

# SEA EDUCATION ASSOCIATION, INC.

FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

# SEA EDUCATION ASSOCIATION, INC.

## CONTENTS

---

Independent Auditors' Report	1-2
Statements of Financial Position - June 30, 2020 and 2019	3
Statements of Activities for the Years Ended June 30, 2020 and 2019	4
Statements of Functional Expenses for the Years Ended June 30, 2020 and 2019	5
Statements of Cash Flows for the Years Ended June 30, 2020 and 2019	6
Notes to Financial Statements	7-20

## **Independent Auditors' Report**

To the Board of Trustees  
Sea Education Association, Inc.  
Woods Hole, Massachusetts

We have audited the accompanying financial statements of Sea Education Association, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider 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 Sea Education Association, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 2, during the year ended June 30, 2020, Sea Education Association, Inc., adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Blum, Shapiro & Company, P.C.*

Quincy, Massachusetts  
September 16, 2020

# SEA EDUCATION ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 2,234,819	\$ 2,880,017
Contributions receivable (Note 4)	2,117,156	3,426,892
Prepaid expenses and other receivables	204,117	184,171
Property, vessels and equipment, net (Note 5)	7,369,235	7,340,164
Investments (Notes 6 and 7)	<u>8,042,868</u>	<u>6,910,387</u>
<b>Total Assets</b>	<u>\$ 19,968,195</u>	<u>\$ 20,741,631</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 162,316	\$ 152,547
Accrued compensated absences	49,475	89,013
Advance tuition and deposits	191,870	1,089,821
Deferred contribution and grant revenue (Note 4)	197,749	90,655
Note payable (Note 8)	<u>787,152</u>	<u>-</u>
Total liabilities	<u>1,388,562</u>	<u>1,422,036</u>
<b>Net Assets</b>		
Without donor restrictions	9,604,839	9,791,156
With donor restrictions (Note 9)	<u>8,974,794</u>	<u>9,528,439</u>
Total net assets	<u>18,579,633</u>	<u>19,319,595</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 19,968,195</u>	<u>\$ 20,741,631</u>

The accompanying notes are an integral part of the financial statements

# SEA EDUCATION ASSOCIATION, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating</b>						
Revenues and other support:						
Tuition and fees	\$ 4,657,677	\$ -	\$ 4,657,677	\$ 4,514,307	\$ -	\$ 4,514,307
Less deductions for financial assistance	(1,548,631)	-	(1,548,631)	(1,436,129)	-	(1,436,129)
Contributions	1,229,792	(29,913)	1,199,879	2,183,843	1,411,348	3,595,191
Seminar and other fees, net of direct financial aid of \$31,950 in 2020 and \$53,250 in 2019	817,633	-	817,633	1,205,200	-	1,205,200
Grants	376,349	-	376,349	355,384	-	355,384
Interest and dividend income	54,446	154,620	209,066	37,193	131,229	168,422
Endowment income used for operations	348,025	-	348,025	247,364	-	247,364
Other income	56,210	-	56,210	119,851	6,075	125,926
Net assets released from restrictions	303,123	(303,123)	-	312,424	(312,424)	-
Total revenues and other support	<u>6,294,624</u>	<u>(178,416)</u>	<u>6,116,208</u>	<u>7,539,437</u>	<u>1,236,228</u>	<u>8,775,665</u>
Expenditures:						
Program services	5,147,135	-	5,147,135	5,358,828	-	5,358,828
Management and general	1,352,876	-	1,352,876	1,523,139	-	1,523,139
Development	424,480	-	424,480	505,292	-	505,292
Total expenditures	<u>6,924,491</u>	<u>-</u>	<u>6,924,491</u>	<u>7,387,259</u>	<u>-</u>	<u>7,387,259</u>
<b>Change in Net Assets from Operating Activities</b>	<u>(629,867)</u>	<u>(178,416)</u>	<u>(808,283)</u>	<u>152,178</u>	<u>1,236,228</u>	<u>1,388,406</u>
<b>Nonoperating</b>						
Contributions restricted for endowment and other long-term purposes	52,750	617,125	669,875	1,982,902	1,725,244	3,708,146
Capital campaign expenses	(62,186)	-	(62,186)	(130,926)	-	(130,926)
Change in split-interest agreement	-	(1,824)	(1,824)	-	(1,824)	(1,824)
Net realized and unrealized gains (losses) on investments	(28,879)	(160,640)	(189,519)	43,727	296,175	339,902
Endowment income used for operations	(18,779)	(329,246)	(348,025)	(20,704)	(226,660)	(247,364)
Net assets released from restrictions	500,644	(500,644)	-	253,177	(253,177)	-
<b>Change in Net Assets from Nonoperating Activities</b>	<u>443,550</u>	<u>(375,229)</u>	<u>68,321</u>	<u>2,128,176</u>	<u>1,539,758</u>	<u>3,667,934</u>
<b>Change in Net Assets</b>	<u>(186,317)</u>	<u>(553,645)</u>	<u>(739,962)</u>	<u>2,280,354</u>	<u>2,775,986</u>	<u>5,056,340</u>
<b>Net Assets - Beginning of Year</b>	<u>9,791,156</u>	<u>9,528,439</u>	<u>19,319,595</u>	<u>7,510,802</u>	<u>6,752,453</u>	<u>14,263,255</u>
<b>Net Assets - End of Year</b>	<u>\$ 9,604,839</u>	<u>\$ 8,974,794</u>	<u>\$ 18,579,633</u>	<u>\$ 9,791,156</u>	<u>\$ 9,528,439</u>	<u>\$ 19,319,595</u>

