Gulf of Maine Research Institute
and its Affiliate

Consolidated Financial Statements

December 31, 2016

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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 statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities 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.

Auditors' 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 audits 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, 2016 and 2015, and the consolidated changes in their net assets and their cash flows for the years then ended 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 June 20, 2017, on our consideration of Gulf of Maine Research Institute and its affiliate'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 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 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 and its affiliate's internal control over financial reporting and compliance.

Macpage LLC

South Portland, Maine
June 20, 2017

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

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,065,082	$ 1,526,277
Investments	569,669	1,141,378
Accrued interest and dividend receivable	13,916	2,393
Pledges receivable, current, net of reserve	966,693	989,421
Accounts receivable, net of reserve	731,106	593,416
Prepaid expenses	18,118	17,844
Total current assets	4,364,584	4,270,729
Property and equipment:		
Property and equipment	20,992,546	20,934,931
Less accumulated depreciation/amortization	(6,186,676)	(5,671,646)
Net property and equipment	14,805,870	15,263,285
Other non-current assets:		
Escrows	134,941	134,533
Long-term investments:		
Designated for capital and operations	1,424,044	1,208,934
Designated for endowment	3,099,456	2,025,222
Beneficial interest in pooled investments held by others	1,838,260	739,069
Pledges receivable, non-current, net of amortized discount	1,097,546	981,343
Peldges receivable for endowment	711,720	959,782
Beneficial interest in charitable remainder trust	117,009	113,229
Total other non-current assets	8,422,976	6,162,112
Total assets	**$ 27,593,430**	**$ 25,696,126**
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	130,393	125,249
Accounts payable	247,768	215,302
Accrued vacation	50,244	47,368
Accrued payroll liabilities	394,226	207,168
Deferred revenue	3,576	4,576
Total current liabilities	826,207	599,663
Long-term liabilities:		
Long -term debt, net of current portion	3,591,383	3,708,041
Accrued incentive compensation	167,016	84,116
Security deposit payable	9,438	14,219
Total long-term liabilities	3,767,837	3,806,376
Total liabilities	4,594,044	4,406,039
Net assets:		
Unrestricted:		
Undesignated	212,931	234,937
Board-designated	4,877,408	3,935,995
Investment in property, equipment and site acquisition cost	11,445,605	11,798,487
Total unrestricted net assets	16,535,944	15,969,419
Temporarily restricted	3,270,840	3,153,315
Permanently restricted	3,192,602	2,167,353
Total net assets	22,999,386	21,290,087
Total liabilities and net assets	**$ 27,593,430**	**$ 25,696,126**

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE
Consolidated Statements of Activities
Year ended December 31, 2016

	Gulf of Maine Research Institute			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue:				
Federal and state grants	$ 3,931,694	$ 256,109		$ 4,187,803
Contributions	3,499,166	1,875,368	$ 940,456	6,314,990
Net investment income (loss)	169,125	21,427	84,793	275,345
In-kind income	153,450			153,450
Contract income	212,510	11,341		223,851
Rental income	252,136			252,136
Property management fee	10,360			10,360
Loss on disposal of fixed assets	(1,005)			(1,005)
Conferences & consulting income	24,431	5,094		29,525
Other income	8,564			8,564
Net assets released from restrictions	2,051,814	(2,051,814)		
Total support and revenue	10,312,245	117,525	1,025,249	11,455,019
Expenses:				
Program expenses:				
Research	3,172,996			3,172,996
Education	2,424,251			2,424,251
Community	1,927,365			1,927,365
Support services:				
Development	1,524,219			1,524,219
Management, general & facilities	696,889			696,889
Total expenses	9,745,720			9,745,720
Change in net assets	566,525	117,525	1,025,249	1,709,299
Net assets, beginning of year	15,969,419	3,153,315	2,167,353	21,290,087
Net assets, end of year	**$ 16,535,944**	**$ 3,270,840**	**$ 3,192,602**	**$ 22,999,386**

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

GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE
Consolidated Statements of Activities - Continued
Year ended December 31, 2015

