Gulf of Maine
Research Institute
**and its Affiliate**

**Consolidated Financial Statements**

**December 31, 2015**

# CONTENTS

## Independent Auditors' Report

To the Board of Directors
Gulf of Maine Research Institute and its Affiliate
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 affiliate, Gulf of Maine Properties, Inc., which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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.

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 auditors' 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.

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Board of Directors
Gulf of Maine Research Institute and its Affiliate

**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 affiliate as of December 31, 2015, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Consolidated Financial Statements**

The consolidated financial statements of Gulf of Maine Research Institute and its affiliate as of December 31, 2014, were audited by other auditors whose report, dated June 17, 2015, expressed an unmodified opinion on those consolidated statements.

Mayer LLC

South Portland, Maine
July 22, 2016

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidated Statements of Financial Position**
**December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,526,277 | $ 1,270,940 |
| Investments | 1,141,378 | 688,947 |
| Accrued interest and dividend receivable | 2,393 | 9,124 |
| Pledges receivable, current, net of reserve | 1,229,203 | 806,709 |
| Accounts receivable, net of reserve | 593,416 | 411,288 |
| Prepaid expenses | 17,844 | 48,878 |
| Total current assets | 4,510,511 | 3,235,886 |
| Property and equipment: | | |
| Property and equipment | 20,934,931 | 20,807,314 |
| Less accumulated depreciation/amortization | (5,671,646) | (5,139,691) |
| Net property and equipment | 15,263,285 | 15,667,623 |
| Other non-current assets: | | |
| Escrows | 134,533 | 205,646 |
| Long-term investments: | | |
| Designated for capital and operations | 1,208,934 | 1,070,976 |
| Designated for endowment | 2,025,222 | 1,728,218 |
| Beneficial interest in pooled investments held by others | 739,069 | 580,748 |
| Pledges receivable, non-current, net of amortized discount | 1,701,343 | 452,801 |
| Capitalized financing costs, net of accumulated amortization | 78,419 | 91,667 |
| Beneficial interest in charitable remainder trust | 113,229 | 134,764 |
| Total other non-current assets | 6,000,749 | 4,264,820 |
| **Total assets** | **$ 25,774,545** | **$ 23,168,329** |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Current portion of long-term debt | 125,249 | 121,083 |
| Accounts payable | 215,302 | 71,007 |
| Accrued vacation | 47,368 | 47,650 |
| Accrued payroll liabilities | 207,168 | 177,077 |
| Deferred revenue | 4,576 | 3,576 |
| Total current liabilities | 599,663 | 420,393 |
| Long-term liabilities: | | |
| Long -term debt, net of current portion | 3,786,460 | 3,911,688 |
| Accrued incentive compensation | 84,116 | |
| Security deposit payable | 14,219 | 14,219 |
| Total long-term liabilities | 3,884,795 | 3,925,907 |
| Total liabilities | 4,484,458 | 4,346,300 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 234,937 | 321,735 |
| Board-designated | 3,935,995 | 3,860,222 |
| Investment in property, equipment and site acquisition cost | 11,798,487 | 12,159,656 |
| Total unrestricted net assets | 15,969,419 | 16,341,613 |
| Temporarily restricted: | | |
| Program and support | 3,153,315 | 1,477,317 |
| Total temporarily restricted net assets | 3,153,315 | 1,477,317 |
| Permanently restricted | 2,167,353 | 1,003,099 |
| Total net assets | 21,290,087 | 18,822,029 |
| **Total liabilities and net assets** | **$ 25,774,545** | **$ 23,168,329** |

*See independent auditors' report.*
*The accompanying notes are an integral part of these consolidated financial statements.*

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidated Statements of Activities**
**December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|---|---|
| Support and revenue: | | |
| Federal and state grants | $ 2,458,759 | $ 1,857,920 |
| Contributions | 7,571,410 | 4,989,883 |
| Net investment income (loss) | (1,773) | 148,426 |
| In-kind income | 73,736 | 37,355 |
| Contract income | 129,430 | 324,093 |
| Rental income | 272,318 | 272,088 |
| Property management fee | 13,335 | 21,080 |
| Loss on disposal of fixed assets | (2,190) | (6,150) |
| Conferences & consulting income | 111,599 | 119,826 |
| Other income | 8,279 | 10,371 |
| Total support and revenue | 10,634,903 | 7,774,892 |
| Expenses: | | |
| Program expenses: | | |
| Research | 2,937,390 | 2,510,483 |
| Education | 1,498,711 | 1,706,460 |
| Community | 1,796,928 | 1,836,482 |
| Support services: | | |
| Development | 1,246,234 | 1,345,796 |
| Management, general & facilities | 687,582 | 551,320 |
| Total expenses | 8,166,845 | 7,950,541 |
| Change in net assets | 2,468,058 | (175,649) |
| Net assets, beginning of year | 18,822,029 | 18,997,678 |
| **Net assets, end of year** | **$ 21,290,087** | **$ 18,822,029** |

