Gulf of Maine Research Institute
and its Subsidiaries

Consolidated Financial Statements

June 30, 2020 and 2019

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying 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., and New England Marine Monitoring, Inc., which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the subsidiaries of Gulf of Maine Research Institute were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Gulf of Maine Research Institute and its Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf of Maine Research Institute and its Subsidiaries as of June 30, 2020 and 2019, and the consolidated changes in their net assets and their cash flows for the years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 15, 2021, 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.

Wipfli LLP

South Portland, Maine
January 15, 2021

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,502,843	$ 3,436,951
Accrued interest and dividend receivable	29,545	26,649
Promises to give, current	1,552,688	1,105,511
Accounts receivable	957,220	875,315
Security deposits	3,992	
Prepaid expenses	172,402	139,657
Total current assets	8,218,690	5,584,083
Property and equipment:		
Property and equipment	21,799,602	21,421,610
Less: accumulated depreciation/amortization	(7,161,941)	(6,543,618)
Net property and equipment	14,637,661	14,877,992
Other non-current assets:		
Long-term investments:		
Designated for capital and operations	2,178,641	2,069,261
Designated for endowment	6,823,297	5,851,738
Beneficial interest in pooled investments held by others	2,323,060	2,297,090
Promises to give, non-current, net of amortized discount	2,975,257	2,250,491
Promises to give for endowment		237,369
Beneficial interest in charitable remainder trust	174,696	156,946
Total other non-current assets	14,474,951	12,862,895
Total assets	**$ 37,331,302**	**$ 33,324,970**
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 331,320	$ 233,415
Current portion of capital lease payable	2,733	2,733
Accounts payable	435,208	438,466
Refundable advance	594,540	
Accrued vacation	275,819	138,494
Accrued payroll liabilities	398,070	282,874
Deferred revenue	13,835	
Total current liabilities	2,051,525	1,095,982
Long-term liabilities:		
Long-term debt, net of current portion	2,959,145	3,615,890
Capital lease payable, net of current portion	1,755	4,488
Accrued incentive compensation	440,104	330,709
Security deposit payable	12,381	6,488
Total long-term liabilities	3,413,385	3,957,575
Total liabilities	5,464,910	5,053,557
NET ASSETS		
Without donor restrictions:		
Undesignated	42,201	(89,995)
Board-designated	8,188,665	7,259,137
Investment in property, equipment and site acquisition cost	11,813,969	11,840,863
Total without donor restrictions	20,044,835	19,010,005
With donor restrictions	11,821,557	9,261,408
Total net assets	31,866,392	28,271,413
Total liabilities and net assets	**$ 37,331,302**	**$ 33,324,970**

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Federal and state grants	$ 5,563,087	$ 299,838	$ 5,862,925
Contributions	4,413,137	4,582,289	8,995,426
Investment income	442,095	(48,968)	393,127
In-kind income	67,181		67,181
Contract income	308,124		308,124
Rental income	197,425		197,425
Property management fee	6,790		6,790
Conferences & consulting income	29,482	110,178	139,660
Sales	241,807		241,807
Other income	591,273	510	591,783
Net assets released from restrictions	2,383,698	(2,383,698)	
Total support and revenue	14,244,099	2,560,149	16,804,248
Expenses:			
Program expenses:			
Research	2,761,803		2,761,803
Education	2,656,305		2,656,305
Community	1,805,528		1,805,528
Business Development	137,877		137,877
Subsidiary expenses	803,068		803,068
Support services:			
Development	1,179,358		1,179,358
Management, general & facilities	3,865,330		3,865,330
Total expenses	13,209,269		13,209,269
Change in net assets	1,034,830	2,560,149	3,594,979
Net assets, beginning of year	19,010,005	9,261,408	28,271,413
Net assets, end of year	**$ 20,044,835**	**$ 11,821,557**	**$ 31,866,392**

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Federal and state grants	$ 4,586,821	$ 361,293	$ 4,948,114
Contributions	5,094,250	3,412,893	8,507,143
Investment income	522,511	50,636	573,147
In-kind income	70,840		70,840
Contract income	348,608		348,608
Rental income	213,993		213,993
Property management fee	6,676		6,676
Conferences & consulting income	20,849	95,953	116,802
Other income	(51,745)		(51,745)
Net assets released from restrictions	1,709,955	(1,709,955)	
Total support and revenue	12,522,758	2,210,820	14,733,578
Expenses:			
Program expenses:			
Research	1,850,577		1,850,577
Education	2,589,305		2,589,305
Community	1,922,149		1,922,149
Business Development	50,694		50,694
Gulf of Maine Sashimi, Inc.	124,995		124,995
Support services:			
Development	1,096,785		1,096,785
Management, general & facilities	3,298,627		3,298,627
Total expenses	10,933,132		10,933,132
Change in net assets	1,589,626	2,210,820	3,800,446
Net assets, beginning of year	17,420,379	7,050,588	24,470,967
Net assets, end of year	**$ 19,010,005**	**$ 9,261,408**	**$ 28,271,413**

