SEWARD ASSOCIATION FOR THE ADVANCEMENT OF MARINE SCIENCE

Financial Statements and Schedules

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)
SEWARD ASSOCIATION FOR THE ADVANCEMENT OF MARINE SCIENCE

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Independent Auditors' Report

The Board of Directors
Seward Association for the Advancement of Marine Science:

Report on the Financial Statements
We have audited the accompanying financial statements of Seward Association for the Advancement of Marine Science (SAAMS), which comprise the statements of financial position as of September 30, 2014 and 2013, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 SAAMS as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.
Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on pages 13 and 14 are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2015 on our consideration of SAAMS’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering SAAMS’s internal control over financial reporting and compliance.

March 13, 2015
SEWARD ASSOCIATION FOR THE ADVANCEMENT OF MARINE SCIENCE

Statements of Financial Position
September 30, 2014 and 2013

<table>
<thead>
<tr>
<th>Assets</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,427,357</td>
<td>871,541</td>
</tr>
<tr>
<td>Cash restricted by the City of Seward (note 2)</td>
<td>1,339,640</td>
<td>1,223,366</td>
</tr>
<tr>
<td>Receivables, net (note 3)</td>
<td>990,819</td>
<td>1,688,853</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>728</td>
<td>149,288</td>
</tr>
<tr>
<td>Inventory</td>
<td>82,167</td>
<td>86,055</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,840,711</td>
<td>4,019,103</td>
</tr>
<tr>
<td>501 Trust unemployment tax reserve</td>
<td>95,686</td>
<td>77,938</td>
</tr>
<tr>
<td>Unconditional promise to give, pledge for the use of land and building (note 4)</td>
<td>31,534,258</td>
<td>32,070,109</td>
</tr>
<tr>
<td>Facilities and equipment, net (note 5)</td>
<td>11,423,306</td>
<td>11,811,402</td>
</tr>
<tr>
<td>Total assets</td>
<td>$46,893,961</td>
<td>47,978,552</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$419,830</td>
<td>450,132</td>
</tr>
<tr>
<td>Accrued salaries and related taxes payable</td>
<td>330,998</td>
<td>207,404</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>726,764</td>
<td>1,065,760</td>
</tr>
<tr>
<td>Current portion of notes payable (note 8)</td>
<td>28,872</td>
<td>25,069</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,506,464</td>
<td>1,748,365</td>
</tr>
<tr>
<td>Notes payable, less current portion (note 8)</td>
<td>146,184</td>
<td>174,918</td>
</tr>
<tr>
<td>501 Trust unemployment tax reserve</td>
<td>95,686</td>
<td>77,938</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,748,334</td>
<td>2,001,221</td>
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<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>10,705,310</td>
<td>11,176,577</td>
</tr>
<tr>
<td>Temporarily restricted (note 6)</td>
<td>34,440,317</td>
<td>34,800,754</td>
</tr>
<tr>
<td>Total net assets</td>
<td>45,145,627</td>
<td>45,977,331</td>
</tr>
<tr>
<td>Commitments and contingencies (notes 2, 9, 10, 11, and 12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$46,893,961</td>
<td>47,978,552</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.


