plus an earnout equal to 10% of gross margin on sales of certain product up to \$20,000 and 7.5% of the amount over. Management has created a cash flow plan in which, through the sale of assets and earnout collected, all non-convertible notes payable will be paid in full.

Management has determined that the dissolution of GOMS will not impact the Institute's ability to continue as a going concern.

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidating Schedule of Financial Position
June 30, 2023
(with summarized comparative consolidated totals at June 30, 2022)

	2023							2022	
	Gulf of Maine Research Institute	Gulf of Maine Properties, Inc.	Gulf of Maine Sashimi, Inc.	Union Wharf LLC	Gulf of Maine Ventures, LLC	Eliminations	Consolidated Totals	Consolidated Totals	
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 4,700,017	\$ 622,577	\$ 162,006	\$ 780,037	\$ 583	\$ -	\$ 6,265,220	\$ 8,274,717	
Short term investments	3,046,872	-	-	-	-	-	3,046,872	-	
Accrued interest and dividend receivable	40,443	705	-	-	-	-	41,148	38,722	
Promises to give, current	3,177,117	-	-	-	-	-	3,177,117	1,688,904	
Accounts receivable	1,735,004	219,708	83,031	54,848	-	(283,942)	1,808,649	1,607,061	
Inventory	-	-	90,434	-	-	-	90,434	98,137	
Security deposit	-	-	3,300	-	-	-	3,300	3,300	
Prepaid expenses	231,470	7,372	19,915	52,789	-	-	311,546	186,431	
Total current assets	12,930,923	850,362	358,686	887,674	583	(283,942)	14,744,286	11,897,272	
Property and equipment:									
Property and equipment	7,203,471	14,883,821	50,257	12,520,422	-	-	34,657,971	34,604,364	
Less: accumulated depreciation/amortization	2,907,529	6,076,358	37,447	522,069	-	-	9,543,403	8,595,993	
Net property and equipment	4,295,942	8,807,463	12,810	11,998,353	-	-	25,114,568	26,008,371	
Other non-current assets:									
Long-term investments:									
Designated for capital and operations	-	939,330	-	-	-	-	939,330	840,541	
Designated for endowment	11,734,674	-	-	-	-	-	11,734,674	9,871,742	
Incentive compensation	709,684	-	-	-	-	-	709,684	697,870	
Investment - other	-	-	-	-	1,000	-	1,000	-	
Beneficial interest in pooled investments held by others	2,850,487	-	-	-	-	-	2,850,487	2,810,173	
Promises to give, non-current, net of amortized discount	3,462,882	-	-	-	-	-	3,462,882	2,079,790	
Beneficial interest in charitable remainder trust	168,474	-	-	-	-	-	168,474	157,740	
Note receivable	50,000	-	-	-	-	(50,000)	-	-	
Investment in subsidiaries	1,337,872	-	-	-	-	(1,337,872)	-	-	
Total other non-current assets	20,314,073	939,330	-	-	1,000	(1,387,872)	19,866,531	16,457,856	