The accompanying notes are an integral part of the financial statements

## SEA EDUCATION ASSOCIATION, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Salaries and wages	\$ 2,309,129	\$ 794,305	\$ 315,509	\$ 3,418,943	\$ 2,219,454	\$ 853,150	\$ 352,647	\$ 3,425,251
Payroll taxes	170,148	54,156	22,378	246,682	168,344	60,069	24,686	253,099
Pension plan contributions	41,259	17,947	7,932	67,138	51,178	24,415	10,700	86,293
Other employee benefits	174,507	62,937	30,178	267,622	175,663	94,019	39,435	309,117
Total personnel expenses	2,695,043	929,345	375,997	4,000,385	2,614,639	1,031,653	427,468	4,073,760
Academic fees	30,900	-	-	30,900	36,900	-	-	36,900
Advertising	-	45,126	-	45,126	-	55,978	-	55,978
Bad debt expense	-	-	-	-	-	1,500	-	1,500
Bank and other fees	-	22,955	-	22,955	-	24,323	-	24,323
Computer support and service	61,781	24,706	5,148	91,635	47,495	20,807	4,019	72,321
Conferences, events and meetings	1,454	10,480	3,430	15,364	2,211	35,101	5,148	42,460
Educational development	47,872	1,900	-	49,772	39,044	4,492	-	43,536
Food	228,509	-	-	228,509	280,706	-	-	280,706
Fuel	85,192	-	-	85,192	120,742	-	-	120,742
Grants	221,029	-	-	221,029	319,373	-	-	319,373
Insurance	262,818	19,608	-	282,426	254,875	19,336	-	274,211
Interest and amortization of deferred financing costs	-	-	-	-	85,376	-	-	85,376
Library fees and supplies	25,524	-	-	25,524	24,682	-	-	24,682
Miscellaneous	10,728	23,270	1,126	35,124	22,494	34,447	4,399	61,340
Occupancy	77,670	12,472	8,178	98,320	120,676	19,262	12,911	152,849
Postage and shipping	6,349	8,833	5,630	20,812	6,552	12,170	7,404	26,126
Printing and publications	-	33,817	8,331	42,148	-	30,612	12,201	42,813
Professional fees	20,040	113,491	-	133,531	9,069	121,627	335	131,031
Ship supplies	159,211	-	-	159,211	177,379	-	-	177,379
Shipboard maintenance and repairs	254,359	-	-	254,359	121,987	-	-	121,987
Supplies	66,375	2,343	798	69,516	95,874	2,108	619	98,601
Telephone	18,565	4,873	1,805	25,243	27,739	7,718	4,256	39,713
Travel	265,369	75,667	11,627	352,663	315,558	74,680	23,052	413,290
Website services	-	7,726	-	7,726	-	11,903	1,195	13,098
Total expenses before depreciation	4,538,788	1,336,612	422,070	6,297,470	4,723,371	1,507,717	503,007	6,734,095
Depreciation	608,347	16,264	2,410	627,021	635,457	15,422	2,285	653,164
<b>Total Expenses</b>	<b>\$ 5,147,135</b>	<b>\$ 1,352,876</b>	<b>\$ 424,480</b>	<b>\$ 6,924,491</b>	<b>\$ 5,358,828</b>	<b>\$ 1,523,139</b>	<b>\$ 505,292</b>	<b>\$ 7,387,259</b>