**SEWARD ASSOCIATION FOR THE ADVANCEMENT OF MARINE SCIENCE**

**Statements of Activities**

Years ended September 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014 Unrestricted</th>
<th>Temporary restricted</th>
<th>Total</th>
<th>2013 Unrestricted</th>
<th>Temporary restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership, gate entry, and parking fees, net</td>
<td>$ 2,179,038</td>
<td>—</td>
<td>2,179,038</td>
<td>2,173,601</td>
<td>—</td>
<td>2,173,601</td>
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<tr>
<td>Retail sales, net</td>
<td>177,732</td>
<td>—</td>
<td>177,732</td>
<td>165,212</td>
<td>—</td>
<td>165,212</td>
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<tr>
<td>Education programs</td>
<td>208,822</td>
<td>—</td>
<td>208,822</td>
<td>180,266</td>
<td>—</td>
<td>180,266</td>
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<tr>
<td><strong>Grants:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>3,520,499</td>
<td>23,662</td>
<td>3,544,161</td>
<td>3,441,285</td>
<td>14,171</td>
<td>3,455,456</td>
</tr>
<tr>
<td>State</td>
<td>88,676</td>
<td>487,078</td>
<td>575,754</td>
<td>97,793</td>
<td>329,420</td>
<td>427,213</td>
</tr>
<tr>
<td>Other</td>
<td>142,829</td>
<td>48,286</td>
<td>191,115</td>
<td>294,626</td>
<td>243,978</td>
<td>538,604</td>
</tr>
<tr>
<td>North Pacific Marine Research Institute</td>
<td>371,612</td>
<td>—</td>
<td>371,612</td>
<td>810,346</td>
<td>—</td>
<td>810,346</td>
</tr>
<tr>
<td>Contracts</td>
<td>438,099</td>
<td>—</td>
<td>438,099</td>
<td>619,323</td>
<td>1,009</td>
<td>620,332</td>
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<tr>
<td>Donations</td>
<td>1,010,188</td>
<td>—</td>
<td>1,010,188</td>
<td>726,102</td>
<td>—</td>
<td>726,102</td>
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<tr>
<td>Investment and interest income</td>
<td>1,562</td>
<td>—</td>
<td>1,562</td>
<td>1,919</td>
<td>—</td>
<td>1,919</td>
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<tr>
<td>Fiscal agent fees (note 13)</td>
<td>393,826</td>
<td>—</td>
<td>393,826</td>
<td>395,127</td>
<td>—</td>
<td>395,127</td>
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<tr>
<td>Other</td>
<td>282,443</td>
<td>—</td>
<td>282,443</td>
<td>107,393</td>
<td>—</td>
<td>107,393</td>
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<tr>
<td>Net assets released from restriction (note 7)</td>
<td>919,463</td>
<td>(919,463)</td>
<td>—</td>
<td>828,902</td>
<td>(828,902)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td>9,726,789</td>
<td>(360,437)</td>
<td>9,366,352</td>
<td>9,841,895</td>
<td>(240,333)</td>
<td>9,601,562</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>1,918,849</td>
<td>—</td>
<td>1,918,849</td>
<td>1,917,009</td>
<td>—</td>
<td>1,917,009</td>
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<tr>
<td>Stranding</td>
<td>899,686</td>
<td>—</td>
<td>899,686</td>
<td>549,791</td>
<td>—</td>
<td>549,791</td>
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<tr>
<td>Education</td>
<td>476,136</td>
<td>—</td>
<td>476,136</td>
<td>364,736</td>
<td>—</td>
<td>364,736</td>
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<tr>
<td>Conservation</td>
<td>21,732</td>
<td>—</td>
<td>21,732</td>
<td>266,148</td>
<td>—</td>
<td>266,148</td>
</tr>
<tr>
<td>North Pacific Marine Research Institute</td>
<td>368,379</td>
<td>—</td>
<td>368,379</td>
<td>766,972</td>
<td>—</td>
<td>766,972</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td>3,684,782</td>
<td>—</td>
<td>3,684,782</td>
<td>3,864,656</td>
<td>—</td>
<td>3,864,656</td>
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<tr>
<td>Support services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Front of the house</td>
<td>698,887</td>
<td>—</td>
<td>698,887</td>
<td>700,643</td>
<td>—</td>
<td>700,643</td>
</tr>
<tr>
<td>Fundraising</td>
<td>264,630</td>
<td>—</td>
<td>264,630</td>
<td>252,552</td>
<td>—</td>
<td>252,552</td>
</tr>
<tr>
<td>Facilities</td>
<td>3,622,274</td>
<td>—</td>
<td>3,622,274</td>
<td>3,512,945</td>
<td>—</td>
<td>3,512,945</td>
</tr>
<tr>
<td>Husbandry</td>
<td>1,142,095</td>
<td>—</td>
<td>1,142,095</td>
<td>1,032,242</td>
<td>—</td>
<td>1,032,242</td>
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<tr>
<td>Administrative</td>
<td>785,478</td>
<td>—</td>
<td>785,478</td>
<td>863,980</td>
<td>—</td>
<td>863,980</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>10,198,056</td>
<td>—</td>
<td>10,198,056</td>
<td>10,227,018</td>
<td>—</td>
<td>10,227,018</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(471,267)</td>
<td>(360,437)</td>
<td>(831,704)</td>
<td>(385,123)</td>
<td>(240,333)</td>
<td>(625,456)</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>11,176,577</td>
<td>34,800,754</td>
<td>45,977,331</td>
<td>11,561,700</td>
<td>35,041,087</td>
<td>46,602,787</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$10,705,310</td>
<td>34,440,317</td>
<td>45,145,627</td>
<td>11,176,577</td>
<td>34,800,754</td>
<td>45,977,331</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE

