



MARINE BIOLOGICAL LABORATORY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

MARINE BIOLOGICAL LABORATORY

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Marine Biological Laboratory:

We have audited the accompanying financial statements of Marine Biological laboratory (the Laboratory), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities 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 U.S. generally accepted accounting principles; 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Laboratory as of June 30, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
November 8, 2021

MARINE BIOLOGICAL LABORATORY

Statements of Financial Position

June 30, 2021 and 2020

| Assets | 2021 | 2020 |
|--|-----------------------|--------------------|
| Cash and cash equivalents | \$ 2,571,334 | 2,276,308 |
| Accounts receivable, net of allowance for doubtful accounts of \$35,000 at June 30, 2021 and 2020 | 890,257 | 387,958 |
| Receivables due for costs incurred on grants and contracts | 3,024,150 | 2,216,237 |
| Prepaid expenses | 814,284 | 856,306 |
| Contributions receivable, net | 4,607,993 | 4,543,259 |
| Investments, at fair value | 126,466,579 | 93,969,242 |
| Charitable remainder trusts | 440,000 | 440,000 |
| Plant assets, net | 101,392,336 | 103,605,990 |
| Other assets | 3,873,112 | 2,857,073 |
| Total assets | \$ <u>244,080,045</u> | <u>211,152,373</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 4,396,972 | 3,286,624 |
| Deferred income | 6,638,159 | 3,493,557 |
| Annuities and trusts payable | 203,111 | 321,829 |
| Interest rate swap | 4,181,673 | 5,706,127 |
| Long-term debt | 23,808,281 | 24,710,165 |
| Other liabilities | 194,326 | 193,297 |
| Total liabilities | <u>39,422,522</u> | <u>37,711,599</u> |
| Net assets: | | |
| Without donor restrictions | 90,260,866 | 86,604,119 |
| With donor restrictions | <u>114,396,657</u> | <u>86,836,655</u> |
| Total net assets | <u>204,657,523</u> | <u>173,440,774</u> |
| Total liabilities and net assets | \$ <u>244,080,045</u> | <u>211,152,373</u> |

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statement of Activities

Year ended June 30, 2021

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---|--|--------------------|
| Operating support and revenues: | | | |
| Federal grants | \$ 11,727,459 | — | 11,727,459 |
| Nonfederal grants and contracts | 2,848,417 | — | 2,848,417 |
| Support from affiliate | 13,045,264 | — | 13,045,264 |
| Fees for conferences and services | 962,405 | — | 962,405 |
| Contributions | 2,450,047 | 7,413,337 | 9,863,384 |
| Investment earnings used for operations | 484,332 | 4,109,186 | 4,593,518 |
| Laboratory rentals | 249,380 | — | 249,380 |
| Tuition, net | 117,819 | — | 117,819 |
| Other revenue | 223,888 | — | 223,888 |
| Investment loss | (8,493) | — | (8,493) |
| Net assets released from restrictions and reclassifications | 6,531,805 | (6,531,805) | — |
| | <u>38,632,323</u> | <u>4,990,718</u> | <u>43,623,041</u> |
| Total operating support and revenues | | | |
| Expenses: | | | |
| Resident research | 27,215,862 | — | 27,215,862 |
| Education | 6,828,199 | — | 6,828,199 |
| Whitman research | 1,637,346 | — | 1,637,346 |
| Other institutional activities | 702,074 | — | 702,074 |
| Conferences, housing and dining | 4,310,072 | — | 4,310,072 |
| | <u>40,693,553</u> | <u>—</u> | <u>40,693,553</u> |
| Total expenses | | | |
| Change in net assets before nonoperating activities | <u>(2,061,230)</u> | <u>4,990,718</u> | <u>2,929,488</u> |
| Nonoperating revenue (expense): | | | |
| Change in value of interest rate swap | 1,524,454 | — | 1,524,454 |
| Change in value of annuities | (5,720) | 2,473 | (3,247) |
| Post retirement pension actuarial adjustment | 1,017,323 | — | 1,017,323 |
| Net assets released from restrictions | 486,705 | (486,705) | — |
| Other | 158,929 | — | 158,929 |
| | <u>3,181,691</u> | <u>(484,232)</u> | <u>2,697,459</u> |
| Change in net assets from nonoperating activities | | | |
| Investment returns: | | | |
| Net investment returns | 3,020,618 | 27,162,702 | 30,183,320 |
| Less investment earnings used for operations | <u>(484,332)</u> | <u>(4,109,186)</u> | <u>(4,593,518)</u> |
| Investment returns | <u>2,536,286</u> | <u>23,053,516</u> | <u>25,589,802</u> |
| Changes in net assets | 3,656,747 | 27,560,002 | 31,216,749 |
| Net assets, June 30, 2020 | <u>86,604,119</u> | <u>86,836,655</u> | <u>173,440,774</u> |
| Net assets, June 30, 2021 | \$ <u>90,260,866</u> | <u>114,396,657</u> | <u>204,657,523</u> |

