

**Bermuda Institute of  
Ocean Sciences (BIOS), Inc.**

Financial Statements

December 31, 2020 and 2019



## Independent Auditors' Report

### **The Board of Trustees Bermuda Institute of Ocean Sciences (BIOS), Inc.**

We have audited the accompanying financial statements of Bermuda Institute of Ocean Sciences (BIOS), Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**The Board of Trustees**  
**Bermuda Institute of Ocean Sciences (BIOS), Inc.**  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bermuda Institute of Ocean Sciences (BIOS), Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

June 25, 2021

## Bermuda Institute of Ocean Sciences (BIOS), Inc.

### Statements of Financial Position

	December 31,	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,153,650	\$ 2,260,391
Grants and accounts receivable	837,493	837,804
Contributions receivable, net (Note 4)	8,254,960	94,751
Inventory and prepaid expenses	167,025	51,316
Investments (Note 5)	19,139,935	18,051,990
Property and equipment, net (Note 6)	<u>17,043,269</u>	<u>18,019,147</u>
	<u>\$ 49,596,332</u>	<u>\$ 39,315,399</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 923,270	\$ 886,878
Grants and other advances	665,949	466,960
Loans payable (Note 7)	<u>9,330,649</u>	<u>9,380,317</u>
Total Liabilities	<u>10,919,868</u>	<u>10,734,155</u>
Net Assets		
Without donor restrictions	9,523,063	9,259,440
With donor restrictions (Notes 10 and 11)	<u>29,153,401</u>	<u>19,321,804</u>
Total Net Assets	<u>38,676,464</u>	<u>28,581,244</u>
	<u>\$ 49,596,332</u>	<u>\$ 39,315,399</u>

See notes to financial statements

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Statement of Activities  
Year Ended December 31, 2020

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 1,405,639	\$ 11,140,467	\$ 12,546,106	\$ 1,471,972
Grants and contracts				
U.S. government and corporations	8,608,238	78,739	8,686,977	9,290,763
Bermuda government	148,213	-	148,213	167,960
Tuition, guest services and other income	906,012	-	906,012	1,712,493
Investment return	318,896	1,405,793	1,724,689	2,735,651
Net assets released from restrictions (Notes 10 and 11)	<u>2,793,402</u>	<u>(2,793,402)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>14,180,400</u>	<u>9,831,597</u>	<u>24,011,997</u>	<u>15,378,839</u>
<b>EXPENSES</b>				
Program Services				
Scientific research	11,563,324	-	11,563,324	13,472,765
Education	620,735	-	620,735	1,670,663
Guest and residential services	<u>301,581</u>	<u>-</u>	<u>301,581</u>	<u>93,924</u>
Total Program Services	12,485,640	-	12,485,640	15,237,352
Development and public relations	296,462	-	296,462	525,947
Management and general	<u>1,134,675</u>	<u>-</u>	<u>1,134,675</u>	<u>1,118,765</u>
Total Expenses	<u>13,916,777</u>	<u>-</u>	<u>13,916,777</u>	<u>16,882,064</u>
Change in Net Assets	263,623	9,831,597	10,095,220	(1,503,225)
<b>NET ASSETS</b>				
Beginning of year	<u>9,259,440</u>	<u>19,321,804</u>	<u>28,581,244</u>	<u>30,084,469</u>
End of year	<u>\$ 9,523,063</u>	<u>\$ 29,153,401</u>	<u>\$ 38,676,464</u>	<u>\$ 28,581,244</u>

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Statement of Activities  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 726,901	\$ 745,071	\$ 1,471,972
Grants and contracts			
U.S. government and corporations	9,282,822	7,941	9,290,763
Bermuda government	167,960	-	167,960
Tuition, guest services and other income	1,712,493	-	1,712,493
Investment return	534,576	2,201,075	2,735,651
Net assets released from restrictions (Notes 10 and 11)	<u>3,348,496</u>	<u>(3,348,496)</u>	<u>-</u>
Total Revenue and Other Support	<u>15,773,248</u>	<u>(394,409)</u>	<u>15,378,839</u>
<b>EXPENSES</b>			
Program Services			
Scientific research	13,472,765	-	13,472,765
Education	1,670,663	-	1,670,663
Guest and residential services	93,924	-	93,924
Total Program Services	<u>15,237,352</u>	<u>-</u>	<u>15,237,352</u>
Development and public relations	525,947	-	525,947
Management and general	<u>1,118,765</u>	<u>-</u>	<u>1,118,765</u>
Total Expenses	<u>16,882,064</u>	<u>-</u>	<u>16,882,064</u>
Change in Net Assets	(1,108,816)	(394,409)	(1,503,225)
<b>NET ASSETS</b>			
Beginning of year	<u>10,368,256</u>	<u>19,716,213</u>	<u>30,084,469</u>
End of year	<u>\$ 9,259,440</u>	<u>\$ 19,321,804</u>	<u>\$ 28,581,244</u>

