



MARINE BIOLOGICAL LABORATORY

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

MARINE BIOLOGICAL LABORATORY

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Marine Biological Laboratory:

We have audited the accompanying financial statements of Marine Biological Laboratory (the Laboratory), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 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 Laboratory'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 Laboratory'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 Laboratory as of June 30, 2019 and 2018, 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.

KPMG LLP

Boston, Massachusetts
December 2, 2019

MARINE BIOLOGICAL LABORATORY

Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 1,525,068	571,951
Cash held for others	988,926	1,103,599
Accounts receivable, net of allowance for doubtful accounts of \$35,000 at June 30, 2019 and 2018	898,983	1,004,284
Receivables due for costs incurred on grants and contracts	4,958,271	2,524,516
Prepaid expenses	749,317	975,684
Contributions receivable, net	4,737,036	2,804,515
Investments, at fair value	92,396,774	93,248,299
Charitable remainder trusts	1,100,000	1,100,000
Plant assets, net	105,247,658	105,566,743
Other assets	2,453,266	2,189,244
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Total assets	\$ 215,055,299	211,088,835
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Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 4,392,723	4,166,557
Future program resources	988,926	1,103,599
Deferred income	3,081,477	3,444,940
Annuities and trusts payable	448,083	501,715
Interest rate swap	4,078,407	2,977,253
Long-term debt	25,577,049	26,408,933
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Total liabilities	38,566,665	38,602,997
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Net assets:		
Without donor restrictions	88,776,895	90,151,446
With donor restrictions	87,711,739	82,334,392
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Total net assets	176,488,634	172,485,838
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Total liabilities and net assets	\$ 215,055,299	211,088,835
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See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statement of Activities

Year ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating support and revenues:			
Federal grants	\$ 12,257,276	—	12,257,276
Nonfederal grants and contracts	4,363,418	—	4,363,418
Support from affiliate	13,037,768	—	13,037,768
Fees for conferences and services	4,565,970	—	4,565,970
Contributions	1,051,919	8,401,065	9,452,984
Investment earnings used for operations	512,601	3,930,985	4,443,586
Laboratory rentals	500,860	—	500,860
Tuition, net	892,839	—	892,839
Other revenue	452,534	—	452,534
Investment income	77,534	—	77,534
Net assets released from restrictions and reclassifications	<u>7,847,273</u>	<u>(7,847,273)</u>	<u>—</u>
Total operating support and revenues	<u>45,559,992</u>	<u>4,484,777</u>	<u>50,044,769</u>
Expenses:			
Resident research	27,388,140	—	27,388,140
Education	11,040,449	—	11,040,449
Whitman research	2,001,991	—	2,001,991
Other institutional activities	1,151,534	—	1,151,534
Conferences, housing and dining	<u>5,271,424</u>	<u>—</u>	<u>5,271,424</u>
Total expenses	<u>46,853,538</u>	<u>—</u>	<u>46,853,538</u>
Change in net assets before nonoperating activities	<u>(1,293,546)</u>	<u>4,484,777</u>	<u>3,191,231</u>
Nonoperating revenue (expense):			
Change in value of interest rate swap	(1,101,154)	—	(1,101,154)
Change in value of annuities	(10,055)	7,845	(2,210)
Post retirement pension costs	245,493	—	245,493
Support from affiliate	<u>767,078</u>	<u>—</u>	<u>767,078</u>
Change in net assets from nonoperating activities	<u>(98,638)</u>	<u>7,845</u>	<u>(90,793)</u>
Investment income and gains:			
Net investment income	530,234	4,815,710	5,345,944
Less investment earnings used for operations	<u>(512,601)</u>	<u>(3,930,985)</u>	<u>(4,443,586)</u>
Investment income and gains	<u>17,633</u>	<u>884,725</u>	<u>902,358</u>
Changes in net assets	<u>(1,374,551)</u>	<u>5,377,347</u>	<u>4,002,796</u>
Net assets, June 30, 2018	<u>90,151,446</u>	<u>82,334,392</u>	<u>172,485,838</u>
Net assets, June 30, 2019	\$ <u>88,776,895</u>	<u>87,711,739</u>	<u>176,488,634</u>