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, 2020

	Program Services							Management and General			Development	Total
								GMRI	GMPInc			
	Research Programs	Education Programs	Community Programs	Business Development	Gulf of Maine Sashimi, Inc.	New England Marine Monitoring, Inc.	Total Program Services	Management & Administration	Operations Facilities	Total		
Salaries	$ 1,245,302	$ 814,015	$ 640,225	$ 88,235	$ 197,585	$ 170,579	$ 3,155,941	$ 1,354,161		$ 1,354,161	$ 712,321	**$ 5,222,423**
Fringe benefits, net	483,358	317,501	247,078	34,412	38,807	27,211	1,148,367	583,647		583,647	237,643	**1,969,657**
Supplies & materials	51,587	22,125	30,138		191,085	6,941	301,876	114,527		114,527	22,354	**438,757**
Sub-contracted services	614,623	956,555	102,032	9,119	27,729	30,280	1,740,338	144,352		144,352	23,500	**1,908,190**
In-kind expense	11,553		55,388				66,941				240	**67,181**
Facilities	9,682	12,468	2,024	1,480	37,558	13,367	76,579	265,972	$ 886,672	1,152,644	1,360	**1,230,583**
Other administrative expenses	17,955	14,382	8,669	773	21,495	24,664	87,938	189,569		189,569	38,573	**316,080**
Travel & entertainment	92,802	36,042	86,185	3,566	6,108	9,659	234,362	200,484		200,484	39,577	**474,423**
Special direct costs	234,941	483,217	633,789	292			1,352,239	125,946		125,946	103,790	**1,581,975**
Total Expenses Before Indirect Charge	**2,761,803**	**2,656,305**	**1,805,528**	**137,877**	**520,367**	**282,701**	**8,164,581**	**2,978,658**	**886,672**	**3,865,330**	**1,179,358**	**13,209,269**
Indirect Charged to Direct Research and Development												
Indirect	949,006	626,581	535,848	66,041			2,177,476	(2,688,393)		(2,688,393)	510,917	
Special indirect	8,248	22,482	23,868	15			54,613	(59,802)		(59,802)	5,189	
Total Expenses After Indirect Charge	**$ 3,719,057**	**$ 3,305,368**	**$ 2,365,244**	**$ 203,933**	**$ 520,367**	**$ 282,701**	**$ 10,396,670**	**$ 230,463**	**$ 886,672**	**$ 1,117,135**	**$ 1,695,464**	**$ 13,209,269**

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services						Management and General			Development	Total
	Research Programs	Education Programs	Community Programs	Business Development	Gulf of Maine Sashimi, Inc.	Total Program Services	GMRI Management & Administration	GMPInc Operations Facilities	Total		
Salaries	$ 1,038,560	$ 752,468	$ 690,385		$ 40,745	$ 2,522,158	$ 1,307,388		$ 1,307,388	$ 649,722	**$ 4,479,268**
Fringe benefits, net	402,382	293,463	268,670		13,582	978,097	466,886		466,886	227,108	**1,672,091**
Supplies & materials	48,375	22,219	12,874		9,694	93,162	71,666		71,666	29,382	**194,210**
Sub-contracted services	266,646	965,424	51,034	$ 44,031	32,974	1,360,109	83,162		83,162	14,000	**1,457,271**
In-kind expense			70,060	600		70,660				180	**70,840**
Facilities	6,792	7,071	2,671	675	12,835	30,044	166,930	$ 920,206	1,087,136	1,920	**1,119,100**
Other administrative expenses	15,125	19,126	20,869	3,088	12,034	70,242	214,170		214,170	66,490	**350,902**
Travel & entertainment	41,498	42,867	119,563	1,942	3,131	209,001	68,219		68,219	51,218	**328,438**
Special direct costs	31,199	486,667	686,023	358		1,204,247				56,765	**1,261,012**
Total Expenses Before Indirect Charge	**1,850,577**	**2,589,305**	**1,922,149**	**50,694**	**124,995**	**6,537,720**	**2,378,421**	**920,206**	**3,298,627**	**1,096,785**	**10,933,132**
Indirect Charged to Direct Research and Development											
Indirect	777,768	634,071	559,712	23,874		1,995,425	(2,467,760)		(2,467,760)	472,335	
Special indirect	430	59,173	30,434	18		90,055	(92,894)		(92,894)	2,839	
Total Expenses After Indirect Charge	**$ 2,628,775**	**$ 3,282,549**	**$ 2,512,295**	**$ 74,586**	**$ 124,995**	**$ 8,623,200**	**$ (182,233)**	**$ 920,206**	**$ 737,973**	**$ 1,571,959**	**$ 10,933,132**

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

		2020		2019
Cash flows from operating activities:				
Change in net assets	$	3,594,979	$	3,800,446
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:				
Depreciation		618,322		516,734
Realized/unrealized gain on investments		(228,786)		(92,481)
Change in pledge discount		(41,806)		62,966
Change in value in charitable remainder trust		(17,750)		(18,567)
Loss from disposal of property and equipment				58,375
Deferred loan financing costs		13,248		13,248
(Increase) decrease in assets:				
Accrued interest and dividend receivable		(2,896)		(7,165)
Net promises to give		(892,768)		(738,614)
Accounts receivable		(81,905)		(58,396)
Security deposit		(3,992)		
Prepaid expenses		(32,745)		(84,907)
Increase (decrease) in liabilities:				
Accounts payable		(3,258)		(8,828)
Refundable advance		594,540		
Accrued vacation		137,325		33,373
Accrued payroll liabilities		115,196		(33,263)
Deferred revenue		13,835		
Accrued incentive compensation		109,395		79,767
Security deposit payable		5,893		
Net cash and cash equivalents provided by operating activities		3,896,827		3,522,688
Cash flows from investing activities:				
Purchase of property and equipment		(377,991)		(777,297)
Purchase of investments		(3,288,615)		(6,650,546)
Proceeds from sale of investments		2,410,492		5,197,810
Net cash and cash equivalents used in investing activities		(1,256,114)		(2,230,033)
Cash flows from financing activities:				
Proceeds from debt		92,100		500,000
Repayments on long-term debt		(664,188)		(210,281)
Repayments on capital lease		(2,733)		(2,545)
Net cash and cash equivalents provided by (used in) financing activities		(574,821)		287,174
Net change in cash and cash equivalents		2,065,892		1,579,829
Cash and cash equivalents, beginning of year		3,436,951		1,857,122
Cash and cash equivalents, end of year	**$**	**5,502,843**	**$**	**3,436,951**
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**135,735**	**$**	**150,427**

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

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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) educate the public about the Gulf of Maine and its watershed; (ii) facilitating and conducting marine research; (iii) enabling informed decisions about the stewardship and use of the Gulf of Maine; (iv) applying lessons learned in the Gulf of Maine to other marine communities worldwide; and (v) undertaking the financing, siting, design, and construction of facilities to support its education and research 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 FY2019, Gulf of Maine Sashimi, Inc. (GOMS) 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.

