

**THE WOODS HOLE RESEARCH CENTER, INC.**

FINANCIAL STATEMENTS AND REPORTS  
REQUIRED BY THE UNIFORM GUIDANCE

JUNE 30, 2020



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**YEARS ENDED JUNE 30, 2020 AND 2019**

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
The Woods Hole Research Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Woods Hole Research Center, 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.

#### *Auditor's 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Woods Hole Research Center, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of research program expenses 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 audits 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 information is 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 October 9, 2020, on our consideration of The Woods Hole Research Center, Inc.'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 The Woods Hole Research Center, Inc.'s internal control over financial reporting and compliance.

*CaliberCPAGroup, PLLC*

Bethesda, MD  
October 9, 2020

**THE WOODS HOLE RESEARCH CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,896,120	\$ 6,162,886
U.S. Government contributions receivable	321,702	458,577
Other contributions, grants and contracts receivable	2,591,493	977,318
Prepaid expenses and other receivables	<u>236,420</u>	<u>157,292</u>
Total current assets	<u>13,045,735</u>	<u>7,756,073</u>
<b>INVESTMENTS</b>		
Endowment and quasi-endowment investments	7,061,933	6,889,910
Other investments	<u>1,341,773</u>	<u>888,066</u>
Total investments	<u>8,403,706</u>	<u>7,777,976</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>5,067,728</u>	<u>5,343,789</u>
<b>OTHER ASSETS</b>		
Other contributions receivable, net of current portion	262,413	483,107
Beneficial interest in real estate trust assets	212,651	212,651
Bond proceeds held in trust for debt retirement	<u>12,678</u>	<u>13,744</u>
Total other assets	<u>487,742</u>	<u>709,502</u>
Total assets	<u>\$ 27,004,911</u>	<u>\$ 21,587,340</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 255,090	\$ 327,004
Accrued expenses	563,938	454,904
Refundable advances	9,687	277
Deferred contract revenue	318,493	576,861
Liability under charitable gift annuities	8,164	5,289
Loans payable	<u>114,192</u>	<u>114,192</u>
Total current liabilities	1,269,564	1,478,527
<b>LONG-TERM LIABILITIES</b>		
Liability under charitable gift annuities, net of current portion	101,218	90,746
Loans payable, net of current portion	<u>2,358,381</u>	<u>1,266,787</u>
Total liabilities	<u>3,729,163</u>	<u>2,836,060</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	3,765,413	4,298,745
Board designated for endowment	1,802,488	1,802,488
Board designated for Fund for Climate Solutions	500,000	500,000
Net investment in property and equipment	<u>3,814,758</u>	<u>3,976,554</u>
Total net assets without donor restrictions	<u>9,882,659</u>	<u>10,577,787</u>
With donor restrictions		
Temporary restrictions	9,618,810	4,474,414
Perpetual restrictions	<u>3,774,279</u>	<u>3,699,079</u>
Total net assets with donor restrictions	<u>13,393,089</u>	<u>8,173,493</u>
Total net assets	<u>23,275,748</u>	<u>18,751,280</u>
Total liabilities and net assets	<u>\$ 27,004,911</u>	<u>\$ 21,587,340</u>

See accompanying notes to financial statements.

**THE WOODS HOLE RESEARCH CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2020 AND 2019

	2020						2019						
	Without Donor Restrictions		With Donor Restrictions		Total		Without Donor Restrictions		With Donor Restrictions		Total		
	Restrictions	Temporary	Perpetual	Total			Restrictions	Temporary	Perpetual	Total			
<b>SUPPORT AND REVENUE</b>													
Contributions and grants													
U.S. Government	\$ -	\$ 2,793,888	\$ -	\$ 2,793,888	\$ 2,793,888	\$ -	\$ -	\$ -	\$ 3,796,809	\$ 3,796,809	\$ -	\$ 3,796,809	\$ 3,796,809
Foundations and other	3,921,441	6,744,211	75,200	6,819,411	10,740,852	4,761,871	5,700	5,700	1,095,474	1,101,174	-	5,863,045	5,863,045
Contract revenue	1,558,711	-	-	-	1,558,711	1,338,978	-	-	-	-	-	1,338,978	1,338,978
Investment income	181,192	300,945	-	300,945	482,137	201,132	-	-	420,005	420,005	-	621,137	621,137
Donated equipment	160,274	-	-	-	160,274	117,218	-	-	-	-	-	117,218	117,218
Change in value of split-interest agreements	(5,387)	-	-	-	(5,387)	11,233	-	-	-	-	-	11,233	11,233
Other income	22,193	-	-	-	22,193	84,448	-	-	-	-	-	84,448	84,448
Net assets released from restrictions	4,694,648	(4,694,648)	-	(4,694,648)	-	5,970,451	-	-	(5,970,451)	(5,970,451)	-	-	-
Total support and revenue	<u>10,533,072</u>	<u>5,144,396</u>	<u>75,200</u>	<u>5,219,596</u>	<u>15,752,668</u>	<u>12,485,331</u>	<u>5,700</u>	<u>5,700</u>	<u>(658,163)</u>	<u>(652,463)</u>	<u>5,700</u>	<u>11,832,868</u>	<u>11,832,868</u>
<b>EXPENSES</b>													
Research programs	7,398,416	-	-	-	7,398,416	7,553,619	-	-	-	-	-	7,553,619	7,553,619
General and administrative	2,430,467	-	-	-	2,430,467	2,354,046	-	-	-	-	-	2,354,046	2,354,046
Development and fundraising	1,399,317	-	-	-	1,399,317	1,094,554	-	-	-	-	-	1,094,554	1,094,554
Total expenses	<u>11,228,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,228,200</u>	<u>11,002,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,002,219</u>	<u>11,002,219</u>
<b>CHANGE IN NET ASSETS</b>													
	(695,128)	5,144,396	75,200	5,219,596	4,524,468	1,483,112	5,700	5,700	(658,163)	(652,463)	5,700	830,649	830,649
<b>NET ASSETS</b>													
Beginning of year	<u>10,577,787</u>	<u>4,474,414</u>	<u>3,699,079</u>	<u>8,173,493</u>	<u>18,751,280</u>	<u>9,094,675</u>	<u>3,693,379</u>	<u>3,693,379</u>	<u>5,132,577</u>	<u>8,825,956</u>	<u>8,825,956</u>	<u>17,920,631</u>	<u>17,920,631</u>
End of year	<u>\$ 9,882,659</u>	<u>\$ 9,618,810</u>	<u>\$ 3,774,279</u>	<u>\$ 13,393,089</u>	<u>\$ 23,275,748</u>	<u>\$ 10,577,787</u>	<u>\$ 3,699,079</u>	<u>\$ 3,699,079</u>	<u>\$ 4,474,414</u>	<u>\$ 8,173,493</u>	<u>\$ 8,173,493</u>	<u>\$ 18,751,280</u>	<u>\$ 18,751,280</u>