	Gulf of Maine Research Institute			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue:				
Federal and state grants	$ 2,248,986	$ 209,773		$ 2,458,759
Contributions	3,822,062	2,574,997	$ 1,174,351	7,571,410
Net investment income (loss)	8,324		(10,097)	(1,773)
In-kind income	73,736			73,736
Contract income	129,430			129,430
Rental income	272,318			272,318
Property management fee	13,335			13,335
Loss on disposal of fixed assets	(2,190)			(2,190)
Conferences & consulting income	124,934	(13,335)		111,599
Other income	8,279			8,279
Net assets released from restrictions	1,095,437	(1,095,437)		
Total support and revenue	7,794,651	1,675,998	1,164,254	10,634,903
Expenses:				
Program expenses:				
Research	2,937,390			2,937,390
Education	1,498,711			1,498,711
Community	1,796,928			1,796,928
Support services:				
Development	1,246,234			1,246,234
Management, general & facilities	687,582			687,582
Total expenses	8,166,845			8,166,845
Change in net assets	(372,194)	1,675,998	1,164,254	2,468,058
Net assets, beginning of year	16,341,613	1,477,317	1,003,099	18,822,029
Net assets, end of year	**$ 15,969,419**	**$ 3,153,315**	**$ 2,167,353**	**$ 21,290,087**

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
Years ended December 31,

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 1,709,299	$ 2,468,058
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	530,829	563,012
Loss on disposal of fixed assets	1,005	2,189
Realized/unrealized (gain)loss on investments	(23,926)	48,889
Non-cash contributions	(583,093)	(366,565)
Change in pledge discount	33,743	26,259
Change in pledge allowance	-	(1,750)
Change in value in charitable remainder trust	(3,780)	21,535
(Increase) decrease in assets:		
Net pledges receivable	120,844	(1,695,545)
Accounts receivable	(137,690)	(182,128)
Prepaid expenses	(274)	31,034
Accrued interest and dividend receivable	(11,523)	6,731
Increase (decrease) in liabilities:		
Accounts payable	32,466	144,295
Accrued vacation	2,876	(282)
Accrued payroll liabilities	354,074	30,091
Deferred revenue	(1,000)	1,000
Accrued incentive compensation	(84,116)	84,116
Security deposits	(4,781)	-
Net cash and cash equivalents provided by operating activities	1,934,953	1,180,939
Cash flows from investing activities:		
Purchase of fixed assets	(61,171)	(147,614)
Purchase of investments	(5,492,225)	(3,845,112)
Proceeds from sale of investments	4,282,010	3,188,186
Net cash and cash equivalents used in investing activities	(1,271,386)	(804,540)
Cash flows from financing activities:		
Repayments of long-term debt	(124,762)	(121,062)
Net cash and cash equivalents used in financing activities	(124,762)	(121,062)
Net change in cash and cash equivalents	538,805	255,337
Cash and cash equivalents, beginning of year	1,526,277	1,270,940
Cash and cash equivalents, end of year	**$ 2,065,082**	**$ 1,526,277**
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 144,960**	**$ 147,946**

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

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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 the Institute 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, 2016 and 2015

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

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, 2016 and 2015

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. 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.

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 generally for three years after the filing of the tax returns.

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, 2016 and 2015

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, 2016 and 2015, 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.

Reclassification

Certain 2015 amounts have been reclassified to conform with the 2016 consolidated financial statement presentation.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Adopted Accounting Pronouncements

Deferred Issuance Costs

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented in the consolidated balance sheet as a direct reduction from the carrying amount of the related debt liability, instead of being presented as an asset. The pronouncement requires retrospective application and represents a change in accounting principle. The pronouncement is effective for fiscal years beginning after December 15, 2015 with early adoption permitted for financial statements that have not been previously issued. The Institute adopted this standard during 2016.

Recent Accounting Pronouncements

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities, to amend current reporting requirements to make several improvements including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash balances were held in various checking and money market accounts in various financial institutions at December 31, 2016 and 2015, 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, 2016 and 2015, 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

December 31, 2016 and 2015

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 0.85%, are used to discount the future payments of each respective year's pledges.