Total assets	\$ 37,540,938	\$ 10,597,155	\$ 371,496	\$ 12,886,027	\$ 1,583	\$ (1,671,814)	\$ 59,725,385	\$ 54,363,499	
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	\$ -	\$ 79,465	\$ 35,696	\$ 183,626	\$ -	\$ -	\$ 298,787	\$ 309,643	
Accounts payable	649,965	154,610	27,808	250,972	-	(283,942)	799,413	779,250	
Accrued vacation	287,787	-	-	-	-	-	287,787	227,256	
Accrued payroll liabilities	190,498	-	10,246	-	-	-	200,744	146,195	
Accrued income tax	-	-	-	1,727	-	-	1,727	21,142	
Accrued interest	21,750	-	-	-	-	-	21,750	21,750	
Current portion of accrued incentive compensation	224,357	-	-	-	-	-	224,357	159,224	
Refundable advance liability	453,555	-	-	-	-	-	453,555	-	
Deferred revenue	-	400	554	64,446	-	-	65,400	65,893	
Total current liabilities	1,827,912	234,475	74,304	500,771	-	(283,942)	2,353,520	1,730,353	
Long-term liabilities:									
Long-term debt, net of current portion	3,000,000	2,635,892	263,008	9,362,510	-	-	15,261,410	15,219,669	
Accrued incentive compensation	624,623	-	-	-	-	-	624,623	721,392	
Convertible notes payable, at fair value	-	-	1,455,000	-	-	(50,000)	1,405,000	1,405,000	
Accrued interest on convertible notes payable	-	-	114,556	-	-	-	114,556	56,356	
Security deposit payable	980	11,401	-	17,879	-	-	30,260	28,556	
Total long-term liabilities	3,625,603	2,647,293	1,832,564	9,380,389	-	(50,000)	17,435,849	17,430,973	
Total liabilities	5,453,515	2,881,768	1,906,868	9,881,160	-	(333,942)	19,789,369	19,161,326	
NET ASSETS (DEFICIT) AND EQUITY									
Additional paid in capital	-	-	133,206	-	-	-	133,206	99,441	
Retained earnings (deficit)	-	-	(1,668,578)	-	-	1,668,578	-	-	
Member's equity	-	-	-	3,004,867	1,583	(3,006,450)	-	-	
Without donor restrictions:									
Undesignated	(1,577,596)	816,916	-	-	-	-	(760,680)	(604,947)	
Board-designated	11,353,248	822,569	-	-	-	-	12,175,817	10,482,038	
Investment in property, equipment and site acquisition cost	4,201,044	6,075,902	-	-	-	-	10,276,946	10,861,274	
Total without donor restrictions	13,976,696	7,715,387	(1,668,578)	3,004,867	1,583	(1,337,872)	21,692,083	20,738,365	
With donor restrictions	18,110,727	-	-	-	-	-	18,110,727	14,364,367	
Total net assets	32,087,423	7,715,387	(1,668,578)	3,004,867	1,583	(1,337,872)	39,802,810	35,102,732	
Total net assets and equity	32,087,423	7,715,387	(1,535,372)	3,004,867	1,583	(1,337,872)	39,936,016	35,202,173	
Total liabilities and net assets and equity	\$ 37,540,938	\$ 10,597,155	\$ 371,496	\$ 12,886,027	\$ 1,583	\$ (1,671,814)	\$ 59,725,385	\$ 54,363,499	