See accompanying notes to financial statements.

**THE WOODS HOLE RESEARCH CENTER, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			
	Research Programs	General and Administrative	Development and Fundraising	Total
Salaries, wages and benefits	\$ 4,835,653	\$ 2,112,011	\$ 558,748	\$ 7,506,412
Professional fees and other wages	443,461	188,170	460,591	1,092,222
Travel	286,948	32,909	101,988	421,845
Materials and supplies	268,768	249,175	61,687	579,630
Equipment	160,274	-	-	160,274
Communication	225,673	128,109	67,219	421,001
Facilities	7,799	211,166	-	218,965
Depreciation and amortization	-	446,240	-	446,240
Subawards	381,611	-	-	381,611
	<u>6,610,187</u>	<u>3,367,780</u>	<u>1,250,233</u>	<u>11,228,200</u>
Allocation of common costs	<u>788,229</u>	<u>(937,313)</u>	<u>149,084</u>	<u>-</u>
Total expenses	<u>\$ 7,398,416</u>	<u>\$ 2,430,467</u>	<u>\$ 1,399,317</u>	<u>\$ 11,228,200</u>

  

	2019			
	Research Programs	General and Administrative	Development and Fundraising	Total
Salaries, wages and benefits	\$ 4,712,069	\$ 1,887,009	\$ 652,194	\$ 7,251,272
Professional fees and other wages	321,421	299,019	45,849	666,289
Travel	368,596	44,809	119,507	532,912
Materials and supplies	184,605	232,094	142,025	558,724
Equipment	117,218	-	-	117,218
Communication	355,762	119,587	16,625	491,974
Facilities	7,704	273,106	-	280,810
Depreciation and amortization	-	433,546	-	433,546
Subawards	669,474	-	-	669,474
	<u>6,736,849</u>	<u>3,289,170</u>	<u>976,200</u>	<u>11,002,219</u>
Allocation of common costs	<u>816,770</u>	<u>(935,124)</u>	<u>118,354</u>	<u>-</u>
Total expenses	<u>\$ 7,553,619</u>	<u>\$ 2,354,046</u>	<u>\$ 1,094,554</u>	<u>\$ 11,002,219</u>

See accompanying notes to financial statements.

**THE WOODS HOLE RESEARCH CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions and grant payments received		
U.S. Government	\$ 2,940,173	\$ 3,839,135
Foundations and other	9,524,242	6,853,055
Contract payments received	1,048,272	1,564,337
Investment income received	219,305	189,868
Other operating receipts	22,193	84,448
Payments to vendors, suppliers and employees	(10,862,426)	(10,565,674)
Interest payments	(15,293)	(24,020)
Net cash provided by operating activities	2,876,466	1,941,149
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,584,904)	(2,508,030)
Proceeds from sales of investments	3,275,757	3,146,048
Purchases of property and equipment	(9,905)	(269,825)
Net cash provided by (used for) investing activities	(319,052)	368,193
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Use of bond proceeds held in trust	1,066	1,134
Receipt of loan proceeds	1,206,925	-
Repayments of loans payable	(115,331)	(115,331)
Liabilities assumed under charitable gift annuities	14,535	13,941
Payments to charitable gift annuitants	(6,575)	(7,668)
Endowment contributions received	75,200	5,700
Net cash provided by (used for) financing activities	1,175,820	(102,224)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,733,234	2,207,118
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	6,162,886	3,955,768
End of year	\$ 9,896,120	\$ 6,162,886

See accompanying notes to financial statements.



# THE WOODS HOLE RESEARCH CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, The Woods Hole Research Center (the Center) is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions. The Center also distinguishes between donor restrictions that are temporary and those that are perpetual in nature.