The accompanying notes are an integral part of the financial statements

# SEA EDUCATION ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (739,962)	\$ 5,056,340
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	627,021	653,164
Amortization of deferred financing costs	-	71,851
Net realized and unrealized gains (losses) on investments	189,519	(339,902)
Bad debt expense	-	1,500
Contributions restricted for endowment and other long-term purposes	(669,875)	(3,708,146)
(Increase) decrease in operating assets:		
Contributions receivable	329,622	(240,922)
Prepaid expenses and other receivables	(19,946)	32,989
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,769	(59,984)
Accrued compensated absences	(39,538)	-
Advance tuition and deposits	(897,951)	312,441
Deferred contribution and grant revenue	107,094	46,256
Net cash provided by (used in) operating activities	<u>(1,104,247)</u>	<u>1,825,587</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property, vessels and equipment	(656,092)	(314,003)
Purchases of investments	(6,953,156)	(895,516)
Proceeds from sale of investments	5,631,156	478,511
Net cash used in investing activities	<u>(1,978,092)</u>	<u>(731,008)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for endowment and other long-term purposes	1,649,989	1,975,048
Proceeds from long-term debt	787,152	-
Payments on note payable	-	(1,337,093)
Net cash provided by financing activities	<u>2,437,141</u>	<u>637,955</u>
<b>Change in Cash and Cash Equivalents</b>	(645,198)	1,732,534
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,880,017</u>	<u>1,147,483</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,234,819</u>	<u>\$ 2,880,017</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 13,525</u>

The accompanying notes are an integral part of the financial statements



# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 - GENERAL

Sea Education Association, Inc. (the Association) is a Massachusetts nonprofit educational institution dedicated to exploration, understanding and stewardship of the oceans, and to the study of humanity's relationship with the oceans. The Association offers college students an interdisciplinary curriculum, on shore and at sea aboard tall ships, that provides challenging voyages of scientific discovery, academic rigor and personal growth. In addition, the Association also provides summer programs for high school students.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the full retrospective method.

There was no cumulative effect of applying ASU 2018-08.

#### Basis of Financial Statements

The accompanying financial statements are presented on the accrual basis of accounting in accordance with the reporting standards for nonprofit organizations. Generally accepted accounting principles (GAAP) require classification of net assets and revenues, expenses, gains and losses into categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

##### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Each year, the Board of Trustees designates a portion of net assets without donor restrictions for the purpose of funds functioning as an endowment. These resources may be expended at the discretion of the Board of Trustees.

##### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure 2) contributions that require that the principal be maintained in perpetuity but permit the Association to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

### Operations

The statements of activities present changes in net assets from operating and nonoperating activities. Operating activities consist of those revenues and expenses related to educational and general programs of the Association, including annual fund contributions to support these programs. It also includes interest and dividends and endowment appreciation used for operations under the Association's endowment spending policy. Nonoperating activities consist of contributions for long-term purposes (e.g., facilities and endowment), any related capital campaign costs and investment results (other than those used to support operations), as well as unusual items not directly related to the Association's educational and general programs (e.g., sales of property, vessels and equipment).