Statements of Cash Flows

Years ended September 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (831,704)</td>
<td>(625,456)</td>
</tr>
<tr>
<td>Reconciliation of change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>766,938</td>
<td>712,847</td>
</tr>
<tr>
<td>Contributed occupancy costs</td>
<td>535,851</td>
<td>500,795</td>
</tr>
<tr>
<td>Grant revenues restricted to purchase of equipment and facilities</td>
<td>(559,026)</td>
<td>(588,569)</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>209,421</td>
<td>—</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>25,582</td>
<td>—</td>
</tr>
<tr>
<td>Changes in assets and liabilities that provided (used) cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>672,452</td>
<td>(1,052,456)</td>
</tr>
<tr>
<td>Inventory</td>
<td>3,888</td>
<td>(6,648)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>148,560</td>
<td>(100,221)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(30,302)</td>
<td>86,575</td>
</tr>
<tr>
<td>Accrued salaries and related taxes payable</td>
<td>123,594</td>
<td>4,284</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(338,996)</td>
<td>(957,716)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>726,258</td>
<td>(2,026,565)</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of facilities and equipment</td>
<td>(589,163)</td>
<td>(594,445)</td>
</tr>
<tr>
<td>Proceeds from sale of equipment</td>
<td>900</td>
<td>—</td>
</tr>
<tr>
<td>Change in restricted cash and investments</td>
<td>(116,274)</td>
<td>124,438</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(704,537)</td>
<td>(470,007)</td>
</tr>
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</table>

Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on notes payable</td>
<td>(24,931)</td>
<td>(27,810)</td>
</tr>
<tr>
<td>Grant revenues restricted to purchase of facilities and equipment</td>
<td>559,026</td>
<td>588,569</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>534,095</td>
<td>560,759</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>555,816</td>
<td>(1,935,813)</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at beginning of year

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>871,541</td>
<td>2,807,354</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at end of year

|                                                           | $ 1,427,357| 871,541    |

Supplemental disclosure of cash flow information:

|                                                           | $ 10,013   | 13,454     |

See accompanying notes to financial statements.
(1) Summary of Significant Accounting Policies

(a) Operations

Seward Association for the Advancement of Marine Science (SAAMS) was incorporated in February 1990. The primary goal of the organization is to operate the Alaska SeaLife Center (ASLC), a world-class cold water marine research and rehabilitation facility. The ASLC’s mission is dedicated to generating and sharing scientific knowledge to promote understanding and stewardship of Alaska’s marine ecosystems. Construction of the facility commenced during 1995 and the ASLC opened for operations on May 12, 1998.

The primary financial resources for operations are research grants, donations, and visitor-related revenues. Resources for construction were provided by grants from the State of Alaska and various federal agencies and fundraising, as well as proceeds of revenue bonds loaned to SAAMS by the City of Seward (City).

(b) Use of Estimates and Assumptions

In order to prepare the financial statements, management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements as well as support, revenues and expenses for the reporting period. Actual results could differ from those estimates.

(c) Basis of Presentation

The financial statements are prepared using the accrual basis of accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SAAMS and changes therein are reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Temporarily restricted resources that are restricted by the donor, grantor, or other outside parties whose restrictions either expire by the passage of time or can be fulfilled and removed by actions of SAAMS. Revenues associated with these resources are earned when SAAMS undertakes the necessary action or other restrictions are met. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of moneys in checking and savings accounts and other highly liquid investments with original maturities of 90 days or less.
Inventory

Inventory is stated at the lower of weighted average cost or market.

Facilities and Equipment

Facilities and equipment are recorded at cost. Facilities and equipment are funded from grant-funded temporarily restricted resources and from unrestricted resources, including donations and bond proceeds. Depreciation of facilities and equipment is provided over the estimated useful lives of the assets, ranging from 5 to 40 years, using the straight-line method.

Deferred Revenue

Deferred revenue consists of grants and contributions received, but not yet earned.

Support and Revenues

Contributions restricted by the donor, grantor, or other outside parties with imposed conditions are deemed to be earned and reported as revenues when SAAMS has incurred costs in compliance with the specific conditions. Such amounts received but not earned are reported as deferred revenue. Contributions of fixed assets received without stipulation as to how long the donated assets must be used are reported as restricted support with an implied useful life. Contributions whose restrictions are met in the same reporting period as the contribution is received are reported as unrestricted.