**Cash and Cash Equivalents** - Cash consists of monies held in demand deposit and money market accounts, unless designated for long-term purposes. Cash equivalents are all highly liquid, short-term investments with initial maturities of three months or less when purchased and are stated at cost which approximates market value.

**Investments** - Investments consist of amounts held in money market accounts and short-term investment funds and amounts invested in fixed income, equities, and mutual/exchange-traded funds, which are carried at fair value, generally as determined by published market prices. Income earned is derived from interest, dividends and changes in fair value. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. The Center's investments are pooled, and the allocation of income is tracked on a unitized basis. The Center distributes a proportional amount of investment income based on a total return policy.

**Property and Equipment** - Property and equipment are recorded at cost. Property and equipment with a cost of \$3,000 or greater and having an expected useful life of two years or longer are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the respective capitalized lease agreements, whichever are shorter. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue and Support** - Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered to be conditional promises to give. Revenue from contracts considered to be exchange transactions is recognized as earned, generally using the percentage of completion method.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on total costs incurred.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2. ORGANIZATION AND TAX STATUS

Founded in 1985, the Center's mission is to advance scientific discovery and seek science-based solutions for the world's environmental and economic challenges through research and education.

The Center (a Massachusetts nonprofit corporation) is exempt from Federal and Massachusetts income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Code of the Commonwealth of Massachusetts, respectively, as a publicly supported organization. The Center is, however, subject to tax on net profits generated by activities defined as unrelated business activities under applicable tax law. To date, the Center has not engaged in such activities. The Center's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2017 through 2019 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

**NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table represents the Center's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020 and 2019. Since over 50% of the Center's expenditures are generally funded by donor-restricted contributions, the related assets are considered available to meet general expenditures.

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 27,004,911	\$ 21,587,340
Less nonfinancial assets		
Prepaid expenses	(234,982)	(151,622)
Net property and equipment	(5,067,728)	(5,343,789)
Beneficial interest in real estate trust assets	<u>(212,651)</u>	<u>(212,651)</u>
Total financial assets at end of year	21,489,550	15,879,278
Less amounts unavailable for general expenditures		
Amounts held in trust for debt retirement	(49,666)	(47,280)
Contributions receivable due in more than one year	(262,413)	(483,107)
Endowment investments	(7,061,933)	(6,889,910)
Add estimated amount available for appropriation	<u>282,000</u>	<u>276,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 14,397,538</u>	<u>\$ 8,734,981</u>

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. The Center's Board has designated \$1,802,488 to function as an endowment, and the Center generally budgets an annual spending rate up to 4% of total endowment investments. However, in the event of unanticipated liquidity needs, the Center's Board could make available all or a portion of the amount currently designated as endowment. The Center also has the ability to draw upon an available line of credit in the amount of \$350,000.

**NOTE 4. CONTRIBUTIONS, GRANTS AND CONTRACTS RECEIVABLE**

Grants, contracts and unconditional promises receivable as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 2,913,195	\$ 1,435,895
Due in one to five years	<u>273,500</u>	<u>504,000</u>
	3,186,695	1,939,895
Less discount to net present value	<u>(11,087)</u>	<u>(20,893)</u>
	<u>\$ 3,175,608</u>	<u>\$ 1,919,002</u>

Grants and contribution receivables due after one year have been discounted to their net present value using a discount rate of 2.5%.

Conditional promises receivable as of June 30, 2020 total \$6,288,062, consisting of unexpended U.S. Government grant awards.

**NOTE 5. INVESTMENTS**

Investments consist of amounts held in cash equivalents, equities and fixed income securities. The original cost and fair values of investments are as follows:

	<u>2020</u>	<u>2019</u>
Cost	\$ 6,982,415	\$ 6,643,149
Accumulated unrealized gain	<u>1,401,447</u>	<u>1,115,506</u>
	8,383,862	7,758,655
Accrued interest and dividends	<u>19,844</u>	<u>19,321</u>
	<u>\$ 8,403,706</u>	<u>\$ 7,777,976</u>

Investments are held in endowment, quasi-endowment or other categories as described below.

	<u>2020</u>	<u>2019</u>
Board-designated endowment	\$ 1,802,488	\$ 1,802,488
Unappropriated earnings on permanent endowments	1,485,166	1,388,343
Donor-restricted permanent endowments	<u>3,774,279</u>	<u>3,699,079</u>
	7,061,933	6,889,910
Net other investments	<u>1,341,773</u>	<u>888,066</u>
Total investments	<u>\$ 8,403,706</u>	<u>\$ 7,777,976</u>

**NOTE 5. INVESTMENTS (CONTINUED)**

Net investment return consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 219,828	\$ 191,198
Net appreciation	316,060	478,982
Less investment fees	<u>(53,751)</u>	<u>(49,043)</u>
	<u>\$ 482,137</u>	<u>\$ 621,137</u>

**NOTE 6. FAIR VALUE**

U.S. generally accepted accounting principles related to Fair Value Measurements establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing the Center's assets or liabilities based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Center are traded.

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use in estimating fair value.