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statement of Activities

Year ended June 30, 2020

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---|--|--------------------|
| Operating support and revenues: | | | |
| Federal grants | \$ 12,237,245 | — | 12,237,245 |
| Nonfederal grants and contracts | 3,356,972 | — | 3,356,972 |
| Support from affiliate | 13,059,904 | — | 13,059,904 |
| Fees for conferences and services | 3,170,693 | — | 3,170,693 |
| Contributions | 1,006,145 | 4,156,141 | 5,162,286 |
| Investment earnings used for operations | 469,666 | 3,947,995 | 4,417,661 |
| Laboratory rentals | 274,450 | — | 274,450 |
| Tuition, net | 784,839 | — | 784,839 |
| Other revenue | 666,301 | — | 666,301 |
| Investment income | 61,061 | — | 61,061 |
| Net assets released from restrictions and reclassifications | 7,911,177 | (7,911,177) | — |
| Total operating support and revenues | <u>42,998,453</u> | <u>192,959</u> | <u>43,191,412</u> |
| Expenses: | | | |
| Resident research | 28,413,304 | — | 28,413,304 |
| Education | 9,569,634 | — | 9,569,634 |
| Whitman research | 2,006,279 | — | 2,006,279 |
| Other institutional activities | 981,538 | — | 981,538 |
| Conferences, housing and dining | 3,229,619 | — | 3,229,619 |
| Total expenses | <u>44,200,374</u> | <u>—</u> | <u>44,200,374</u> |
| Change in net assets before nonoperating activities | <u>(1,201,921)</u> | <u>192,959</u> | <u>(1,008,962)</u> |
| Nonoperating revenue (expense): | | | |
| Change in value of interest rate swap | (1,627,720) | — | (1,627,720) |
| Change in value of annuities | (18,666) | 2,533 | (16,133) |
| Post retirement pension actuarial adjustment | 409,280 | — | 409,280 |
| Support from affiliate | 278,000 | — | 278,000 |
| Contributions for plant | 247,171 | 1,000,000 | 1,247,171 |
| Other | (18,166) | — | (18,166) |
| Change in net assets from nonoperating activities | <u>(730,101)</u> | <u>1,002,533</u> | <u>272,432</u> |
| Investment returns: | | | |
| Net investment returns | 228,912 | 1,877,419 | 2,106,331 |
| Less investment earnings used for operations | <u>(469,666)</u> | <u>(3,947,995)</u> | <u>(4,417,661)</u> |
| Investment returns | <u>(240,754)</u> | <u>(2,070,576)</u> | <u>(2,311,330)</u> |
| Changes in net assets | <u>(2,172,776)</u> | <u>(875,084)</u> | <u>(3,047,860)</u> |
| Net assets, June 30, 2019 | <u>88,776,895</u> | <u>87,711,739</u> | <u>176,488,634</u> |
| Net assets, June 30, 2020 | \$ <u>86,604,119</u> | <u>86,836,655</u> | <u>173,440,774</u> |

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 31,216,749 | (3,047,860) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 4,523,732 | 4,625,354 |
| Change in value of interest rate swap | (1,524,454) | 1,627,720 |
| Net unrealized gains on investments | (24,588,203) | 293,030 |
| Reinvested investment income | (5,593,345) | (2,463,626) |
| Change in charitable remainder trusts | — | 660,000 |
| Change in reserve for and present value discount of contributions receivable | 27,842 | (135,390) |
| Contributions received for plant | — | (1,000,000) |
| Contributions of equipment | — | (247,171) |
| Contributions restricted for long-term investment | (322,218) | (1,852,395) |
| Post-retirement benefit changes | (1,011,727) | (397,951) |
| Loss on disposal of assets | 5,251 | 13,493 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (502,299) | 511,025 |
| Receivables due for costs incurred on grants and contracts | (807,913) | 2,742,034 |
| Prepaid expenses and other assets | 37,710 | 876,081 |
| Contributions receivable | (92,576) | 329,167 |
| Accounts payable and accrued expenses | 1,110,348 | (1,106,099) |
| Deferred income | 3,144,602 | (576,846) |
| Annuities and trusts payable | (97,212) | (70,336) |
| Other liabilities | 1,029 | 193,297 |
| Net cash provided by operating activities | <u>5,527,316</u> | <u>973,527</u> |
| Cash flows from investing activities: | | |
| Purchase of plant assets | (2,315,330) | (3,450,008) |
| Proceeds from sale of investments | 7,622,754 | 13,973,578 |
| Proceeds from sale of assets | — | 700,000 |
| Purchase of investments | <u>(9,938,542)</u> | <u>(13,375,450)</u> |
| Net cash (used in) investing activities | <u>(4,631,118)</u> | <u>(2,151,880)</u> |
| Cash flows from financing activities: | | |
| Payments on annuities and trusts payable | (21,506) | (55,918) |
| Contributions received for long-term investment | 322,218 | 1,852,395 |
| Contributions restricted for purchasing plant assets | — | 1,000,000 |
| Principal payments on long-term debt | <u>(901,884)</u> | <u>(866,884)</u> |
| Net cash (used in) provided by financing activities | <u>(601,172)</u> | <u>1,929,593</u> |
| Change in cash and cash equivalents | 295,026 | 751,240 |
| Cash and cash equivalents at beginning of year | <u>2,276,308</u> | <u>1,525,068</u> |
| Cash and cash equivalents at end of year | \$ <u>2,571,334</u> | <u>2,276,308</u> |
| Supplemental disclosures of cash flows information: | | |
| Cash paid during the year for interest | \$ 809,991 | 994,120 |
| Accounts payable and accrued expenses for capital additions | 209,842 | 221,289 |

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2021 and 2020

(1) Background

The Marine Biological Laboratory (the Laboratory) is a private, not-for-profit research and educational institution dedicated to establishing and maintaining a laboratory and station for collaborative scientific study and investigation, and a school for instruction in biology and natural history. The Laboratory was founded in 1888 and is located in Woods Hole, Massachusetts.

On July 1, 2013, the Laboratory entered into an affiliation agreement with the University of Chicago (the University) located in Chicago, Illinois, whereby the University became the sole member of the Laboratory and pledged ongoing support to the Laboratory. During the years ended June 30, 2021 and 2020, the Laboratory received \$13.0 million and \$13.1 million from the University. The University is committed to funding the Laboratory's operating deficit through June 30, 2023.

As a result of the COVID-19 pandemic, the Laboratory suspended campus-based activities beginning in March 2020 through Fall 2020, requiring the cancellation of advanced research training and high school programs, as well as scientific conferences. Laboratory-based research was suspended temporarily but resumed in June 2020 using appropriate safety measures. The Laboratory was able to resume its research, education and conferences in March 2021 at approximately fifty percent capacity as compared to 2019. To counter the impacts of lower revenues and increased incremental costs incurred as a result of COVID-19, such as implementing necessary health and safety protocols, the Laboratory initiated actions including salary freezes, targeted operating and personnel cost reductions, and the reduction of retirement contributions. The continued impact of COVID-19 on the Laboratory's finances is uncertain and will depend on the duration and depth of the pandemic.

