

financials

report of the treasurer

In spite of tightening federal budgets, increasing utility and fringe benefit costs, and softening financial markets, the MBL's financial outlook was generally positive in 2005. The MBL was able to keep growth in expenses well under control, enhance revenues in certain areas, and continue funding improvements to its physical plant.

Balance Sheet

The MBL's Total Assets grew slightly this past year. The Endowment and Similar long-term Investments increased modestly thanks to a 5.6% investment return, which exceeded the S&P 500 return. This was mostly offset by earnings used for operations. Even so, we were able to continue our investment in the physical wealth of the Laboratory as demonstrated by the increase in Plant and Equipment. Last year we invested more than \$2.7 million in facility improvements. This net increase was reduced, however, by a depreciation accrual of approximately \$2.3 million.

On the liability side, we finished the year with \$2.5 million outstanding on our line of credit. We did so because we pre-funded some of the capital improvements we will be covering with a new bond issue that closed on April 26, 2006. This \$34 million bond issue will be used to refinance our existing debt at a lower 30-year fixed interest rate (3.31%). It will also be used to help fund some of the major renovations and improvements outlined in our April 2004 Campus Master Plan. Finally, although our Net Assets (Equity) declined slightly in 2005, we are encouraged by the \$1.3 million increase in our Permanently Restricted (endowment) funds.

Operating History

Total Operating Support was basically flat this year. We experienced our first decline in Funding from Government Grants since 1995; fortunately, it was only a modest 0.9%. This reflects the impact of declining support for research at the federal level.

Contributions also declined 12% from an exceptional year in 2004. Some of this decline can be attributed to the timing and receipt of written pledges and payments, and to a few major, one-time-only gifts received in the previous year.

As shown in the Sources pie chart, resident research continues to represent approximately half of the MBL's funding. Our two other core activities—visiting research and education—represent approximately a quarter of MBL's revenues.

Expenses were very tightly controlled in 2005. Total Expenses increased only 1.3% over 2004, half the rate experienced in the two previous years. Research and Conference expenses declined slightly while expenses for Instruction grew 8.6% this past year. As a result, steps are being taken in 2006 to better monitor and manage expenditures by MBL courses.

A closer look at the Expense components summarized in the Uses pie-chart shows double-digit increases in fringe benefits (10.8%) and utilities (21.4%). These increases offset single-digit increases in most of the other expense components. As a result, even with concerted efforts to control expenses, the MBL experienced a negative \$1.6 million Change in Net Assets before non-operating activities.

The good news is hidden in these abbreviated financials: the MBL experienced its lowest operating loss in this decade. On an Unrestricted funds-only basis, the MBL cut the decline in the Change in Net Assets before Non-Operating activity from 2004 in half. We also saw a 19% improvement over the past year in net revenues from housing and conference activities.

Non-Operating Activities

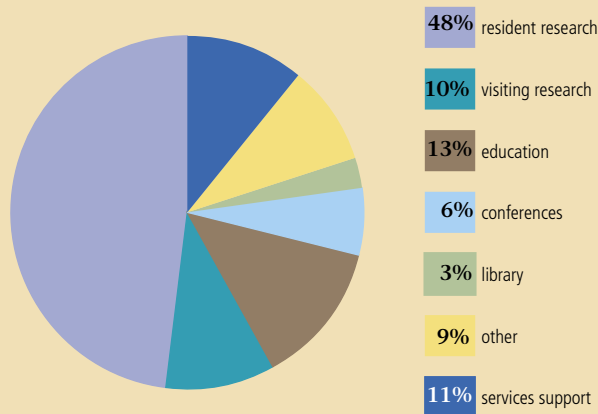
While the MBL had more than \$2.6 million in Investment Income and Earnings this past year, it represents less than half of what we experienced in 2004. While management anticipated softer market returns and therefore reduced the spending rate from the Long Term Investment portfolio from 6% to 5.5%, the Reinvested Investment Earnings were insufficient to generate a positive Change in Net Assets. While disappointing, the resulting decline of \$913 thousand in Total Net Assets represents only a -1.2% return on average Net Assets in 2005.