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Statement of Functional Expenses  
Year Ended December 31, 2020

	2020						2019 Total	
	Science	Education	Guest Services	Total Program Services	Management and General	Development and Public Relations		Total
Salaries	\$ 3,565,530	\$ 217,231	\$ 83,584	\$ 3,866,345	\$ 1,922,710	\$ 227,432	\$ 6,016,487	\$ 6,775,014
Subrecipient contracts	1,263,671	-	-	1,263,671	-	-	1,263,671	1,785,343
Depreciation	1,796,757	454	102,560	1,899,771	237,272	-	2,137,043	2,036,835
Occupancy	-	-	-	-	-	-	-	1,958
Employee benefits	568,510	27,058	36,555	632,123	423,497	44,727	1,100,347	1,244,254
Supplies	568,712	17,628	15,271	601,611	38,943	1,893	642,447	871,673
Utilities and fuel	238,572	-	18,570	257,142	354,414	497	612,053	863,654
Travel and lodging	254,087	1,565	3,119	258,771	6,107	-	264,878	588,157
Equipment repairs and maintenance	336,245	-	34,204	370,449	224,807	11,608	606,864	1,292,915
Postage and shipping	87,258	1,113	241	88,612	3,641	425	92,678	267,506
Insurance	80,475	-	50,364	130,839	186,026	-	316,865	281,820
Interest and bank fees	-	-	-	-	471,499	-	471,499	429,153
Professional fees and services	48,255	672	22,375	71,302	220,568	2,635	294,505	230,422
Printing and publishing	5,585	-	-	5,585	-	6,758	12,343	11,232
Entertainment	590	-	-	590	9,735	400	10,725	33,962
Miscellaneous	-	-	74,285	74,285	-	87	74,372	168,166
Captive services	161,302	166,078	(272,884)	54,496	(54,496)	-	-	-
Overhead and cost recoveries	2,587,775	188,936	133,337	2,910,048	(2,910,048)	-	-	-
<b>Total Expenses</b>	<b>\$ 11,563,324</b>	<b>\$ 620,735</b>	<b>\$ 301,581</b>	<b>\$ 12,485,640</b>	<b>\$ 1,134,675</b>	<b>\$ 296,462</b>	<b>\$ 13,916,777</b>	<b>\$ 16,882,064</b>

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Statement of Functional Expenses  
Year Ended December 31, 2019

	Science	Education	Guest Services	Total Program Services	Management and General	Development and Public Relations	Total
Salaries	\$ 3,516,240	\$ 304,953	\$ 210,981	\$ 4,032,174	\$ 2,329,270	\$ 413,570	\$ 6,775,014
Subrecipient contracts	1,785,343	-	-	1,785,343	-	-	1,785,343
Depreciation	1,700,341	454	102,200	1,802,995	233,840	-	2,036,835
Occupancy	-	1,958	-	1,958	-	-	1,958
Employee benefits	630,590	44,620	60,051	735,261	445,368	63,625	1,244,254
Supplies	729,009	31,009	46,833	806,851	61,563	3,259	871,673
Utilities and fuel	404,752	-	26,937	431,689	429,751	2,214	863,654
Travel and lodging	526,980	6,245	-	533,225	40,806	14,126	588,157
Equipment repairs and maintenance	757,228	-	38,002	795,230	482,204	15,481	1,292,915
Postage and shipping	259,434	411	823	260,668	6,395	443	267,506
Insurance	53,911	-	37,014	90,925	190,895	-	281,820
Interest and bank fees	-	-	-	-	429,153	-	429,153
Professional fees and services	45,222	-	24,401	69,623	159,204	1,595	230,422
Printing and publishing	2,904	-	-	2,904	-	8,328	11,232
Entertainment	85	3,800	237	4,122	28,677	1,163	33,962
Miscellaneous	2,746	-	163,437	166,183	1,820	163	168,166
Captive services	201,752	778,081	(856,606)	123,227	(125,207)	1,980	-
Overhead and cost recoveries	2,856,228	499,132	239,614	3,594,974	(3,594,974)	-	-
<b>Total Expenses</b>	<b><u>\$ 13,472,765</u></b>	<b><u>\$ 1,670,663</u></b>	<b><u>\$ 93,924</u></b>	<b><u>\$ 15,237,352</u></b>	<b><u>\$ 1,118,765</u></b>	<b><u>\$ 525,947</u></b>	<b><u>\$ 16,882,064</u></b>