(2) Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

(b) *Classification of Net Assets*

The financial statements have been prepared to focus on the Laboratory as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Without Donor Restriction – Net assets not subject to donor-imposed stipulations but which may be designated for specific purposes by the Laboratory's Trustees.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Laboratory or the passage of time. In addition, unspent appreciation of donor restricted endowment funds in excess of their historic dollar value is classified as net assets with donor restrictions until appropriated by the Laboratory and spent in accordance with the standard prudence imposed by Massachusetts State law.

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Notes to Financial Statements

June 30, 2021 and 2020

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

(c) Operating and Nonoperating Activities

The statement of activities reports changes in net assets from operating and nonoperating activities.

Operating activities of the Laboratory include ongoing research, conferences and training programs. Included in operating revenues is investment return appropriated to support operations under the total return utilization policy approved by the Board of Trustees.

Nonoperating revenues and expenses include realized and unrealized gains and losses on investments as well as changes in value of an interest rate swap, certain post retirement expenses, and other nonoperating items. To the extent that nonoperating investment income and gains are used for operations, they are reclassified from nonoperating to operating as investment earnings used for operations in the statement of activities.

(d) Cash Equivalents

Cash equivalents consist of resources invested in overnight repurchase agreements, money market funds and other highly liquid investments with original maturities of three months or less.

(e) Concentration of Credit Risk

The Laboratory maintains cash balances at several banks in excess of federally insured limits. The Laboratory also maintains cash balances in money market funds which are not insured. The Laboratory has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

The majority of the Laboratory's investments are held in the University of Chicago's Total Return Investment Pool. The investment represents units in a pool of diversified assets.

(f) Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended to customers on a short-term basis; thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. Provisions for uncollectible accounts on accounts receivable are determined on the basis of loss experience, known and inherent risks and current economic conditions.

(g) Contributions

Contribution revenue, including gifts and unconditional promises to give, is recognized as revenue in the period received. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in the appropriate net asset category in the year received and are recorded at the present value of expected future cash flows, net of an allowance for doubtful accounts. Gifts and promises to give other assets are recorded at fair value at the date of contribution. Donor-restricted

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June 30, 2021 and 2020

contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. At fiscal year ended 2021 and 2020, the value of the conditional promises to give which were not yet recognized as revenue was \$10,011,720 and \$13,309,396.

(h) Prepaid Expenses

Prepaid expenses are expenditures paid in advance of when the benefit of the outlay will be realized. These costs will be expensed in a future period when the purchased service is received or purchased good is consumed.

(i) Investments

Investments are reported at estimated fair value. If an investment is held directly by the Laboratory and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Laboratory's shares in the University of Chicago's Total Return Investment Pool (TRIP) are valued quarterly based on the market value of the TRIP investment portfolio and the number of outstanding shares at the end of each quarter. Additional contributions to the TRIP purchase additional shares in the pool at the most recent quarterly per share price.

(j) Investment Income and Distribution

For the pooled investments, the Laboratory employs a total return utilization policy that establishes the amount of the investment return made available for spending each year. The Board of Trustees has approved a spending policy that the withdrawal will be based on a percentage of the twelve quarter average ending market value of the funds. The market value includes the principal plus reinvested income, realized and unrealized gains and losses. For fiscal years 2021 and 2020, the Laboratory obtained approval to expend 5.5% of the latest twelve quarter average ending market values of the long-term investments.

Investment income from the pooled investments is allocated using a unitized system whereby components are valued using a fair value unit basis, and each component subscribes to or disposes of units on the basis of the fair value per unit at the beginning of the calendar quarter within which the transaction takes place.

(k) Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

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- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(l) Charitable Remainder Trusts and Planned Giving

The Laboratory is a beneficiary of certain charitable remainder trusts, gift annuities, and a pooled gift income fund with principal reverting to the Laboratory upon the death of donors or other beneficiaries. Charitable remainder trusts have been recorded at fair value, which is based on the market value of the assets contributed by the donor, net of an adjustment for the estimated life expectancies of the beneficiaries, the terms of the agreements, the expected return on the invested assets, and a discount rate.

When the donor appoints a third-party trustee, which can include the University, the revenue and receivable is recorded at the fair value of the gift as reported by the Trustee. When the donor appoints the Laboratory as the trustee, the gift annuities and pooled income trusts are recorded at fair value, with offsetting estimated liabilities due to the donors based on the amount due to the donors, discounted for the estimated life expectancies of the beneficiaries. This recurring fair value measurement is based upon Level 1 inputs using market returns for similar assets for two of the charitable remainder trusts. The remaining two charitable remainder trusts have Level 3 inputs as the trusts do not provide transparent annual information and the fair value is estimated in accordance with an estimate of market performance. Included within charitable remainder trusts are two life estates in certain real estate whereby the fair value is determined using an appraisal which is a Level 3 input.

(m) Plant Assets

Plant assets are recorded at cost. Donated plant assets are recorded at the fair value at the time of gift. Depreciation expense is calculated using the straight-line method over the useful life of the asset. Estimated useful lives are generally 3 to 15 years for equipment and 15 to 60 years for buildings. Improvements to buildings used in sponsored research activities are depreciated based on the distinct useful life of each major building component. These range from 15 to 40 years. Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$4,523,732 and \$4,625,354 and has been recorded in the statements of activities in the appropriate functionalized categories.

(n) Deferred Income

Deferred income includes funding received for grants and contracts and laboratory rentals before these are earned.