All of the Center's financial investments were measured at fair value on a recurring basis as of June 30, 2020 and 2019 using Level 1 inputs, except for investments in fixed-income securities, for which the fair values were measured using Level 2 inputs. The fair values of short-term investment funds, equities, mutual funds and exchange-traded funds were based on quoted market prices as of each June 30. The fair values of fixed-income securities were estimated based on yields and maturities of similar securities. The Center's liability under charitable gift annuities was measured at fair value on a recurring basis as of June 30, 2020 and 2019 using Level 2 inputs, based on market interest rates and estimated life expectancies of the annuitants. There have been no changes to the valuation methodologies used at June 30, 2020 and 2019.

**NOTE 6. FAIR VALUE (CONTINUED)**

Inputs used to determine the fair values of investments measured on a recurring basis at June 30, 2020 and 2019, by investment class, are as follows:

	Total at 06/30/20	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 196,996	\$ 196,996	\$ -	\$ -
Equities and ETFs				
Materials	157,528	157,528	-	-
Industrial goods	302,012	302,012	-	-
Consumer discretionary	466,504	466,504	-	-
Consumer staples	317,571	317,571	-	-
Health care	640,209	640,209	-	-
Financial services	438,559	438,559	-	-
Technology	1,266,397	1,266,397	-	-
Telecommunications	348,986	348,986	-	-
Utilities	114,672	114,672	-	-
Real estate	160,931	160,931	-	-
Mutual funds				
iShares Intermediate Bond	388,476	388,476	-	-
Green Century International Index Fund	823,890	823,890	-	-
Fixed income				
Corporate debt securities	2,135,144	-	2,135,144	-
Government securities	625,987	-	625,987	-
	<u>\$ 8,383,862</u>	<u>\$ 5,622,731</u>	<u>\$ 2,761,131</u>	<u>\$ -</u>

**NOTE 6. FAIR VALUE (CONTINUED)**

	Total at 06/30/19	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 379,367	\$ 379,367	\$ -	\$ -
Equities and ETFs				
Materials	195,105	195,105	-	-
Industrial goods	354,054	354,054	-	-
Consumer discretionary	397,953	397,953	-	-
Consumer staples	290,253	290,253	-	-
Health care	568,056	568,056	-	-
Financial services	504,555	504,555	-	-
Technology	856,473	856,473	-	-
Telecommunications	258,997	258,997	-	-
Utilities	126,915	126,915	-	-
Real estate	167,177	167,177	-	-
U.S. aggregate bond ETF	488,130	488,130	-	-
Mutual fund				
Green Century International Index Fund	744,414	744,414	-	-
Fixed income				
Corporate debt securities	1,990,338	-	1,990,338	-
Government securities	436,868	-	436,868	-
	<u>\$ 7,758,655</u>	<u>\$ 5,331,449</u>	<u>\$ 2,427,206</u>	<u>\$ -</u>

**NOTE 7. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2020 and 2019 consists of the following:

	2020	2019
Land	\$ 517,571	\$ 517,571
Building and improvements	11,111,041	11,111,041
Furniture and equipment	<u>2,047,333</u>	<u>2,134,524</u>
	13,675,945	13,763,136
Less accumulated depreciation and amortization	<u>(8,608,217)</u>	<u>(8,419,347)</u>
Net property and equipment	<u>\$ 5,067,728</u>	<u>\$ 5,343,789</u>

## **NOTE 8. BENEFICIAL INTEREST IN REAL ESTATE TRUST ASSETS**

The Center entered into a joint venture agreement with an unrelated third party through which a small portion of land acquired in connection with the Ordway Campus was contributed by the Center and a similar parcel of land was contributed by the joint venturer. The property was placed in trust, after which the joint venturer gifted his interest in the property to the Center. The carrying value of the Center's interest in the Trust was \$212,651 at both June 30, 2020 and 2019.

## **NOTE 9. LOANS PAYABLE**

**Financing of Headquarters Building** - During the year ended June 30, 2003, the Center completed construction of and placed into service a new headquarters building (the Ordway Campus) in Woods Hole, Massachusetts. To finance the construction, the Center raised restricted contributions from the general public, designated a portion of unrestricted net assets to be used for the campaign, and entered into a loan agreement with the Massachusetts Health and Educational Facilities Authority (MHEFA) for a total loan amount of \$2,795,000. That loan agreement was amended during the year ended June 30, 2010, and the Center borrowed an additional \$603,900 from MHEFA to help finance improvements made to an adjacent building (the Carriage House).

The Center obtained a \$2.6 million direct pay letter of credit to provide security for the MHEFA loans, for which it pays an annual fee equal to 2.00% of the total amounts outstanding on the MHEFA loans. The loans require level annual principal payments and interest on the unpaid principal accrues and is payable monthly at a variable rate, 1.14% and 1.90% as of June 30, 2020 and 2019, respectively. The intention is to keep the fair market value of the loan equal to its outstanding principal balance. Substantially all business assets of the Center have been pledged as collateral in connection with the loan agreements. The Center is scheduled to make total remaining principal payments of \$1,265,648 in annual installments of \$114,192 through June 2031. The remaining outstanding principal of \$9,536 will be retired through annual draws against the debt service reserve funds held in trust. Interest expense totaled \$15,293 and \$22,090 for the years ended June 30, 2020 and 2019, respectively.