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statement of Activities

Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Operating support and revenues:			
Federal grants	\$ 12,709,637	—	12,709,637
Nonfederal grants and contracts	4,637,681	—	4,637,681
Support from affiliate	10,488,000	—	10,488,000
Fees for conferences and services	3,985,216	—	3,985,216
Contributions	1,108,322	2,763,705	3,872,027
Investment earnings used for operations	546,626	3,884,396	4,431,022
Laboratory rentals	521,882	—	521,882
Tuition, net	500,835	—	500,835
Other revenue	533,250	—	533,250
Investment income	56,499	—	56,499
Net assets released from restrictions and reclassifications	6,756,016	(6,756,016)	—
Total operating support and revenues	41,843,964	(107,915)	41,736,049
Expenses:			
Resident research	24,648,156	—	24,648,156
Education	10,355,370	—	10,355,370
Whitman research	1,760,995	—	1,760,995
Other institutional activities	1,072,115	—	1,072,115
Conferences, housing and dining	5,362,447	—	5,362,447
Total expenses	43,199,083	—	43,199,083
Change in net assets before nonoperating activities	(1,355,119)	(107,915)	(1,463,034)
Nonoperating revenue (expense):			
Change in value of interest rate swap	1,290,630	—	1,290,630
Change in value of annuities	(58,045)	8,107	(49,938)
Post retirement pension costs	249,882	—	249,882
Support from affiliate	340,000	—	340,000
Other	91,408	—	91,408
Change in net assets from nonoperating activities	1,913,875	8,107	1,921,982
Investment income and gains:			
Net investment income	756,435	5,531,875	6,288,310
Less investment earnings used for operations	(546,626)	(3,884,396)	(4,431,022)
Investment income and gains	209,809	1,647,479	1,857,288
Changes in net assets	768,565	1,547,671	2,316,236
Net assets, June 30, 2017	89,382,881	80,786,721	170,169,602
Net assets, June 30, 2018	\$ <u>90,151,446</u>	<u>82,334,392</u>	<u>172,485,838</u>

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 4,002,796	2,316,236
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,644,240	4,417,283
Change in value of interest rate swap	1,101,154	(1,290,630)
Net unrealized gains on investments	(1,407,675)	(1,165,378)
Reinvested investment income	(4,037,438)	(5,183,081)
Change in charitable remainder trusts	—	122,360
Change in reserve for and present value discount of contributions receivable	132,698	(443,366)
Contributions of equipment	(58,777)	(25,228)
Contributions restricted for long-term investment	(167,261)	(507,981)
Post-retirement benefit changes	233,993	(235,093)
Loss on disposal of assets	133	40,858
Changes in assets and liabilities:		
Accounts receivable	105,301	89,511
Receivables due for costs incurred on grants and contracts	(2,433,755)	500,639
Prepaid expenses and other assets	(271,648)	336,317
Contributions receivable	(2,065,219)	1,262,780
Accounts payable and accrued expenses	226,166	188,433
Deferred income	(363,463)	(937,878)
Annuities and trusts payable	2,210	49,938
Net cash used in operating activities	(356,545)	(464,280)
Cash flows from investing activities:		
Purchase of plant assets	(4,266,511)	(3,216,970)
Proceeds from sale of investments	10,499,428	7,073,426
Purchase of investments	(4,202,790)	(3,617,418)
Net cash provided by investing activities	2,030,127	239,038
Cash flows from financing activities:		
Payments on annuities and trusts payable	(55,842)	(55,994)
Contributions received for long-term investment	167,261	507,981
Principal payments on long-term debt	(831,884)	(801,884)
Net cash used in financing activities	(720,465)	(349,897)
Change in cash and cash equivalents	953,117	(575,139)
Cash and cash equivalents at beginning of year	571,951	1,147,090
Cash and cash equivalents at end of year	\$ 1,525,068	571,951
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 974,086	1,026,710
Accounts payable and accrued expenses for capital additions	738,804	481,447

See accompanying notes to financial statements.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

(1) Background

The Marine Biological Laboratory (the Laboratory) is a private, not-for-profit research and educational institution dedicated to establishing and maintaining a laboratory and station for scientific study and investigation, and a school for instruction in biology and natural history. The Laboratory was founded in 1888 and is located in Woods Hole, Massachusetts.

On July 1, 2013, the Laboratory entered into an affiliation agreement with the University of Chicago (the University) located in Chicago, Illinois. Under this affiliation, the University became the sole member of the Laboratory, and has pledged ongoing operating support to the Laboratory. During the years ended June 30, 2019 and 2018, the Laboratory received \$13.0 million and \$10.5 million from the University. The University is committed to funding MBL's operating deficit through June 30, 2020. In addition to this operational support, the University provided \$0.8 million and \$0.3 million in nonoperating funding to support capital projects during the years ended June 30, 2019 and 2018.