Cost reimbursable grants and contracts are recognized as support and revenues to the extent of allowable expenses and additions to facilities and equipment in the period in which the expenses or additions to facilities and equipment were incurred. Nonreimbursable contract revenues are recognized based on specific terms of the contract.

Unconditional pledges are recognized as support and revenue in the period the pledge is made by the donor. Pledges to be received within one year or less are recognized as unrestricted support and revenue. Pledges to be received beyond one year are discounted to their present value.

Fund-Raising

Fund-raising costs, including the costs of special events and direct response campaigns, are expensed as incurred.

Income Taxes

SAAMS is a nonprofit charitable organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Unrelated business income is generated mainly through rental of a property to an unrelated party, however, the amounts are not significant in relation to the financial statements.

SAAMS recognizes the effect of income tax positions only if these positions are more likely than not of being sustained. There are no recognized income tax positions as of September 30, 2014.
SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE

Notes to Financial Statements

September 30, 2014 and 2013

(2) Restricted Cash

On November 9, 2006, SAAMS entered into an amended and restated lease agreement with the City. Under the ASLC lease agreement with the City, SAAMS is required to maintain cash reserves in a separate fund of $1,339,640 and $1,223,366 at September 30, 2014 and 2013, respectively, with annual escalations of 3% thereafter. Under the lease agreement, the Renewal and Replacement Fund Requirement reserves were $452,888 and $362,453, and the Termination Fund Requirement reserves were $886,753 and $860,913 at September 30, 2014 and 2013, respectively.

(3) Receivables

Receivables are principally reimbursable grant expenditures and pledges. Doubtful accounts are reserved based on specific identification when disputes arise.

Receivables consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>725,569</td>
<td>801,872</td>
</tr>
<tr>
<td>Pledges</td>
<td>106,106</td>
<td>106,106</td>
</tr>
<tr>
<td>Other</td>
<td>184,726</td>
<td>780,875</td>
</tr>
<tr>
<td></td>
<td>1,016,401</td>
<td>1,688,853</td>
</tr>
</tbody>
</table>

Less allowance for doubtful pledges

<table>
<thead>
<tr>
<th></th>
<th>25,582</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>990,819</td>
<td>1,688,853</td>
</tr>
</tbody>
</table>

(4) Unconditional Promise to Give, Pledge for the Use of Land and Building

On April 28, 1996, SAAMS entered into an agreement with the City for the financing, lease, construction, operation, and maintenance of the ASLC. The City owns the ASLC and the property on which it is located. The City used State of Alaska grants for the partial construction of the ASLC. The term of the lease runs through the practical life of the project but no longer than 50 years. Annual rent payable to the City is $1 per year.

The total contributions toward the land and building were $36,993,601 at both September 30, 2014 and 2013, and are being amortized over the term of the lease agreement, net of a 7% discount, which was estimated to represent the fair value of the lease payments at lease inception. Accumulated amortization at September 30, 2014 and 2013 was $5,459,343 and $4,923,492, respectively.
SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE

Notes to Financial Statements

September 30, 2014 and 2013

Net amortization of the contribution was as follows:

\[
\begin{align*}
\text{Contributed use of facility} & \quad 2014 & \quad 2013 \\
$ & 2,780,758 & 2,780,758 \\
\text{Less interest income} & \quad (2,244,907) & \quad (2,279,963) \\
\hline
\text{Net contributed occupancy cost} & \quad $535,851 & \quad 500,795
\end{align*}
\]

The related unconditional promise to give, pledge for the use of land and building, represents the City's remaining commitment to the lease.

