

**Bermuda Institute of
Ocean Sciences (BIOS), Inc.**

Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

The Board of Trustees Bermuda Institute of Ocean Sciences (BIOS), Inc.

We have audited the accompanying financial statements of Bermuda Institute of Ocean Sciences (BIOS), Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bermuda Institute of Ocean Sciences (BIOS), Inc. as of December 31, 2017 and 2016, 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.

PKF O'Connor Davies, LLP

May 4, 2018

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 2,857,760	\$ 855,045
Grants and accounts receivable	576,938	663,417
Contributions receivable, net (Note 4)	3,176,915	4,454,992
Inventory and prepaid expenses	313,670	117,150
Investments (Note 5)	17,406,118	14,504,921
Property and equipment, net (Note 6)	<u>18,754,675</u>	<u>16,034,500</u>
	<u>\$ 43,086,076</u>	<u>\$ 36,630,025</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,273,233	\$ 1,177,017
Grants and other advances	394,518	375,016
Loans payable (Note 9)	<u>6,869,177</u>	<u>5,458,368</u>
Total Liabilities	<u>8,536,928</u>	<u>7,010,401</u>
Net Assets		
Unrestricted	11,421,176	9,746,051
Temporarily restricted (Note 11)	13,071,672	10,093,625
Permanently restricted (Note 11)	<u>10,056,300</u>	<u>9,779,948</u>
Total Net Assets	<u>34,549,148</u>	<u>29,619,624</u>
	<u>\$ 43,086,076</u>	<u>\$ 36,630,025</u>

See notes to financial statements

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Activities
Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND OTHER SUPPORT					
Contributions	\$ 1,601,788	5,065,126	\$ 276,352	\$ 6,943,266	\$ 2,739,138
Grants and contracts					
U.S. government and corporations	11,375,739	104,568	-	11,480,307	8,236,567
Bermuda government	286,419	-	-	286,419	317,821
Tuition, guest services and other income	1,905,184	73,602	-	1,978,786	1,686,694
Investment return	380,841	1,635,953	-	2,016,794	514,170
Net assets released from restrictions (Note 11)	3,901,202	(3,901,202)	-	-	-
Total Revenue and Other Support	<u>19,451,173</u>	<u>2,978,047</u>	<u>276,352</u>	<u>22,705,572</u>	<u>13,494,390</u>
EXPENSES					
Program Services					
Scientific research	13,207,922	-	-	13,207,922	12,792,629
Education	1,887,002	-	-	1,887,002	1,843,847
Guest and residential services	87,419	-	-	87,419	225,332
Total Program Services	<u>15,182,343</u>	<u>-</u>	<u>-</u>	<u>15,182,343</u>	<u>14,861,808</u>
Development and public relations	631,419	-	-	631,419	653,720
Management and general	1,962,286	-	-	1,962,286	641,645
Total Expenses	<u>17,776,048</u>	<u>-</u>	<u>-</u>	<u>17,776,048</u>	<u>16,157,173</u>
Change in Net Assets	1,675,125	2,978,047	276,352	4,929,524	(2,662,783)
NET ASSETS					
Beginning of year	<u>9,746,051</u>	<u>10,093,625</u>	<u>9,779,948</u>	<u>29,619,624</u>	<u>32,282,407</u>
End of year	<u>\$ 11,421,176</u>	<u>\$ 13,071,672</u>	<u>\$ 10,056,300</u>	<u>\$ 34,549,148</u>	<u>\$ 29,619,624</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Activities
Year Ended December 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Contributions	\$ 637,538	\$ 2,076,250	\$ 25,350	\$ 2,739,138
Grants and contracts				
U.S. government and corporations	8,236,567	-	-	8,236,567
Bermuda government	317,821	-	-	317,821
Tuition, guest services and other income	1,684,617	2,077	-	1,686,694
Investment return	96,465	417,705	-	514,170
Net assets released from restrictions (Note 11)	3,674,794	(3,674,794)	-	-
Total Revenue and Other Support	<u>14,647,802</u>	<u>(1,178,762)</u>	<u>25,350</u>	<u>13,494,390</u>
EXPENSES				
Program Services				
Scientific research	12,792,629	-	-	12,792,629
Education	1,843,847	-	-	1,843,847
Guest and residential services	225,332	-	-	225,332
Total Program Services	14,861,808	-	-	14,861,808
Development and public relations	653,720	-	-	653,720
Management and general	641,645	-	-	641,645
Total Expenses	<u>16,157,173</u>	<u>-</u>	<u>-</u>	<u>16,157,173</u>
Change in Net Assets	(1,509,371)	(1,178,762)	25,350	(2,662,783)
NET ASSETS				
Beginning of year	<u>11,255,422</u>	<u>11,272,387</u>	<u>9,754,598</u>	<u>32,282,407</u>
End of year	<u>\$ 9,746,051</u>	<u>\$ 10,093,625</u>	<u>\$ 9,779,948</u>	<u>\$ 29,619,624</u>