**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,095,220	\$ (1,503,225)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net appreciation in fair value of investments	(1,772,138)	(2,480,862)
Depreciation	2,137,043	2,036,835
Loss on disposal of property and equipment	-	63,090
Contributions, grants and contracts classified as financing activities	(857,790)	(1,648,539)
Change in discount of unconditional promises to give	616,917	(932)
Changes in operating assets and liabilities (Note 13)	(8,657,143)	1,089,243
Net Cash from Operating Activities	1,562,109	(2,444,390)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	815,233	826,363
Purchases of investments	(131,040)	(376,285)
Expenditures for property and equipment	(1,161,165)	(1,772,696)
Net Cash from Investing Activities	(476,972)	(1,322,618)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	25,600	34,941
Grants and contracts used for property acquisition	832,190	1,613,598
New borrowings under loans payable	-	2,600,000
Repayment of loans payable	(49,668)	(46,090)
Net Cash from Financing Activities	808,122	4,202,449
Net Change in Cash and Cash Equivalents	1,893,259	435,441
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,260,391	1,824,950
End of year	\$ 4,153,650	\$ 2,260,391
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 459,363	\$ 416,102
Noncash transactions		
Equipment and services donated to BIOS	116,100	-

See notes to financial statements

## Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Organization

Bermuda Institute of Ocean Sciences (BIOS), Inc., formerly The Bermuda Biological Station for Research, Inc., founded in 1903, was incorporated in the State of New York in 1926 as a U.S. not-for-profit research organization. BIOS is exempt from U.S. income taxes pursuant to Sections 501(c)(3) and 509(a) of the Internal Revenue Code. BIOS is also a Bermuda Registered Charity (Reg #116).

BIOS's mission is to seek and share fundamental knowledge of the oceans through state-of-the-art scientific research, world-class field expeditions, and comprehensive educational experiences.

The research conducted at BIOS is relevant to the waters surrounding Bermuda, as well as the global Earth system, and is multidisciplinary, spanning the biological, chemical, geological, and physical sciences. BIOS researchers are active partners in regional and international research collaborations that are working to address some of the most pressing issues of our time including climate change, marine conservation, ecosystem health, and natural-disaster risk assessment.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting and Use of Estimates***

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), which requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### ***Net Asset Presentation***

BIOS is required to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BIOS. These net assets may be used at the discretion of BIOS management and board of trustees.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Donor restrictions with stipulations that they be used for a particular purpose or for a specified time period are temporary in nature until the purpose or stipulated time restriction is met. Other donor restrictions are perpetual in nature creating endowment funds that provide a permanent source of income.

## **Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. BIOS reports gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are restricted as support for future periods. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value and are recorded as an increase in net assets without donor restrictions unless the donor places restrictions on their use. Contributions due after one year are reported at their net present value. Amortization of the discount is recorded annually as additional contribution revenue over the anticipated collection period of the pledge.

#### ***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of staff estimates of time and effort. Direct program costs such as grants, occupancy, interest, fuel, and professional fees are allocated directly to the programs. All other costs that are not charged directly to a program are allocated based on actual usage, metric application or contractual requirements.

#### ***Foreign Currency***

BIOS's functional currency is the U.S. dollar. There are no foreign currency transaction gains or losses from transacting in the Bermuda dollar because it is on par with the U.S. dollar.

#### ***Cash Equivalents***

All highly liquid investments, with maturities of three months or less at the time of purchase are considered cash equivalents.

#### ***Allowance for Uncollectible Receivables***

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management believes all receivables are fully collectible, therefore, no allowance for doubtful accounts is recognized at year-end.

#### ***Inventory***

Inventory is reported at the lower of cost or net realizable value (first in, first out) and consists of glider batteries, gift shop merchandise, cafeteria, laboratory and SCUBA supplies held for resale. Glider batteries are unit stores expensed at the time of deployment in glider missions.

## Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Fair Value Measurements***

BIOS follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Pursuant to US GAAP guidance, alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient are not categorized within the fair value hierarchy.