(2) Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

(b) Classification of Net Assets

The financial statements have been prepared to focus on the Laboratory as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Without Donor Restriction – Net assets not subject to donor-imposed stipulations but which may be designated for specific purposes by the Laboratory's Trustees.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Laboratory or the passage of time. In addition, unspent appreciation of donor restricted endowment funds in excess of their historic dollar value is classified as net assets with donor restrictions until appropriated by the Laboratory and spent in accordance with the standard prudence imposed by Massachusetts State law.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

(c) Operating and Nonoperating Activities

The statement of activities reports changes in net assets from operating and nonoperating activities.

Operating activities of the Laboratory include ongoing research, conferences and training programs. Included in operating revenues is investment return appropriated to support operations under the total return utilization policy approved by the Board of Trustees.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

Nonoperating revenues and expenses include realized and unrealized gains and losses on investments as well as changes in value of an interest rate swap, certain post retirement expenses, and other nonoperating items. To the extent that nonoperating investment income and gains are used for operations, they are reclassified from nonoperating to operating as investment earnings used for operations in the statement of activities.

(d) Cash Equivalents

Cash equivalents consist of resources invested in overnight repurchase agreements, money market funds and other highly liquid investments with original maturities of three months or less.

(e) Cash Held for Others

Cash held for others represents funds deposited at the Laboratory by visiting scientists and conference organizers. These funds are typically used to offset future charges for services provided by the Laboratory on the depositor's behalf. The funds remain the property of the depositor. Accordingly, an offsetting liability entitled future program resources is shown in the statement of financial position to reflect the Laboratory's obligation.

(f) Concentration of Credit Risk

The Laboratory maintains cash balances at several banks in excess of federally insured limits. The Laboratory also maintains cash balances in money market funds which are not insured. The Laboratory has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

The majority of the Laboratory's investments are held in the University of Chicago's Total Return Investment Pool. The investment represents units in a pool of diversified assets.

(g) Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended to customers on a short-term basis; thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. Provisions for uncollectible accounts on accounts receivable are determined on the basis of loss experience, known and inherent risks and current economic conditions.

(h) Contributions

Contribution revenue, including gifts and unconditional promises to give, is recognized as revenue in the period received. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in the appropriate net asset category in the year received and are recorded at the present value of expected future cash flows, net of an allowance for doubtful accounts. Gifts and promises to give other assets are recorded at fair value at the date of contribution. Donor-restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There are \$9,250,056 of conditional promises to give not yet recognized as revenue.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

(i) Prepaid Expenses

Prepaid expenses are expenditures paid in advance of when the benefit of the outlay will be realized. These costs will be expensed in a future period when the purchased service is received or purchased good is consumed.

(j) Investments

Investments are reported at estimated fair value. If an investment is held directly by the Laboratory and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Laboratory's shares in the University of Chicago's Total Return Investment Pool (TRIP) are valued quarterly based on the market value of the TRIP investment portfolio and the number of outstanding shares at the end of each quarter. Additional contributions to the TRIP purchase additional shares in the pool at the most recent quarterly per share price.

(k) Investment Income and Distribution

For the pooled investments, the Laboratory employs a total return utilization policy that establishes the amount of the investment return made available for spending each year. The Board of Trustees has approved a spending policy that the withdrawal will be based on a percentage of the twelve quarter average ending market value of the funds. The market value includes the principal plus reinvested income, realized and unrealized gains and losses. For fiscal years 2019 and 2018, the Laboratory obtained approval to expend 5.5% of the latest twelve quarter average ending market values of the long-term investments.

Investment income from the pooled investments is allocated using a unitized system whereby components are valued using a fair value unit basis, and each component subscribes to or disposes of units on the basis of the fair value per unit at the beginning of the calendar quarter within which the transaction takes place.

(l) Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(m) Charitable Remainder Trusts and Planned Giving

The Laboratory is a beneficiary of certain charitable remainder trusts, gift annuities, and a pooled gift income fund with principal reverting to the Laboratory upon the death of donors or other beneficiaries. Charitable remainder trusts have been recorded at fair value, which is based on the market value of the assets contributed by the donor, net of an adjustment for the estimated life expectancies of the beneficiaries, the terms of the agreements, the expected return on the invested assets, and a discount rate.