*See independent auditors' report.*
*The accompanying notes are an integral part of these consolidated financial statements.*

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidated Statements of Cash Flows**
**December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 2,468,058 | $ (175,649) |
| Adjustment to reconcile change in net assets to net cash | | |
| and cash equivalents provided by (used in) operating activities: | | |
| Depreciation and amortization | 563,012 | 592,394 |
| (Gain) Loss on transfer of fixed assets between GMRI & GMP | | |
| Loss on disposal of fixed assets | 2,189 | 6,150 |
| Realized/unrealized (gain)loss on investments | 48,889 | (88,682) |
| Non-cash contributions | (366,565) | (862,666) |
| Change in pledge discount | 26,259 | 258 |
| Change in pledge allowance | (1,750) | 2,250 |
| Change in value in charitable remainder trust | 21,535 | (34,925) |
| (Increase) decrease in assets: | | |
| Net pledges receivable | (1,695,545) | 36,751 |
| Accounts receivable | (182,128) | (616) |
| Intercompany receivable (payable) | | |
| Prepaid expenses | 31,034 | (2,617) |
| Accrued interest and dividend receivable | 6,731 | 2,985 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 144,295 | (269,081) |
| Accrued vacation | (282) | 3,808 |
| Accrued payroll liabilities | 30,091 | 73,090 |
| Deferred revenue | 1,000 | 1,346 |
| Accrued incentive compensation | 84,116 | |
| Security deposits | | 2,380 |
| Net cash and cash equivalents provided by (used in) operating activities | 1,180,939 | (712,824) |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (147,614) | (68,625) |
| Purchase of investments | (3,845,112) | (1,558,730) |
| Proceeds from sale of investments | 3,188,186 | 2,763,346 |
| Net cash and cash equivalents provided by (used in) investing activities | (804,540) | 1,135,991 |
| Cash flows from financing activities: | | |
| Repayments on lines of credit, net | | (128,530) |
| Repayments of long-term debt, net | (121,062) | (116,666) |
| Net cash and cash equivalents used in financing activities | (121,062) | (245,196) |
| Net change in cash and cash equivalents | 255,337 | 177,971 |
| Cash and cash equivalents, beginning of year | 1,270,940 | 1,092,969 |
| **Cash and cash equivalents, end of year** | **$ 1,526,277** | **$ 1,270,940** |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest | **$ 147,946** | **$ 153,264** |

*See independent auditors' report.*
*The accompanying notes are an integral part of these consolidated financial statements.*

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**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.

**Basis of Accounting and Presentation**

The consolidated financial statements for GMRI and GMPInc have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles (U.S. GAAP). Accordingly, the Institute is required to report information regarding its consolidated financial position and activities according to three classes of net assets, as follows:

> **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and or the passage of time.
>
> **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or otherwise removed by actions of the Institute.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are re-classified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

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

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Pledges Receivable**

Pledges receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable 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 pledges receivable is reduced by a reserve for estimated uncollectible amounts based on periodic review of outstanding pledges by management. Conditional promises to give are not included as support until the conditions are substantially met.

**Cash and Cash Equivalents**

For financial statement purposes, both GMRI and GMPInc consider 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.

**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.

**Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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. Estimates also affect 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 statement 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 on the basis of 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.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capitalization and Depreciation**

Property and equipment is carried at cost if purchased, or fair market value if donated. GMRI and GMPInc depreciate 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. If a purchase is funded by a project and not in the Institute's care and control, then regardless of the cost, the purchase 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.

**Income Taxes and Accounting for Uncertainty in 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.

Accounting Standards require that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. Management believes there are no uncertain tax positions within its consolidated financial statements. The Institute has processes currently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. The Institute is subject to U.S. federal and state examinations by taxing authorities for the years ended December 31, 2012 through 2015.

**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.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

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 December 31, 2015 and 2014, 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.

**Recent Accounting Pronouncements**

*Revenue Recognition*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to 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 guidance is effective for all nonpublic entities' annual periods beginning after December 15, 2018, but management presently does not expect a significant change in revenue recognition.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash balances were held in various checking and money market accounts in one financial institution at December 31, 2015 and 2014, respectively. These accounts are all considered cash and cash equivalents for determining the change in cash in the accompanying consolidated statement of cash flows. At December 31, 2015 and 2014, 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.