The contributed use of facility will be recognized as follows:

\[
\begin{align*}
\text{Contributed use of facility} & \quad \text{Less interest income} & \quad \text{Net contributed occupancy cost} \\
\text{One year or less} & \quad $2,780,758 & \quad 2,207,398 & \quad 573,360 \\
\text{Two to five years} & \quad 11,123,033 & \quad 8,399,149 & \quad 2,723,884 \\
\text{More than five years} & \quad 51,012,481 & \quad 22,775,467 & \quad 28,237,014 \\
\hline
\text{Total} & \quad $31,534,258 \\
\end{align*}
\]

(5) Facilities and Equipment

Facilities and equipment, which consists of funding by both temporarily restricted and unrestricted resources, were as follows:

\[
\begin{align*}
\text{Funded by temporarily restricted resources} & \quad \text{Funded by unrestricted resources} & \quad \text{Total} \\
\text{Land} & \quad $ & \quad 764,263 & \quad 764,263 \\
\text{Building} & \quad 2,585,709 & \quad 12,761,558 & \quad 15,347,267 \\
\text{Exhibits} & \quad 1,782,482 & \quad 1,470,386 & \quad 3,252,868 \\
\text{Furniture and equipment} & \quad 2,875,414 & \quad 1,626,691 & \quad 4,502,105 \\
\text{Vehicles} & \quad 43,545 & \quad 70,693 & \quad 114,238 \\
\text{Construction in progress} & \quad 81,603 & \quad — & \quad 81,603 \\
\hline
\text{Total} & \quad 7,368,753 & \quad 16,693,591 & \quad 24,062,344 \\
\text{Less accumulated depreciation} & \quad (4,462,694) & \quad (8,176,344) & \quad (12,639,038) \\
\hline
\text{Total} & \quad 2,906,059 & \quad 8,517,247 & \quad 11,423,306
\end{align*}
\]
SEWARD ASSOCIATION FOR THE ADVANCEMENT OF MARINE SCIENCE

Notes to Financial Statements

September 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2013 Funded by temporarily restricted resources</th>
<th>2013 Funded by unrestricted resources</th>
<th>2013 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$—</td>
<td>764,263</td>
<td>764,263</td>
</tr>
<tr>
<td>Building</td>
<td>2,374,065</td>
<td>13,035,218</td>
<td>15,409,283</td>
</tr>
<tr>
<td>Exhibits</td>
<td>1,782,482</td>
<td>1,470,386</td>
<td>3,252,868</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>2,609,634</td>
<td>1,626,691</td>
<td>4,236,325</td>
</tr>
<tr>
<td>Vehicles</td>
<td>43,545</td>
<td>121,112</td>
<td>164,657</td>
</tr>
<tr>
<td></td>
<td>6,809,726</td>
<td>17,017,670</td>
<td>23,827,396</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(4,079,081)</td>
<td>(7,936,913)</td>
<td>(12,015,994)</td>
</tr>
<tr>
<td></td>
<td>$2,730,645</td>
<td>9,080,757</td>
<td>11,811,402</td>
</tr>
</tbody>
</table>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted facilities and equipment contributions (note 5)</td>
<td>$2,906,059</td>
<td>2,730,645</td>
</tr>
<tr>
<td>City of Seward lease contribution (note 4)</td>
<td>31,534,258</td>
<td>32,070,109</td>
</tr>
<tr>
<td></td>
<td>$34,440,317</td>
<td>34,800,754</td>
</tr>
</tbody>
</table>

(7) Net Assets Released from Restriction

Net assets were released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Net assets released from restriction were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed occupancy costs (note 4)</td>
<td>$535,851</td>
<td>500,795</td>
</tr>
<tr>
<td>Use of restricted facilities and equipment</td>
<td>383,612</td>
<td>328,107</td>
</tr>
<tr>
<td></td>
<td>$919,463</td>
<td>828,902</td>
</tr>
</tbody>
</table>

(Continued)
(8) Notes Payable

Long-term debt at September 30 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable to a financial institution, with a maturity in 2020, interest rate is 3.10% over the U.S. Treasury rate (5.8% at both September 30, 2014 and 2013), secured by land. Less current portion</td>
<td>$175,056</td>
<td>199,987</td>
</tr>
<tr>
<td></td>
<td>(28,872)</td>
<td>(25,069)</td>
</tr>
<tr>
<td></td>
<td>$146,184</td>
<td>174,918</td>
</tr>
</tbody>
</table>

Future minimum payments on the long-term debt are as follows:

Year ending September 30:

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$28,872</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>30,562</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>32,350</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>34,243</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>36,246</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>12,783</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$175,056</td>
<td></td>
</tr>
</tbody>
</table>

(9) Operating Lease

SAAMS leases certain property and equipment under various operating leases. Rental expense was $36,044 and $36,775 for the years ended September 30, 2014 and 2013, respectively. Future minimum payments under noncancelable operating leases are $32,618 for the year ending September 30, 2015.