Gift annuities and pooled income trusts are recorded at fair value, with offsetting estimated liabilities due to the donors based on the amount due to the donors, discounted for the estimated life expectancies of the beneficiaries. This recurring fair value measurement is based upon Level 1 inputs using market returns for similar assets for two of the charitable remainder trusts. The remaining two charitable remainder trusts have Level 3 inputs as the trusts do not provide transparent annual information and the fair value is estimated in accordance with an estimate of market performance. Included within charitable remainder trusts are two life estates in certain real estate whereby the fair value is determined using an appraisal which is a Level 3 input.

(n) Plant Assets

Plant assets are recorded at cost. Donated plant assets are recorded at the fair value at the time of gift. Depreciation expense is calculated using the straight-line method over the useful life of the asset. Estimated useful lives are generally 3 to 15 years for equipment and 15 to 60 years for buildings. Improvements to buildings used in sponsored research activities are depreciated based on the distinct useful life of each major building component. These range from 15 to 40 years. Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$4,644,240 and \$4,417,283 and has been recorded in the statements of activities in the appropriate functionalized categories.

(o) Deferred Income

Deferred income includes prepayments received on Laboratory publications, funding received for grants and contracts and laboratory rentals before it is earned.

(p) Revenue Recognition

Sources of operating revenue include grant payments from governmental agencies, contracts from private organizations and income from the rental of laboratories and classrooms for research and educational programs. The Laboratory recognizes revenue associated with grants and contracts at the time the related direct costs are incurred or expended. Recovery of related indirect costs is recorded at predetermined fixed rates negotiated with the government. Revenue related to conferences and services is recognized at the time the services are provided while tuition revenue is recognized as classes are offered. The tuition income is net of student financial aid of \$1,443,288 and \$1,622,744 for the years ended June 30, 2019 and 2018. Fees for conferences and other services include fees for housing, dining, library, scientific journals, aquatic resources, and research services.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

(q) Expenses

Expenses are recognized when incurred and are charged to the functions to which they are directly related. Expenses that relate to more than one function are allocated among functions based upon either modified total direct cost or square footage allocations.

The statements of activities presents expenses in functional categories without distinguishing program versus supporting service expenses. Administration expenses of \$12,964,718 and \$11,157,180 for the years ended June 30, 2019 and 2018 have been allocated among the categories presented. Those costs relating to the administration of sponsored programs are allocated based upon a category's historical level of program support while the remaining general administration expenses are allocated based upon historical levels of direct costs. Included in administration expenses are fund-raising expenses totaling \$1,404,701 and \$1,273,114 for the years ended June 30, 2019 and 2018.

(r) Use of Estimates

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

(s) Tax-Exempt Status

The Laboratory is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Laboratory is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Management believes that the Laboratory's income tax returns for years ended prior to 2015 are no longer subject to examination by tax authorities in its major tax jurisdiction.

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

(t) Recent Accounting Pronouncements

- (i) In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)* which supersedes all existing revenue recognition guidance arising from contracts with customers. This guidance requires revenue to be recognized when entities transfer promised goods or services to customers in an amount that reflects the consideration to which the entity is expected to be entitled to, allocating transaction price to performance obligations, and recognizing revenue as performance obligations are satisfied. It also significantly expands the disclosure requirements for revenue recognition. The Laboratory adopted the new guidance as of July 1, 2018 using the modified retrospective transition method. The Laboratory elected to apply the standard to contracts that are not completed as of that date, as such comparative information has not been adjusted and continues to be reported under prior revenue recognition guidance. This guidance did not have a significant impact on the Laboratory's financial statements.
- (ii) In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies the definition of an exchange transaction and criteria for evaluating whether a contribution is unconditional or conditional. The Laboratory adopted this standard effective July 1, 2018 using the modified prospective transition method. This guidance did not have a significant impact on the Laboratory's financial statements.

(3) Financial Assets and Liquidity Resources

As of June 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 1,525,068	571,951
Short-term investments	9,082,240	9,910,742
Accounts receivable, net	898,983	1,004,284
Receivables due for costs incurred on grants and contracts	4,958,271	2,524,516
Pledge payments available for operations	896,683	594,407
Board designations:		
Fiscal 2020 endowment payout	4,373,332	4,442,943
Total financial assets available within one year	21,734,577	19,048,843
Liquidity resources:		
Bank line of credit	—	2,775,000
Total financial assets and liquidity resources available within one year	\$ 21,734,577	21,823,843

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

The Laboratory's cash flows have seasonal variations during the year attributable to tuition and conference billing, Whitman research, and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the Laboratory maintains a line of credit with a bank. The Laboratory has no outstanding borrowings under the line of credit at June 30, 2019. Additionally, as of June 30, 2019, the Laboratory had an additional \$8,707,742 in institutional funds which is available for general expenditures with Board approval.