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Notes to Financial Statements

June 30, 2021 and 2020

(o) Revenue Recognition

Sources of operating revenue include grant payments from governmental agencies, contracts from private organizations and income from the rental of laboratories and classrooms for research and educational programs. The Laboratory recognizes revenue associated with grants and contracts at the time the related direct costs are incurred or expended. Recovery of related indirect costs is recorded at predetermined fixed rates negotiated with the government. Revenue related to conferences and services is recognized at the time the services are provided while tuition revenue is recognized as classes are offered. The tuition income is net of student financial aid of \$285,880 and \$864,503 for the years ended June 30, 2021 and 2020. Fees for conferences and other services include fees for housing, dining, library, scientific journals, aquatic resources, and research services.

(p) Expenses

Expenses are recognized when incurred and are charged to the functions to which they are directly related. Expenses that relate to more than one function are allocated among functions based upon either modified total direct cost or square footage allocations.

The statements of activities presents expenses in functional categories without distinguishing program versus supporting service expenses. Administration expenses of \$12,088,305 and \$12,397,173 for the years ended June 30, 2021 and 2020 have been allocated among the categories presented. Those costs relating to the administration of sponsored programs are allocated based upon a category's historical level of program support while the remaining general administration expenses are allocated based upon historical levels of direct costs. Included in administration expenses are fund-raising expenses totaling \$1,397,483 and \$1,335,820 for the years ended June 30, 2021 and 2020.

(q) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Tax-Exempt Status

The Laboratory is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Laboratory is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Management believes that the Laboratory's income tax returns for years ended prior to 2017 are no longer subject to examination by tax authorities in its major tax jurisdiction.

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Notes to Financial Statements

June 30, 2021 and 2020

(3) Financial Assets and Liquidity Resources

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

| | 2021 | 2020 |
|--|---------------|-------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,180,878 | 2,083,011 |
| Short-term investments | 15,272,406 | 10,574,177 |
| Accounts receivable, net | 890,257 | 387,958 |
| Receivables due for costs incurred on grants and contracts | 3,024,150 | 2,216,237 |
| Pledge payments available for operations | 1,275,833 | 1,652,716 |
| Board designations: | | |
| Expected endowment payout | 4,700,563 | 4,565,790 |
| Total financial assets available within one year | \$ 27,344,087 | 21,479,889 |

The Laboratory's cash flows have seasonal variations during the year attributable to seasonal tuition and conference billing, Whitman research, and a concentration of contributions received at calendar and fiscal year-end. Additionally, as of June 30, 2021, the Laboratory had an additional \$10,549,813 in institutional funds which is available for general expenditures with Board approval.

(4) Contributions Receivable

Contributions receivable consisted of the following at June 30:

| | 2021 | 2020 |
|---|--------------|-------------|
| Unconditional promises expected to be collected in: | | |
| In one year or less | \$ 1,575,791 | 2,473,199 |
| Between one and five years | 3,589,984 | 2,600,000 |
| | 5,165,775 | 5,073,199 |
| Less discount | (410,580) | (385,059) |
| Less allowance for uncollectible pledges | (147,202) | (144,881) |
| Contributions receivable, net | \$ 4,607,993 | 4,543,259 |

The risk adjusted discount rate, which ranged from 5.25% to 7.50%, is utilized in determining the fair value of such contributions receivable.

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Notes to Financial Statements

June 30, 2021 and 2020

(5) Investments, Charitable Remainder Trusts & Interest Rate Swap Agreements

The following table sets forth the Laboratory's investments and other assets by major category in the fair value hierarchy as of June 30, 2021, as well as related strategy, liquidity and funding commitments:

| <u>Description</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> | <u>Liquidity</u> | <u>Days' notice</u> |
|---|----------------------|----------------|--------------------|--------------------|------------------|---------------------|
| Investments: | | | | | | |
| Cash equivalents | \$ 15,288,784 | — | — | 15,288,784 | Daily | 1 |
| Fixed income mutual funds | 90,666 | — | — | 90,666 | Daily | 1 |
| Equity mutual funds | 18,735 | — | — | 18,735 | Daily | 1 |
| University of Chicago Gift Annuity Fund | — | — | 4,996 | 4,996 | Daily | 1 |
| University of Chicago Total Return Investment Pool - unrestricted operating funds | — | — | 700,000 | 700,000 | Quarterly | 30–270 |
| University of Chicago Total Return Investment Pool - endowed funds | — | — | 110,363,398 | 110,363,398 | Quarterly | 30–270 |
| Total investments | <u>\$ 15,398,185</u> | <u>—</u> | <u>111,068,394</u> | <u>126,466,579</u> | | |
| Charitable remainder trusts | \$ — | — | 440,000 | 440,000 | N/A | N/A |
| Interest rate swap | — | (4,181,673) | — | (4,181,673) | N/A | N/A |

The following table presents a roll-forward of assets measured at fair market value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2021.

| | <u>University of Chicago Total Return Investment Pool</u> | <u>Interest in Charitable Gift Annuity held by Affiliate</u> | <u>Charitable remainder trusts</u> |
|---|---|--|------------------------------------|
| Beginning balance | \$ 83,248,253 | — | 440,000 |
| Total gains or losses included in changes in net assets | 30,175,117 | — | — |
| Purchases and settlements | (2,359,972) | 4,996 | — |
| Ending balance | <u>\$ 111,063,398</u> | <u>4,996</u> | <u>440,000</u> |

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2021 and 2020

The following table sets forth the Laboratory's investments and other assets by major category in the fair value hierarchy as of June 30, 2020, as well as related strategy, liquidity and funding commitments:

| Description | Level 1 | Level 2 | Level 3 | Total | Liquidity | Days' notice |
|---|----------------------|-------------|-------------------|-------------------|-----------|--------------|
| Investments: | | | | | | |
| Cash equivalents | \$ 10,597,164 | — | — | 10,597,164 | Daily | 1 |
| Fixed income mutual funds | 110,267 | — | — | 110,267 | Daily | 1 |
| Equity mutual funds | 13,558 | — | — | 13,558 | Daily | 1 |
| University of Chicago Total Return Investment Pool | — | — | 83,248,253 | 83,248,253 | Quarterly | 30–270 |
| Total investments | <u>\$ 10,720,989</u> | <u>—</u> | <u>83,248,253</u> | <u>93,969,242</u> | | |
| Charitable remainder trusts | \$ — | — | 440,000 | 440,000 | N/A | N/A |
| Interest rate swap | — | (5,706,127) | — | (5,706,127) | N/A | N/A |

During fiscal years 2021 and 2020, there were no transfers between investment Levels 1, 2 and 3.