	2016	2015
Pledges receivable, net of reserve for bad debt, expected to be collected in:		
Less than one year	**$ 992,193**	$ 1,254,703
One year to five years:		
Restricted for future program expenses	**806,194**	505,341
Restricted for endowments	**721,766**	959,782
Restricted for split interest agreements	**165,050**	259,877
Fundraising & capacity building	**150,000**	5,000
Total one to five years	**1,843,010**	1,730,000
Over five years		
	2,835,203	2,984,703
Less allowance for uncollectible accounts	**(25,500)**	(25,500)
Less unamortized discount	**(33,744)**	(28,657)
Pledges receivable, net	**2,775,959**	2,930,546
Less current portion, net	**(966,693)**	(989,421)
Less pledges receivable for endowment	**(721,766)**	(959,782)
Pledges receivable, net of current portion	**$ 1,087,500**	$ 981,343

Management estimates a reserve for uncollectible pledges based on a review of specific pledges outstanding. At December 31, 2016 and 2015, the reserve amounted to $25,500. This reserve has been netted against pledges receivable as shown above.

In addition, at December 31, 2016 and 2015, GMRI holds several conditional pledges receivable in the total amount of $1,217,500 and $1,836,827, 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, 2016 and 2015

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2016			2015		
	GMRI	**GMPInc**	**Total**	GMRI	GMPInc	Total
Land	**$1,521,336**	**$ 2,540,526**	**$ 4,061,862**	$1,521,336	$ 2,540,526	$ 4,061,862
Building		**11,397,121**	**11,397,121**		11,397,121	11,397,121
Site improvements	**2,387,314**	**377,125**	**2,764,439**	2,387,314	377,125	2,764,439
Artwork		**6,345**	**6,345**		6,345	6,345
Leasehold improvements	**308,867**	**72,051**	**380,918**	308,867	72,051	380,918
Furniture and fixtures	**212,459**	**142,575**	**355,034**	183,685	120,229	303,914
Computer hardware and software	**141,463**		**141,463**	141,463		141,463
Equipment and vehicles	**880,031**	**164,835**	**1,044,866**	880,031	158,349	1,038,380
Exhibits	**840,498**		**840,498**	840,489		840,489
Totals	**$6,291,968**	**$14,700,578**	**$20,992,546**	$6,263,185	$14,671,746	$20,934,931

NOTE 5 – INVESTMENTS

Following is a summary of GMRI's and GMPInc's investment securities at December 31, 2016:

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	$ 885,239	$ 464,404	$ 1,349,643
Equity	2,144,796		2,144,796
Non-government fixed income	244,968		244,968
Foreign fixed income	91,464		91,464
Cash and cash equivalents	1,218,339	180,913	1,399,252
Totals	**$ 4,584,806**	**$ 645,317**	**$ 5,230,123**

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

	GMRI Market Value	GMPInc Market Value	Total Market Value
U.S. Treasury and government agencies	$ 835,615	$ 438,995	$ 1,274,610
Equity	1,521,358		1,521,358
Non-government fixed income	172,593	5,484	178,077
Foreign fixed income	86,303		86,303
Cash and cash equivalents	1,283,793	165,926	1,449,719
Totals	**$3,899,662**	**$ 610,405**	**$ 4,510,067**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 5 – INVESTMENTS – CONTINUED

GMRI's net investment income for fiscal years 2016 and 2015 include investment earnings (dividend and interest) of $67,959 and $44,260, respectively, and realized and unrealized gains (losses) of $201,056 and $(47,339), respectively. GMPInc's net investment income for fiscal years 2016 and 2015 include investment earnings (dividend and interest) of $6,032 and $2,837, respectively, and realized and unrealized gains (losses) of $298 and $(1,532), 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 $1,838,260 and $739,069 at December 31, 2016 and 2015, 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, 2016 and 2015, the fair value of GMRI's interest in this trust was estimated to be $117,009 and $113,229, respectively, and in accordance with generally accepted accounting principles is recorded as an asset within the consolidated statement of financial position. At December 31, 2016, 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 12.5 years from that date, assumed annualized nominal rates of return for the trust assets of 5%, and a discount rate of 2.31%. The current year's change in the value of GMRI's interest in this trust is included in net investment income (loss), in the amount of $3,780, and the prior year change was $21,534.

