

**SEA EDUCATION ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



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# SEA EDUCATION ASSOCIATION, INC.

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## INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 2021 financial statements referred to above present fairly, in all material respects, the financial position of Sea Education Association, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year 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, 2021, Sea Education Association, Inc., adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respects to this matter.

## **Other Matters**

The financial statements of Sea Education Association, Inc. as of and for the year ended June 30, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated September 16, 2020 expressed an unmodified opinion on those financial statements.



## **CliftonLarsonAllen LLP**

Quincy, Massachusetts  
November 15, 2021

# SEA EDUCATION ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,766,051	\$ 2,234,819
Tuition receivable	49,865	(2,621)
Contributions receivable (Note 3)	1,124,714	2,117,156
Prepaid expenses and other receivables	171,545	206,738
Property, vessels and equipment, net (Note 4)	6,939,632	7,369,235
Investments (Note 5)	<u>10,310,385</u>	<u>8,042,868</u>
<b>Total Assets</b>	<b>\$ <u>22,362,192</u></b>	<b>\$ <u>19,968,195</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 191,248	\$ 162,316
Accrued compensated absences	31,366	49,475
Advance tuition and deposits	498,029	191,870
Deferred contribution and grant revenue (Note 3)	263,072	197,749
Note payable (Note 6)	<u>787,152</u>	<u>787,152</u>
Total liabilities	<u>1,770,867</u>	<u>1,388,562</u>
<b>Net Assets</b>		
Without donor restrictions	11,293,624	9,604,839
With donor restrictions (Note 7)	<u>9,297,701</u>	<u>8,974,794</u>
Total net assets	<u>20,591,325</u>	<u>18,579,633</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>22,362,192</u></b>	<b>\$ <u>19,968,195</u></b>

The accompanying notes are an integral part of the financial statements

# SEA EDUCATION ASSOCIATION, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating</b>						
Revenues and other support:						
Tuition and fees	\$ 1,756,959	\$ -	\$ 1,756,959	\$ 4,657,677	\$ -	\$ 4,657,677
Less deductions for financial assistance	(324,014)	-	(324,014)	(1,548,631)	-	(1,548,631)
Net tuition and fees	1,432,945	-	1,432,945	3,109,046	-	3,109,046
Contributions	1,105,484	417,268	1,522,752	1,229,792	(29,913)	1,199,879
Contributions under the Paycheck Protection Program	787,152	-	787,152	-	-	-
Seminar and other fees, net of direct financial aid of \$4,780 in 2021 and \$31,950 in 2020	115,365	-	115,365	817,633	-	817,633
Grants	411,336	-	411,336	376,349	-	376,349
Interest and dividend income	36,608	93,065	129,673	54,446	154,620	209,066
Endowment income used for operations	261,500	-	261,500	348,025	-	348,025
Other income	118,828	-	118,828	56,210	-	56,210
Net assets released from restrictions	540,791	(540,791)	-	303,123	(303,123)	-
Total revenues and other support	4,810,009	(30,458)	4,779,551	6,294,624	(178,416)	6,116,208
Expenditures:						
Program services	3,603,116	-	3,603,116	5,147,135	-	5,147,135
Management and general	953,948	-	953,948	1,352,876	-	1,352,876
Development	230,365	-	230,365	424,480	-	424,480
Total expenditures	4,787,429	-	4,787,429	6,924,491	-	6,924,491
<b>Change in Net Assets from Operating Activities</b>	22,580	(30,458)	(7,878)	(629,867)	(178,416)	(808,283)
<b>Nonoperating</b>						
Contributions restricted for endowment and other long-term purposes	95,250	256,832	352,082	52,750	617,125	669,875
Capital campaign expenses	(36,151)	-	(36,151)	(62,186)	-	(62,186)
Change in split-interest agreement	-	(1,824)	(1,824)	-	(1,824)	(1,824)
Net realized and unrealized gains (losses) on investments	492,166	1,474,797	1,966,963	(28,879)	(160,640)	(189,519)
Endowment income used for operations	(11,500)	(250,000)	(261,500)	(18,779)	(329,246)	(348,025)
Net assets released from restrictions	1,126,440	(1,126,440)	-	500,644	(500,644)	-
<b>Change in Net Assets from Nonoperating Activities</b>	1,666,205	353,365	2,019,570	443,550	(375,229)	68,321
<b>Change in Net Assets</b>	1,688,785	322,907	2,011,692	(186,317)	(553,645)	(739,962)
<b>Net Assets - Beginning of Year</b>	9,604,839	8,974,794	18,579,633	9,791,156	9,528,439	19,319,595
<b>Net Assets - End of Year</b>	\$ 11,293,624	\$ 9,297,701	\$ 20,591,325	\$ 9,604,839	\$ 8,974,794	\$ 18,579,633