See accompanying independent auditor's report on supplementary information.

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidating Schedule of Activities
For the Year Ended June 30, 2023
(with summarized comparative consolidated totals for the year ended June 30, 2022)

	Gulf of Maine Research Institute					Gulf of Maine Properties, Inc.					Gulf of Maine Sashimi, Inc.	Union Wharf, LLC	Gulf of Maine Ventures, LLC	Eliminations	2023 Consolidated Totals	2022 Consolidated Totals	
	Without Donor Restriction			With Donor Restriction		Without Donor Restriction			Board	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction					
	Programs & Support	Property & Equipment	Board Designated	Program & Support	Endowment	Operations	Property & Equipment	Board Designated	Total	Operations	Operations	Operations					
Support and revenue:																	
Federal and state grants	\$ 8,071,018	\$ 62,149	\$ -	\$ 188,526	\$ -	\$ 8,321,693	\$ -	\$ -	\$ -	\$ -	\$ 155,327	\$ -	\$ -	\$ -	\$ -	\$ 8,477,020	\$ 6,873,964
Contributions	2,473,631	-	606,582	7,093,605	5,000	10,178,818	-	-	-	-	-	-	-	-	10,178,818	7,947,790	
Investment income (loss)	559,231	-	613,120	204,030	35,313	1,411,694	10,286	-	32,195	42,481	-	11,331	-	-	1,465,906	(1,905,987)	
In-kind income	414,509	-	-	-	-	414,509	-	-	-	-	-	-	-	-	414,509	452,081	
Contract income	515,325	-	2,000	-	-	517,325	-	-	-	-	-	-	-	-	517,325	379,626	
Rental income	-	-	-	-	-	-	1,163,312	-	-	1,163,312	-	1,372,792	-	(819,570)	1,716,534	972,838	
Property management fee	177,640	-	-	-	-	177,640	-	-	-	-	-	-	-	(167,100)	10,540	5,040	
Sales	-	-	-	-	-	-	-	-	-	-	1,014,362	-	-	-	1,014,362	988,391	
Other income	2,610	-	-	-	-	2,610	-	-	-	-	-	-	-	-	2,610	2,638	
Net assets released from restrictions	3,443,635	-	336,479	(3,780,114)	-	-	-	-	-	-	-	-	-	-	-	-	
Total support and revenue	15,657,599	62,149	1,558,181	3,706,047	40,313	21,024,289	1,173,598	-	32,195	1,205,793	1,169,689	1,384,123	-	(986,670)	23,797,224	15,716,401	
Expenses:																	
Program expenses:																	
Research	3,181,542	-	-	-	-	3,181,542	-	-	-	-	-	-	-	-	3,181,542	2,796,167	
Education	3,363,983	-	-	-	-	3,363,983	-	-	-	-	-	-	-	-	3,363,983	2,746,204	
Community	2,329,728	-	-	-	-	2,329,728	-	-	-	-	-	-	-	-	2,329,728	1,947,774	
Business development	1,046,568	-	-	-	-	1,046,568	-	-	-	-	-	-	-	-	1,046,568	870,840	
Subsidiary expenses	-	-	-	-	-	-	-	-	-	-	1,786,390	1,333,620	417	(69,996)	3,050,431	2,270,575	
Support services:																	
Development	1,245,198	-	-	-	-	1,245,198	-	-	-	-	-	-	-	-	1,245,198	1,212,627	
Management, general & facilities	4,362,344	274,674	-	-	-	4,637,018	822,756	336,596	-	1,159,352	-	-	-	(916,674)	4,879,696	4,111,921	
Total expenses	15,529,363	274,674	-	-	-	15,804,037	822,756	336,596	-	1,159,352	1,786,390	1,333,620	417	(986,670)	19,097,146	15,956,108	
Change in net assets before transfers and loss from subsidiaries	128,236	(212,525)	1,558,181	3,706,047	40,313	5,220,252	350,842	(336,596)	32,195	46,441	(616,701)	50,503	(417)	-	4,700,078	(239,707)	
Other transfers	(1,530)	-	36,737	-	-	35,207	(66,666)	(35,207)	66,666	(35,207)	-	-	-	-	-	-	
Total transfers	(1,530)	-	36,737	-	-	35,207	(66,666)	(35,207)	66,666	(35,207)	-	-	-	-	-	-	
Gain from subsidiary	50,503	-	-	-	-	50,503	-	-	-	-	-	-	-	(50,503)	-	-	
Loss from subsidiary	(617,118)	-	-	-	-	(617,118)	-	-	-	-	-	-	-	617,118	-	-	
Total net loss from subsidiaries	(566,615)	-	-	-	-	(566,615)	-	-	-	-	-	-	-	566,615	-	-	
Change in net assets	(439,909)	(212,525)	1,594,918	3,706,047	40,313	4,688,844	284,176	(371,803)	98,861	11,234	(616,701)	50,503	(417)	566,615	4,700,078	(239,707)	
Net assets, beginning of year	(1,137,687)	4,413,569	9,758,330	9,865,741	4,498,626	27,398,579	532,740	6,447,705	723,708	7,704,153	(1,051,877)	2,954,364	1,000	(1,903,487)	35,102,732	35,342,439	
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	1,000	(1,000)	-	-	
Net assets, end of year	\$ (1,577,596)	\$ 4,201,044	\$ 11,353,248	\$ 13,571,788	\$ 4,538,939	\$ 32,087,423	\$ 816,916	\$ 6,075,902	\$ 822,569	\$ 7,715,387	\$ (1,668,578)	\$ 3,004,867	\$ 1,583	\$ (1,337,872)	\$ 39,802,810	\$ 35,102,732	

See accompanying independent auditor's report on supplementary information.

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidating Schedule of Cash Flows
For the Year Ended June 30, 2023
(with comparative consolidated totals for the year ended June 30, 2022)