NOTE 8 – ENDOWMENTS

As noted elsewhere in the consolidated financial statements, at December 31, 2016 and 2015, the Board of Directors had designated $2,668,622 and $1,785,004 (See Note 12), 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, 2016 and 2015

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 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. 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, 2016 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds		$ 21,427	$ 1,200,000	$ 1,221,427
Board-designated endowment funds	$ 2,668,622			2,668,622
Totals	**$ 2,668,622**	**$ 21,427**	**$ 1,200,000**	**$ 3,890,049**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 8 – ENDOWMENTS – CONTINUED

The changes in the Institute's endowment balances for the year ended December 31, 2016 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment investments, beginning of year	$ 1,785,004	$ -	$ 240,218	$ 2,025,222
Contributions	663,432	-	238,016	901,448
Investment return:				
Investment income	46,851	6,807	-	53,658
Net appreciation	239,169	32,214	-	271,383
Total investment return	286,021	39,021		325,042
Amounts appropriated for expenditure	(134,662)	(17,594)	-	(152,256)
Endowment investments, end of year	2,599,794	21,427	478,234	3,099,455
Pledges receivable for endowment		-	721,766	721,766
Pledges receivable for endowment- (unrestricted board-designated)		586,185		586,185
Cash for board-designated endowment	68,827	-	-	68,827
Total endowment net assets, end of year	**$ 2,668,621**	**$ 607,612**	**$ 1,200,000**	**$ 4,476,233**

The Institute's endowment balances were comprised of the following as of December 31, 2015:

	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**

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 investment, 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 appreciation	(35,693)	-		(35,693)
Total investment return	711	-		711
Amounts appropriated for expenditure		-		
Endowment investments, end of year	1,785,004		240,218	2,025,222
Pledges receivable for endowment	-	-	959,782	959,782
Total endowment net assets, end of year	**$ 1,785,004**	**$ -**	**$ 1,200,000**	**$ 2,985,004**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

	Totals	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies	$ 1,349,643	$ 1,349,643		
Domestic exchange traded funds	2,144,796	2,144,796		
Non-government fixed income	244,968	244,968		
Foreign fixed income	91,464	91,464		
Cash and cash equivalents	1,399,252	1,399,252		
Interest in pooled investments	1,838,260		$ 1,838,260	
Charitable remainder trust	117,009			$ 117,009
Totals	**$ 7,185,392**	**$ 5,230,123**	**$ 1,838,260**	**$ 117,009**

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

	Totals	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies	$ 1,274,539	$ 1,274,539		
Domestic exchange traded funds	1,521,358	1,521,358		
Non-government fixed income	178,077	178,077		
Foreign fixed income	86,303	86,303		
Cash and cash equivalents	1,449,790	1,449,790		
Interest in pooled investments	739,069		$ 739,069	
Charitable remainder trust	113,229			$ 113,229
Totals	**$ 5,362,365**	**$ 4,510,067**	**$ 739,069**	**$ 113,229**

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:

	2016	2015
Balance at beginning of year	**$ 113,229**	$ 134,764
Gain (loss) included in changes in net assets	**3,780**	(21,535)
Market value at end of year	**$ 117,009**	$ 113,229

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 10 – LINES OF CREDIT

At December 31, 2016 and 2015, 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, 2016 and 2015 amounted to $718,029 and $719,543, respectively. There were no outstanding balances on this credit line at December 31, 2016 and 2015. This credit line was renewed and will expire on August 31, 2018. 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, 2016 or December 31, 2015.