### 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 use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is at least possible that the estimates will change within the next year.

### Contributions

Contributions are recognized when the donor makes a donation or a promise to give (pledge) in writing to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, the net assets are released to net assets without donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional pledges are recorded net of an allowance for uncollectible amounts. Those pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions.

### Donated Services

The Association received a significant amount of donated services from unpaid volunteers. No amounts have been recognized on the statements of activities because the criteria for recognition under accounting standards have not been satisfied.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### Tax-Exempt Status and Income Taxes

The Association is incorporated under the laws of the Commonwealth of Massachusetts and is qualified as a tax-exempt organization (and is classified as other than a private foundation) subject to the provisions of the Internal Revenue Code Section 501(c)(3).

### Cash and Cash Equivalents

The Association considers cash and cash equivalents to be currency on hand or on deposit and all highly liquid investments with original maturities of three months or less. Cash in bank deposit accounts may, at times, exceed federally insured limits; however, the Association has not experienced any losses related to the uninsured balances. In addition, money market funds (included in cash and cash equivalents) are not federally insured.

Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows.

### Property, Vessels and Equipment

Purchases of property, vessels and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. When items of property, vessels or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating activities.

Donations of property, vessels and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, vessels and equipment are reported as with donor restriction support. The Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Association reclassifies with donor restriction net assets to without donor restriction net assets at that time.

The Association provides for depreciation on a straight-line basis over various estimated useful lives as follows:

Administrative and classroom facilities	3-31.5 years
Housing buildings	10-27.5 years
Housing furnishings	5-7 years
Equipment	3-20 years
Motor vehicles	10 years
Vessels	3-40 years

### Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the Association's gains and losses on investments bought and sold as well as held during the year.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in value of investment securities could occur in the near term, and that such change could materially affect investment balances and activity included in the financial statements. Realized gains and losses are determined using the average cost basis and are presented net of management and custodial fees. Purchases and sales of securities are accounted for using the trade date.

### Endowment

The Association's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association classifies, as net assets with donor restrictions, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association's spending policy and in accordance with the original restriction on the gift.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to enhance or preserve the long-term purchasing power, while assuming a moderate level of investment risk.

To satisfy its long-term, rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that includes equity, fixed income and cash-based investments to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating for distribution a percentage of its endowment fund's average fair value over the prior three years through the third quarter in the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. For the years ended June 30, 2020 and 2019, the Board approved a 5% spending policy.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### Revenue Recognition

Tuition and fees are generally billed and deferred in advance of services provided and recognized in revenue when earned.

### Financial Assistance

The Association awards financial assistance to a number of students each year based on a variety of factors, such as need and ability. These awards are determined by the Association's management and are recorded as a reduction of tuition revenue on the statements of activities.

### Grant Activity

Federal and other grant funds are received on a cost-reimbursement basis. Revenue is recognized to the extent of funds expended under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Association.

Grants and contracts normally provide for the recovery of direct and indirect costs subject to audit. The Association recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated with the granting authority.

### Advertising

Advertising costs are expensed as incurred. Advertising expense was \$45,128 and \$55,979 for the years ended June 30, 2020 and 2019, respectively.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis on the statements of activities and the statements of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited based on direct costs, usage and other factors. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Total personnel costs	Time and effort
Occupancy	Square footage
Supplies	Historical usage
Computer support and service	Historical usage
Depreciation	Square footage

### Subsequent Events

Management has evaluated subsequent events through September 16, 2020, the date which the financial statements were available for issue, noting no events requiring adjustment to, or disclosure in, the financial statements.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2020 and 2019, cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Currency on hand or deposit	\$ 161,686	\$ 91,494
Money market funds	<u>2,073,133</u>	<u>2,788,523</u>
	<u>\$ 2,234,819</u>	<u>\$ 2,880,017</u>