The following table presents a roll-forward of assets measured at fair market value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2020.

| | University of Chicago Total Return Investment Pool | Charitable remainder trusts |
|---|---|--|
| Beginning balance | \$ 83,193,944 | 1,100,000 |
| Total gains or losses included in changes in net assets | 2,096,520 | — |
| Purchases and settlements | <u>(2,042,211)</u> | <u>(660,000)</u> |
| Ending balance | <u>\$ 83,248,253</u> | <u>440,000</u> |

The Laboratory's overall investment objective is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation.

The TRIP diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. The Laboratory does not directly own these securities, but owns shares in the TRIP.

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June 30, 2021 and 2020

The TRIP is composed of the following as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|--|-------|-------|
| Cash equivalents | 2 % | 4 % |
| Global public equities (primarily international) | 32 | 33 |
| Private debt | 4 | 5 |
| Private equity | 25 | 20 |
| Real estate | 5 | 5 |
| Natural resources | 4 | 5 |
| Absolute return | 23 | 22 |
| Fixed income | 5 | 6 |
| Total | 100 % | 100 % |

- Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts.
- Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined net asset value (NAV). Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.
- Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University monitors the valuation methodologies and practices of managers.
- The absolute return portfolio is comprised of investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparable instruments, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

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June 30, 2021 and 2020

- Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year and are valued based on quoted market prices in active markets, except for a commingled fund that is valued on independently determined NAV.

(6) Endowment

The Laboratory's endowment pool consists of approximately 185 individual funds established for a variety of purposes. This includes both donor restricted "endowment funds" and funds designated by the Laboratory to function as "institutional funds". Net assets associated with endowment funds, including funds designated by the Laboratory to function as institutional funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Laboratory views *Massachusetts Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the Laboratory to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory has classified as net assets with donor restrictions (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 (although no existing donor instruments have so directed). Accumulations to the endowment that do not have to be maintained in perpetuity remain classified as net assets with donor restriction until they are appropriated for expenditure by the Board in a manner consistent with the Laboratory's spending policy, UPMIFA, other applicable laws, and any donor-imposed restrictions.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021, no endowment funds had deficiencies. At the end of the prior year, these totaled \$30,025.

(c) Endowment Investment Policy

The Laboratory has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the Laboratory's Investment Policy and Spending Rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2021 and 2020

(d) Strategies Employed for Achieving Objectives

By investing in the University's Total Return Investment Pool, the Laboratory has effectively adopted the University's investment objectives and strategies as its own. The University's overall investment objective is to invest its assets in a prudent manner that will achieve a long term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation.

(e) Endowment Fund Activity

Endowment net assets consisted of the following fund types as of June 30, 2021:

| | Without donor restrictions | With donor restrictions | Total |
|---|---------------------------------------|------------------------------------|--------------|
| Donor restricted endowment funds: | | | |
| Historical gift value | \$ — | 59,684,849 | 59,684,849 |
| Appreciation | — | 39,811,327 | 39,811,327 |
| Total donor restricted endowment funds | — | 99,496,176 | 99,496,176 |
| Board-designated institutional funds | 11,005,651 | — | 11,005,651 |
| | \$ 11,005,651 | 99,496,176 | 110,501,827 |

The changes in endowment net assets for the period ended June 30, 2021 are as follows:

| | Without donor restrictions | With donor restrictions | Total |
|--|---------------------------------------|------------------------------------|--------------|
| Endowment net assets, beginning of year | \$ 8,468,050 | 74,782,255 | 83,250,305 |
| Investment return: | | | |
| Investment income | 71,734 | 641,493 | 713,227 |
| Net appreciation | 2,950,199 | 26,511,692 | 29,461,891 |
| Total investment return | 3,021,933 | 27,153,185 | 30,175,118 |
| New gifts/pledge payments | — | 1,242,743 | 1,242,743 |
| Reinvestment of accumulated unspent draws | — | 210,051 | 210,051 |
| Other funds invested in endowment | — | 217,128 | 217,128 |
| Appropriation of endowment assets for operations (draw) | (484,332) | (4,109,186) | (4,593,518) |
| Endowment net assets, end of year | \$ 11,005,651 | 99,496,176 | 110,501,827 |

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2021 and 2020

Endowment net assets consisted of the following fund types as of June 30, 2020:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------|
| Donor restricted endowment funds: | | | |
| Historical gift value | \$ — | 58,199,862 | 58,199,862 |
| Appreciation | <u>—</u> | <u>16,582,393</u> | <u>16,582,393</u> |
| Total donor restricted endowment funds | — | 74,782,255 | 74,782,255 |
| Board-designated institutional funds | <u>8,468,050</u> | <u>—</u> | <u>8,468,050</u> |
| | <u>\$ 8,468,050</u> | <u>74,782,255</u> | <u>83,250,305</u> |

The changes in endowment net assets for the period ended June 30, 2020 are as follows:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 8,707,742 | 74,606,792 | 83,314,534 |
| Investment return: | | | |
| Investment income | 71,543 | 620,412 | 691,955 |
| Net appreciation | <u>158,431</u> | <u>1,246,134</u> | <u>1,404,565</u> |
| Total investment return | 229,974 | 1,866,546 | 2,096,520 |
| New gifts/pledge payments | — | 2,256,912 | 2,256,912 |
| Appropriation of endowment assets for operations (draw) | <u>(469,666)</u> | <u>(3,947,995)</u> | <u>(4,417,661)</u> |
| Endowment net assets, end of year | <u>\$ 8,468,050</u> | <u>74,782,255</u> | <u>83,250,305</u> |