NOTE 11 – NOTES PAYABLE

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

	2016	2015
$3,900,000 qualified tax exempt bond note with a local bank, interest at a fixed rate of 3.75%, repaid based on a 25 year amortization, with all remaining principal and interest due in full on November 30, 2021.	**$ 3,376,037**	$ 3,486,978
$472,500 working capital loan with a local bank, interest rate at prime rate less 0.25%, to be repaid based on a 25 year amortization, with all remaining principal and interest due in full on November 30, 2021.	**410,910**	424,731
	3,786,947	3,911,709
Less current portion	**130,393**	125,249
Less deferred loan financing costs	**65,171**	78,419
Long-term portion	**$ 3,591,383**	$ 3,708,041

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, 2016 and 2015, GMRI satisfied this requirement.

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

2017	$ 130,393
2018	135,322
2019	140,438
2020	145,395
2021	151,248
Thereafter	3,084,151
	$ 3,786,947

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 12 – NET ASSETS

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

	2016	2015
Unrestricted Board Designated:		
Waldron reserve fund	**$ 718,902**	$ 717,365
Endowment funds	**2,668,622**	1,927,191
Reserved for research and scientist guarantee surpluses	**149,987**	134,798
Reserved for capital projects and equipment and other	**502,802**	503,845
Capacity building	**293,009**	227,050
GMPInc	**544,086**	425,746
	$ 4,877,408	$ 3,935,995
Temporarily Restricted:		
Future program expenses	**$ 2,546,219**	$ 3,040,086
Beneficial interests in charitable remainder trusts	**117,009**	113,229
Endowment funds	**607,612**	-
	$ 3,270,840	$ 3,153,315
Permanently Restricted:		
Pooled investments held by others	**$ 1,838,260**	$ 739,069
Pledges receivable for endowment	**711,720**	959,782
Pledges receivable for beneficial interest in pooled investments held by others	**164,388**	228,284
Endowment funds	**478,234**	240,218
	$ 3,192,602	$ 2,167,353

NOTE 13 – NET ASSETS RELEASED FROM RESTRICTIONS

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

	2016	2015
Future program expenses	**$ 2,051,814**	$ 1,095,437

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 has been converted into condominium units. As of December 31, 2016 and 2015, GMPInc was the sole unit owner of the units thus created. As of and for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 was $133,756 and $120,807, respectively.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

NOTE 16 – 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 2016 and 2015, $37,479 and $42,058 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 December 31, 2016 and 2015, the total accrual was $79,537 and $42,058, respectively.

- 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 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 begins in 2016, and payments start in 2021.

NOTE 17 – 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 18 – ECONOMIC DEPENDENCY

The Institute receives a substantial portion of its total revenues from contributions. For the years ended December 31, 2016 and 2015, the Institute received approximately 55% and 71%, respectively, of its total revenues from contributions.

NOTE 19 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2017, 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.

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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 years ended December 31, 2016 and 2015, and have issued our report thereon, dated June 20, 2017, 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 and schedule of indirect costs 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.

Macpage LLC

South Portland, Maine
June 20, 2017

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GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE
Consolidating Statement of Financial Position
December 31, 2016
(with summarized comparative consolidated totals at December 31, 2015)