Conclusion

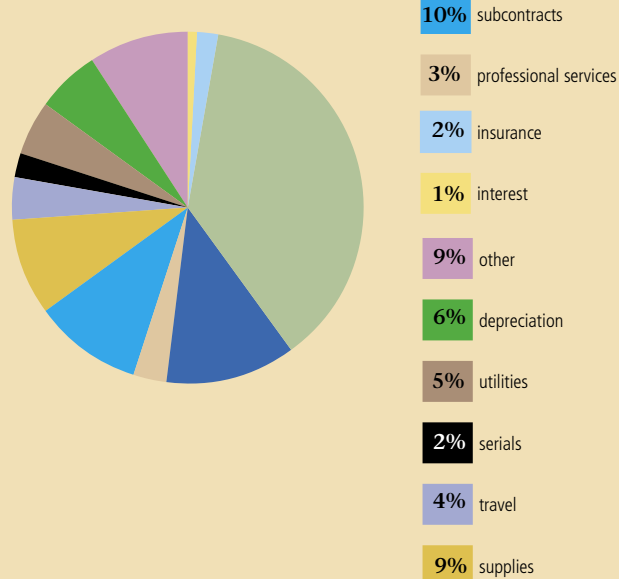
The MBL made good progress this past year on reducing our underlying operating losses. We continue to pursue ways to enhance our Operating Support by expanding our development efforts, building our resident research programs, and enhancing our revenues from housing and conference activities. These efforts will pay off over time, eventually balancing our operations, enabling us to continue to implement the MBL's Strategic Plan, and ultimately realizing healthy growth in the institution.

—Mary B. Conrad

Sources of \$35.5 Million in Operating Support



Uses of \$37.1 Million in Expenses





The financial statements of the
Marine Biological Laboratory for
the fiscal year ending
December 31, 2005,
were audited by KPMG.

Complete financial statements are
available upon request from:

Homer Lane
Chief Financial Officer
MBL
7 MBL Street
Woods Hole, MA 02543

The Operating and Balance Sheet
numbers shown here are unaudited.

Operating History and Balance Sheet

as of December 31, 2005 and 2004

Balance Sheet (in Thousands)	2005	2004
ASSETS:		
Cash and Short-Term Investments	\$373	\$3,345
Pledges and Other Receivables	10,390	9,381
Assets Held by Bond Trustee	0	6
Other Assets	978	704
Endowment and Similar Investments	52,167	50,957
Property and Equipment, net	37,705	36,902
TOTAL ASSETS	101,613	101,295
LIABILITIES:		
Accounts Payable	3,275	4,183
Line of Credit	2,500	
Annuities and Unitrusts Payable	599	592
Deferred Revenue and Other Liabilities	2,811	3,178
Long-Term Debt	15,200	15,200
Total Liabilities	24,385	23,153
NET ASSETS:		
Unrestricted	19,619	19,628
Temporarily Restricted	28,942	31,171
Permanently Restricted	28,667	27,343
Total Net Assets:	77,228	78,142
TOTAL LIABILITIES AND NET ASSETS	\$101,613	\$101,295
OPERATING HISTORY (In Thousands)		
OPERATING SUPPORT		
Government Grants	\$17,478	\$17,629
Private Contracts	1,187	1,265
Laboratory Rental and Net Tuition	2,410	2,238
Fees for Conferences and Services	5,087	5,225
Contributions	6,067	6,897
Investment and Other Revenue	3,281	2,526
Total Operating Support	35,510	35,780
EXPENSES:		
Research	24,240	24,510
Instruction	7,052	6,496
Conferences and Services	2,079	2,129
Other Programs	3,783	3,555
Total Expenses	37,154	36,690
CHANGES IN NET ASSETS BEFORE NONOPERATING ACTIVITY:	(1,644)	(910)
Non-Operating Activities:		
Contributions to Plant and Other Expenses, Net	201	(31)
Total Investment Income and Earnings	2,651	5,716
Less Investment Earnings Used for Operations	(2,121)	(1,999)
Reinvested Investment Earnings	530	3,717
TOTAL CHANGE IN NET ASSETS:	(\$913)	\$2,776