**NOTE 3 – PLEDGES RECEIVABLE AND CONDITIONAL PROMISES RECEIVABLE**

Pledges receivable, net of unamortized discount and allowance for uncollectible accounts, are summarized as follows at December 31. Interest rates on U.S. Treasury 1-year notes, ranging from 0.13% to 0.65%, are used to discount the future payments of each respective year's pledges.

| | 2015 | 2014 |
|---|---|---|
| Pledges receivable, net of reserve for bad debt, expected to be collected in: | | |
| Less than one year | $ 1,254,703 | $ 833,959 |
| One year to five years: | | |
| Restricted for future program expenses | 427,000 | 110,000 |
| Restricted for endowments | 1,298,000 | 345,200 |
| Fundraising & capacity building | 5,000 | |
| Total one to five years | 1,730,000 | 455,200 |
| Over five years | | |
| | 2,984,703 | 1,289,159 |
| Less allowance for uncollectible accounts | (25,500) | (27,250) |
| Less unamortized discount | (28,657) | (2,399) |
| Pledges receivable, net | 2,930,546 | 1,259,510 |
| Less current portion, net | (1,229,203) | (806,709) |
| **Pledges receivable, net of current portion** | **$ 1,701,343** | **$ 452,801** |

Management estimates a reserve for uncollectible pledges based on a review of specific pledges outstanding. At December 31, 2015 and 2014, respectively, the reserve amounted to $25,500 and $27,250. This reserve has been netted against pledges receivable as shown above.

In addition, at December 31, 2015 and 2014, GMRI holds several conditional pledges receivable in the total amount of $1,836,827 and $2,003,852, 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.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | GMRI | GMPInc | Total | GMRI | GMPInc | Total |
| Land | $1,521,336 | $ 2,540,526 | $ 4,061,862 | $1,677,436 | $ 2,384,426 | $ 4,061,862 |
| Building | | 11,397,121 | 11,397,121 | 266,400 | 11,130,721 | 11,397,121 |
| Site improvements | 2,387,314 | 377,125 | 2,764,439 | 2,387,314 | 377,124 | 2,764,438 |
| Artwork | | 6,345 | 6,345 | | 6,345 | 6,345 |
| Leasehold improvements | 308,867 | 72,051 | 380,918 | 308,867 | 69,616 | 378,483 |
| Furniture and fixtures | 183,685 | 120,229 | 303,914 | 182,796 | 120,231 | 303,027 |
| Computer hardware and software | 141,463 | | 141,463 | 141,463 | | 141,463 |
| Equipment and vehicles | 880,031 | 158,349 | 1,038,380 | 813,369 | 113,279 | 926,648 |
| Exhibits | 840,489 | | 840,489 | 827,927 | | 827,927 |
| **Totals** | **$6,263,185** | **$14,671,746** | **$20,934,931** | **$6,605,572** | **$14,201,742** | **$20,807,314** |

**NOTE 5 – INVESTMENTS**

Following is a summary of GMRI's and GMPInc's investment securities at December 31, 2015:

| | GMRI | | GMPInc | |
|---|---|---|---|---|
| | Cost | Market Value | Cost | Market Value |
| U.S. Treasury and government agencies | $ 841,749 | $ 835,615 | $ 439,675 | $ 438,995 |
| Equity | 1,199,793 | 1,521,358 | | |
| Non-government fixed income | 174,270 | 172,593 | 5,216 | 5,484 |
| Foreign fixed income | 87,449 | 86,303 | | |
| Cash and cash equivalents | 1,272,597 | 1,283,793 | 165,997 | 165,926 |
| **Totals** | **$3,575,858** | **$3,899,662** | **$ 610,888** | **$ 610,405** |

Following is a summary of GMRI's and GMPInc's investment securities at December 31, 2014:

| | GMRI | | GMPInc | |
|---|---|---|---|---|
| | Cost | Market Value | Cost | Market Value |
| U.S. Treasury and government agencies | $ 380,832 | $ 374,315 | $ 239,675 | $ 240,410 |
| Equity | 937,965 | 1,402,183 | | |
| Government fixed income | 105,270 | 100,294 | | |
| Non-government fixed income | 84,345 | 83,361 | 5,216 | 5,600 |
| Foreign fixed income | 32,375 | 31,728 | | |
| Cash and cash equivalents | 1,172,905 | 1,172,905 | 282,991 | 282,991 |
| **Totals** | **$2,713,692** | **$3,164,786** | **$ 527,882** | **$ 529,001** |

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 5 – INVESTMENTS – CONTINUED**

GMRI's net investment income for fiscal years 2015 and 2014 include investment earnings (dividend and interest) of $44,260 and $57,054, respectively, and realized and unrealized gains (losses) of $(47,339) and $89,284, respectively. GMPInc's net investment income for fiscal years 2015 and 2014 include investment earnings (dividend and interest) of $2,837 and $2,690, respectively, and realized and unrealized gains (losses) of $(1,532) and $(602), respectively.