See notes to financial statements

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,929,524	\$ (2,662,783)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net appreciation in fair value of investments	(1,813,011)	(329,754)
Depreciation	1,599,843	1,294,911
Loss (gain) on disposal of property and equipment	98,362	(6,774)
Contributions, grants and contracts classified as financing activities	(2,693,754)	(743,815)
Change in discount of unconditional promises to give	(120,901)	(174,039)
Changes in operating assets and liabilities (Note 12)	1,404,655	1,246,263
Net Cash from Operating Activities	3,404,718	(1,375,991)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	752,855	1,250,740
Purchases of investments	(1,841,041)	(1,243,431)
Proceeds from sale of property and equipment	-	8,500
Expenditures for property and equipment	(4,418,380)	(1,230,832)
Net Cash from Investing Activities	(5,506,566)	(1,215,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	276,352	25,350
Grants and contracts used for fixed asset acquisition	2,417,402	718,465
New borrowings under loans payable	8,307,428	1,800,000
Repayment of loans payable	(6,896,619)	(1,544,059)
Net Cash from Financing Activities	4,104,563	999,756
Net Change in Cash and Cash Equivalents	2,002,715	(1,591,258)
CASH AND CASH EQUIVALENTS		
Beginning of year	855,045	2,446,303
End of year	\$ 2,857,760	\$ 855,045

See notes to financial statements

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization

Bermuda Institute of Ocean Sciences (BIOS), Inc., formerly The Bermuda Biological Station for Research, Inc., founded in 1903, was incorporated in the State of New York in 1926 as a U.S. not-for-profit research organization. BIOS is exempt from U.S. income taxes pursuant to Sections 501(c)(3) and 509(a) of the Internal Revenue Code. BIOS is also a Bermuda Registered Charity (Reg #116).

BIOS's mission is to seek and share fundamental knowledge of the oceans through state-of-the-art scientific research, world-class field expeditions, and comprehensive educational experiences.

The research conducted at BIOS is relevant to the waters surrounding Bermuda, as well as the global Earth system, and is multidisciplinary, spanning the biological, chemical, geological, and physical sciences. BIOS researchers are active partners in regional and international research collaborations that are working to address some of the most pressing issues of our time including climate change, marine conservation, ecosystem health, and natural-disaster risk assessment.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), which requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

BIOS is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted. Gifts and bequests that create endowment funds to provide a permanent source of income are classified as permanently restricted net assets. Gifts with stipulations that they be used for a particular purpose or for a specified time period are classified as temporarily restricted assets until the purpose or stipulated time restriction is met. All other net assets are classified as unrestricted.

Foreign Currency

BIOS's functional currency is the U.S. dollar. There are no foreign currency transaction gains or losses from transacting in the Bermuda dollar because it is on parity with the U.S. dollar.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (*continued*)

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value and are recorded as increases in unrestricted net assets unless the donor places restrictions on their use. Contributions due after one year are reported at their discounted net present value. Amortization of the discount is recorded annually as additional contribution revenue over the anticipated collection period of the pledge.