**Paycheck Protection Program** - On April 8, 2020, the Center received a Paycheck Protection Program (PPP) loan in the amount of \$1,206,925, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided the Center complies with applicable provisions of the CARES Act, the PPP loan is eligible to be forgiven in full. As of the date these financial statements were available to be issued, management believes the Center has complied with the applicable provisions of the CARES Act and, even though the application for forgiveness has not yet been submitted, that the entire amount of the PPP loan will be forgiven during the fiscal year ending June 30, 2021. Should the loan not be forgiven (in full or in part), the Center is obligated to begin making equal monthly principal payments of \$67,051 beginning October 9, 2020, plus accrued interest at the annual rate of 1%. Any remaining unpaid amounts not forgiven are due in full on April 8, 2022.



**NOTE 9. LOANS PAYABLE (CONTINUED)**

As of June 30, 2020, principal repayments on the MHEFA and PPP loans are due by fiscal year as follows (assuming the PPP loan will not be forgiven):

	MHEFA Loan	PPP Loan	Total
Year ending June 30, 2021	\$ 114,192	\$ 603,462	\$ 717,654
2022	114,192	603,463	717,655
2023	114,192	-	114,192
2024	114,192	-	114,192
2025	114,192	-	114,192
Thereafter	694,688	-	694,688
	<u>\$ 1,265,648</u>	<u>\$ 1,206,925</u>	<u>\$ 2,472,573</u>

**Revolving Line of Credit** - The Center has a revolving demand line of credit agreement in the maximum principal amount of \$350,000, secured by substantially all of the Center's investments. As of June 30, 2020, no amounts had been drawn against the line.

**NOTE 10. NET ASSETS**

The Center has net assets both with and without donor restrictions, as described in more detail below. A summary of the Center's net assets as of June 30, 2020 and 2019 is as follows:

	June 30, 2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Perpetual	
Endowment funds	\$ 1,802,488	\$ 1,485,166	\$ 3,774,279	\$ 7,061,933
Fund for Climate Solutions	500,000	3,407,645	-	3,907,645
Funds restricted for research and similar purposes	-	4,725,999	-	4,725,999
Net investment in property and equipment	3,814,758	-	-	3,814,758
Operating funds	3,765,413	-	-	3,765,413
	<u>\$ 9,882,659</u>	<u>\$ 9,618,810</u>	<u>\$ 3,774,279</u>	<u>\$ 23,275,748</u>

**NOTE 10. NET ASSETS (CONTINUED)**

	June 30, 2019			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Temporary	Perpetual	
Endowment funds	\$ 1,802,488	\$ 1,388,343	\$ 3,699,079	\$ 6,889,910
Fund for Climate Solutions	500,000	1,811,108	-	2,311,108
Funds restricted for research and similar purposes	-	1,274,963	-	1,274,963
Net investment in property and equipment	3,976,554	-	-	3,976,554
Operating funds	4,298,745	-	-	4,298,745
	<u>\$ 10,577,787</u>	<u>\$ 4,474,414</u>	<u>\$ 3,699,079</u>	<u>\$ 18,751,280</u>

**Net Assets without Donor Restrictions** - Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions.

Board Designated Funds

The Center's Board of Directors has designated a portion of net assets without donor restrictions to function as endowment and a portion to support expenditures from the Fund for Climate Solutions, for which the Center has also raised donor-restricted support. The objective of the Fund for Climate Solutions is to provide a financial bridge to a sustainable funding model while supporting mission-critical programs over a 10-year period as the Center adapts to anticipated changes in the availability of Federal government funding for its programs.

Net Investment in Property and Equipment

The Center has net assets without donor restrictions which are invested in property and equipment owned by the Center. The net investment in property and equipment consists of:

	2020	2019
Net property and equipment	\$ 5,067,728	\$ 5,343,789
Bond proceeds held in trust for debt retirement	12,678	13,744
Loans payable - current portion	(114,192)	(114,192)
Loans payable - long-term portion	(1,151,456)	(1,266,787)
	<u>\$ 3,814,758</u>	<u>\$ 3,976,554</u>

**Net Assets with Temporary Donor Restrictions** - Net assets with temporary donor restrictions as of June 30, 2020 and 2019 consist principally of research grants from private foundations and contributions for long-term purposes. Net assets with temporary donor restrictions result from

**NOTE 10. NET ASSETS (CONTINUED)**

gifts of cash or other assets with donor-imposed restrictions that require that such resources be used in a later period or after a specified date or that the resources be used for a specified purpose. The net assets will be released when spent for the appropriate purpose or upon expiration of a time restriction, in compliance with donor restrictions. Net assets with temporary donor restrictions as of June 30, 2020 and 2019 were subject to restriction as follows:

	<u>2020</u>	<u>2019</u>
Research grants from foundations and others	\$ 4,725,999	\$ 782,221
Fund for Climate Solutions	3,407,645	1,811,108
Other purpose-restricted contributions	-	492,742
Unappropriated earnings on permanent endowments	<u>1,485,166</u>	<u>1,388,343</u>
	<u>\$ 9,618,810</u>	<u>\$ 4,474,414</u>

The following are the net assets released from donor-imposed restrictions during the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Research grants		
U.S. Government	\$ 2,793,888	\$ 3,796,809
Foundations and International	1,147,848	1,759,168
Fund for Climate Solutions	551,033	217,748
Appropriated earnings on permanent endowments	<u>201,879</u>	<u>196,726</u>
	<u>\$ 4,694,648</u>	<u>\$ 5,970,451</u>

**Net Assets with Perpetual Donor Restrictions** - The Center has received several contributions establishing permanent endowments. During 2002, the Center received a total of \$2.5 million from a single contributor that provides for a \$2 million endowment to fund the Sara Shallenberger Brown Chair of Environmental Policy. The primary focus of the Chair is to connect science, conservation, and human affairs nationally and internationally and to incorporate the findings of science into the decisions of governments. The remaining \$500,000 is to support the Center's general endowment, the earnings on which are available for general support. The Center has also received contributions to fund the George Woodwell Chair of Conservation and other smaller endowments. The Center may appropriate annually for operating purposes earnings on general endowment investments related to these gifts.