During FY2020, New England Marine Monitoring, Inc. (NEMM) 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. NEMM is an electronic monitoring (EM) services company that provides video review, on-vessel technical support, and program design service to New England fishermen.

Basis of Accounting and Presentation

The consolidated financial statements for the Institute have been prepared using the accrual method of accounting 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.

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 operating reserve and board-designated endowment funds.

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 that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service if further restricted for how long to be used. 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.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 with donor restrictions and reclassified to net assets without donor restrictions as net assets are released from 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.

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 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 year ended June 30, 2020 was $690,226.

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.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For financial statement purposes, the Institute considers all highly liquid debt instruments purchased with an initial maturity of fifteen 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.

Investments

Investments are carried at estimated fair value based on quoted market prices. Realized and unrealized gains and losses are included in the change in net assets. Investment fees are off-set against investment income.

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.

Functional Expense Allocation

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.

Capitalization 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
Building	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, 2020 and 2019, are $618,322 and $516,734, respectively.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Sashimi, Inc. (GOMS) and New England Marine Monitoring, Inc. (NEMM) are for-profit taxable subsidiaries and will be subject to income taxes. GOMS and NEMM are taxable C-Corporation entities. Income taxes are provided based on financial statement income. 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 and NEMM has not recorded a deferred income tax provision as it is not material to the overall consolidated financial statements.

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.

Accounts Receivable

Accounts receivable consist of amounts due from funders under various grants and contracts. No reserve for uncollectable amounts is deemed necessary as management views all such balances, which are primarily from governmental entities, to be fully collectible.

Fair Value Measurements and Disclosures

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:

- 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.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements and Disclosures – Continued

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, 2020 and 2019, 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 fair value of the beneficial interest in pooled investments held by others is determined based on calculating the present value of future distributions expected to be received.

Recently Adopted Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute adopted this guidance as of July 1, 2019, as required by the standard. The Institute applied Topic 606 on a modified retrospective basis and elected the practical expedient provided in 606, under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There was no change to reported assets, liabilities, net assets, revenues, expenses or change in net assets for 2020 and no cumulative adjustment for prior periods as a result of adopting this standard.

Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendments in this update assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The contribution guidance requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The amendments in this ASU apply to both resources received by a recipient and resources given by a resource provider. The accounting guidance is effective for fiscal years beginning after December 15, 2018. The Institute adopted this guidance as of July 1, 2019, as required by the standard. The Institute applied Topic 958 on a retrospective basis. There was no change to the opening balances of net assets and no prior period results were restated.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Adopted Accounting Pronouncements - Continued

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, to amend certain requirements related to recognition, measurement, presentation, and disclosure of financial instruments. For all entities that are not public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, with early application permitted for certain amendments. Management has evaluated the impact of the ASU on the Institute's consolidated financial statements and has determined that there is no significant effect.

Recent Accounting Pronouncements

Leasing

In February 2016, FASB issued ASU 2016–02, Leases. This new standard will provide users of the consolidated financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the statement of financial position of an entity for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of adoption on its consolidated financial statements.

Subsequent Events

On September 15, 2020, GMPInc entered into a 20-year Net Energy Billing Credits Agreement with Green Mile Solar, LLC, a Delaware limited liability company. GMPInc has agreed to purchase the equivalent of 70% (614 KWh) of their electricity at a fixed rate, to be offset by net energy billing credits (NEC) on their utility bill. The agreement also gives GMPInc the right to sell or retire Renewable Energy Credits (REC) related to the solar energy creation.

On September 21, 2020, GMRI entered into a service contract with the State of Maine Department of Economic and Community Development to use bond funds to renovate the wharf and bulkhead to bring the wharf back into operation as secured access and berthing for commercial fishing vessels and to support vessels for marine research at sea that support continued long-term marine job development. The total amount of funding to be provided is $1,000,000.

Subsequent to year-end, GOMS authorized the issuance and sale of up to $1,000,000 of promissory notes convertible into shares of stock in the Company. Terms and conversion of the notes vary. Of the total amount, various investors have committed to purchasing $300,000 of the notes including $50,000 by GMRI.

Management has evaluated all other subsequent events through January 15, 2021, 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.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

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, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date 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.

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:

	2020	2019
Cash and cash equivalents	**$ 5,502,843**	$ 3,436,951
Accrued interest and dividend receivable	**29,545**	26,649
Promises to give, current	**1,552,688**	1,105,511
Accounts receivable	**957,220**	875,315
Long-term investments: designated for endowment	**813,273**	661,862
	$ 8,855,569	$ 6,106,288

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 $8,387,609 and $6,186,295 as of June 30, 2020 and 2019, 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 our 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, 2020 and 2019. 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, 2020 and 2019, 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.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 4 – PLEDGES RECEIVABLE AND CONDITIONAL PROMISES RECEIVABLE – CONTINUED

Pledges receivable, net of unamortized discount and allowance for uncollectible accounts, are summarized as follows at June 30, 2020 and June 30, 2019. Interest rates based on market factors are used to discount the future payments of each respective year's pledges.