### NOTE 4 - CONTRIBUTIONS RECEIVABLE AND DEFERRED CONTRIBUTION AND GRANT REVENUE

At June 30, 2020 and 2019, contributions receivable included the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable before unamortized discount	\$ 2,254,166	\$ 3,711,565
Less unamortized discount (using discount rates of 3.0%)	(33,928)	(105,820)
Less allowance for uncollectible contributions receivable	<u>(103,082)</u>	<u>(178,853)</u>
Net Contributions Receivable	<u>\$ 2,117,156</u>	<u>\$ 3,426,892</u>

  

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 1,740,454	\$ 1,643,809
One to five years	<u>513,712</u>	<u>2,067,756</u>
	<u>\$ 2,254,166</u>	<u>\$ 3,711,565</u>

For the year ended June 30, 2020, 13% of total contribution revenue was derived from one donor. For the year ended June 30, 2019, 62% of total contribution revenue was derived from four donors, and \$1,700,000 was outstanding from two of the donors as of June 30, 2019.

Conditional contributions and grants received by the Association were reported as deferred contribution and grant revenue on the statements of financial position. The balances at June 30, 2020 and 2019 of \$197,749 and \$90,655, respectively, consisted of contributions and nonfederal grant funds which are required to be returned to the donors or granting authorities if certain conditions are not met by the Association. As a result, they have been recorded within deferred contribution and grant revenue until such conditions have been met.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - PROPERTY, VESSELS AND EQUIPMENT

At June 30, 2020 and 2019, property, vessels and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment:		
Land	\$ 190,484	\$ 190,484
Administrative and classroom facilities	2,328,920	2,175,784
Housing buildings	1,130,494	1,130,494
Housing furnishings	75,697	75,697
Maintenance equipment	58,555	58,555
Office equipment	652,444	665,988
Classroom equipment	227,903	227,903
Motor vehicles	18,599	18,599
Projects in process	-	11,979
Total property and equipment	<u>4,683,096</u>	<u>4,555,483</u>
Less accumulated depreciation	<u>3,960,084</u>	<u>3,866,584</u>
Net property and equipment	<u>723,012</u>	<u>688,899</u>
Vessels and oceanographic equipment:		
Vessels	15,998,324	15,352,912
Oceanographic equipment	1,988,318	2,023,146
Projects in process	-	167,804
Total vessels and oceanographic equipment	<u>17,986,642</u>	<u>17,543,862</u>
Less accumulated depreciation	<u>11,340,419</u>	<u>10,892,597</u>
Net vessels and oceanographic equipment	<u>6,646,223</u>	<u>6,651,265</u>
Net Property, Vessels and Equipment	<u>\$ 7,369,235</u>	<u>\$ 7,340,164</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$627,021 and \$653,164, respectively.

Projects in process as of June 30, 2019 consisted of costs related to the Seaman's improvement project and small improvements on the campus.

### NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment funds (Note 7)	\$ 5,963,969	\$ 5,889,818
Other investments	<u>2,078,901</u>	<u>1,020,569</u>
Total Investments	<u>\$ 8,042,868</u>	<u>\$ 6,910,387</u>

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that 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**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

### **Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

### **Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for financial instruments measured at fair value:

### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value on the statements of financial position. Fair value is determined using the market approach, which is based on quoted prices established by major securities markets.

### **Common Collective Trust**

The Association invests in funds managed by the Common Fund, a consortium of private schools, colleges and universities who have pooled their investments for common management, which operates common collective trusts investing in stocks, bonds and other investments. There were no investments within the common collective trust as of June 30, 2020.

There have been no changes in the methodologies used at June 30, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2020 and 2019:

	<b>2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Money market	\$ 969,195	\$ -	\$ 969,195
Equities - domestic	4,878,695	-	4,878,695
Equities - international	184,681	-	184,681
Fixed income	461,400	-	461,400
Government bonds	80,925	545,230	626,155
Corporate bonds	-	922,742	922,742
<b>Total Assets at Fair Value</b>	<b>\$ 6,574,896</b>	<b>\$ 1,467,972</b>	<b>\$ 8,042,868</b>

	<b>2019</b>		
	<b>Level 1</b>	<b>Investments Measured at Net Asset Value (a)</b>	<b>Total</b>
Money market	\$ 369,523	\$ -	\$ 369,523
Equities - domestic	1,986,510	-	1,986,510
Equities - international	807,248	-	807,248
Fixed income	2,602,386	-	2,602,386
Common collective trust	-	1,144,720	1,144,720
<b>Total Assets at Fair Value</b>	<b>\$ 5,765,667</b>	<b>\$ 1,144,720</b>	<b>\$ 6,910,387</b>

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended June 30, 2020 and 2019.