(4) Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2019	2018
Unconditional promises expected to be collected in:		
In one year or less	\$ 1,771,683	954,407
Between one and five years	3,630,683	2,382,740
	5,402,366	3,337,147
Less discount	(531,496)	(382,798)
Less allowance for uncollectible pledges	(133,834)	(149,834)
Contributions receivable, net	\$ 4,737,036	2,804,515

The risk adjusted discount rate, which ranged from 5.25% to 7.00%, is utilized in determining the fair value of such contributions receivable.

(5) Investments, Charitable Remainder Trusts & Interest Rate Swap Agreements

The following table sets forth the Laboratory's investments and other assets by major category in the fair value hierarchy as of June 30, 2019, as well as related strategy, liquidity and funding commitments:

Description	Level 1	Level 2	Level 3	Total	Liquidity	Days' notice
Investments:						
Cash equivalents	\$ 9,022,241	—	—	9,022,241	Daily	1
Fixed income mutual funds	166,972	—	—	166,972	Daily	1
Equity mutual funds	13,617	—	—	13,617	Daily	1
University of Chicago Total Return Investment Pool	—	—	83,193,944	83,193,944	Quarterly	30–270
Total investments	\$ 9,202,830	—	83,193,944	92,396,774		
Charitable remainder trusts	\$ —	—	1,100,000	1,100,000	N/A	N/A
Interest rate swap	—	(4,078,407)	—	(4,078,407)	N/A	N/A

MARINE BIOLOGICAL LABORATORY

Notes to Financial Statements

June 30, 2019 and 2018

The following table presents a roll-forward of assets measured at fair market value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2019.

	University of Chicago Total Return Investment Pool	Charitable remainder trusts
Beginning balance	\$ 83,102,764	1,100,000
Total gains or losses included in changes in net assets	5,331,976	—
Purchases and settlements	(5,240,796)	—
Ending balance	\$ 83,193,944	1,100,000

The following table sets forth the Laboratory's investments and other assets by major category in the fair value hierarchy as of June 30, 2018, as well as related strategy, liquidity and funding commitments:

Description	Level 1	Level 2	Level 3	Total	Liquidity	Days' notice
Investments:						
Cash equivalents	\$ 9,943,792	—	—	9,943,792	Daily	1
Fixed income mutual funds	187,356	—	—	187,356	Daily	1
Equity mutual funds	14,387	—	—	14,387	Daily	1
University of Chicago Total Return Investment Pool	—	—	83,102,764	83,102,764	Quarterly	30–270
Total investments	\$ 10,145,535	—	83,102,764	93,248,299		
Charitable remainder trusts	\$ —	—	1,100,000	1,100,000	N/A	N/A
Interest rate sw ap	—	(2,977,253)	—	(2,977,253)	N/A	N/A

The following table presents a roll-forward of assets measured at fair market value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2018.

	University of Chicago Total Return Investment Pool	Charitable remainder trusts
Beginning balance	\$ 80,129,471	1,222,360
Total gains or losses included in changes in net assets	6,286,898	—
Purchases and settlements	(3,313,605)	(122,360)
Ending balance	\$ 83,102,764	1,100,000

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The Laboratory's overall investment objective is to invest its assets in a prudent manner that will achieve a long term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation.

The TRIP diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. MBL does not directly own these securities, but owns shares in the TRIP.

The TRIP is composed of the following as of June 30, 2019 and 2018:

	2019	2018
Cash equivalents	1.03%	1.30 %
Global public equities (primarily international)	33.15	27.06
Private debt	5.04	4.67
Private equity:		
U.S. venture capital	6.58	5.50
U.S. corporate finance	3.84	3.56
International	6.90	6.21
Real estate	6.23	6.25
Natural resources	6.72	7.63
Absolute return:		
Equity-oriented	6.32	10.27
Global macro/relative value	5.00	6.02
Multi-strategy	6.77	7.59
Credit-oriented	5.44	5.69
Protection-oriented	1.91	1.91
Fixed income:		
U.S. treasuries, including TIPS	6.09	6.34
Total	100.00 %	100.00 %

- Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts.
- Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined net asset value (NAV). Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.
- Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where

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private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University monitors the valuation methodologies and practices of managers.

- The absolute return portfolio is comprised of investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.
- Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year and are valued based on quoted market prices in active markets, except for a commingled fund that is valued on independently determined NAV.