	2020	2019
Pledges receivable expected to be collected in:		
Less than one year	**$ 1,552,688**	$ 1,105,511
One year to five years	**2,654,572**	2,608,981
Over five years	**400,000**	
Subtotals	**4,607,260**	3,714,492
Less: discount to net present value at rates ranging from 0.13% to 2.33%	**(79,315)**	(121,121)
Pledges receivable, net	**4,527,945**	3,593,371
Less: current portion, net	**(1,552,688)**	(1,105,511)
Less: pledges receivable for endowment		(237,369)
Pledges receivable, net of current portion	**$ 2,975,257**	$ 2,250,491

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, 2020 and 2019.

In addition, at June 30, 2020 and June 30, 2019, GMRI holds conditional pledges receivable in the total amount of $1,400,000 and $1,200,000, 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

Property and equipment consisted of the following at June 30, 2020:

	GMRI	**GMPInc**	**GOMS**	**Total**
Land	**$1,521,336**	**$ 2,540,526**		**$ 4,061,862**
Building		**11,397,121**		**11,397,121**
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	**212,459**	**196,798**		**409,257**
Computer hardware and software	**156,783**			**156,783**
Equipment and vehicles	**1,200,059**	**171,721**	**$87,680**	**1,459,460**
Exhibits	**1,131,592**			**1,131,592**
Totals	**$6,933,600**	**$14,778,322**	**$87,680**	**$21,799,602**

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 5 – PROPERTY AND EQUIPMENT – CONTINUED

Property and equipment consisted of the following at June 30, 2019:

	GMRI	GMPInc	GOMS	Total
Land	$1,521,336	$ 2,540,526		$ 4,061,862
Building		11,397,121		11,397,121
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	212,459	190,946		403,405
Computer hardware and software	156,783			156,783
Equipment and vehicles	913,538	164,835	$8,947	1,087,320
Exhibits	1,131,592			1,131,592
Totals	$6,647,079	$14,765,584	$8,947	$21,421,610

NOTE 6 – INVESTMENTS

Following is a summary of GMRI's and GMPInc's investment securities at June 30, 2020:

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	**$1,498,963**		**$1,498,963**
Equity	**4,629,244**		**4,629,244**
Non-government fixed income	**828,707**	**$908,502**	**1,737,209**
Foreign fixed income	**231,721**		**231,721**
Cash and cash equivalents	**862,336**	**42,465**	**904,801**
Totals	**$8,050,971**	**$950,967**	**$9,001,938**

Following is a summary of GMRI's and GMPInc's investment securities at June 30, 2019:

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	$1,388,840		$1,388,840
Equity	4,153,064		4,153,064
Non-government fixed income	737,272	$830,425	1,567,697
Foreign fixed income	152,840		152,840
Cash and cash equivalents	583,066	75,492	658,558
Totals	$7,015,082	$905,917	$7,920,999

GMRI's net investment income for fiscal years 2020 and 2019 includes investment earnings (dividend and interest) of $175,108 and $159,844, respectively, and realized and unrealized gains of $183,736 and $52,273, respectively. GMPInc's net investment income for fiscal years 2020 and 2019 includes investment earnings (dividend and interest) of $19,678 and $18,887 respectively, and realized and unrealized gains (losses) of $45,050 and $40,208 respectively.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

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 estimated value of the future distributions from the fund is included in these consolidated financial statements and amounted to $2,323,060 and $2,297,090 at June 30, 2020 and 2019, 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, 2020 and 2019, the fair value of GMRI's interest in this trust was estimated to be $174,696 and $156,946, respectively, and in accordance with GAAP is recorded as an asset within the consolidated statements of financial position.

At June 30, 2020, 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 9.5 years from that date, assumed annualized nominal rates of return for the trust assets of 5.5%, and a discount rate of 0.66%. The current year's change in the value of GMRI's interest in this trust is included in net investment income in the amount of $17,750, and the prior year change was $18,567.

NOTE 9 – ENDOWMENTS

As noted elsewhere in the consolidated financial statements, at June 30, 2020 and 2019, the Board of Directors had designated $5,548,616 and $4,814,216 (See Note 15), 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.

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, 2020 and 2019, 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 us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 9 – ENDOWMENTS – CONTINUED

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 40-80% equities, 20-50% debt securities, and 0-10% cash and cash equivalents with a strategic target asset allocation of 70% equities and 30% 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.

The Institute's endowment balances were comprised of the following as of June 30, 2020:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated endowment funds	**$ 5,548,616**	**$ 2,838,993**	**$ 8,387,609**
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		**1,200,000**	**1,200,000**
Accumulated investment gains		**98,993**	**98,993**
	$ 5,548,616	**$ 4,137,986**	**$ 9,686,602**

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 9 – ENDOWMENTS – CONTINUED

The changes in the Institute's endowment balances for the year ended June 30, 2020, were as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment investments, beginning of year	**$4,814,216**	**$1,058,084**	**$5,872,300**
Contributions	**726,914**	**237,879**	**964,793**
Investment return:			
Investment income	**114,230**	**27,488**	**141,718**
Net appreciation	**114,561**	**25,312**	**139,873**
Total investment return	**228,791**	**52,800**	**281,591**
Appropriation of endowment assets pursuant to spending rate-policy	**(221,305)**	**(48,938)**	**(270,243)**
Endowment investments, end of year	**5,548,616**	**1,299,825**	**6,848,441**
Promises to give for endowment, net of discount			
Promises to give for endowment, Board-designated	**-**	**2,838,161**	**2,838,161**
Total endowment net assets, end of year	**$5,548,616**	**$4,137,986**	**$9,686,602**

The Institute's endowment balances were comprised of the following as of June 30, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated endowment funds	$4,814,216	$1,372,079	$6,186,295
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		1,200,000	1,200,000
Accumulated investment gains		95,131	95,131
	$4,814,216	$2,667,210	$7,481,426