**NOTE 6 – 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 $739,069 and $580,748 at December 31, 2015 and 2014, respectively.

**NOTE 7 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST**

During the year ended December 31, 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 December 31, 2015 and 2014, the fair value of GMRI's interest in this trust was estimated to be $113,229 and $134,764, respectively, and in accordance with generally accepted accounting principles is recorded as an asset within the consolidated statement of financial position. At December 31, 2015, 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 13.5 years from that date, assumed annualized nominal rates of return for the trust assets of 5%, and a discount rate of 2.17%. The current year's change in the value of GMRI's interest in this trust is included in contributions, in the amount of $21,534, and the prior year change was $34,925.

**NOTE 8 – ENDOWMENTS**

As noted elsewhere in the consolidated financial statements, at December 31, 2015 and 2014, the Board of Directors had designated $2,025,222 and $1,728,218, respectively, of GMRI's unrestricted net assets 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.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 8 –ENDOWMENTS – CONTINUED**

**Relevant Law – Continued**

GMRI's Board 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 gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In keeping with this interpretation, GMRI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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 described above 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. 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 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.

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | | | $ 240,218 | $ 240,218 |
| Board-designated endowment funds | $ 1,785,004 | - | | 1,785,004 |
| **Totals** | **$ 1,785,004** | **-** | **$ 240,218** | **$ 2,025,222** |

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 8 – ENDOWMENTS – CONTINUED**

The changes in the Institute's endowment balances for the year ended December 31, 2015 were as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 1,728,218 | - | | $1,728,218 |
| Contributions | 56,075 | - | $ 240,218 | 296,293 |
| Investment return: | | | | |
| Investment income | 36,404 | - | | 36,404 |
| Net depreciation | (35,693) | - | | (35,693) |
| Total investment return | 711 | - | | 711 |
| Amounts appropriated for expenditure | | - | | |
| **Endowment net assets, end of year** | **$ 1,785,004** | **-** | **$ 240,218** | **$ 2,025,222** |

The Institute's endowment balances were comprised of the following as of December 31, 2014:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Board-designated endowment funds | $ 1,728,218 | - | - | $ 1,728,218 |
| **Totals** | **$ 1,728,218** | **-** | **-** | **$ 1,728,218** |

The changes in the Institute's endowment balances for the year ended December 31, 2014 were as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 1,606,724 | - | - | $ 1,606,724 |
| Contributions | 68,272 | - | - | 68,272 |
| Investment return: | | | | |
| Investment income | 38,028 | - | - | 38,028 |
| Net appreciation | 84,942 | - | - | 84,942 |
| Total investment return | 122,970 | - | - | 122,970 |
| Amounts appropriated for expenditure | (69,748) | - | - | (69,748) |
| **Endowment net assets, end of year** | **$ 1,728,218** | **-** | **-** | **$ 1,728,218** |

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 9 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

| | Totals | GMRI (Level 1) | GMPInc (Level 1) | (Level 2) | (Level 3) |
|---|---|---|---|---|---|
| U.S. Treasury and government agencies | $ 1,274,539 | $ 835,615 | $ 438,924 | | |
| Domestic exchange traded funds | 1,521,358 | 1,521,358 | | | |
| Non-government fixed income | 178,077 | 172,593 | 5,484 | | |
| Foreign fixed income | 86,303 | 86,303 | | | |
| Cash and cash equivalents | 1,449,790 | 1,283,793 | 165,997 | | |
| Interest in pooled investments | 739,069 | | | $ 739,069 | |
| Charitable remainder trust | 113,229 | | | | $ 113,229 |
| **Totals** | **$ 5,362,365** | **$ 3,899,662** | **$ 610,405** | **$ 739,069** | **$ 113,229** |

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

| | Totals | GMRI (Level 1) | GMPInc (Level 1) | (Level 2) | (Level 3) |
|---|---|---|---|---|---|
| U.S. Treasury and government agencies | $ 715,019 | $ 474,609 | $ 240,410 | | |
| Domestic exchange traded funds | 1,402,183 | 1,402,183 | | | |
| Non-government fixed income | 88,961 | 83,361 | 5,600 | | |
| Foreign fixed income | 31,728 | 31,728 | | | |
| Cash and cash equivalents | 1,455,896 | 1,172,905 | 282,991 | | |
| Interest in pooled investments | 580,748 | | | $ 580,748 | |
| Charitable remainder trust | 134,764 | | | | $ 134,764 |
| **Totals** | **$ 4,409,299** | **$ 3,164,786** | **$ 529,001** | **$ 580,748** | **$ 134,764** |

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 separately information 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 year ended December 31, on such a basis:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **$ 134,764** | $ 99,839 |
| Gain (loss) included in changes in net assets | **(21,535)** | 34,925 |
| Market value at end of year | **$ 113,229** | $ 134,764 |