(6) Endowment

The Laboratory's endowment pool consists of approximately 180 individual funds established for a variety of purposes. This includes both donor restricted "endowment funds" and funds designated by the Laboratory to function as "institutional funds". Net assets associated with endowment funds, including funds designated by the Laboratory to function as institutional funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Laboratory views *Massachusetts Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the Laboratory to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory has classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts 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 (although no existing donor instruments have so directed). Accumulations to the endowment that do not have to be maintained in perpetuity remain classified as net assets with donor restriction until they are appropriated for expenditure by the Board in a manner consistent with the Laboratory's spending policy, UPMIFA, other applicable laws, and any donor-imposed restrictions.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value. Deficiencies of this nature are reported in net assets with donor restrictions. These totaled \$15,164 and \$16,021 as of June 30, 2019 and 2018.

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(c) Endowment Investment Policy

The Laboratory has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the Laboratory's Investment Policy and Spending Rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

(d) Strategies Employed for Achieving Objectives

By investing in the University's Total Return Investment Pool, the Laboratory has effectively adopted the University's investment objectives and strategies as its own. The University's overall investment objective is to invest its assets in a prudent manner that will achieve a long term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation.

(e) Endowment Fund Activity

Endowment net assets consisted of the following fund types as of June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Historical gift value	\$ —	54,012,673	54,012,673
Appreciation	—	<u>20,594,119</u>	<u>20,594,119</u>
Total donor restricted endowment funds	—	74,606,792	74,606,792
Board-designated institutional funds	<u>8,707,742</u>	—	<u>8,707,742</u>
	<u>\$ 8,707,742</u>	<u>74,606,792</u>	<u>83,314,534</u>

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The changes in endowment net assets for the period ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,887,526	73,482,163	83,369,689
Investment return:			
Investment income	109,840	849,237	959,077
Net appreciation	<u>418,783</u>	<u>3,954,116</u>	<u>4,372,899</u>
Total investment return	528,623	4,803,353	5,331,976
New gifts/pledge payments	—	252,261	252,261
Appropriation of endowment assets for operations (draw)	(512,601)	(3,930,985)	(4,443,586)
Withdrawal to finance capital expenditures	<u>(1,195,806)</u>	<u>—</u>	<u>(1,195,806)</u>
Endowment net assets, end of year	\$ <u>8,707,742</u>	<u>74,606,792</u>	<u>83,314,534</u>

Endowment net assets consisted of the following fund types as of June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Historical gift value	\$ —	55,455,718	55,455,718
Appreciation	<u>—</u>	<u>18,026,445</u>	<u>18,026,445</u>
Total donor restricted endowment funds	—	73,482,163	73,482,163
Board-designated institutional funds	<u>9,887,526</u>	<u>—</u>	<u>9,887,526</u>
	\$ <u>9,887,526</u>	<u>73,482,163</u>	<u>83,369,689</u>

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June 30, 2019 and 2018

The changes in endowment net assets for the period ended June 30, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 9,678,429	70,473,623	80,152,052
Investment return:			
Investment income	87,731	642,424	730,155
Net appreciation	667,992	4,888,747	5,556,739
Total investment return	755,723	5,531,171	6,286,894
New gifts/pledge payments	—	1,377,308	1,377,308
Appropriation of endowment assets for operations (draw)	(546,626)	(3,884,396)	(4,431,022)
Other	—	(15,543)	(15,543)
Endowment net assets, end of year	\$ 9,887,526	73,482,163	83,369,689

(7) Plant Assets

Plant assets consisted of the following at June 30:

	2019	2018
Land	\$ 52,931,084	52,931,085
Buildings	107,414,155	105,153,955
Equipment	30,738,922	28,460,889
Construction in progress	270,440	540,531
	191,354,601	187,086,460
Less accumulated depreciation	(86,106,943)	(81,519,717)
Plant assets, net	\$ 105,247,658	105,566,743

(8) Debt

Long-term debt consisted of Massachusetts Development Finance Agency, Variable Rate Demand Revenue Bonds, Series 2006, payable in annual installments from 2008 through 2036. The principal balance outstanding at June 30, 2019 and 2018 was \$25,715,000 and \$26,555,000. The interest rate at June 30, 2019 and 2018 was 1.9% and 1.5%.