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2021 and 2020

(7) Plant Assets

Plant assets consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-----------------------|---------------------|
| Land | \$ 52,931,085 | 52,931,085 |
| Buildings | 109,438,158 | 108,568,578 |
| Equipment | 33,399,267 | 32,033,573 |
| Construction in progress | <u>743,091</u> | <u>715,036</u> |
| | 196,511,601 | 194,248,272 |
| Less accumulated depreciation | <u>(95,119,265)</u> | <u>(90,642,282)</u> |
| Plant assets, net | <u>\$ 101,392,336</u> | <u>103,605,990</u> |

(8) Debt

Long-term debt consisted of Massachusetts Development Finance Agency, Variable Rate Demand Revenue Bonds, Series 2006, payable in annual installments from 2008 through 2036 ("the Bonds"). The principal balance outstanding at June 30, 2021 and 2020 was \$23,930,000 and \$24,840,000. The interest rate at June 30, 2021 and 2020 was 0.03% and 0.1%.

The interest rate on the Bonds resets weekly and is payable monthly. The Bonds are scheduled to mature on October 1, 2036. As collateral for the Bonds, the Laboratory has entered into a Letter of Credit Reimbursement Agreement with PNC Bank which is set to expire on June 3, 2024. The Letter of Credit Reimbursement Agreement is in an amount sufficient to pay the aggregate principal amount of the Bonds and up to thirty-four days' interest. The Bonds are subject to certain covenants, including a minimum debt service coverage ratio.

The aggregate amount of principal due on long-term debt within each of the next five years ending June 30 and thereafter is as follows:

| | |
|------------|----------------------|
| 2022 | \$ 945,000 |
| 2023 | 980,000 |
| 2024 | 1,020,000 |
| 2025 | 1,060,000 |
| 2026 | 1,105,000 |
| Thereafter | <u>18,820,000</u> |
| | <u>\$ 23,930,000</u> |

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Notes to Financial Statements

June 30, 2021 and 2020

The balance of outstanding principal and accrued debt issuance costs at June 30, 2021 and 2020 was:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|----------------------|-------------------|
| Principal balance | \$ 23,930,000 | 24,840,000 |
| Debt issuance costs | <u>(121,719)</u> | <u>(129,835)</u> |
| Long-term debt net of issuance costs | <u>\$ 23,808,281</u> | <u>24,710,165</u> |

On June 15, 2005, the Laboratory established an interest rate swap agreement (the Agreement) with a global financial services firm whose credit rating was A1 at June 30, 2021. The Laboratory entered into this Agreement to manage interest rate risk exposure. Under the terms of this agreement as modified, the floating rate paid to the Laboratory is 67% of one month LIBOR to 67% of three month LIBOR and the fixed rate paid by the Laboratory is 3.413%. The fair value of the Agreement was \$(4,181,673) and \$(5,706,127), at June 30, 2021 and 2020, and is separately presented in the statement of financial position. With the swap fair values primarily based on observable inputs such as the interest yield curve that are corroborated by market data, this Agreement is categorized as Level 2 in the fair value hierarchy. The Agreement expires in 2036.

On or about April 9, 2021 the Laboratory terminated its \$3,000,000 maximum borrowing capacity unsecured line of credit with PNC Bank. The line had carried a borrowing rate option equal to the daily LIBOR rate plus 1.75%. The Laboratory had no outstanding borrowings at June 30, 2021 and 2020.

A standby letter of credit for \$225,000 is issued by PNC Bank on behalf of the Laboratory as required compliance with regulations issued under the authority of the Massachusetts Department of Public Health Radiation. This credit instrument provides assurance that funds will be available when needed for the decommissioning of radioactive material used in research studies. The expiration date of the standby letter of credit is June 3, 2024.

For the years ended June 30, 2021 and 2020, the Laboratory recognized interest expense of \$810,761 and \$942,129.

(9) Retirement Plan

The Laboratory holds fiduciary responsibilities for a defined contribution pension plan managed by TIAA-CREF (the Plan). Eligible employees become participants upon completion of two years of service, as defined in the plan document. Under the Plan, the Laboratory contributes 10% of eligible compensation, as defined in the plan document, subject to certain limitations, for each participant. Contributions amounted to \$808,460 and \$1,510,916 for the years ended June 30, 2021 and 2020. For the period July 2020 to June 2021, the Laboratory temporarily reduced its contribution to the plan from 10% to 5% due to reduction in activities and related revenues resulting from the COVID-19 pandemic.

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(10) Post-retirement Benefits

The Laboratory provides certain post-retirement health care benefits for participants within the Laboratory's Post-Retirement Health Care Plan (the PRHC Plan).

Participants include former employees retiring prior to June 1, 1994, who are entitled to receive full health care benefits and active employees as of June 1, 1994, who are entitled to receive limited benefits upon their retirement, as defined by the PRHC Plan. Employees hired on or after January 1, 1995 are not eligible to participate in the PRHC Plan. The count of plan participants as of the beginning of each fiscal year 2021 and 2020, was 41 and 42, respectively.