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, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Salaries and wages	\$ 1,126,685	\$ 423,979	\$ 161,054	\$ 1,711,718	\$ 2,309,129	\$ 794,305	\$ 315,509	\$ 3,418,943
Payroll taxes	88,015	25,761	11,777	125,553	170,148	54,156	22,378	246,682
Pension plan contributions	7,528	3,371	1,474	12,373	41,259	17,947	7,932	67,138
Other employee benefits	80,739	272,102	12,328	365,169	174,507	62,937	30,178	267,622
Total personnel expenses	1,302,967	725,213	186,633	2,214,813	2,695,043	929,345	375,997	4,000,385
Academic fees	13,800	-	-	13,800	30,900	-	-	30,900
Advertising	-	14,134	1,519	15,653	-	45,126	-	45,126
Bank and other fees	-	17,299	-	17,299	-	22,955	-	22,955
Computer support and service	57,374	24,969	4,781	87,124	61,781	24,706	5,148	91,635
Conferences, events and meetings	372	6,432	-	6,804	1,454	10,480	3,430	15,364
Educational development	158	-	-	158	47,872	1,900	-	49,772
Facilities rental	19,134	-	-	19,134	-	-	-	-
Food	112,148	-	-	112,148	228,509	-	-	228,509
Fuel	61,332	-	-	61,332	85,192	-	-	85,192
Grants	369,615	-	-	369,615	221,029	-	-	221,029
Insurance	213,917	21,707	-	235,624	262,818	19,608	-	282,426
Library fees and supplies	31,935	-	-	31,935	25,524	-	-	25,524
Miscellaneous	12,885	36,000	12,384	61,269	10,728	23,270	1,126	35,124
Occupancy	92,001	13,225	1,960	107,186	77,670	12,472	8,178	98,320
Postage and shipping	813	3,659	3,659	8,131	6,349	8,833	5,630	20,812
Printing and publications	-	-	6,130	6,130	-	33,817	8,331	42,148
Professional fees	6,361	56,739	-	63,100	20,040	113,491	-	133,531
Ship supplies	69,633	-	-	69,633	159,211	-	-	159,211
Shipboard maintenance and repairs	422,330	-	-	422,330	254,359	-	-	254,359
Supplies	70,791	614	175	71,580	66,375	2,343	798	69,516
Telephone	2,415	10,866	10,866	24,147	18,565	4,873	1,805	25,243
Travel	157,759	194	-	157,953	265,369	75,667	11,627	352,663
Website services	-	7,660	-	7,660	-	7,726	-	7,726
Total expenses before depreciation	3,017,740	938,711	228,107	4,184,558	4,538,788	1,336,612	422,070	6,297,470
Depreciation	585,376	15,237	2,258	602,871	608,347	16,264	2,410	627,021
<b>Total Operating Expenses</b>	<b>3,603,116</b>	<b>953,948</b>	<b>230,365</b>	<b>4,787,429</b>	<b>5,147,135</b>	<b>1,352,876</b>	<b>424,480</b>	<b>6,924,491</b>
Capital campaign expenses	-	-	36,151	36,151	-	-	62,186	62,186
<b>Total Expenses</b>	<b>\$ 3,603,116</b>	<b>\$ 953,948</b>	<b>\$ 266,516</b>	<b>\$ 4,823,580</b>	<b>\$ 5,147,135</b>	<b>\$ 1,352,876</b>	<b>\$ 486,666</b>	<b>\$ 6,986,677</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,011,692	\$ (739,962)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	602,871	627,021
Net realized and unrealized gains (losses) on investments	(1,966,963)	189,519
Contributions restricted for endowment and other long-term purposes	(352,082)	(669,875)
Contributions received under Paycheck Protection Program	(787,152)	-
(Increase) decrease in operating assets:		
Tuition receivable	(52,486)	23,907
Contributions receivable	12,328	329,622
Prepaid expenses and other receivables	35,193	(43,853)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	28,932	9,769
Accrued compensated absences	(18,109)	(39,538)
Advance tuition and deposits	306,159	(897,951)
Deferred contribution and grant revenue	65,323	107,094
Net cash used in operating activities	<u>(114,294)</u>	<u>(1,104,247)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property, vessels and equipment	(173,268)	(656,092)
Purchases of investments	(5,937,957)	(6,953,156)
Proceeds from sale of investments	5,637,403	5,631,156
Net cash used in investing activities	<u>(473,822)</u>	<u>(1,978,092)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for endowment and other long-term purposes	1,332,196	1,649,989
Proceeds from long-term debt	787,152	787,152
Net cash provided by financing activities	<u>2,119,348</u>	<u>2,437,141</u>
<b>Change in Cash and Cash Equivalents</b>	1,531,232	(645,198)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,234,819</u>	<u>2,880,017</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 3,766,051</u>	<u>\$ 2,234,819</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

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### 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in accordance with accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides organizations with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. 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 retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2019. Management has adopted ASU 2014-09 for the year ended June 30, 2021, using the modified retrospective method. The Association has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets and did not have a significant effect on the timing of revenue recognition for the year ended June 30, 2021.