The interest rate on the Bonds resets weekly, and is payable monthly. The Bonds are scheduled to mature on October 1, 2036. As collateral for the Bonds, the Laboratory has entered into a Letter of Credit Reimbursement Agreement with PNC Bank which is set to expire on June 2, 2021. The Letter of Credit Reimbursement Agreement is in an amount sufficient to pay the aggregate principal amount of the Bonds and up to thirty-four days' interest. The Bonds are subject to certain covenants; including a minimum debt service coverage ratio.

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June 30, 2019 and 2018

The aggregate amount of principal due on long-term debt for each of the next five years ending June 30 and thereafter is as follows:

2020		\$	875,000
2021			910,000
2022			945,000
2023			980,000
2024			1,020,000
Thereafter			<u>20,985,000</u>
		\$	<u><u>25,715,000</u></u>

The balance of outstanding principal and accrued debt issuance costs at June 30, 2019 and 2018 was:

		<u>2019</u>	<u>2018</u>
Principal balance	\$	25,715,000	26,555,000
Debt issuance costs		<u>(137,951)</u>	<u>(146,067)</u>
Long-term debt net of issuance costs	\$	<u><u>25,577,049</u></u>	<u><u>26,408,933</u></u>

The Laboratory has an interest rate swap agreement (the Agreement) with a counterparty whose credit rating was A3 at June 30, 2019. The Laboratory entered into this Agreement to manage interest rate risk exposure. Under the terms of this agreement as modified, the floating rate paid to the Laboratory is 67% of one month LIBOR to 67% of three month LIBOR and the fixed rate paid by the Laboratory is increased to 3.413%.

The Agreement expires in 2036. The fair value of the Agreement was \$4,078,407 and \$2,977,253, at June 30, 2019 and 2018, and is separately presented in the statement of financial position. Because the swap fair values are primarily based on observable inputs such as the interest yield curve that are corroborated by market data, they are categorized as Level 2 in the fair value hierarchy.

On April 15, 2014, the Laboratory established an unsecured line of credit with PNC Bank. The line of credit allows for a maximum borrowing capacity of \$3,000,000. The line of credit expires on April 20, 2020. The line carries a borrowing rate option equal to the daily LIBOR rate plus 1.50%. The Laboratory had no outstanding borrowings under the line of credit at June 30, 2019 and 2018. A standby letter of credit for \$225,000 is issued by PNC Bank in accordance with regulations issued under the authority of the Massachusetts Department of Public Health Radiation on behalf of the Laboratory. The standby letter of credit is required to provide assurance that funds will be available when needed for decommissioning of radioactive material. If the standby letter of credit is executed by the state of Massachusetts it would be funded from the letter of credit.

For the years ended June 30, 2019 and 2018, the Laboratory recognized interest expense of \$977,299 and \$1,018,634.

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(9) Retirement Plan

The Laboratory participates in the defined contribution pension plan with TIAA-CREF (the Plan). Eligible employees become participants upon completion of two years of service, as defined in the plan document. Under the Plan, the Laboratory contributes 10% of compensation, as defined in the plan document, subject to certain limitations, for each participant. Contributions amounted to \$1,421,618 and \$1,313,031 for the years ended June 30, 2019 and 2018.

(10) Post-retirement Benefits

The Laboratory provides certain health care benefits for retired employees covered under the Laboratory's Post-Retirement Health Care Plan (the PRHC Plan).

The Laboratory's policy is that all retirees who retired prior to June 1, 1994 receive post-retirement health benefits as defined by the PRHC Plan. The remaining active employees as of June 1, 1994 will receive limited benefits upon their retirement as defined by the PRHC Plan. Employees hired on or after January 1, 1995 are not eligible to participate in the PRHC Plan.

	2019	2018
Change in benefit obligation:		
Post-retirement benefit obligation at beginning of year	\$ 1,245,652	1,266,370
Service cost	11,500	14,789
Interest cost	69,764	65,881
Actuarial loss/(gain)	25,688	(31,479)
Benefits paid	(140,399)	(68,031)
Adjustment for Medicare Part D subsidy	1,624	(1,878)
Post-retirement benefit obligation at end of year	1,213,829	1,245,652
Change in plan assets:		
Fair value of plan assets at beginning of year	3,140,042	2,925,667
Employer contribution	102,547	59,987
Participant contributions	27,839	—
Actual return on plan assets	202,170	214,375
Benefits paid	(140,399)	(68,031)
Medicare Part D subsidy payment	10,013	8,044
Fair value of plan assets at end of year	3,342,212	3,140,042
Net benefit asset recognized in the statement of financial position, included in other assets	\$ 2,128,383	1,894,390