	2023							2022	
	Gulf of Maine Research Institute	Gulf of Maine Properties, Inc.	Gulf of Maine Sashimi, Inc.	Union Wharf, LLC	Gulf of Maine Ventures, LLC	Eliminations	Consolidated Totals	Consolidated Totals	
Cash flows from operating activities:									
Change in net assets	\$ 4,688,844	\$ 11,234	\$ (616,701)	\$ 50,503	\$ (417)	\$ 566,615	\$ 4,700,078	\$ (239,707)	
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:									
Depreciation	274,675	336,596	24,959	348,046	-	-	984,276	802,027	
Loss (gain) on fixed asset disposal	-	-	62,865	-	-	-	62,865	(10,950)	
Imputed interest on debt issuance costs	-	1,954	-	2,215	-	-	4,169	7,042	
Realized and unrealized (gain) loss on investments	(1,119,255)	(9,861)	-	-	-	-	(1,129,116)	2,033,435	
Bad debt expense	-	-	-	-	-	-	-	39,074	
Stock option compensation cost	-	-	33,765	-	-	-	33,765	99,441	
Reinvested dividends and interest	(246,726)	(22,262)	-	-	-	-	(268,988)	(190,291)	
Earnings from subsidiaries	566,615	-	-	-	-	(566,615)	-	-	
Change in discount on promises to give	(333,195)	-	-	-	-	-	(333,195)	(15,202)	
Change in value in charitable remainder trust	(10,734)	-	-	-	-	-	(10,734)	62,504	
Permanently restricted contributions	(5,000)	-	-	-	-	-	(5,000)	(241,200)	
(Increase) decrease in assets:									
Accrued interest and dividend receivable	(2,354)	(72)	-	-	-	-	(2,426)	(2,711)	
Net promises to give	(2,538,110)	-	-	-	-	-	(2,538,110)	178,313	
Accounts receivable	(208,614)	(14,760)	(37,676)	(274)	-	59,736	(201,588)	(375,898)	
Inventory	-	-	7,703	-	-	-	7,703	(79,483)	
Prepaid expenses	(126,178)	4,544	(1,986)	(1,495)	-	-	(125,115)	4,984	
Increase (decrease) in liabilities:									
Accounts payable	(36,180)	114,700	(28,627)	30,006	-	(59,736)	20,163	313,537	
Accrued vacation	60,531	-	-	-	-	-	60,531	24,066	
Accrued payroll liabilities	75,981	-	(21,432)	-	-	-	54,549	(254,445)	
Accrued income tax	-	-	-	(19,415)	-	-	(19,415)	21,142	
Accrued interest	-	-	58,200	-	-	-	58,200	63,883	
Accrued incentive compensation	(31,636)	-	-	-	-	-	(31,636)	60,724	
Deferred revenue	-	(21,274)	(450)	21,231	-	-	(493)	46,964	
Refundable advance liability	453,555	-	-	-	-	-	453,555	-	
Security deposit payable	-	-	-	1,704	-	-	1,704	16,175	
Net cash and cash equivalents provided by (used in) operating activities	1,462,219	400,799	(519,380)	432,521	(417)	-	1,775,742	2,363,424	
Cash flows from investing activities:									
Capital contribution - subsidiaries	(1,000)	-	-	-	1,000	-	-	-	
Purchase of property and equipment	(161,204)	-	-	-	-	-	(161,204)	(2,776,431)	
Purchase of investments	(6,329,564)	(66,666)	-	-	(1,000)	-	(6,397,230)	(1,680,285)	
Proceeds from sale of investments	2,733,613	-	-	-	-	-	2,733,613	492,500	
Proceeds from disposal of fixed assets	-	-	7,866	-	-	-	7,866	8,255	
Net cash and cash equivalents provided by (used in) investing activities	(3,758,155)	(66,666)	7,866	-	-	-	(3,816,955)	(3,955,961)	
Cash flows from financing activities:									
Proceeds from issuance of debt	-	-	325,549	-	-	-	325,549	3,044,663	
Proceeds from issuance of convertible notes	-	-	-	-	-	-	-	455,000	
Repayments on long-term debt	-	(74,772)	(26,845)	(197,216)	-	-	(298,833)	(160,964)	
Repayments on capital lease	-	-	-	-	-	-	-	(1,550)	
Permanently restricted contributions	5,000	-	-	-	-	-	5,000	241,200	
Net cash and cash equivalents provided by (used in) financing activities	5,000	(74,772)	298,704	(197,216)	-	-	31,716	3,578,349	
Net change in cash and cash equivalents	(2,290,936)	259,361	(212,810)	235,305	(417)	-	(2,009,497)	1,985,812	
Cash and cash equivalents, beginning of year	6,990,953	363,216	374,816	544,732	1,000	-	8,274,717	6,288,905	
Cash and cash equivalents, end of year	\$ 4,700,017	\$ 622,577	\$ 162,006	\$ 780,037	\$ 583	\$ -	\$ 6,265,220	\$ 8,274,717	
Supplemental disclosure of cash flow information:									
Cash paid for income taxes	-	-	-	\$ 19,836	-	-	19,836	-	
Cash paid during the year for interest	\$ 43,500	\$ 94,294	\$ 10,023	\$ 527,332	\$ -	\$ -	\$ 675,149	\$ 240,111	
Supplemental disclosure of noncash investing and financing activities:									
During the year ended June 30, 2022, Union Wharf, LLC obtained new financing for the purchase of a wharf. Financing of \$9,824,613 went directly to the seller for the purchase. Additionally, debt issuance costs of \$19,762 were relieved through closing.									
During the year ended June 30, 2022, Gulf of Maine Properties, Inc. refinanced debt of \$2,785,926 with a new lender. Debt issuance costs of \$19,535, accrued interest of \$8,126 and an escrow account of \$1,750 were established or paid through closing.									

See accompanying independent auditor's report on supplementary information.