#### 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**

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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

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### 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.

### 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 5 for a discussion of fair value measurements.

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.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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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, 2021 and 2020, the Board approved a 5% spending policy.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Revenue Recognition

The Association recognizes revenue at an amount that reflects the consideration to which the Association expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligation in the contract
5. Recognize revenue when (or as) the School satisfies a performance obligation.

### Tuition and Fees and Seminar Revenue

The Association recognizes revenue from student tuition and fees and seminars during the year in which the related services are provided to students. The performance obligation of delivering educational services in a live on-board school environment includes educational instruction and room and board, all of which are simultaneously received and consumed by the students. Discounts in the form of scholarships and financial assistance, including those funded by endowment and gifts, are reported as a reduction of tuition and fees and seminar revenue. Contracts for tuition and room and board are combined into a single portfolio of similar contracts. Tuition is to be paid in full no later than sixty days prior to the program start date. The Association does not provide students with the right to a refund for all signed contracts after thirty days prior to the contract commencement. Committed enrollment contracts executed as of June 30, 2021 for the next fiscal year are recorded as contract assets and reported as accounts receivable, net of payments received against those contract assets. The full amount of these contracts, net of scholarships and financial aid, are recorded as contract liabilities and reported as advance tuition and deposits.

### 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 \$15,653 and \$45,126 for the years ended June 30, 2021 and 2020, 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.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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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 November 15, 2021, the date on which the financial statements were available for issue, noting no events requiring adjustment to, or disclosure in, the financial statements.

### NOTE 3 - CONTRIBUTIONS RECEIVABLE AND DEFERRED CONTRIBUTION AND GRANT REVENUE

At June 30, 2021 and 2020, contributions receivable included the following:

	<u>2021</u>	<u>2020</u>
Contributions receivable before unamortized discount	\$ 1,191,607	\$ 2,254,166
Less unamortized discount (using discount rates of 3.0%)	(12,375)	(33,928)
Less allowance for uncollectible contributions receivable	<u>(54,518)</u>	<u>(103,082)</u>
Net Contributions Receivable	<u>\$ 1,124,714</u>	<u>\$ 2,117,156</u>
	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 1,058,507	\$ 1,740,454
One to five years	<u>133,100</u>	<u>513,712</u>
	<u>\$ 1,191,607</u>	<u>\$ 2,254,166</u>

For the year ended June 30, 2021, 16% of total contribution revenue was derived from one donor. For the year ended June 30, 2020, 13% of total contribution revenue was derived from one donor.

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, 2021 and 2020 of \$263,072 and \$197,749, 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

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### NOTE 4 - PROPERTY, VESSELS AND EQUIPMENT

At June 30, 2021 and 2020, property, vessels and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Property and equipment:		
Land	\$ 190,484	\$ 190,484
Administrative and classroom facilities	2,376,215	2,328,920
Housing buildings	1,182,841	1,130,494
Housing furnishings	75,697	75,697
Maintenance equipment	26,305	58,555
Office equipment	652,446	652,444
Classroom equipment	227,903	227,903
Motor vehicles	18,599	18,599
Total property and equipment	<u>4,750,490</u>	<u>4,683,096</u>
Less accumulated depreciation	<u>4,027,707</u>	<u>3,960,084</u>
Net property and equipment	<u>722,783</u>	<u>723,012</u>
Vessels and oceanographic equipment:		
Vessels	16,071,948	15,998,324
Oceanographic equipment	<u>1,988,318</u>	<u>1,988,318</u>
Total vessels and oceanographic equipment	<u>18,060,266</u>	<u>17,986,642</u>
Less accumulated depreciation	<u>11,843,417</u>	<u>11,340,419</u>
Net vessels and oceanographic equipment	<u>6,216,849</u>	<u>6,646,223</u>
Net Property, Vessels and Equipment	<u>\$ 6,939,632</u>	<u>\$ 7,369,235</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$602,871 and \$627,021, respectively.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment funds	\$ 7,731,522	\$ 5,963,969
Other investments	<u>2,578,863</u>	<u>2,078,899</u>
Total Investments	<u>\$ 10,310,385</u>	<u>\$ 8,042,868</u>

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, including mutual and ETF funds, 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.