#### ***Investment Valuation and Income Recognition***

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment. US GAAP provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of BIOS’s interest therein.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Alternative investments consist of non-traditional, not readily marketable investments. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

## **Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Grant Support and Revenue Recognition***

Grants to BIOS are either reimbursement of costs limited by the maximums stated in the grant or are fixed price contracts. Support under grants for reimbursement of costs is recognized in the same period and in an amount equivalent to the aggregate of the incurred underlying costs. Revenue from fixed price grants is recognized proportionately over the life of the grant, as defined in the contract.

#### ***Tuition and Guest Services***

Tuition and guest services are recognized over the period the tuition and as guest services are provided. Prepayments are recorded as deferred revenue.

#### ***Property and Equipment***

Purchases of property and equipment are recorded at cost. Gifts or contributions of property and equipment are recognized at fair value at the time received. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. When items are disposed, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in current income. Repair and maintenance charges that do not increase the lives of the assets are expensed as incurred.

#### ***Asset Recoverability***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which of the carrying amount of the asset exceeds the fair value of the asset. Management has concluded that an impairment charge for 2020 and 2019 is not necessary.

#### ***Accounting for Uncertainty in Income Taxes***

BIOS recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that BIOS had no uncertain income tax positions that require financial statement recognition or disclosure. BIOS is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2017.

#### ***Subsequent Events***

Management evaluated subsequent events for disclosure and/or recognition in the financial statements through June 25, 2021, the date financial statements were available for issuance.

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

**3. Concentrations of Financial Risk**

Financial instruments that are exposed to concentrations of financial risk consist primarily of cash, managed investment funds and receivables. Management believes the diversification and quality of managed investment funds minimizes risk concentration regarding investments other than fluctuations in the financial markets in general. At December 31, 2020 and 2019 grants and accounts receivable from one grantor totaled approximately \$602,000 and \$418,000. At December 31, 2020 and 2019, gross contributions receivable due from one donor totaled approximately \$8,866,000 and \$75,000.

For the years ended December 31, 2020 and 2019 grants and contracts from one grantor totaled approximately 93% and 86% of grants and contracts. For the year ended December 31, 2020 contributions from one donor totaled approximately 85% of contributions. For the year ended December 31, 2019 contributions from two donors totaled approximately 21% of contributions.

**4. Contributions Receivable**

Contributions receivable at December 31 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Amount expected to be collected in:		
One year or less	\$ 2,197,920	\$ 94,751
Years two through five	<u>6,673,957</u>	<u>-</u>
	8,871,877	94,751
Less:		
Discount (5% per annum) to present value	<u>(616,917)</u>	<u>-</u>
	<u>\$ 8,254,960</u>	<u>\$ 94,751</u>

**5. Investments**

BIOS investments consist of funds managed by independent fund managers. Following are the investments at December 31, grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	<u>2020</u>		
	Investment Valued Using		
	<u>Level 1</u>	<u>NAV (*)</u>	<u>Total</u>
Treasury Money Market Fund	\$ 2,412,202	\$ -	\$ 2,412,202
Common stock	50,717	-	50,717
Global Multi-Asset Fund	<u>-</u>	<u>16,677,016</u>	<u>16,677,016</u>
	<u>\$ 2,462,919</u>	<u>\$ 16,677,016</u>	<u>\$ 19,139,935</u>

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

**5. Investments (continued)**

	2019		
	Level 1	Investment Valued Using NAV (*)	Total
Treasury Money Market Fund	\$ 2,400,947	\$ -	\$ 2,400,947
Global Multi-Asset Fund	-	15,651,043	15,651,043
	<u>\$ 2,400,947</u>	<u>\$ 15,651,043</u>	<u>\$ 18,051,990</u>

(\*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding investments valued at NAV using the practical expedient at December 31, 2020 is as follows:

	Fair Value	Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Global Multi-Asset Fund - see "a" below	\$ 16,677,016	\$ -	Monthly	5 days

- a. The fund's investment objective is to provide a diversified investment solution for long-term nonprofit investors by allocating assets across a broad spectrum of asset classes. The fund will invest primarily in a diversified portfolio of equity and fixed income securities and will also invest in real assets and alternative investments, in a proportion that the investment manager considers optimal for a well-diversified portfolio. The fund will employ active and passive strategies and will be unconstrained by geography, strategy and market capitalization.