	2016				2015
	Gulf of Maine Research Institute	**Gulf of Maine Properties, Inc.**	**Eliminations**	**Consolidated totals**	**Consolidated totals**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,893,549	$ 171,533		$ 2,065,082	$ 1,526,277
Investments	569,669			569,669	1,141,378
Accrued interest and dividend receivable	13,916			13,916	2,393
Pledges receivable, current, net of reserve	966,693			966,693	989,421
Accounts receivable, net of reserve	693,845	37,261		731,106	593,416
Intercompany receivable (payable)	5,878	(5,878)			
Prepaid expenses	18,118			18,118	17,844
Total current assets	4,161,668	202,916		4,364,584	4,270,729
Property and equipment:					
Property and equipment	6,291,968	14,700,578		20,992,546	20,934,931
Less accumulated depreciation/amortization	(2,370,612)	(3,816,064)		(6,186,676)	(5,671,646)
Net property and equipment	3,921,356	10,884,514		14,805,870	15,263,285
Other non-current assets:					
Escrows	13,553	121,388		134,941	134,533
Long-term investments:					
Designated for capital and operations	899,601	524,443		1,424,044	1,208,934
Designated for endowment	3,099,456			3,099,456	2,025,222
Beneficial interest in pooled investments held by others	1,838,260			1,838,260	739,069
Pledges receivable, non-current, net of amortized discount	1,097,546			1,097,546	981,343
Pledges receivable for endowment	711,720			711,720	959,782
Beneficial interest in charitable remainder trust	117,009			117,009	113,229
Total other non-current assets	7,777,145	645,831		8,422,976	6,162,112
Total assets	**$ 15,860,169**	**$ 11,733,261**		**$ 27,593,430**	**$ 25,696,126**
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current portion of long-term debt	14,738	115,655		130,393	46,830
Accounts payable	207,835	39,933		247,768	215,302
Accrued vacation	50,244			50,244	47,368
Accrued payroll liabilities	394,226			394,226	207,168
Deferred revenue		3,576		3,576	4,576
Total current liabilities	667,043	159,164		826,207	521,244
Long-term liabilities:					
Long -term debt, net of current portion	396,172	3,195,211		3,591,383	3,786,460
Accrued incentive compensation	167,016			167,016	84,116
Security deposit payable	980	8,458		9,438	14,219
Total long-term liabilities	564,168	3,203,669		3,767,837	3,884,795
Total liabilities	1,231,211	3,362,833		4,594,044	4,406,039
Net assets:					
Unrestricted:					
Undesignated	6,127	206,804		212,931	234,937
Board-designated	4,333,322	544,086		4,877,408	3,935,995
Investment in property, equipment and site acquisition cost	3,826,067	7,619,538		11,445,605	11,798,487
Total unrestricted net assets	8,165,516	8,370,428		16,535,944	15,969,419
Temporarily restricted	3,270,840			3,270,840	3,153,315
Permanently restricted	3,192,602			3,192,602	2,167,353
Total net assets	14,628,958	8,370,428		22,999,386	21,290,087
Total liabilities and net assets	**$ 15,860,169**	**$ 11,733,261**		**$ 27,593,430**	**$ 25,696,126**

See accompanying independent auditors' report on supplementary information.

GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE
Consolidated Statements of Activities
Year ended December 31, 2016
(with summarized comparative consolidated totals for the year ended December 31, 2015)

	Gulf of Maine Research Institute						Gulf of Maine Properties, Inc.						
	Unrestricted			Temporarily Restricted	Permanently Restricted		Unrestricted					2016	2015
	Programs & support	Property & equipment	Board designated	Program & support	Endowment Held by Others	Total	Operations	Property & equipment	Board designated	Total	Eliminations	Consolidated totals	Consolidated totals
Support and revenue:													
Federal and state grants	$ 3,931,694			$ 256,109		$ 4,187,803						$ 4,187,803	$ 2,458,759
Contributions	3,054,214	$ 2,019	$ 442,933	1,875,368	$ 940,456	6,314,990						6,314,990	7,571,410
Net investment income (loss)	9,900		152,895	21,427	84,793	269,015			$ 6,330	$ 6,330		275,345	(1,773)
In-kind income	153,450					153,450						153,450	73,736
Contract income	212,510			11,341		223,851						223,851	129,430
Rental income							$ 861,461			861,461	$ (609,325)	252,136	272,318
Property management fee	117,560					117,560					(107,200)	10,360	13,335
Loss on disposal of fixed assets		(1,005)				(1,005)						(1,005)	(2,190)
Conferences & consulting income	24,431			5,094		29,525						29,525	111,599
Other income	8,564					8,564						8,564	8,279
Net assets released from restrictions	2,051,814			(2,051,814)									
Total support and revenue	9,564,137	1,014	595,828	117,525	1,025,249	11,303,753	861,461		6,330	867,791	(716,525)	11,455,019	10,634,903
Expenses:													
Program expenses:													
Research	3,172,996					3,172,996						3,172,996	2,937,390
Education	2,424,251					2,424,251						2,424,251	1,498,711
Community	1,927,365					1,927,365						1,927,365	1,796,928
Support services:													
Development	1,524,219					1,524,219						1,524,219	1,246,234
Management, general & facilities	275,498	164,397				439,895	620,335	$ 353,184		973,519	(716,525)	696,889	687,582
Total expenses	9,324,329	164,397				9,488,726	620,335	353,184		973,519	(716,525)	9,745,720	8,166,845
Change in net assets before transfers	239,808	(163,383)	595,828	117,525	1,025,249	1,815,027	241,126	(353,184)	6,330	(105,728)		1,709,299	2,468,058
Other transfers	(239,319)	30,319	227,245			18,245	(263,621)	133,366	112,010	(18,245)			
Total transfers	(239,319)	30,319	227,245			18,245	(263,621)	133,366	112,010	(18,245)			
Change in net assets	489	(133,064)	823,073	117,525	1,025,249	1,833,272	(22,495)	(219,818)	118,340	(123,973)		1,709,299	2,468,058
Net assets, beginning 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
Net assets, end of year	**$ 6,127**	**$ 3,826,067**	**$ 4,333,322**	**$ 3,270,840**	**$ 3,192,602**	**$ 14,628,958**	**$ 206,804**	**$ 7,619,538**	**$ 544,086**	**$ 8,370,428**		**$ 22,999,386**	**$ 21,290,087**