The changes in the Institute's endowment balances for the year ended June 30, 2019, were as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment investments, beginning of year	$3,815,402	$ 793,980	$4,609,382
Contributions	841,789	241,319	1,083,108
Investment return:			
Investment income	76,824	19,210	93,034
Net appreciation	262,852	51,183	314,035
Total investment return	339,676	70,393	410,069
Appropriation of endowment assets pursuant to spending rate-policy	(182,651)	(47,608)	(230,259)
Endowment investments, end of year	4,814,216	1,058,084	5,872,300
Promises to give for endowment, net of discount		237,047	237,047
Promises to give for endowment, Board-designated	-	1,372,079	1,372,079
Total endowment net assets, end of year	$4,814,216	$2,667,210	$7,481,426

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2020, are as follows:

	Totals	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies	**$ 1,498,963**	**$ 1,498,963**		
Domestic exchange traded funds	**4,629,244**	**4,629,244**		
Non-government fixed income	**1,737,209**	**1,737,209**		
Foreign fixed income	**231,721**	**231,721**		
Cash and cash equivalents	**904,801**	**904,801**		
Interest in pooled investments	**2,323,060**		**$ 2,323,060**	
Charitable remainder trust	**174,696**			**$ 174,696**
Totals	**$ 11,499,964**	**$ 9,001,938**	**$ 2,323,060**	**$ 174,696**

Fair values of assets measured on a recurring basis at June 30, 2019, are as follows:

	Totals	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies	$ 1,388,840	$ 1,388,840		
Domestic exchange traded funds	4,153,064	4,153,064		
Non-government fixed income	1,567,697	1,567,697		
Foreign fixed income	152,840	152,840		
Cash and cash equivalents	658,558	658,558		
Interest in pooled investments	2,297,090		$ 2,297,090	
Charitable remainder trust	156,946			$ 156,946
Totals	$ 10,375,035	$ 7,920,999	$ 2,297,090	$ 156,946

In accordance with the FASB Accounting Standards Update, *Improving Disclosures about Fair Value Measurements,* requires that, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present information separately about purchases, sales, issuances, and settlement on a gross basis rather than as one net number. The following table reconciles GMRI's assets classified as Level 3 measurements during the years ended June 30, 2020 and 2019, on such a basis:

	2020	2019
Balance at beginning of year	**$ 156,946**	$ 138,379
Gain included in changes in net assets	**17,750**	18,567
Market value at end of year	**$ 174,696**	$ 156,946

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 11 – LINES OF CREDIT

At June 30, 2020 and 2019, GMRI held two lines of credit with local banks. The first of these bears a maximum credit limit currently set at $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% (2.52% as of June 30, 2020), is payable on demand, and is secured by collateral comprising certain investments whose combined market value as of June 30, 2020 and 2019, amounted to $765,818 and $741,758, respectively. There were no outstanding balances on this credit line at June 30, 2020 and 2019. This credit line was renewed and will expire on August 31, 2021. The second line of credit bears interest at prime, plus 0.25%, with a floor of 4.00% (4.00% as of June 30, 2020), and is secured by all business assets of GMRI. This credit line expires on February 28, 2022, is payable monthly, and is subject to a maximum credit limit of $1,000,000. There was no balance outstanding on this credit line at June 30, 2020 and 2019.

NOTE 12 – REFUNDABLE ADVANCE

At June 30, 2020, the Organization had a refundable advance liability of $594,540. This amount represents the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Organization has determined the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Organization has interpreted the condition of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, recognized ratably over the covered period of 24 weeks. Should the conditions of the award not be substantially met or explicitly waived, all or a portion of the award will be treated as a loan bearing interest at 1%. Subsequent to June 30, 2020, the Institute applied for, and was approved by the SBA for, full forgiveness of the loan. The amount of revenue recognized for eligible expenses incurred and paid for the year ended June 30, 2020, was $487,760 and is included in other income on the consolidated statements of activities.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 13 – NOTES PAYABLE

A summary of notes payable as of June 30, 2020 and 2019, is as follows:

	2020	2019
$3,900,000 qualified tax-exempt bond note with a local bank, interest at a fixed rate of 3.75%, repaid based on a 25-year amortization, with all remaining principal and interest due in full on November 30, 2021.	**$ 2,951,563**	$ 3,078,391
$472,500 working capital loan with a local bank, interest rate at prime rate less 0.25%, to be repaid based on a 25-year amortization, with all remaining principal and interest due in full on May 9, 2022. The note was paid in full during 2020.		378,300
$500,000 non-restoring line of credit with a local bank, interest rate at LIBOR + 1.85%, to be repaid based on a 5-year amortization.	**265,605**	424,665
GOMS note payable to People's United Bank with interest of 1% accruing for the first 6 months. In month 7, equal monthly payments of principal and interest will begin in an amount sufficient to amortize the loan over the remaining 18 months. There is no personal guarantee or collateral required for this loan. This note represents the receipt of an award from the Small Business Administration's Paycheck Protection Program as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Management anticipates full forgiveness of the note in fiscal year 2021, and as such, has presented it as current.	**44,700**	
NEMM note payable to People's United Bank with interest of 1% accruing for the first 6 months. In month 7, equal monthly payments of principal and interest will begin in an amount sufficient to amortize the loan over the remaining 18 months. There is no personal guarantee or collateral required for this loan. This note represents the receipt of an award from the Small Business Administration's Paycheck Protection Program as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Management anticipates full forgiveness of the note in fiscal year 2021, and as such, has presented it as current.	**47,400**	
	3,309,268	3,881,356
Less current portion	**331,320**	233,415
Less deferred loan financing costs	**18,803**	32,051
Long-term portion, net	**$ 2,959,145**	$ 3,615,890

The bond and working capital loan, along with the lines of credit (See Note 11), carry certain financial covenants which must be satisfied in order for GMRI not to be in default under these agreements. Among these covenants is a debt service coverage requirement under which GMRI's debt service coverage ratio must be maintained at a level of at least 1.20 to 1.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 13 – NOTES PAYABLE – CONTINUED

Expected maturities of the notes payable based on current interest rates are as follows:

2021	$ 331,320
2022	2,921,521
2023	56,427
	$ 3,309,268

NOTE 14 – CAPITAL LEASE

During 2017, GMRI entered into a capital lease for equipment with monthly payments of $264, through December 2021. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is depreciated over the expected useful life. Depreciation of the equipment under the capital lease will be included in depreciation expense.