**6. Property and Equipment**

Property and equipment, carried at cost, is comprised of the following at December 31:

	Useful Lives	2020	2019
Land		\$ 486,850	\$ 486,850
Buildings and improvements	20-40 years	17,532,500	17,631,209
Furniture, fixtures and equipment	5-15 years	8,371,119	8,647,819
RV Atlantic Explorer	25 years	13,639,666	12,918,444
Other	5-25 years	758,392	758,392
		<u>40,788,527</u>	<u>40,442,714</u>
Accumulated depreciation		<u>(23,745,258)</u>	<u>(22,423,567)</u>
		<u>\$ 17,043,269</u>	<u>\$ 18,019,147</u>

## Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 7. Loans Payable

Loans payable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Bank of N.T. Butterfield term loan, secured by mortgage on real property and research vessel, to refinance pre-existing debt and fund capital expenditures on the research facility. Payable in monthly installments of interest only (4.00%) through May 2021, then payable of monthly installments of \$45,416 plus interest, due May 2022.	\$ 5,750,000	\$ 5,750,000
Bank of N.T. Butterfield, revolving loan, secured by investment portfolio, due October 2021, interest payable in monthly installments at 4.00%.	2,600,000	2,600,000
Loan payable (unsecured) to Air Care Limited pursuant to the Energy Performance Contract, payable in monthly installments of \$10,438, including interest at 7.5%, due March, 2032.	<u>980,649</u>	<u>1,030,317</u>
	<u>\$ 9,330,649</u>	<u>\$ 9,380,317</u>

Aggregate maturities of loans payable approximate \$2,837,000 in 2021, \$5,625,000 in 2022, \$62,000 in 2023, \$67,000 in 2024, \$72,000 in 2025 and \$668,000 thereafter. Interest expense totaled approximately \$459,000 and \$416,000 for years ended December 31, 2020 and 2019.

### 8. Sponsored Projects

Approximately 37% and 62% of revenues in 2020 and 2019 are awards for sponsored projects (governments and other sources). The awards generally provide for recovery of both direct and indirect costs. The indirect costs covered by the awards are determined as a negotiated or agreed-upon percentage of direct costs with certain exclusions.

### 9. Pension Plan

BIOS maintains a contributory pension plan for employees ages 23 and over who have worked at least 720 hours in any calendar year. Participation in the plan is mandatory for Bermudians and spouses of Bermudians until they are 65 years old. The plan is voluntary for all other employees. Each participating employee may contribute to the plan up to a maximum of 10% of their gross salary. Mandatory participants must contribute 5%. BIOS matches the employee contribution of 5% of gross salary in accordance with the plan documents and the Bermuda Occupational Pensions Act 1998. Pension expense for the years ended December 31, 2020 and 2019 approximated \$198,000 and \$228,000.



## **Bermuda Institute of Ocean Sciences (BIOS), Inc.**

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### **10. Endowment Funds**

Donor-restricted funds whose purpose is to provide long-term support for BIOS and its charitable programs are endowment funds. Net assets of endowment funds are classified as net assets with donor restrictions or net assets without donor restrictions as determined by the directions of donors, where applicable, and the provisions of the laws of the State of New York. Absent donor stipulations to the contrary, the provisions of New York State law do not impose restrictions on the use of income or capital appreciation derived from the original gift.

BIOS adheres to the New York State Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

#### ***Interpretation of Law***

BIOS interprets NYPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, BIOS classifies as net assets with donor restrictions (permanent) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 net assets with donor restrictions (permanent) endowment fund that is not classified in net assets with donor restrictions (permanent) is classified as net assets with donor restrictions (temporary in nature) until those amounts are appropriated for expenditure.

#### ***Investment Return Objectives***

BIOS has adopted investment and spending policies for the BIOS endowment fund (the Fund) with the core objective to provide a reliable source of long-term financial support. It is the desire of the trustees that the Fund achieves a balance of growth and stability and thereby, over the long term, earns a competitive rate available in the capital markets at the risk level prescribed for the Fund.

#### ***Investment Philosophy***

The Fund has a long-term investment horizon and the trustees believe that asset allocation is the major determinant of investment performance. The asset allocation plan is based on a number of factors, including – projected spending needs, maintenance of sufficient liquidity to meet spending payments, and return objectives and risk tolerances. The asset allocation plan provides for diversification of assets to maximize the investment return and manage the endowment investments consistent with market conditions. Investments are made through recognized third-party providers of multimanager strategies.