## NOTE 10. NET ASSETS (CONTINUED)

Total net assets with perpetual donor restrictions are as follows at June 30, 2020 and 2019:

	2020	2019
Sara Shallenberger Brown Chair and Endowment	\$ 2,500,000	\$ 2,500,000
George Woodwell Chair of Conservation	1,034,379	1,034,379
General support	239,900	164,700
	<u>\$ 3,774,279</u>	<u>\$ 3,699,079</u>

### *Interpretation of Relevant Law*

The Center is subject to the Massachusetts Prudent Management of Institutional Funds Act (MPFIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions. The original donor gifts are reported as net assets with perpetual donor restrictions as none of the donor-restricted endowments are currently underwater. These endowment funds are invested in a pool with all other investments of the Center. The returns on the endowment fund investments have been reported as increases in net assets with donor restrictions in the statements of activities. Unexpended earnings on these endowments are reported as net assets with temporary donor restrictions until appropriated for expenditure by the Center.

### *Return Objectives and Risk Parameters*

The Center has adopted an asset allocation policy, monitored through its Investment Policy, that is a moderate balance of equities, fixed income and cash with a target of 60-70% equities and 30-40% fixed income. These change slightly as risk is monitored and the fund manager is given a target and 5% latitude for market impact and manager decisions. The equity investment style is an “All Cap Strategy” which is benchmarked to the S&P 1500. Equity performance, if applicable, is measured against the benchmark index over market cycle (typically 3-5 years). The equity portion of the portfolio uses a growth-at-a-reasonable-price discipline. The fixed income allocation may hold taxable government agency bonds and socially screened corporate bonds. Fixed income performance is benchmarked to the Barclay’s Gov/Credit Interim Bond Index. Allocation percentages are meant to be soft guidelines rather than absolute portfolio mandates as described above. Investment goals are primarily capital appreciation and secondarily income generation at this time.

### *Spending Policies of the Endowments*

**Sara Shallenberger Brown Chair and Endowment** - The donor requested that the investment income generated by the Chair and the endowment each year be used for general operations. For the years ended June 30, 2020 and 2019, the Board of Directors appropriated for expenditure \$134,220 and \$133,210, respectively, of accumulated earnings.

**NOTE 10. NET ASSETS (CONTINUED)**

**George Woodwell Chair of Conservation** - The donors requested that the investment income generated by the Chair each year be used for general operations once the Chair reached a certain monetary level. For the years ended June 30, 2020 and 2019, the Board of Directors appropriated for expenditure \$55,367 and \$54,854, respectively.

**General Support Endowments** - Investment income or loss are reported as changes in net assets with temporary donor restrictions until appropriated by the Board of Directors. For the years ended June 30, 2020 and 2019, the Board of Directors appropriated for expenditure \$12,292 and \$8,662, respectively.

**Change in Endowment Net Assets**

The following table represents the changes in endowment net assets for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Perpetual	
Endowment net assets, June 30, 2018	\$ 1,802,488	\$ 1,165,541	\$ 3,693,379	\$ 6,661,408
Contributions/designations	-	-	5,700	5,700
Investment income	53,844	419,528	-	473,372
Appropriations	(53,844)	(196,726)	-	(250,570)
Endowment net assets, June 30, 2019	1,802,488	1,388,343	3,699,079	6,889,910
Contributions/designations	-	-	75,200	75,200
Investment income	63,309	298,702	-	362,011
Appropriations	(63,309)	(201,879)	-	(265,188)
Endowment net assets, June 30, 2020	<u>\$ 1,802,488</u>	<u>\$ 1,485,166</u>	<u>\$ 3,774,279</u>	<u>\$ 7,061,933</u>

**NOTE 11. PENSION PLAN**

The Center has a contributory defined contribution pension plan covering substantially all full-time employees. Plan contributions are made on behalf of eligible employees through individual annuities with the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The contributions are made on a semi-monthly basis at 10% of eligible compensation. Pension expense for the years ended June 30, 2020 and 2019 was \$469,320 and \$478,050, respectively.

## NOTE 12. OPERATING LEASES (CONTINUED)

The Center leases certain office equipment under operating leases expiring through 2025. Rental expense for office equipment for the years ended June 30, 2020 and 2019 totaled approximately \$11,300 and \$10,900, respectively. Future minimum lease payments by fiscal year are due as follows:

Year ending June 30, 2021	\$	8,090
2022		8,090
2023		8,090
2024		8,090
2025		<u>2,583</u>
Total	\$	<u>34,943</u>

## NOTE 13. SIGNIFICANT CONCENTRATIONS

**Cash Balances** - The Center maintains its operating cash at three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of June 30, 2020, the Center's cash balances in excess of FDIC insurance coverage totaled approximately \$9.5 million. Included in other assets as bond proceeds held for debt retirement was an amount of \$12,678 which is not federally insured.