Investments are reported at fair value. The estimated net asset value of units of the common collective trusts are based upon quoted market prices of the underlying securities, which consist primarily of publicly traded equity, fixed income and other securities. The Association has adopted authoritative guidance that permits the use of the net asset value per share or its equivalent as a practical expedient, when estimating fair value.

The Association's investments within the Common Fund have been classified as being valued as net asset value as the practical expedient. These investments are restricted to one monthly redemption on the last business day of the month, with advanced notice of at least five business days.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 7 - ENDOWMENT

The composition of the Association's endowment investments by net asset class at June 30, 2020 and 2019 was as follows:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 116,956	\$ -	\$ 116,956
Donor-restricted endowment funds	<u>-</u>	<u>5,847,013</u>	<u>5,847,013</u>
Total	<u>\$ 116,956</u>	<u>\$ 5,847,013</u>	<u>\$ 5,963,969</u>

  

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 98,794	\$ -	\$ 98,794
Donor-restricted endowment funds	<u>-</u>	<u>5,791,024</u>	<u>5,791,024</u>
Total	<u>\$ 98,794</u>	<u>\$ 5,791,024</u>	<u>\$ 5,889,818</u>

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Changes in the Association's endowment investments by net asset class for the years ended June 30, 2020 and 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2018	\$ 880,446	\$ 5,151,512	\$ 6,031,958
Contributions	-	438,767	438,767
Investment return:			
Interest and dividends	11,998	131,229	143,227
Net investment gains*	27,054	296,176	323,230
	<u>39,052</u>	<u>427,405</u>	<u>466,457</u>
Transfer to operations	<u>(800,000)</u>	-	<u>(800,000)</u>
Endowment income appropriated for expenditure	<u>(20,704)</u>	<u>(226,660)</u>	<u>(247,364)</u>
June 30, 2019	<u>98,794</u>	<u>5,791,024</u>	<u>5,889,818</u>
Contributions	<u>35,841</u>	<u>391,255</u>	<u>427,096</u>
Investment return:			
Interest and dividends	5,023	154,620	159,643
Net investment losses*	<u>(3,923)</u>	<u>(160,640)</u>	<u>(164,563)</u>
	<u>1,100</u>	<u>(6,020)</u>	<u>(4,920)</u>
Endowment income appropriated for expenditure	<u>(18,779)</u>	<u>(329,246)</u>	<u>(348,025)</u>
June 30, 2020	<u>\$ 116,956</u>	<u>\$ 5,847,013</u>	<u>\$ 5,963,969</u>

\* Net investment gains for the years ended June 30, 2020 and 2019 were presented net of investment management and custodial fees of \$17,886 and \$19,095, respectively.

Interest and dividend income on the statements of activities included \$49,423 and \$25,195 of interest earned for the years ended June 30, 2020 and 2019, respectively, on other investments and cash and cash equivalents which were not included in the Association's endowment. Net realized and unrealized gains on investments on the statements of activities included net gains of \$3,923 and \$16,672 for the years ended June 30, 2020 and 2019, respectively, on other investments which were not included in the Association's endowment and contributions of securities which were liquidated by the Association.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. The Association has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no underwater funds as of June 30, 2020 and 2019.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 8 - NOTE PAYABLE

On April 17, 2020, the Association received a Paycheck Protection Program (PPP) loan of \$787,152 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. The Association considers the PPP loan to be debt, and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum.