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

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**10. Endowment Funds (continued)**

**Spending Policy**

It is BIOS policy to annually distribute up to 5% of a three-year moving average of the Fund's market value as of June 30 of each year. This distribution will be sanctioned by the applicable laws of the state of New York. In 2020 and 2019, the full 5% was eligible for distribution to support the operations of BIOS.

Cumulative investment returns in excess of the spending rate that are not donor-restricted are board designated endowment funds. Restricted endowment earnings represent cumulative investment returns which must be spent in accordance with the donors' intent. Permanently restricted endowments must be maintained in perpetuity.

**Activity Summary**

The following summarizes activity in endowment funds for years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>2020</b>			
Balance at January 1, 2020	\$ 1,595,141	\$ 14,090,844	\$ 15,685,985
Contributions	-	25,600	25,600
Investment management fees	(10,652)	(48,613)	(59,265)
Capital appreciation	317,957	1,454,405	1,772,362
Appropriated for expenditure	(131,087)	(590,978)	(722,065)
Balance at December 31, 2020	\$ 1,771,359	\$ 14,931,259	\$ 16,702,617
<b>2019</b>			
Balance at January 1, 2019	\$ 1,238,772	\$ 12,424,545	\$ 13,663,317
Contributions	-	34,941	34,941
Investment return	36,761	167,323	204,084
Capital appreciation	447,247	2,033,751	2,480,998
Appropriated for expenditure	(127,639)	(569,716)	(697,355)
Balance at December 31, 2019	\$ 1,595,141	\$ 14,090,844	\$ 15,685,985

**11. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the purposes listed:

	2020	2019
Scientific research	\$ 15,589,419	\$ 6,208,237
Education	2,867,588	2,478,817
Laboratory building	263,753	227,709
Future periods and administrative	290,000	290,000
	\$ 19,010,760	\$ 9,204,763

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**11. Net Assets With Donor Restrictions (continued)**

Investment return from net assets held and subject to BIOS spending policy and appropriation is available to support the indicated activities at December 31:

	<u>2020</u>	<u>2019</u>
Scientific research	\$ 5,182,193	\$ 5,181,693
Education	3,482,477	3,457,377
Laboratory building	350,000	350,000
General operations	<u>1,127,971</u>	<u>1,127,971</u>
	<u>\$ 10,142,641</u>	<u>\$ 10,117,041</u>

Net assets released from restriction consist of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Scientific research	\$ 2,210,518	\$ 2,649,932
Education	556,060	672,444
Laboratory building	<u>26,824</u>	<u>26,120</u>
	<u>\$ 2,793,402</u>	<u>\$ 3,348,496</u>

**12. Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

Financial Assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,153,650	\$ 2,260,391
Grants and accounts receivable	837,493	837,804
Contributions receivable, net	8,254,960	94,751
Investments	<u>19,139,935</u>	<u>18,051,990</u>
Total Financial Assets	<u>32,386,038</u>	<u>21,244,936</u>
Less amounts not available to be used within one year:		
Board designated endowment funds	1,771,359	1,595,141
Restricted by donor with time or purpose restrictions	19,010,760	9,204,763
Restricted by donor to be held in perpetuity	<u>10,142,641</u>	<u>10,117,041</u>
	<u>30,924,760</u>	<u>20,916,945</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,461,278</u>	<u>\$ 327,991</u>

BIOS monitors the availability of resources to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. For purpose of analyzing resources available to meet general expenditures over a 12-month period, BIOS considers all expenditures related to its ongoing mission related activities, as well as services undertaken to support these activities, to be general expenditures.

**Bermuda Institute of Ocean Sciences (BIOS), Inc.**

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**13. Statements of Cash Flows**

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Changes in operating assets and liabilities:		
(Increase) decrease in		
Grants and accounts receivable	\$ 311	\$ (233,624)
Contributions receivable	(8,777,126)	1,608,482
Inventory and prepaid expenses	(115,709)	45,306
Increase (decrease) in		
Accounts payable and accrued expenses	36,392	(24,084)
Grants and other advances	<u>198,989</u>	<u>(306,837)</u>
Changes in operating assets and liabilities	<u>\$ (8,657,143)</u>	<u>\$ 1,089,243</u>

**14. COVID-19**

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2021 and beyond cannot be reasonably estimated at this time.

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, BIOS's investments have incurred fluctuation in their fair value. Because the value of BIOS's investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

**15. Subsequent Event**

On April 2, 2021, BIOS and a major United States university executed a non-binding agreement in principle to enter into a significant strategic partnership.

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