The leased property under capital lease at June 30, 2020 and 2019, are as follows:

	2020	2019
Equipment	**$13,255**	$13,255
Less accumulated depreciation	**7,954**	5,303
Net book value of equipment under capital lease	**$ 5,301**	$ 7,952

The net present value of the future minimum lease payments at June 30, 2020 and 2019, are as follows:

	2020	2019
Present value of minimum lease payments	**$ 4,488**	$ 7,221
Less current portion	**2,733**	2,733
Long-term capital lease obligation	**$ 1,755**	$ 4,488

The future minimum lease payments under the capital lease are, as follows:

Years ending June 30,

2021	$ 3,165
2022	1,583
Total lease payments	4,748
Amount representing interest	260
Present value of minimum lease payments	$ 4,488

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 15 – NET ASSETS

Net assets without donor restrictions, but are designated by the Board for specific uses, consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Board-designated net assets:		
Waldron reserve fund	**$ 765,818**	$ 742,643
Endowment funds	**5,548,616**	4,814,216
Reserved for research and scientist guarantee surpluses	**186,174**	167,168
Reserved for capital projects and equipment and other	**902,671**	703,373
Capacity building	**62,140**	65,674
GMPInc	**723,246**	766,063
	$ 8,188,665	$ 7,259,137

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

Net Assets with Donor Restriction:	2020	2019
Subject to expenditure for specified purpose:		
Future program expenses	**$ 3,502,128**	$ 2,156,240
Subject to the passage of time:		
Beneficial interests in charitable remainder trusts	**174,696**	156,946
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	**1,502,607**	1,709,239
	5,179,431	4,022,425
Endowments:		
Subject to GMRI's spending policy and appropriation:		
Unconditional promises to give, net – donor restricted for general endowment	**2,838,993**	1,372,079
General use	**98,993**	95,131
Endowments investments held in perpetuity	**1,200,000**	962,953
Unconditional promises to give, net – donor restricted for endowment held in perpetuity		237,047
	4,137,986	2,667,210
Not subject to spending policy or appropriation:		
Pooled investments held by community foundation	**2,323,060**	2,297,090
Unconditional promises to give, net – donor restricted for pooled investments held by community foundation	**181,080**	274,684
	2,504,140	2,571,774
	$11,821,557	$ 9,261,409

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 16 – 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, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Research	**$ 133,817**	$ 144,987
Convening	**567,151**	359,809
Education	**617,883**	700,931
Development	**253,500**	221,085
Business development	**515,345**	
Management	**2,745**	(2,244)
Endowment	**244,319**	237,779
General purpose spending-rate distributions		
and appropriations from endowments	**48,938**	47,608
	$ 2,383,698	$ 1,709,955

NOTE 17 – 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, 2020 and 2019, GMPInc was the sole unit owner of the units thus created. As of and for the years ended June 30, 2020 and 2019, Gulf of Maine Properties I had no financial activity or balances.

NOTE 18 – 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, 2020 and 2019, was $208,368 and $158,061, respectively.

NOTE 19 – RELATED PARTY COMPENSATION

Executive Employment Agreement - Effective January 1, 2016, the Institute entered into an employment agreement with their executive. The agreement's total compensation is contingent upon the executive's employment through December 31, 2020, and reaching long-term goals. 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 through 2020 for success against financial and other organizational goals, as determined by the Board of Directors. In 2020 and 2019, $56,862 and $38,652 was earned, respectively.

- Deferred incentive compensation for progress on meeting long-term financial goals from 2015 through 2020, under which payments will be made starting in 2021. At June 30, 2020 and 2019, the total accrual was $212,571 and $155,709, respectively.

- A non-qualified supplemental retirement plan under Sections 409 and 457 of the Internal Revenue Code with a total obligation of $250,000. The Plan is fully vested by December 2020 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 start in 2021.

Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

NOTE 20 – CONTINGENCIES

Grants

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 financial statements for such contingency.

NOTE 21 – ECONOMIC DEPENDENCY

The Institute receives a substantial portion of its total revenues from contributions. For the years ended June 30, 2020 and 2019, the Institute received approximately 57% and 59%, respectively, of its total revenues from contributions.

NOTE 22 – RISK AND UNCERTAINTIES

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Institute had not yet suffered material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Institute, cannot be reasonably estimated at this time.

WIPFLI

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of Gulf of Maine Research Institute and its Subsidiaries, Gulf of Maine Properties, Inc., Gulf of Maine Sashimi, Inc., and New England Marine Monitoring, Inc. for the years ended June 30, 2020 and 2019, and have issued our report thereon, dated January 15, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 29-31 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 audits 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.