### NOTE 9 - NET ASSETS

The following is the composition of the Association's net assets with donor restrictions at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time restricted:		
Unrestricted pledges receivable, net	\$ <u>1,028,524</u>	\$ <u>1,489,500</u>
Use restricted:		
Ship maintenance	929,816	1,173,046
Scholarships	975,000	932,625
Other	4,288	4,283
Charitable remainder trust whereby donor is the lifetime income beneficiary	3,872	5,696
Symposium	692	692
Total use restricted	<u>1,913,668</u>	<u>2,116,342</u>
Restricted in perpetuity subject to spending policy:		
Scholarships	3,033,885	2,951,142
Doherty chair for ocean studies	2,194,234	1,941,309
Ship operations	453,555	352,555
Plant operations or construction projects	197,100	197,100
Academic programs	58,952	50,350
Unexpended appreciation on restricted in perpetuity endowment funds	94,876	430,141
Total restricted in perpetuity subject to spending policy	<u>6,032,602</u>	<u>5,922,597</u>
Total Net Assets With Donor Restrictions	\$ <u><u>8,974,794</u></u>	\$ <u><u>9,528,439</u></u>

At June 30, 2020 and 2019, included in restricted net assets in perpetuity were \$185,589 and \$131,573, respectively, of restricted in perpetuity contributions receivable.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 10 - LEASES

The Association leases certain equipment through noncancelable operating lease agreements, with expiration dates through March 2025. Future minimum lease payments under the noncancelable operating leases with initial or remaining terms of one year or more are as follows:

#### Year Ending June 30

2021	\$	8,301
2022		5,718
2023		5,718
2024		3,924
2025		<u>3,326</u>
Total	\$	<u>26,987</u>

Total rent expense under operating lease was \$11,514 and \$12,146 for the years ended June 30, 2020 and 2019, respectively, and is included in computer support and service expenses on the statements of functional expenses.

### NOTE 11 - RETIREMENT PLAN

Retirement provisions for the Association include contracts between each participating employee and the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions are applied to individual annuity contracts that are fully funded and provide for full and immediate vesting of all contributions to the participant. The accrued benefit at any time for a participant is the current value of the annuity accumulation, including all contributions, less expense charges, plus investment results. The Association contributed 3% of eligible compensation until April 2020 at which point it decreased the contribution to 1%. The Association's portion of contributions amounted to \$85,888 and \$86,293 for the years ended June 30, 2020 and 2019, respectively.

### NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2020 and 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,234,819	\$ 2,880,017
Contributions for general expenditures due in one year or less	306,796	830,759
Other investments (Note 6)	<u>2,078,901</u>	<u>1,020,569</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>4,620,516</u>	\$ <u>4,731,345</u>

# **SEA EDUCATION ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

---

The Association's governing board has designated a portion of its unrestricted resources for endowment and other purposes. The Association's long-term investments include board-designated funds of \$116,956 at June 30, 2020 (see Note 7) that may be drawn upon as necessary with the approval from the Board of Trustees. Although not expected to be needed, the spendable yet restricted portion of the Association's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

### **NOTE 13 - CAPITAL CAMPAIGN**

The Association has a multifaceted comprehensive campaign underway named "Launching Leaders," with the goal to raise \$20,000,000 over a five-year period, including \$13,000,000 for capital projects and endowment and \$7,000,000 for cumulative annual fundraising goals. The Association has raised approximately 79% of this total goal through June 30, 2020. Gifts to capital projects include updates and maintenance for the two ships, updates and renovations to the shore campus, and endowment gifts for student scholarships and faculty salaries.

### **NOTE 14 - CORONAVIRUS PANDEMIC**

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. This pandemic impacted the Association's ability to run an in-person program at the end of the year. The pandemic will have a continued impact on the ability of the Association to hold 2020-2021 academic programs in comparison to prior years and will likely result in fewer programs being offered during the fiscal year ending June 30, 2021. The ongoing pandemic could also put a strain on the financial markets which would negatively affect the Association's endowment and other investments. Due to the unknown duration and extent of the outbreak, the Association is unable to determine the impact it might have on future operations and financial performance.