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 10 – LINES OF CREDIT**

At December 31, 2015 and 2014, 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%, is payable on demand, and is secured by collateral comprising certain investments whose combined market value as of December 31, 2015 and 2014 amounted to $719,543 and $727,076, respectively. There were no outstanding balances on this credit line at December 31, 2015 and 2014. This credit line expires on August 31, 2016. The second line of credit bears interest at prime, plus 0.25%, and is secured by all business assets of GMRI. This credit line expires on October 31, 2017, is payable monthly, and is subject to a maximum credit limit of $400,000. There was no balance outstanding on this credit line at December 31, 2015 or December 31, 2014.

**NOTE 11 – NOTES PAYABLE**

A summary of notes payable as of December 31 are as follows:

| | **2015** | 2014 |
|---|---|---|
| $3,900,000 qualified tax exempt bond note with a local bank, interest at a fixed rate of 3.75%, repaid based on a 25 year amortization, with all remaining principal and interest due in full on November 30, 2021. | **$ 3,486,978** | $ 3,594,170 |
| $472,500 working capital loan with a local bank, interest rate at prime rate less 0.25%, to be repaid based on a 25 year amortization, with all remaining principal and interest due in full on November 30, 2021. | **424,731** | 438,601 |
| | **3,911,709** | 4,032,771 |
| Less current portion | **125,249** | 121,083 |
| Long-term portion | **$ 3,786,460** | $ 3,911,688 |

The bond and working capital loan, along with the lines of credit (See Note 10), carry certain financial covenants which must be satisfied in order for GMRI to not 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. For the years ended December 31, 2015 and 2014, GMRI satisfied this requirement.

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

| | |
|---|---|
| 2016 | $ 125,249 |
| 2017 | 130,392 |
| 2018 | 135,322 |
| 2019 | 140,438 |
| 2020 | 145,395 |
| Thereafter | 3,234,913 |
| | $ 3,911,709 |

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

**NOTE 12 – NET ASSETS**

Unrestricted board designated, temporarily and permanently restricted net assets consisted of the following as of December 31,

| | **2015** | 2014 |
|---|---|---|
| Unrestricted Board Designated: | | |
| Waldron reserve fund | **$ 717,365** | $ 722,767 |
| Endowment funds | **1,927,191** | 1,936,893 |
| Reserved for research and scientist guarantee surpluses | **134,798** | 109,286 |
| Reserved for capital projects and equipment and other | **503,845** | 493,405 |
| Capacity building | **227,050** | 258,970 |
| GMPInc | **425,746** | 338,901 |
| | **$ 3,935,995** | $ 3,860,222 |
| Temporarily Restricted: | | |
| Future program expenses | **$ 3,153,315** | $ 1,477,317 |
| | **$ 3,153,315** | $ 1,477,317 |
| Permanently Restricted: | | |
| Pooled investments held by others | **$ 739,069** | $ 580,748 |
| Pledges receivable and other | **1,428,284** | 422,351 |
| | **$ 2,167,353** | $ 1,003,099 |

**NOTE 13 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions as of December 31 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Future program expenses | **$ 1,149,099** | $ 1,801,882 |
| Pooled investments held by others | **17,350** | 18,410 |
| | **$ 1,166,449** | $ 1,820,292 |

**NOTE 14 – FORMATION OF CONDOMINIUM ASSOCIATION**

During 2011, GMPInc formed a condominium association, Gulf of Maine Properties I, through which all rentable space in the building described above has been converted into condominium units. As of December 31, 2015 and 2014, GMPInc was the sole unit owner of the units thus created. As of and for the years ended December 31, 2015 and 2014, Gulf of Maine Properties I had no financial activity or balances.

**NOTE 15 – 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 December 31, 2015 and 2014 was $120,807 and $112,287, respectively.

# Notes to Consolidated Financial Statements

**December 31, 2015 and 2014**

## NOTE 16 – 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 17 – ECONOMIC DEPENDENCY

The Institute receives a substantial portion of its total revenues from contributions. For the years ended December 31, 2015 and 2014, the Institute received approximately 71% and 64%, respectively, of its total revenues from contributions.

## NOTE 18 – EVALUATION OF SUBSEQUENT EVENTS

### 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 dismiss the executive for other than cause before that date. The agreement includes:

- Annual performance payments from 2015 through 2020 for success against financial and other organizational goals, as determined by the Board of Directors. In 2015, $42,058 was earned and accrued.

- Deferred incentive compensation for progress on meeting long-term financial goals from 2015 through 2020, under which payments will be made starting in 2021. In 2015, $42,058 was earned and accrued.