Wipfli LLP

South Portland, Maine
January 15, 2021

GULF OF MAINE RESEARCH INSTITUTE AND ITS SUBSIDIARIES
Consolidating Schedule of Financial Position
June 30, 2020
(with summarized comparative consolidated totals at June 30, 2019)

	2020						2019
	Gulf of Maine Research Institute	**Gulf of Maine Properties, Inc.**	**Gulf of Maine Sashimi, Inc.**	**New England Marine Monitoring, Inc**	**Eliminations**	**Consolidated Totals**	**Consolidated Totals**
ASSETS							
Current assets:							
Cash and cash equivalents	$ 5,233,991	$ 165,814	$ 53,086	$ 49,952		$ 5,502,843	$ 3,436,951
Accrued interest and dividend receivable	29,545					29,545	26,649
Promises to give, current	1,551,907		781			1,552,688	1,105,511
Accounts receivable	877,498	12,769	9,902	57,051		957,220	875,315
Security deposit			3,300	692		3,992	
Prepaid expenses	88,760	76,596	2,991	4,055		172,402	139,657
Total current assets	7,781,701	255,179	70,060	111,750		8,218,690	5,584,083
Property and equipment:							
Property and equipment	6,933,600	14,778,322	87,680			21,799,602	21,421,610
Less: accumulated depreciation/amortization	(2,104,116)	(5,057,825)				(7,161,941)	(6,543,618)
Net property and equipment	4,829,484	9,720,497	87,680			14,637,661	14,877,992
Other non-current assets:							
Long-term investments:							
Designated for capital and operations	1,227,674	950,967				2,178,641	2,069,261
Designated for endowment	6,823,297					6,823,297	5,851,738
Beneficial interest in pooled investments held by others	2,323,060					2,323,060	2,297,090
Promises to give, non-current, net of amortized discount	2,975,257					2,975,257	2,250,491
Promises to give for endowment							237,369
Beneficial interest in charitable remainder trust	174,696					174,696	156,946
Investment in subsidiary	107,820				$ (107,820)		
Total other non-current assets	13,631,804	950,967			(107,820)	14,474,951	12,862,895
Total assets	**$ 26,242,989**	**$ 10,926,643**	**$ 157,740**	**$ 111,750**	**$ (107,820)**	**$ 37,331,302**	**$ 33,324,970**
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	$ 107,172	$ 132,048	$ 44,700	$ 47,400		$ 331,320	$ 233,415
Current portion of capital lease payable	2,733					2,733	2,733
Accounts payable	280,437	104,719	34,988	15,064		435,208	438,466
Refundable advance	594,540					594,540	
Accrued vacation	275,819					275,819	138,494
Accrued payroll liabilities	378,552		395	19,123		398,070	282,874
Deferred revenue		13,835				13,835	
Total current liabilities	1,639,253	250,602	80,083	81,587		2,051,525	1,095,982
Long-term liabilities:							
Long-term debt, net of current portion	158,433	2,800,712				2,959,145	3,615,890
Capital lease payable, net of current portion	1,755					1,755	4,488
Accrued incentive compensation	440,104					440,104	330,709
Security deposit payable	980	11,401				12,381	6,488
Total long-term liabilities	601,272	2,812,113				3,413,385	3,957,575
Total liabilities	2,240,525	3,062,715	80,083	81,587		5,464,910	5,053,557
NET ASSETS							
Without donor restrictions:							
Undesignated	(113,665)	155,866	77,657	30,163	$ (107,820)	42,201	(89,995)
Board-designated	7,465,420	723,245				8,188,665	7,259,137
Investment in property, equipment and site acquisition cost	4,829,152	6,984,817				11,813,969	11,840,863
Total without donor restrictions	12,180,907	7,863,928	77,657	30,163	(107,820)	20,044,835	19,010,005
With donor restrictions	11,821,557					11,821,557	9,261,408
Total net assets	24,002,464	7,863,928	77,657	30,163	(107,820)	31,866,392	28,271,413
Total liabilities and net assets	**$ 26,242,989**	**$ 10,926,643**	**$ 157,740**	**$ 111,750**	**$ (107,820)**	**$ 37,331,302**	**$ 33,324,970**

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, 2020
(with summarized comparative consolidated totals for the year ended June 30, 2019)