Cash Equivalents

All highly liquid investments, with maturities of three months or less at the time of purchase are considered cash equivalents.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management believes all receivables are fully collectible, therefore, no allowance for doubtful accounts is recognized at year-end.

Inventory

Inventory is reported at the lower of cost or market (first in, first out) and consists of gift shop merchandise, cafeteria, laboratory and SCUBA supplies held for resale.

Fair Value Measurements

BIOS follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are carried at fair value. The fair value of the investment funds are reported at the net asset value as reported by management of the respective funds.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (*continued*)

Grant support and revenue recognition

Grants at BIOS are either reimbursement of costs limited by the maximums stated in the grant or are fixed price contracts. Support under grants for reimbursement of costs is recognized in the same period and in an amount equivalent to the aggregate of the incurred underlying costs. Revenue from fixed price grants is recognized proportionately over the life of the grant.

Property and Equipment

Purchases of property and equipment are recorded at cost. Gifts or contributions of property and equipment are recognized at fair value at the time received. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. When items are disposed, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in current income. Repair and maintenance charges that do not increase the lives of the assets are expensed as incurred.

Accounting for Uncertainty in Income Taxes

BIOS recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that BIOS had no uncertain income tax positions that require financial statement recognition or disclosure. BIOS is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2014.

Subsequent Events

Management evaluated subsequent events for disclosure and/or recognition in the financial statements through May 4, 2018, the date financial statements were available for issuance. Management's evaluation noted no matters requiring recognition or additional disclosure.

3. Concentrations of Financial Risk

Financial instruments that are exposed to concentrations of financial risk consist primarily of cash, managed investment funds, donated common stock, contributions and contributions receivable. Management believes the diversification and quality of managed investment funds minimizes risk concentration regarding investments other than fluctuations in the financial markets in general. At December 31, 2017, contributions receivable due from two donors totaled approximately \$3,225,000. At December 31, 2016, contributions receivable due from one donor totaled approximately \$4,405,000. For the year ended December 31, 2017 contributions from three donors totaled approximately 44% of contributions. For the year ended December 31, 2016 contributions from one donor totaled approximately 36% of contributions.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

4. Contributions Receivable

Contributions receivable at December 31 are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Amount expected to be collected in:		
One year or less	\$ 1,626,260	\$ 1,661,724
Years two through five	<u>1,628,188</u>	<u>3,017,386</u>
	3,254,448	4,679,110
Less:		
Discount (5% per annum) to present value	<u>(77,533)</u>	<u>(224,118)</u>
	<u>\$ 3,176,915</u>	<u>\$ 4,454,992</u>

5. Investments

BIOS's investments consist of funds managed by Commonfund and The Vanguard Group, Inc. Following are the investments at December 31, grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
2017			
Vanguard Federal Money Market Fund	\$ 2,336,119	\$ -	\$ 2,336,119
Commonfund:			
Global Multi-Asset Portfolio, LLC	<u>-</u>	<u>15,069,999</u>	<u>15,069,999</u>
	<u>\$ 2,336,119</u>	<u>\$ 15,069,999</u>	<u>\$ 17,406,118</u>
2016			
Vanguard Federal Money Market Fund	\$ 751,705	\$ -	\$ 751,705
Commonfund:			
Global Multi-Asset Portfolio, LLC	<u>-</u>	<u>13,753,216</u>	<u>13,753,216</u>
	<u>\$ 751,705</u>	<u>\$ 13,753,216</u>	<u>\$ 14,504,921</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

6. Property and Equipment

Property and equipment, carried at cost, is comprised of the following at December 31:

	<u>Useful Lives</u>	<u>2017</u>	<u>2016</u>
Land and improvements		\$ 486,850	\$ 486,850
Buildings and improvements	20-40 years	16,878,347	16,878,346
Furniture, fixtures and equipment	5-15 years	7,869,590	5,669,047
RV Atlantic Explorer	25 years	11,099,995	9,040,227
Other fixed assets	5-25 years	758,392	758,392
Construction in progress		<u>325,466</u>	<u>265,760</u>
		37,418,640	33,098,622
Less accumulated depreciation		<u>(18,663,965)</u>	<u>(17,064,122)</u>
		<u>\$ 18,754,675</u>	<u>\$ 16,034,500</u>