- A non-qualified supplemental retirement plan under Sections 409 and 457 of the Internal Revenue Code with a total obligation of $366,667. The Plan is fully vested by December 2020 unless the executive voluntarily leaves the Institute or the Board dismiss 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 begins in 2016, and payments start in 2021.

### General

Management has evaluated subsequent events through July 22, 2016, the date the consolidated financial statements were available to be issued, and determined that any subsequent events that would require recognition except as noted above or disclosure have been considered in the preparation of these consolidated financial statements.

**Independent Auditors' Report on Supplementary Information**

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

We have audited the consolidated financial statements of Gulf of Maine Research Institute and its affiliate, Gulf of Maine Properties, Inc., for the year ended December 31, 2015, and have issued our report thereon, dated July 22, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules is presented for purposes of additional analysis and is 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.

The consolidating schedules of Gulf of Maine Research Institute and its affiliate as of December 31, 2014, were audited by other auditors whose report, dated June 17, 2015, expressed an unmodified opinion on those schedules. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Macpage LLC

South Portland, Maine
July 22, 2016

Macpage LLC
30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com
One Market Square, Augusta, ME 04330-4637 | 207-622-4266 | 207-622-6545 fax
macpage.com

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidating Statement of Financial Position**
**December 31, 2015**
**(with comparative consolidated totals at December 31, 2014)**

| | 2015 | | | | 2014 |
|---|---|---|---|---|---|
| | Gulf of Maine Research Institute | Gulf of Maine Properties, Inc. | Eliminations | Consolidated totals | Consolidated totals |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 1,392,074 | $ 134,203 | | $ 1,526,277 | $ 1,270,940 |
| Investments | 1,141,378 | | | 1,141,378 | 688,947 |
| Accrued interest and dividend receivable | 2,322 | 71 | | 2,393 | 9,124 |
| Pledges receivable, current, net of reserve | 1,229,203 | | | 1,229,203 | 806,709 |
| Accounts receivable, net of reserve | 566,942 | 26,474 | | 593,416 | 411,288 |
| Intercompany receivable (payable) | 26,366 | (26,366) | | | |
| Prepaid expenses | 17,844 | | | 17,844 | 48,878 |
| Total current assets | 4,376,129 | 134,382 | | 4,510,511 | 3,235,886 |
| Property and equipment: | | | | | |
| Property and equipment | 6,263,185 | 14,671,746 | | 20,934,931 | 20,807,314 |
| Less accumulated depreciation/amortization | (2,208,766) | (3,462,880) | | (5,671,646) | (5,139,691) |
| Net property and equipment | 4,054,419 | 11,208,866 | | 15,263,285 | 15,667,623 |
| Other non-current assets: | | | | | |
| Escrows | 13,519 | 121,014 | | 134,533 | 205,646 |
| Long-term investments: | | | | | |
| Designated for capital and operations | 719,543 | 489,391 | | 1,208,934 | 1,070,976 |
| Designated for endowment | 2,025,222 | | | 2,025,222 | 1,728,218 |
| Beneficial interest in pooled investments held by others | 739,069 | | | 739,069 | 580,748 |
| Pledges receivable, non-current, net of amortized discount | 1,701,343 | | | 1,701,343 | 452,801 |
| Capitalized financing costs, net of accumulated amortization | | 78,419 | | 78,419 | 91,667 |
| Beneficial interest in charitable remainder trust | 113,229 | | | 113,229 | 134,764 |
| Total other non-current assets | 5,311,925 | 688,824 | | 6,000,749 | 4,264,820 |
| **Total assets** | **$ 13,742,473** | **$ 12,032,072** | | **$ 25,774,545** | **$ 23,168,329** |
| **LIABILITIES AND NET ASSETS** | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | 14,262 | 110,987 | | 125,249 | 121,083 |
| Accounts payable | 181,424 | 33,878 | | 215,302 | 71,007 |
| Accrued vacation | 47,368 | | | 47,368 | 47,650 |
| Accrued payroll liabilities | 207,168 | | | 207,168 | 177,077 |
| Deferred revenue | 1,000 | 3,576 | | 4,576 | 3,576 |
| Total current liabilities | 451,222 | 148,441 | | 599,663 | 420,393 |
| Long-term liabilities: | | | | | |
| Long -term debt, net of current portion | 410,469 | 3,375,991 | | 3,786,460 | 3,911,688 |
| Accrued incentive compensation | 84,116 | | | 84,116 | |
| Security deposit payable | 980 | 13,239 | | 14,219 | 14,219 |
| Total long-term liabilities | 495,565 | 3,389,230 | | 3,884,795 | 3,925,907 |
| Total liabilities | 946,787 | 3,537,671 | | 4,484,458 | 4,346,300 |
| Net assets: | | | | | |
| Unrestricted: | | | | | |
| Undesignated | 5,638 | 229,299 | | 234,937 | 321,735 |
| Board-designated | 3,510,249 | 425,746 | | 3,935,995 | 3,860,222 |
| Investment in property, equipment and site acquisition cost | 3,959,131 | 7,839,356 | | 11,798,487 | 12,159,656 |
| Total unrestricted net assets | 7,475,018 | 8,494,401 | | 15,969,419 | 16,341,613 |
| Temporarily restricted: | | | | | |
| Program and support | 3,153,315 | | | 3,153,315 | 1,477,317 |
| Total temporarily restricted net assets | 3,153,315 | | | 3,153,315 | 1,477,317 |
| Permanently restricted | 2,167,353 | | | 2,167,353 | 1,003,099 |
| Total net assets | 12,795,686 | 8,494,401 | | 21,290,087 | 18,822,029 |
| **Total liabilities and net assets** | **$ 13,742,473** | **$ 12,032,072** | | **$ 25,774,545** | **$ 23,168,329** |