	Gulf of Maine Research Institute						Gulf of Maine Properties, Inc.				Gulf of Maine Sashimi, Inc.	New England Marine Monitoring, Inc.			
	Without Donor Restriction			With Donor Restriction			Without Donor Restriction				Without Donor Restriction	Without Donor Restriction		2020	2019
	Programs & Support	Property & Equipment	Board Designated	Program & Support	Endowment	Total	Operations	Property & Equipment	Board Designated	Total	Operations	Operations	Eliminations	Consolidated Totals	Consolidated Totals
Support and revenue:															
Federal and state grants	$ 5,289,438	$ 110,785		$ 299,838		$ 5,700,061						$ 162,864		$ 5,862,925	$ 4,948,114
Contributions	3,615,825	175,000	$ 622,312	4,577,560	$ 4,729	8,995,426								8,995,426	8,507,143
Investment income	307,720		89,134	21,612	(70,580)	347,886	$ 191		$ 45,050	$ 45,241				393,127	573,147
In-kind income	67,181					67,181								67,181	70,840
Contract income	308,124					308,124								308,124	348,608
Rental income							855,587			855,587			$ (658,162)	197,425	213,993
Property management fee	103,890					103,890							(97,100)	6,790	6,676
Conferences & consulting income	29,482			110,178		139,660								139,660	116,802
Sales											$ 241,807			241,807	
Other income	159,138	4,736	4,620		510	169,004					5,599		417,180	591,783	(51,745)
Net assets released from restrictions	2,383,698			(2,383,698)											
Total support and revenue	12,264,496	290,521	716,066	2,625,490	(65,341)	15,831,232	855,778		45,050	900,828	247,406	162,864	(338,082)	16,804,248	14,733,578
Expenses:															
Program expenses:															
Research	2,761,803					2,761,803								2,761,803	1,850,577
Education	2,656,305					2,656,305								2,656,305	2,589,305
Community	1,805,528					1,805,528								1,805,528	1,922,149
Business development	137,877					137,877								137,877	50,694
Subsidiary expenses											520,367	282,701		803,068	124,995
Support services:															
Development	1,179,358					1,179,358								1,179,358	1,096,785
Management, general & facilities	3,378,369	258,451				3,636,820	623,900	$ 359,872		983,772			(755,262)	3,865,330	3,298,627
Total expenses	11,919,240	258,451				12,177,691	623,900	359,872		983,772	520,367	282,701	(755,262)	13,209,269	10,933,132
Change in net assets before transfers	345,256	32,070	716,066	2,625,490	(65,341)	3,653,541	231,878	(359,872)	45,050	(82,944)	(272,961)	(119,837)	417,180	3,594,979	3,800,446
Other transfers	(287,434)	62,925	256,280			31,771	(181,886)	237,983	(87,868)	(31,771)					
Total transfers	(287,434)	62,925	256,280			31,771	(181,886)	237,983	(87,868)	(31,771)					
Change in net assets	57,822	94,995	972,346	2,625,490	(65,341)	3,685,312	49,992	(121,889)	(42,818)	(114,715)	(272,961)	(119,837)	417,180	3,594,979	3,800,446
Net assets, beginning of year	(171,487)	4,734,157	6,493,074	5,489,634	3,771,774	20,317,152	105,874	7,106,706	766,063	7,978,643	25,618		(50,000)	28,271,413	24,470,967
Capital contribution											325,000	150,000	(475,000)		
Net assets, end of year	**$ (113,665)**	**$ 4,829,152**	**$ 7,465,420**	**$ 8,115,124**	**$ 3,706,433**	**$ 24,002,464**	**$ 155,866**	**$ 6,984,817**	**$ 723,245**	**$ 7,863,928**	**$ 77,657**	**$ 30,163**	**$ (107,820)**	**$ 31,866,392**	**$ 28,271,413**

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, 2020
(with comparative consolidated totals for the year ended June 30, 2019)

	2020						2019
	Gulf of Maine Research Institute	**Gulf of Maine Properties, Inc.**	**Gulf of Maine Sashimi, Inc.**	**New England Marine Monitoring Inc.**	**Eliminations**	**Consolidated Totals**	**Consolidated Totals**
Cash flows from operating activities:							
Change in net assets	$ 3,685,312	$ (114,715)	$ (272,961)	$ (119,837)	$ 417,180	$ 3,594,979	$ 3,800,446
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:							
Depreciation	258,451	359,871				618,322	516,734
Realized/unrealized gain on investments	(183,736)	(45,050)				(228,786)	(92,481)
Earnings from subsidiaries	417,180				(417,180)		
Change in pledge discount	(41,806)					(41,806)	62,966
Change in value in charitable remainder trust	(17,750)					(17,750)	(18,567)
Loss from disposal of property and equipment							58,375
Deferred loan financing costs		13,248				13,248	13,248
(Increase) decrease in assets:							
Accrued interest and dividend receivable	(2,896)					(2,896)	(7,165)
Net promises to give	(891,987)		(781)			(892,768)	(738,614)
Accounts receivable	(18,242)	2,679	(9,291)	(57,051)		(81,905)	(58,396)
Security deposit			(3,300)	(692)		(3,992)	
Prepaid expenses	40,881	(66,580)	(2,991)	(4,055)		(32,745)	(84,907)
Increase (decrease) in liabilities:							
Accounts payable	(97,293)	77,538	1,433	15,064		(3,258)	(8,828)
Refundable advance	594,540					594,540	
Accrued vacation	137,325					137,325	33,373
Accrued payroll liabilities	101,661		(5,588)	19,123		115,196	(33,263)
Deferred revenue		13,835				13,835	
Accrued incentive compensation	109,395					109,395	79,767
Security deposit payable		5,893				5,893	
Net cash and cash equivalents provided by (used in) operating activities	4,091,035	246,719	(293,479)	(147,448)		3,896,827	3,522,688
Cash flows from investing activities:							
Capital contribution - subsidiaries	(475,000)		325,000	150,000			
Purchase of property and equipment	(286,521)	(12,737)	(78,733)			(377,991)	(777,297)
Purchase of investments	(3,228,310)	(60,305)				(3,288,615)	(6,650,546)
Proceeds from sale of investments	2,350,187	60,305				2,410,492	5,197,810
Net cash and cash equivalents provided by (used in) investing activities	(1,639,644)	(12,737)	246,267	150,000		(1,256,114)	(2,230,033)
Cash flows from financing activities:							
Proceeds from debt			44,700	47,400		92,100	500,000
Repayments on long-term debt	(537,360)	(126,828)				(664,188)	(210,281)
Repayments on capital lease	(2,733)					(2,733)	(2,545)
Net cash and cash equivalents provided by (used in) financing activities	(540,093)	(126,828)	44,700	47,400		(574,821)	287,174
Net change in cash and cash equivalents	1,911,298	107,154	(2,512)	49,952		2,065,892	1,579,829
Cash and cash equivalents, beginning of year	3,322,693	58,660	55,598			3,436,951	1,857,122
Cash and cash equivalents, end of year	**$ 5,233,991**	**$ 165,814**	**$ 53,086**	**$ 49,952**	**$ -**	**$ 5,502,843**	**$ 3,436,951**
Supplemental disclosure of cash flow information:							
Cash paid during the year for interest	**$ 20,572**	**$ 115,163**				**$ 135,735**	**$ 150,427**

See accompanying independent auditor's report on supplementary information.