7. Sponsored Projects

Approximately 52% and 63% of revenues in each of 2017 and 2016 are awards for sponsored projects (governments and other sources). The awards generally provide for recovery of both direct and indirect costs. The indirect costs covered by the awards are determined as a negotiated or agreed-upon percentage of direct costs with certain exclusions.

8. Pension Plan

BIOS maintains a contributory pension plan for employees ages 23 and over who have worked at least 720 hours in any calendar year. Participation in the plan is mandatory for Bermudians and spouses of Bermudians until they are 65 years old. The plan is voluntary for all other employees. Each participating employee may contribute to the plan up to a maximum of 10% of their gross salary. Mandatory participants must contribute 5%. BIOS matches the employee contribution of 5% of gross salary in accordance with the plan documents and the Bermuda Occupational Pensions Act 1998. Pension expense for the years ended December 31, 2017 and 2016 approximated \$231,000 and \$216,000.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

9. Loans Payable

Loans payable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Bank of NT Butterfield term loan, secured by mortgage on real property and research vessel, to refinance pre-existing debt and fund capital expenditures on the research facility. Payable in monthly installments of interest only (1.75% above the U.S. three-month London Interbank Offered Rate ("LIBOR"), 3.44% at December 31, 2017) through March 2019, then payable of monthly installments of \$45,416 plus interest, due March 2022.	\$ 5,750,000	\$ -
Loan payable (unsecured) to Air Care Limited pursuant to the Energy Performance Contract, payable in monthly installments of \$10,438, including interest at 7.5%, due March, 2032.	1,119,177	-
HSBC, secured by a mortgage on real property, due on demand, payable in monthly installments of interest only at 1.5% above three-month LIBOR rate.	-	1,183,727
HSBC, secured by a mortgage on real property, due October 2020, payable in monthly installments of interest only at 1.5% above three-month LIBOR rate.	-	639,504
Bank of NT Butterfield, for staff housing building, due February 2023, unsecured, payable in monthly installments of \$18,042 including interest at 1% above three-month LIBOR rate.	-	1,335,137
Bank of NT Butterfield, revolving loan, secured by investment portfolio, due October 2017, interest payable in monthly installments at 2.5% per annum above US LIBOR rate.	-	2,300,000
	<u>\$ 6,869,177</u>	<u>\$ 5,458,368</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

9. Loans Payable (*continued*)

Aggregate maturities of loans payable approximate \$43,000 in 2018, \$409,000 in 2019, \$595,000 in 2020, \$599,000 in 2021, \$4,354,000 in 2022 and \$869,000 thereafter. Interest expense totaled approximately \$207,000 and \$143,000 for years ended December 31, 2017 and 2016.

10. Endowment Funds

Donor-restricted funds whose purpose is to provide long-term support for BIOS and its charitable programs are endowment funds. Net assets of endowment funds are classified as permanently restricted, temporarily restricted or unrestricted which classification is determined by the directions of donors, where applicable, and the provisions of the laws of the State of New York. Absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

Interpretation of Law

BIOS interprets NYPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, BIOS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Management has reviewed all BIOS funds and determined that net asset reclassification was not necessary.

Investment Return Objectives

BIOS has adopted investment and spending policies for the BIOS endowment fund (the Fund) with the core objective to provide a reliable source of long-term financial support. It is the desire of the trustees that the Fund achieves a balance of growth and stability and thereby, over the long run, earns a competitive rate available in the capital markets at the risk level prescribed for the Fund.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

10. Endowment Funds (continued)

Investment Philosophy

The Fund has a long-term investment horizon and the trustees believe that asset allocation is the major determinant of investment performance. The asset allocation plan is based on a number of factors, including – projected spending needs, maintenance of sufficient liquidity to meet spending payments, and return objectives and risk tolerances. The asset allocation plan provides for diversification of assets to maximize the investment return and manage the endowment investments consistent with market conditions. Investments are made through recognized third-party providers of multimanager strategies.