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, 2016
(with comparative consolidated totals for year ended December 31, 2015)

	2016			2015
	Gulf of Maine Research Institute	Gulf of Maine Properties, Inc.	Consolidated totals	Consolidated totals
Cash flows from operating activities:				
Change in net assets	$ 1,833,272	$ (123,973)	$ 1,709,299	$ 2,468,058
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:				
Depreciation and amortization	164,397	366,432	530,829	563,012
Loss on disposal of fixed assets	1,005		1,005	2,189
Realized/unrealized (gain)loss on investments	(23,353)	(573)	(23,926)	48,889
Non-cash contributions	(583,093)		(583,093)	(366,565)
Change in pledge discount	33,743		33,743	26,259
Change in pledge allowance	-		-	(1,750)
Change in value in charitable remainder trust	(3,780)		(3,780)	21,535
(Increase) decrease in assets:				
Net pledges receivable	120,844		120,844	(1,695,545)
Accounts receivable	(126,903)	(10,787)	(137,690)	(182,128)
Intercompany receivable (payable)	20,488	(20,488)		
Prepaid expenses	(274)		(274)	31,034
Accrued interest and dividend receivable	(11,594)	71	(11,523)	6,731
Increase (decrease) in liabilities:				
Accounts payable	26,411	6,055	32,466	144,295
Accrued vacation	2,876		2,876	(282)
Accrued payroll liabilities	354,074		354,074	30,091
Deferred revenue	(1,000)		(1,000)	1,000
Accrued incentive compensation	(84,116)		(84,116)	84,116
Security deposits	-	(4,781)	(4,781)	-
Net cash and cash equivalents provided by operating activities	1,722,997	211,956	1,934,953	1,180,939
Cash flows from investing activities:				
Purchase of fixed assets	(32,339)	(28,832)	(61,171)	(147,614)
Purchase of investments	(5,398,057)	(94,168)	(5,492,225)	(3,845,112)
Proceeds from sale of investments	4,222,695	59,315	4,282,010	3,188,186
Net cash and cash equivalents used in investing activities	(1,207,701)	(63,685)	(1,271,386)	(804,540)
Cash flows from financing activities:				
Repayments of long-term debt	(13,821)	(110,941)	(124,762)	(121,062)
Net cash and cash equivalents used in financing activities	(13,821)	(110,941)	(124,762)	(121,062)
Net change in cash and cash equivalents	501,475	37,330	538,805	255,337
Cash and cash equivalents, beginning of year	1,392,074	134,203	1,526,277	1,270,940
Cash and cash equivalents, end of year	**$ 1,893,549**	**$ 171,533**	**$ 2,065,082**	**$ 1,526,277**
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	**$ 144,960**		**$ 144,960**	**$ 147,946**

See accompanying independent auditors' report on supplementary information.