There have been no changes in the methodologies used at June 30, 2021 and 2020.



# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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.

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2021 and 2020:

	2021		
	Level 1	Level 2	Total
Money market	\$ 1,036,991	\$ -	\$ 1,036,991
Equities - domestic	7,423,962	-	7,423,962
Equities - international	200,552	-	200,552
Fixed income	810,597	-	810,597
Government bonds	77,905	336,128	414,033
Corporate bonds	-	424,250	424,250
Total Assets at Fair Value	\$ <u>9,550,007</u>	\$ <u>760,378</u>	\$ <u>10,310,385</u>

	2020		
	Level 1	Level 2	Total
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
Total Assets at Fair Value	\$ <u>6,574,896</u>	\$ <u>1,467,972</u>	\$ <u>8,042,868</u>

There were no transfers between levels of investments during the years ended June 30, 2021 and 2020.

# 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, 2021 and 2020 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019	\$ 98,794	\$ 5,791,024	\$ 5,889,818
Contributions	35,841	391,255	427,096
Investment return:			
Interest and dividends	5,023	154,620	159,643
Net investment losses*	(3,923)	(160,640)	(164,563)
	<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>
Contributions	-	437,091	437,091
Investment return:			
Interest and dividends	1,769	114,847	116,616
Net investment gains*	22,316	1,453,030	1,475,346
	<u>24,085</u>	<u>1,567,877</u>	<u>1,591,962</u>
Endowment income appropriated for expenditure	<u>(11,500)</u>	<u>(250,000)</u>	<u>(261,500)</u>
June 30, 2021	\$ <u>129,541</u>	\$ <u>7,601,981</u>	\$ <u>7,731,522</u>

\* Net investment gains for the years ended June 30, 2021 and 2020 were presented net of investment management and custodial fees of \$22,102 and \$17,886, respectively.

Interest and dividend income on the statements of activities included \$13,057 and \$49,423 of interest earned for the years ended June 30, 2021 and 2020, 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 \$491,617 and \$24,956 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - 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). The first loan was fully forgiven in July 2021 and the amount was recognized as revenue for the year ended June 30, 2021. In April 2021, the Association received a second loan also for \$787,152. 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 for the second loan. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association's financial position.

### NOTE 7 - NET ASSETS

The following is the composition of the Association's net assets with donor restrictions at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time restricted:		
Unrestricted pledges receivable, net	\$ 514,642	\$ 1,028,524
Use restricted:		
Ship maintenance	238,091	929,816
Scholarships	869,127	975,000
PEP	16,260	-
Other	14,440	4,288
Charitable remainder trust whereby donor is the lifetime income beneficiary	736	3,872
Symposium	-	692
Total use restricted	<u>1,138,654</u>	<u>1,913,668</u>
Restricted in perpetuity subject to spending policy:		
Scholarships	3,077,826	3,033,885
Doherty chair for ocean studies	2,444,234	2,194,234
Ship operations	453,555	453,555
Plant operations or construction projects	197,100	197,100
Academic programs	58,952	58,952
Unexpended appreciation on restricted in perpetuity endowment funds	1,412,738	94,876
Total restricted in perpetuity subject to spending policy	<u>7,644,405</u>	<u>6,032,602</u>
Total Net Assets With Donor Restrictions	\$ <u>9,297,701</u>	\$ <u>8,974,794</u>

At June 30, 2021 and 2020, included in restricted net assets in perpetuity were \$101,250 and \$185,589, respectively, of restricted in perpetuity contributions receivable.

# SEA EDUCATION ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - LEASES

The Association leases certain equipment through noncancelable operating lease agreements, with expiration dates through June 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

2022	\$	6,032
2023		5,718
2024		3,924
2025		<u>3,326</u>
Total	\$	<u><u>19,000</u></u>

Total rent expense under operating lease was \$6,652 and \$11,514 for the years ended June 30, 2021 and 2020, respectively, and is included in computer support and service expenses on the statements of functional expenses.

### NOTE 9 - 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 \$12,374 and \$67,139 for the years ended June 30, 2021 and 2020, respectively.

### NOTE 10 - 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, 2021 and 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,766,051	\$ 2,234,819
Contributions for general expenditures due in one year or less	286,090	306,796
Other investments (Note 5)	<u>2,578,863</u>	<u>2,078,901</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u><u>\$ 6,631,004</u></u>	<u><u>\$ 4,620,516</u></u>

# **SEA EDUCATION ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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In addition to financial assets available to meet general expenditures over the next 12 months, the Association anticipates collecting sufficient revenue to cover general expenditures non covered by the donor-restricted resources.

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 \$129,541 at June 30, 2021 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.