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| Change in benefit obligation: | | |
| Post-retirement benefit obligation at beginning of year | \$ 874,014 | 1,213,829 |
| Service cost | 5,596 | 11,329 |
| Interest cost | 26,651 | 50,533 |
| Actuarial (gain)/loss | (119,864) | (493,643) |
| Benefits paid | (102,161) | (105,378) |
| Adjustment for Medicare Part D subsidy | 164,684 | 197,344 |
| Post-retirement benefit obligation at end of year | <u>848,920</u> | <u>874,014</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 3,400,348 | 3,342,212 |
| Employer contribution | 64,737 | 73,327 |
| Participant contributions | 36,087 | 28,212 |
| Actual return on plan assets | 986,633 | 58,136 |
| Benefits paid | (102,161) | (105,378) |
| Medicare Part D subsidy payment | 1,337 | 3,839 |
| Fair value of plan assets at end of year | <u>4,386,981</u> | <u>3,400,348</u> |
| Net benefit asset recognized in the statement of financial position, included in other assets | \$ <u>3,538,061</u> | <u>2,526,334</u> |

Weighted average assumptions as of June 30, to determine benefit obligations at year end:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------|-------------|
| Discount rate | 2.20 % | 1.95 % |
| Rate of compensation increase | N/A | N/A |

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Notes to Financial Statements

June 30, 2021 and 2020

Weighted average assumptions as of June 30, to determine net periodic benefit cost at year end:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Discount rate | 1.95 % | 3.00 % |
| Expected long-term return on plan assets | 7.00 | 7.00 |
| Rate of compensation increase | N/A | N/A |
| Average future years of service | 3.49 | 3.23 |

The PRHC Plan assets and weighted average asset allocations at June 30, by asset category are as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|---------------------|------------------|
| Equity securities | \$ 3,027,017 | 2,108,216 |
| Fixed income securities | 1,184,485 | 1,088,111 |
| Cash equivalents | <u>175,479</u> | <u>204,021</u> |
| | <u>\$ 4,386,981</u> | <u>3,400,348</u> |

As of June 30, 2021 and 2020 the Laboratory's PRHC Plan assets were accounted for at fair value. All PRHC Plan assets were Level 1 assets.

The Executive Committee of the Board of Trustees has selected a balanced strategy of 45% equity securities, 45% fixed income securities and 10% cash equivalents as a target asset allocation for the PRHC Plan investments. All of the debt and equity securities included in the PRHC Plan assets are publicly traded securities and are carried at fair value based upon quoted market prices.

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For purposes of measuring the benefit obligation, a 5.3% annual rate of increase in the per capita cost of covered health benefits was assumed for 2021. The rate was assumed to decrease gradually to 4.0% in 2075 and remain at that level thereafter.

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| Components of net periodic benefit cost: | | |
| Operating – service cost | \$ 5,596 | 11,329 |
| Nonoperating: | | |
| Interest cost | 26,651 | 50,533 |
| Expected return on assets | (238,024) | (233,955) |
| Recognized net actuarial gain | (86,885) | (76,591) |
| Adjustment for Medicare Part D Subsidy | <u>8,673</u> | <u>(62,584)</u> |
| Total nonoperating | <u>(289,585)</u> | <u>(322,597)</u> |
| Net periodic benefit cost | \$ <u>(283,989)</u> | <u>(311,268)</u> |
| Impact of 1% increase in healthcare cost trend: | | |
| On interest cost plus service cost during past year | \$ 907 | 1,415 |
| On accumulated post-retirement benefit obligation | 46,518 | 41,525 |
| Impact of 1% decrease in healthcare cost trend: | | |
| On interest cost plus service cost during past year | \$ (896) | (1,519) |
| On accumulated post-retirement benefit obligation | (44,144) | (42,856) |

The Laboratory expects to contribute \$120,684 to the PRHC Plan during the fiscal year ending June 30, 2022.

The expected future benefit payments for the next ten years are as follows:

| | |
|-----------|------------|
| Year-end: | |
| 2022 | \$ 109,000 |
| 2023 | 110,000 |
| 2024 | 107,000 |
| 2025 | 99,000 |
| 2026 | 77,000 |
| 2027–2031 | 304,000 |

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At June 30, 2021 and 2020, the items not yet recognized as a component of net periodic post-retirement benefit cost including the effect of the adjustment for Medicare Part D subsidy are as follows:

| | 2021 | 2020 |
|-------------------------|--------------|-------------|
| Net actuarial gain | \$ (982,958) | (321,294) |
| Total unamortized items | \$ (982,958) | (321,294) |

In addition to interest and service costs, the estimated net actuarial gains, excluding the effect of the adjustment for Medicare Part D subsidy, and transition obligation for the Plan to be amortized into net periodic post-retirement benefit cost for fiscal 2021 and 2020 are \$361,000 and \$81,000.

(11) Restricted Net Assets

The Laboratory classifies gifts that have donor-imposed restrictions regarding time or purpose as net assets with donor restrictions. The Laboratory classifies each gifted pledge as time restricted until the gift is collected; when collected, a gift is either reclassified to its purpose restriction or released from restriction. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases to net endowed assets with donor restriction.

(a) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

| | 2021 | 2020 |
|--|----------------|-------------|
| Endowment: | | |
| Resident research program | \$ 33,653,761 | 25,732,142 |
| Visiting research program | 8,221,343 | 6,304,825 |
| Research support | 6,110,029 | 3,966,358 |
| Education program | 28,334,706 | 21,051,239 |
| General support | 21,354,345 | 16,329,630 |
| Capital and infrastructure maintenance | 1,821,992 | 1,398,060 |
| Operating | 9,005,008 | 6,693,189 |
| Annuity and life income | 180,979 | 178,687 |
| Pledges | 5,018,309 | 4,951,102 |
| Nonoperating (plant) | 696,185 | 231,423 |
| | \$ 114,396,657 | 86,836,655 |

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Notes to Financial Statements

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(b) Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows:

| | 2021 | 2020 |
|-----------------------------------|--------------|-------------|
| Appropriation of endowment assets | \$ 4,109,186 | 3,947,995 |
| Operating | 2,308,686 | 3,750,297 |
| Nonoperating (plant) | 600,638 | 212,885 |
| | \$ 7,018,510 | 7,911,177 |