Spending Policy

It is BIOS's policy to annually distribute up to 5% of a three-year moving average of the Fund's market value as of June 30 of each year. This distribution will be sanctioned by the applicable laws of the state of New York. In 2017 and 2016, the full 5% was eligible for distribution to support the operations of BIOS.

Cumulative investment returns in excess of the spending rate that are not donor-restricted are board designated unrestricted endowment funds. Temporarily restricted endowment funds represent cumulative investment returns which must be spent in accordance with the donors' intent. Permanently restricted endowments must be maintained in perpetuity.

Activity Summary

The following summarizes activity in endowment funds for years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2017				
Balance at January 1, 2017	\$ 1,306,173	\$ 2,646,271	\$ 9,779,947	\$ 13,732,391
Contributions	-	-	276,352	276,352
Investment income	34,804	155,420	-	190,224
Capital appreciation	332,450	1,480,533	-	1,812,983
Appropriated for expenditure	<u>(131,643)</u>	<u>(580,131)</u>	-	<u>(711,774)</u>
Balance at December 31, 2017	<u>\$ 1,541,784</u>	<u>\$ 3,702,093</u>	<u>\$10,056,299</u>	<u>\$ 15,300,176</u>
2016				
Balance at January 1, 2016	\$ 1,344,297	\$ 2,811,245	\$ 9,754,597	\$ 13,910,139
Contributions	-	-	25,350	25,350
Investment income	33,688	148,748	-	182,436
Capital appreciation	60,862	268,957	-	329,819
Appropriated for expenditure	<u>(132,674)</u>	<u>(582,679)</u>	-	<u>(715,353)</u>
Balance at December 31, 2016	<u>\$ 1,306,173</u>	<u>\$ 2,646,271</u>	<u>\$ 9,779,947</u>	<u>\$ 13,732,391</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

11. Restrictions on the Use of Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the purposes listed:

	<u>2017</u>	<u>2016</u>
Scientific research	\$ 10,305,921	\$ 8,548,499
Education	2,258,951	1,376,538
Laboratory building	216,800	168,588
Future periods and administrative	<u>290,000</u>	<u>-</u>
	<u>\$ 13,071,672</u>	<u>\$ 10,093,625</u>

Net Assets Released from Restrictions

Net assets released from restriction consist of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Scientific research	\$ 3,134,871	\$ 2,879,785
Education	739,391	767,858
Laboratory building	<u>26,940</u>	<u>27,151</u>
	<u>\$ 3,901,202</u>	<u>\$ 3,674,794</u>

Permanently Restricted Net Assets

Investment return from permanently restricted net assets is available to support the indicated activities at December 31:

	<u>2017</u>	<u>2016</u>
Scientific research	\$ 5,180,293	\$ 4,929,091
Education	3,398,036	3,372,886
Laboratory building	350,000	350,000
General operations	<u>1,127,971</u>	<u>1,127,971</u>
	<u>\$ 10,056,300</u>	<u>\$ 9,779,948</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2017 and 2016

12. Statement of Cash Flows

	Year Ended December 31,	
	2017	2016
Changes in operating assets and liabilities:		
(Increase) decrease in		
Grants and accounts receivable	\$ 86,480	\$ 28,809
Contributions receivable	1,398,977	784,173
Inventory and prepaid expenses	(196,520)	(83,514)
Increase in		
Accounts payable and accrued expenses	96,216	472,307
Grants and other advances	<u>19,502</u>	<u>44,488</u>
Changes in operating assets and liabilities	<u>\$ 1,404,655</u>	<u>\$ 1,246,263</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 207,199	\$ 142,753
Noncash transactions		
Equipment and services donated to BIOS	1,217,945	-

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