**Major Contributors** - The Center receives revenue from U.S. Government funded grants and cooperative agreements, all of which are subject to audit by government agencies. The ultimate determination of amounts received is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amounts received in excess of allowed costs.

During the years ended June 30, 2020 and 2019, approximately 26% and 30%, respectively, of the Center's total support and revenue that increased net assets without donor restrictions was provided through grants and similar agreements with the U.S. Government.

## NOTE 14. SUBSEQUENT EVENTS

U.S. and global business and financial markets continue to be significantly impacted by the Coronavirus pandemic, the impact of which on the Center's financial position and operations cannot be determined at this time. All subsequent events have been evaluated through October 9, 2020, which is the date the financial statements were available to be issued, and revealed no other events requiring adjustment to or disclosure in the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**THE WOODS HOLE RESEARCH CENTER, INC.**

**SCHEDULES OF RESEARCH PROGRAM EXPENSES**

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			Total
	Center Funded Science	Policy Engagement, Education and Communication	Policy Relevant Research	
Salaries, wages and benefits	\$ 533,485	\$ 1,122,535	\$ 3,179,633	\$ 4,835,653
Professional fees and other wages	16,547	241,266	185,648	443,461
Travel	5,800	65,470	215,678	286,948
Materials and supplies	35,571	48,021	185,176	268,768
Equipment	-	-	160,274	160,274
Communication	12,415	149,157	64,101	225,673
Facilities	3,885	-	3,914	7,799
Depreciation and amortization	-	-	-	-
Subawards	-	12,636	368,975	381,611
	<u>607,703</u>	<u>1,639,085</u>	<u>4,363,399</u>	<u>6,610,187</u>
Allocation of common costs	<u>72,465</u>	<u>195,452</u>	<u>520,312</u>	<u>788,229</u>
	<u>\$ 680,168</u>	<u>\$ 1,834,537</u>	<u>\$ 4,883,711</u>	<u>\$ 7,398,416</u>

	2019			Total
	Center Funded Science	Policy Engagement, Education and Communication	Policy Relevant Research	
Salaries, wages and benefits	\$ 357,386	\$ 1,260,576	\$ 3,094,107	\$ 4,712,069
Professional fees and other wages	1,242	129,136	191,043	321,421
Travel	10,762	111,915	245,919	368,596
Materials and supplies	29,585	28,864	126,156	184,605
Equipment	-	-	117,218	117,218
Communication	4,579	188,970	162,213	355,762
Facilities	3,312	-	4,392	7,704
Depreciation and amortization	-	-	-	-
Subawards	-	22,145	647,329	669,474
	<u>406,866</u>	<u>1,741,606</u>	<u>4,588,377</u>	<u>6,736,849</u>
Allocation of common costs	<u>49,328</u>	<u>211,151</u>	<u>556,291</u>	<u>816,770</u>
	<u>\$ 456,194</u>	<u>\$ 1,952,757</u>	<u>\$ 5,144,668</u>	<u>\$ 7,553,619</u>





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## REPORT OF INDEPENDENT AUDITORS ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
The Woods Hole Research Center, Inc.

Our report on our audit of the financial statements of The Woods Hole Research Center, Inc. as of June 30, 2020 appears on pages 1-2. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Center's 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
October 9, 2020

**THE WOODS HOLE RESEARCH CENTER, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2020

	Federal CFDA Number	Pass-Through or Awarding Entity Identifying Number	Federal Disbursements/ Expenditures	Passed Through to Subrecipients
<b>Research and Development Cluster</b>				
<u>U.S. Department of Agriculture</u>				
Forest Service				
Direct programs				
Agriculture and Food Research Initiative (AFRI)				
	10.310	2017-67003-26481	\$ 208,705	\$ -
<b>Total Department of Agriculture</b>			<b>208,705</b>	<b>-</b>
<u>National Aeronautics and Space Administration</u>				
Science Programs				
	43.001		787,321	176,065
Direct programs				
Pass-through programs from				
Ohio State University				
		60074900	1,523	-
Northern Arizona University				
		1002905-01	46,291	-
Northern Arizona University				
		1003229-01	25,998	-
Northern Arizona University				
		1004072-02	8,116	-
University of Massachusetts; Boston				
		B000697950	28,336	-
University of CA; Santa Barbara				
		KK1801	30,607	-
<b>Total National Aeronautics and Space Administration</b>			<b>928,192</b>	<b>176,065</b>
<u>National Science Foundation</u>				
Geosciences				
	47.050		853,869	53,715
Direct programs				
Pass-through programs from				
Marine Biological Laboratory				
		53696	28,007	-
Tufts University				
		EP0187116/EP0192033	12,500	-
Tufts University				
		EP0195207	4,947	-
			<b>899,323</b>	<b>53,715</b>
Biological Sciences				
	47.074		292,212	43,790
Education and Human Resources				
	47.076		323,656	2,817
<b>Total National Science Foundation</b>			<b>1,515,191</b>	<b>100,522</b>
<u>U.S. Department of Commerce</u>				
Sea Grant Support				
	11.417		33,232	-
Pass-through programs from				
Woods Hole Oceanographic Institution				
		A101390	33,232	-
<b>Total Department of Commerce</b>			<b>33,232</b>	<b>-</b>
<u>U.S. Department of Defense</u>				
Strategic Environmental Research and Development Program (SERDP)				
	12.U01		82,165	-
Pass-through programs from				
Northern Arizona University				
		1003724-02	82,165	-
<b>Total Department of Defense</b>			<b>82,165</b>	<b>-</b>
<u>Department of the Interior</u>				
National Climate Change and Wildlife Science Center				
	15.820		19,298	-
Pass-through programs from				
Marine Biological Laboratory				
		53773	19,298	-
<b>Total Department of the Interior</b>			<b>19,298</b>	<b>-</b>
<u>U.S. Environmental Protection Agency</u>				
Southeast New England Coastal Watershed Restoration				
	66.129		7,105	-
Pass-through programs from				
Buzzards Bay Coalition				
		SNEPWG-19-9-BBC-SM	7,105	-
<b>Total Environmental Protection Agency</b>			<b>7,105</b>	<b>-</b>
<b>Total Research and Development Cluster</b>			<b>\$ 2,793,888</b>	<b>\$ 276,387</b>