Net assets released from restriction are presented in the Statement of Activities based upon whether the use of the funds supported the Laboratory's operating activities or nonoperating activities. As presented in the Statement of Activities, the releases from restriction are as follows:

| | 2021 | 2020 |
|---------------------------------|--------------|-------------|
| Operating support and revenue | \$ 6,531,805 | 7,911,177 |
| Nonoperating revenue (expenses) | 486,705 | — |
| | \$ 7,018,510 | 7,911,177 |

(12) Functional Classification of Expenses

Expenses by functional and natural classification for the year ended June 30, 2021.

| | Resident research | Education | Whitman research | Other institutional activities | Conference, housing and dining | Research services | Facilities | Administration | Total |
|---------------------------------|----------------------|-----------|---------------------|--------------------------------------|--------------------------------------|----------------------|--------------|----------------|------------|
| Salaries | \$ 7,214,747 | 356,814 | 43,427 | 35,107 | 548,602 | 1,158,831 | 2,230,694 | 5,676,849 | 17,265,071 |
| Fringe benefits | 2,532,136 | 99,461 | 15,373 | 12,249 | 192,334 | 404,421 | 781,557 | 2,165,406 | 6,202,937 |
| Professional services | 160,122 | 123,915 | — | — | 87,750 | 5,200 | 960 | 432,447 | 810,394 |
| Supplies | 993,474 | 247,323 | 19,221 | 28,370 | 54,718 | 260,580 | 82,853 | 198,335 | 1,884,874 |
| Travel | 24,106 | 61,029 | — | — | — | 31 | — | 9,387 | 94,553 |
| Interest expense, net | — | — | — | — | — | — | — | 810,761 | 810,761 |
| Other expenses | 320,267 | 159,742 | 550 | 11,864 | 129,574 | 286,840 | 911,190 | 2,406,620 | 4,226,647 |
| Inter-departmental charges, net | 233,625 | 694,409 | 188,284 | (1,421) | (1,016,537) | 28,585 | (17,723) | (109,222) | — |
| Subcontracts | 1,735,482 | — | — | — | 798,548 | — | — | — | 2,534,030 |
| Serials and books | 350 | — | — | — | — | 71 | 2,306 | 425,663 | 428,390 |
| Utilities | 2,629 | — | — | — | 1,602 | 2,901 | 1,832,973 | 72,059 | 1,912,164 |
| Depreciation | — | — | — | — | — | — | 4,523,732 | — | 4,523,732 |
| Total | 13,216,938 | 1,742,693 | 266,855 | 86,169 | 796,591 | 2,147,460 | 10,348,542 | 12,088,305 | 40,693,553 |
| Overhead expense allocations | 13,998,924 | 5,085,506 | 1,370,491 | 615,905 | 3,513,481 | (2,147,460) | (10,348,542) | (12,088,305) | — |
| Total expenses | \$ 27,215,862 | 6,828,199 | 1,637,346 | 702,074 | 4,310,072 | — | — | — | 40,693,553 |

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Expenses by functional and natural classification for the year ended June 30, 2020.

| | Resident research | Education | Whitman research | Other institutional activities | Conference, housing and dining | Research services | Facilities | Administration | Total |
|---------------------------------|----------------------|-----------|---------------------|--------------------------------------|--------------------------------------|----------------------|--------------|----------------|------------|
| Salaries | \$ 7,358,555 | 636,692 | 4,370 | 162,667 | 629,715 | 1,221,998 | 2,330,435 | 5,796,178 | 18,140,610 |
| Fringe benefits | 2,748,903 | 177,321 | 1,653 | 48,951 | 229,516 | 449,989 | 863,678 | 2,281,653 | 6,801,664 |
| Professional services | 97,118 | 428,648 | — | 800 | 77 | 5,130 | 34,717 | 407,558 | 974,048 |
| Equipment | 5,905 | 433 | — | 2,488 | 262 | 4,933 | 19,202 | 9,050 | 42,273 |
| Supplies | 1,093,060 | 353,048 | 8,266 | 68,275 | 52,111 | 332,999 | 108,485 | 187,509 | 2,203,753 |
| Travel | 270,016 | 352,980 | — | 4,837 | — | 7,633 | 417 | 60,168 | 696,051 |
| Interest expense, net | — | — | — | — | — | — | — | 942,129 | 942,129 |
| Other expenses | 456,481 | 414,690 | 10,686 | 34,334 | 183,245 | 319,229 | 867,978 | 2,173,413 | 4,460,056 |
| Inter-departmental charges, net | 292,760 | 1,946,720 | 551,102 | 3,922 | (2,979,856) | 188,784 | (31,349) | 27,917 | — |
| Subcontracts | 1,546,166 | — | — | — | 1,448,129 | — | — | 21,557 | 3,015,852 |
| Serials and books | 56 | 1,952 | — | — | — | — | 2,482 | 419,618 | 424,108 |
| Utilities | 1,693 | — | — | 851 | 1,560 | 3,190 | 1,796,759 | 70,423 | 1,874,476 |
| Depreciation | — | — | — | — | — | — | 4,625,354 | — | 4,625,354 |
| Total | 13,870,713 | 4,312,484 | 576,077 | 327,125 | (435,241) | 2,533,885 | 10,618,158 | 12,397,173 | 44,200,374 |
| Overhead expense allocations | 14,542,591 | 5,257,150 | 1,430,202 | 654,413 | 3,664,860 | (2,533,885) | (10,618,158) | (12,397,173) | — |
| Total expenses | \$ 28,413,304 | 9,569,634 | 2,006,279 | 981,538 | 3,229,619 | — | — | — | 44,200,374 |

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

(13) Related Parties

In addition to affiliate activity previously disclosed, the Laboratory had the following other related party activity.

Current and former trustees of the Laboratory have outstanding pledged contributions of \$3,431,000 and \$3,422,100 at June 30, 2021 and 2020. These amounts are included in contributions receivable in the statement of financial position.

(14) Subsequent Events

In connection with the preparation of these financial statements, the Laboratory has evaluated events and transactions through November 8, 2021, which is the date these financial statements were available for issuance.