*See accompanying independent auditors' report on supplementary information.*

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidating Statement of Activities**
**Year Ended December 31, 2015**
**(with comparative consolidated totals for year ended December 31, 2014)**

| | Gulf of Maine Research Institute | | | | | | Gulf of Maine Properties, Inc. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Temporarily Restricted | Permanently Restricted | | | | | | | 2015 | 2014 |
| | Unrestricted | | | | | | Unrestricted | | | | | | |
| | Programs & support | Property & equipment | Board designated | Program & support | Endowments | Total | Operations | Property & equipment | Board designated | Total | Eliminations | Consolidated totals | Consolidated totals |
| Support and revenue: | | | | | | | | | | | | | |
| Federal and state grants | $ 2,248,986 | | | $ 209,773 | | $ 2,458,759 | | | | | | $ 2,458,759 | $ 1,857,920 |
| Contributions | 3,535,870 | $ 98,193 | $ 170,649 | 2,574,997 | $ 1,191,701 | 7,571,410 | | | | | | 7,571,410 | 4,989,883 |
| Net investment income (loss) | 9,791 | 1,920 | (4,692) | | (10,097) | (3,078) | | | $ 1,305 | $ 1,305 | | (1,773) | 148,426 |
| In-kind income | 73,736 | | | | | 73,736 | | | | | | 73,736 | 37,355 |
| Contract income | 129,430 | | | | | 129,430 | | | | | | 129,430 | 324,093 |
| Rental income | | | | | | | $ 789,794 | | | 789,794 | $ (517,476) | 272,318 | 272,088 |
| Property management fee | 108,723 | | | | | 108,723 | | | | | (95,388) | 13,335 | 21,080 |
| Loss on disposal of fixed assets | | (2,190) | | | | (2,190) | | | | | | (2,190) | (6,150) |
| Conferences & consulting income | 124,934 | | | (13,335) | | 111,599 | | | | | | 111,599 | 119,826 |
| Other income | 8,259 | | | | | 8,259 | 20 | | | 20 | | 8,279 | 10,371 |
| Net assets released from restrictions | 1,406,983 | | (240,534) | (1,149,099) | (17,350) | | | | | | | | |
| Total support and revenue | 7,646,712 | 97,923 | (74,577) | 1,622,336 | 1,164,254 | 10,456,648 | 789,814 | | 1,305 | 791,119 | (612,864) | 10,634,903 | 7,774,892 |
| Expenses: | | | | | | | | | | | | | |
| Program expenses: | | | | | | | | | | | | | |
| Research | 2,937,390 | | | | | 2,937,390 | | | | | | 2,937,390 | 2,510,483 |
| Education | 1,498,711 | | | | | 1,498,711 | | | | | | 1,498,711 | 1,706,460 |
| Community | 1,796,928 | | | | | 1,796,928 | | | | | | 1,796,928 | 1,836,482 |
| Support services: | | | | | | | | | | | | | |
| Development | 1,246,234 | | | | | 1,246,234 | | | | | | 1,246,234 | 1,345,796 |
| Management, general & facilities | 112,471 | 202,209 | | | | 314,680 | 638,211 | $ 347,555 | | 985,766 | (612,864) | 687,582 | 551,320 |
| Total expenses | 7,591,734 | 202,209 | | | | 7,793,943 | 638,211 | 347,555 | | 985,766 | (612,864) | 8,166,845 | 7,950,541 |
| Change in net assets before transfers | 54,978 | (104,286) | (74,577) | 1,622,336 | 1,164,254 | 2,662,705 | 151,603 | (347,555) | 1,305 | (194,647) | | 2,468,058 | (175,649) |
| Other transfers | (90,801) | (409,180) | 63,505 | 53,662 | | (382,814) | (202,578) | 499,852 | 85,540 | 382,814 | | | |
| Total transfers | (90,801) | (409,180) | 63,505 | 53,662 | | (382,814) | (202,578) | 499,852 | 85,540 | 382,814 | | | |
| Change in net assets | (35,823) | (513,466) | (11,072) | 1,675,998 | 1,164,254 | 2,279,891 | (50,975) | 152,297 | 86,845 | 188,167 | | 2,468,058 | (175,649) |
| Net assets, beginning of year | 41,461 | 4,472,597 | 3,521,321 | 1,477,317 | 1,003,099 | 10,515,795 | 280,274 | 7,687,059 | 338,901 | 8,306,234 | | 18,822,029 | 18,997,678 |
| **Net assets, end of year** | **$ 5,638** | **$ 3,959,131** | **$ 3,510,249** | **$ 3,153,315** | **$ 2,167,353** | **$ 12,795,686** | **$ 229,299** | **$ 7,839,356** | **$ 425,746** | **$ 8,494,401** | | **$ 21,290,087** | **$ 18,822,029** |