See accompanying notes to schedule of expenditures of federal awards.

**THE WOODS HOLE RESEARCH CENTER, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2020

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Woods Hole Research Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2. INDIRECT COSTS**

The Woods Hole Research Center, Inc. did not elect to use the 10% de minimis indirect cost rate either in awards received directly or indirectly nor on any awards passed through to subrecipients.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
The Woods Hole Research Center, Inc.

We have audited, in accordance with the 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, the financial statements of The Woods Hole Research Center, 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, and have issued our report thereon dated October 9, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered The Woods Hole Research Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
October 9, 2020



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The Woods Hole Research Center, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited The Woods Hole Research Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Woods Hole Research Center, Inc.'s major federal programs for the year ended June 30, 2020. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, The Woods Hole Research Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### ***Other Matters***

The results of our audit procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The Woods Hole Research Center, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Woods Hole Research Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
October 9, 2020



**THE WOODS HOLE RESEARCH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2020

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of The Woods Hole Research Center, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The Woods Hole Research Center, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of internal control over major federal award programs are reported in the Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for major federal award programs for The Woods Hole Research Center, Inc. expresses an unmodified opinion.
6. One audit finding that is required to be reported in accordance with 2 CFR section 200.516(a) is reported in this Schedule.
7. The program tested as a major program was Research and Development.
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The Woods Hole Research Center, Inc. qualified as a low-risk auditee.

**FINANCIAL STATEMENT FINDINGS**

None

**THE WOODS HOLE RESEARCH CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2020

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2020-001**

**Research and Development Cluster**

**Condition:**

The Center did not conduct a physical inventory of Federally-acquired property as required.

**Criteria:**

2 CFR section 200.313(d)(2) requires that a physical inventory of Federally-acquired property be taken and the results reconciled with property records at least once every two years.

**Cause and Context:**

The Center normally conducts the required physical inventory in June of every other year. The last physical inventory was conducted in June 2018. Due to the coronavirus pandemic, the Center's physical offices are currently closed, staff are working remotely, and it was not possible for the required inventory to be taken by the end of June 2020.

**Effect:**

Noncompliance with the property management standards could result in costs claimed for property acquisition to be disallowed.

**Questioned  
Costs:**

None.

**Recommendation:**

The Center should conduct the required physical inventory as soon as practicable after mitigation of the existing pandemic allows its offices to reopen and staff to return from working remotely.

**Views of Responsible  
Officials and Planned  
Corrective Actions:**

Management agrees with the finding and will conduct the required physical inventory as soon as practicable after offices are reopened for staff to return from working remotely.



# WOODS HOLE RESEARCH CENTER

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## CORRECTIVE ACTION PLAN OCTOBER 09, 2020

National Science Foundation

Woods Hole Research Center Inc. respectively submits the following corrective action plan for the year ended June 30, 2020.

Calibre CPA Group, PLLC  
Bethesda, MD 02814  
Audit period: June 30, 2020

The finding from the October 9, 2020 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001      Research and Development Cluster

Condition: The Center did not conduct the required physical inventory of Federally acquired property as required.

Recommendation: The Center should conduct the required physical inventory as soon as practicable after mitigation of the existing pandemic allows its offices to reopen and staff to return from working remotely.

Action to be taken: The coronavirus pandemic resulted in all non-essential office staff working remotely for the foreseeable future. We currently do not have a “return to office” date and believe that some percentage of staff will continue to work offsite indefinitely. In order to conduct the inventory under these uncertain circumstances we plan to use a phased approach:

1. For physical assets that have remained on Center property, essential personnel will conduct a standard inventory of those assets with oversight by a member of the Finance team.
2. Assets and equipment that have been moved offsite temporarily will be confirmed as follows:
  - a. Computer and portable research equipment: the individual responsible will provide written notification identifying the items (including serial numbers when applicable) and certifying that they are currently in their possession.
  - b. Items in the field will be confirmed visually by the responsible science staff member during the next site visit prior to year-end. If a non-Center employee is used, photographic evidence will be requested.

Expected completion date: June 30, 2021

Responsible person: Camille M. Romano, CFO, [cromano@woodwellclimate.org](mailto:cromano@woodwellclimate.org), 508-444-1512