(10) Defined Contribution Plan

SAAMS participates in a qualified defined contribution 401(k) retirement plan. There were no contributions charged to expense during the years ended September 30, 2014 and 2013.

(11) Contingencies

(a) Legal Matters

In the ordinary course of business, SAAMS may be involved in various claims and disputes. Management believes that none of these matters will have an adverse impact on the financial condition of SAAMS.
(b) Grants and Contracts

Amounts received or receivable from State of Alaska or federal agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of SAAMS. In management’s opinion, the amount that might be disallowed, if any, will not have a material effect on the financial statements.

(12) Concentration of Revenue

Federal grants have accounted for approximately 38% and 36% of revenue for fiscal years 2014 and 2013, respectively. SAAMS is highly dependent on grant revenues and any significant decline in this revenue could have a material adverse effect on the organization.

(13) Related Parties

SAAMS provides accounting services and acts as the fiscal agent for the North Pacific Research Board (NPRB) and Alaska Ocean Observing System (AOOS). Fiscal agent fees totaled $265,847 and $251,160 from NPRB for the years ended September 30, 2014 and 2013, respectively. Fiscal agent fees totaled $127,979 and $143,967 for AOOS for the years ended September 30, 2014 and 2013, respectively.

(14) Subsequent Events

In connection with the preparation of the financial statements, SAAMS evaluated subsequent events after the balance sheet date of September 30, 2014 through March 13, 2015, which was the date the financial statements were available to be issued.
<table>
<thead>
<tr>
<th></th>
<th>Research</th>
<th>Stranding</th>
<th>Education</th>
<th>Conservation</th>
<th>Front of the House</th>
<th>Fundraising</th>
<th>Facilities</th>
<th>Husbandry</th>
<th>Administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ 593,485</td>
<td>277,127</td>
<td>220,078</td>
<td>12,944</td>
<td>—</td>
<td>333,316</td>
<td>72,088</td>
<td>566,354</td>
<td>594,992</td>
<td>3,206,662</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>241,765</td>
<td>98,269</td>
<td>89,311</td>
<td>7,584</td>
<td>—</td>
<td>105,301</td>
<td>36,278</td>
<td>225,174</td>
<td>276,608</td>
<td>97,740</td>
</tr>
<tr>
<td>Contractual and outside services</td>
<td>759,863</td>
<td>262,694</td>
<td>25,615</td>
<td>743</td>
<td>368,379</td>
<td>31,043</td>
<td>114,526</td>
<td>180,205</td>
<td>13,879</td>
<td>1,883,230</td>
</tr>
<tr>
<td>Supplies, computer, and copying</td>
<td>166,965</td>
<td>129,424</td>
<td>16,147</td>
<td>17</td>
<td>—</td>
<td>96,623</td>
<td>16,156</td>
<td>143,824</td>
<td>181,957</td>
<td>769,024</td>
</tr>
<tr>
<td>Travel</td>
<td>67,412</td>
<td>74,474</td>
<td>94,392</td>
<td>95</td>
<td>—</td>
<td>8,058</td>
<td>11,382</td>
<td>(4,444)</td>
<td>18,996</td>
<td>295,718</td>
</tr>
<tr>
<td>Advertising</td>
<td>144</td>
<td>1,046</td>
<td>13</td>
<td>—</td>
<td>—</td>
<td>30,780</td>
<td>3,106</td>
<td>164</td>
<td>1,077</td>
<td>69,336</td>
</tr>
<tr>
<td>Postage and freight</td>
<td>3,876</td>
<td>13,033</td>
<td>1,881</td>
<td>70</td>
<td>—</td>
<td>428</td>
<td>1,409</td>
<td>1,798</td>
<td>1,942</td>
<td>27,261</td>
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<tr>
<td>Phone and Internet</td>
<td>970</td>
<td>14,017</td>
<td>1,087</td>
<td>312</td>
<td>—</td>
<td>2,695</td>
<td>1,113</td>
<td>61,917</td>
<td>9,034</td>
<td>98,950</td>
</tr>
<tr>
<td>Utilities</td>
<td>—</td>
<td>76</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>568,635</td>
<td>568,763</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>1,440</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,844</td>
<td>6,928</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,560</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>293,813</td>
<td>295,757</td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>766,938</td>
<td>766,938</td>
</tr>
<tr>
<td>Contributed occupancy costs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>535,831</td>
<td>535,831</td>
</tr>
<tr>
<td>Rent</td>
<td>5,841</td>
<td>17,022</td>
<td>2,229</td>
<td>—</td>
<td>—</td>
<td>14,177</td>
<td>65</td>
<td>46,175</td>
<td>15,430</td>
<td>94,360</td>
</tr>
<tr>
<td>Bank and credit card fees</td>
<td>—</td>
<td>1,125</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>33,036</td>
<td>3,156</td>
<td>—</td>
<td>4,156</td>
<td>41,473</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10,613</td>
<td>10,613</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>209,421</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>209,421</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>35,648</td>
<td>10,846</td>
<td>24,763</td>
<td>—</td>
<td>—</td>
<td>12,133</td>
<td>5,065</td>
<td>8,592</td>
<td>28,031</td>
<td>140,262</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,918,149</strong></td>
<td><strong>899,686</strong></td>
<td><strong>476,136</strong></td>
<td><strong>21,732</strong></td>
<td><strong>368,179</strong></td>
<td><strong>698,887</strong></td>
<td><strong>264,630</strong></td>
<td><strong>3,622,274</strong></td>
<td><strong>1,142,005</strong></td>
<td><strong>785,478</strong></td>
</tr>
</tbody>
</table>