*See accompanying independent auditors' report on supplementary information.*

**GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE**
**Consolidating Statement of Cash Flows**
**Year Ended December 31, 2015**
**(with comparative consolidated totals for year ended December 31, 2014)**

| | 2015 | | | 2014 |
|---|---|---|---|---|
| | Gulf of Maine Research Institute | Gulf of Maine Properties, Inc. | Consolidated totals | Consolidated totals |
| Cash flows from operating activities: | | | | |
| Change in net assets | $ 2,279,891 | $ 188,167 | $ 2,468,058 | $ (175,649) |
| Adjustment to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 202,209 | 360,803 | 563,012 | 592,394 |
| (Gain) Loss on transfer of fixed assets between GMRI & GMP | 409,180 | (409,180) | | |
| Loss on disposal of fixed assets | 2,189 | | 2,189 | 6,150 |
| Realized/unrealized (gain)loss on investments | 47,357 | 1,532 | 48,889 | (88,682) |
| Non-cash contributions | (366,565) | | (366,565) | (862,666) |
| Change in pledge discount | 26,259 | | 26,259 | 258 |
| Change in pledge allowance | (1,750) | | (1,750) | 2,250 |
| Change in value in charitable remainder trust | 21,535 | | 21,535 | (34,925) |
| (Increase) decrease in assets: | | | | |
| Net pledges receivable | (1,695,545) | | (1,695,545) | 36,751 |
| Accounts receivable | (160,631) | (21,497) | (182,128) | (616) |
| Intercompany receivable (payable) | (26,615) | 26,615 | | |
| Prepaid expenses | 31,034 | | 31,034 | (2,617) |
| Accrued interest and dividend receivable | 6,632 | 99 | 6,731 | 2,985 |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 137,224 | 7,071 | 144,295 | (269,081) |
| Accrued vacation | (282) | | (282) | 3,808 |
| Accrued payroll liabilities | 30,091 | | 30,091 | 73,090 |
| Deferred revenue | 1,000 | | 1,000 | 1,346 |
| Accrued incentive compensation | 84,116 | | 84,116 | |
| Security deposits | | | | 2,380 |
| Net cash and cash equivalents provided by (used in) operating activities | 1,027,329 | 153,610 | 1,180,939 | (712,824) |
| Cash flows from investing activities: | | | | |
| Purchase of fixed assets | (100,111) | (47,503) | (147,614) | (68,625) |
| Purchase of investments | (3,498,089) | (347,023) | (3,845,112) | (1,558,730) |
| Proceeds from sale of investments | 2,924,099 | 264,087 | 3,188,186 | 2,763,346 |
| Net cash and cash equivalents provided by (used in) investing activities | (674,101) | (130,439) | (804,540) | 1,135,991 |
| Cash flows from financing activities: | | | | |
| Repayments on lines of credit, net | | | | (128,530) |
| Repayments of long-term debt, net | (13,870) | (107,192) | (121,062) | (116,666) |
| Net cash and cash equivalents used in financing activities | (13,870) | (107,192) | (121,062) | (245,196) |
| Net change in cash and cash equivalents | 339,358 | (84,021) | 255,337 | 177,971 |
| Cash and cash equivalents, beginning of year | 1,052,716 | 218,224 | 1,270,940 | 1,092,969 |
| **Cash and cash equivalents, end of year** | **$ 1,392,074** | **$ 134,203** | **$ 1,526,277** | **$ 1,270,940** |
| Supplemental disclosures of cash flow information: | | | | |
| Cash paid during the year for interest | **$ 13,149** | **$ 134,797** | **$ 147,946** | **$ 153,264** |

*See accompanying independent auditors' report on supplementary information.*