See accompanying independent auditors' report.
<table>
<thead>
<tr>
<th></th>
<th>Research</th>
<th>Stranding</th>
<th>Education</th>
<th>Conservation</th>
<th>Front of the</th>
<th>Fundraising</th>
<th>Facilities</th>
<th>Husbandry</th>
<th>Administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$669,949</td>
<td>218,737</td>
<td>157,610</td>
<td>50,659</td>
<td></td>
<td>342,526</td>
<td>48,770</td>
<td>544,603</td>
<td>541,433</td>
<td>$3,051,618</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>215,165</td>
<td>75,970</td>
<td>73,248</td>
<td>35,567</td>
<td></td>
<td>110,065</td>
<td>27,064</td>
<td>210,018</td>
<td>246,660</td>
<td>1,150,969</td>
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<tr>
<td>Contractual and outside</td>
<td>861,769</td>
<td>91,946</td>
<td>32,563</td>
<td>138,844</td>
<td></td>
<td>46,290</td>
<td>155,592</td>
<td>342,341</td>
<td>16,036</td>
<td>71,611</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>71,611</td>
<td>2,483,715</td>
</tr>
<tr>
<td>Supplies, computer, and</td>
<td>132,363</td>
<td>82,188</td>
<td>26,963</td>
<td>29,708</td>
<td></td>
<td>82,787</td>
<td>18,376</td>
<td>168,204</td>
<td>157,866</td>
<td>71,611</td>
</tr>
<tr>
<td>Travel</td>
<td>72,180</td>
<td>45,079</td>
<td>46,255</td>
<td>9,138</td>
<td>20,078</td>
<td>10,148</td>
<td>7,529</td>
<td>(13,380)</td>
<td>16,908</td>
<td>31,880</td>
</tr>
<tr>
<td>Advertisings</td>
<td>372</td>
<td>1,040</td>
<td>7,231</td>
<td>12</td>
<td></td>
<td>45,310</td>
<td>1,254</td>
<td>1,664</td>
<td>2,065</td>
<td>9,574</td>
</tr>
<tr>
<td>Postage and freight</td>
<td>5,476</td>
<td>6,142</td>
<td>2,389</td>
<td>230</td>
<td></td>
<td>591</td>
<td>1,367</td>
<td>2,008</td>
<td>2,472</td>
<td>3,784</td>
</tr>
<tr>
<td>Phone and Internet</td>
<td>930</td>
<td>4,058</td>
<td>1,736</td>
<td>1,400</td>
<td>171</td>
<td>3,237</td>
<td>946</td>
<td>7,276</td>
<td>7,662</td>
<td>5,684</td>
</tr>
<tr>
<td>Utilities</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>607,350</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>1,115</td>
<td>265</td>
<td></td>
<td>633</td>
<td></td>
<td></td>
<td></td>
<td>1,856</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
<td>304,255</td>
<td>444</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>712,847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>500,795</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>6,541</td>
<td>15,820</td>
<td></td>
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<td>1,032,242</td>
<td>863,980</td>
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See accompanying independent auditors' report