Weighted average assumptions as of June 30, to determine benefit obligations at year end:

	2019	2018
Discount rate	3.00 %	3.85 %
Rate of compensation increase	N/A	N/A

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Weighted average assumptions as of June 30, to determine net periodic benefit cost at year end:

	<u>2019</u>	<u>2018</u>
Discount rate	3.85 %	3.35 %
Expected long-term return on plan assets	7.00 %	7.00 %
Rate of compensation increase	N/A	N/A
Average future years of service	3.77	4.08

The PRHC Plan assets and weighted average asset allocations at June 30, by asset category are as follows:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 184,608	1,951,563
Fixed income securities	1,072,067	1,011,661
Cash equivalents	<u>2,085,537</u>	<u>176,818</u>
	<u>\$ 3,342,212</u>	<u>3,140,042</u>

As of June 30, 2019 and 2018 the Laboratory's PRHC Plan assets were accounted for at fair value. All PRHC Plan assets were Level 1 assets.

The Executive Committee of the Board of Trustees has selected a balanced strategy of 45% equity securities, 45% fixed income securities and 10% cash equivalents as a target asset allocation for the PRHC Plan investments. All of the debt and equity securities included in the PRHC Plan assets are publicly traded securities and are carried at fair value based upon quoted market prices.

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For purposes of measuring the benefit obligation, a 5.4% annual rate of increase in the per capita cost of covered health benefits was assumed for 2019. The rate was assumed to decrease gradually to 3.8% in 2075 and remain at that level thereafter.

	<u>2019</u>	<u>2018</u>
Components of net periodic benefit cost:		
Operating – service cost	\$ 11,500	14,789
Nonoperating:		
Interest cost	69,764	65,881
Expected return on assets	(219,803)	(204,797)
Recognized net actuarial loss	(58,712)	(16,219)
Adjustment for Medicare Part D Subsidy	<u>(105,000)</u>	<u>(192,785)</u>
Total nonoperating	<u>(313,751)</u>	<u>(347,920)</u>
Net periodic benefit cost	\$ <u>(302,251)</u>	<u>(333,131)</u>
Impact of 1% increase in healthcare cost trend:		
On interest cost plus service cost during past year	\$ 1,787	1,299
On accumulated post-retirement benefit obligation	42,129	39,826
Impact of 1% decrease in healthcare cost trend:		
On interest cost plus service cost during past year	\$ (1,930)	(1,588)
On accumulated post-retirement benefit obligation	(44,073)	(44,103)

The Laboratory expects to contribute \$154,000 to the PRHC Plan during the fiscal year ending June 30, 2020.

The expected future benefit payments for the next ten years are as follows:

Year-end:	
2020	\$ 154,000
2021	156,000
2022	150,000
2023	152,000
2024	153,000
2025–2029	530,000

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At June 30, 2019 and 2018, the items not yet recognized as a component of net periodic post-retirement benefit cost including the effect of the adjustment for Medicare Part D subsidy are as follows:

	<u>2019</u>	<u>2018</u>
Net actuarial gain	\$ (311,777)	(492,595)
Total unamortized items	\$ <u>(311,777)</u>	<u>(492,595)</u>

In addition to interest and service costs, the estimated net actuarial losses, excluding the effect of the adjustment for Medicare Part D subsidy, and transition obligation for the Plan to be amortized into net periodic post-retirement benefit cost for fiscal 2019 and 2018 are \$16,000 and \$38,000.

(11) Restricted Net Assets

The Laboratory classifies gifts that have donor-imposed restrictions regarding time or the purposes to which the gift is to be used as net assets with donor restrictions. The Laboratory classifies pledges to give as time restricted until collected. When collected, a gift is reclassified to its purpose restriction or if unrestricted, released from restriction. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases to net assets with donor restriction.

(a) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Endowment:		
Resident research program	\$ 26,377,708	25,993,911
Visiting research program	6,478,151	6,391,772
Research support	3,475,577	3,337,708
Education program	21,376,829	21,034,427
General support	15,485,295	15,325,857
Capital and infrastructure maintenance	1,413,232	1,398,488
Operating	7,052,282	4,635,290
Annuity and life income	159,824	155,457
Pledges	5,698,534	3,750,176
Nonoperating (plant)	194,307	311,306
	\$ <u>87,711,739</u>	<u>82,334,392</u>

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(b) Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows:

	2019	2018
Appropriation of endowment assets for operations	\$ 3,930,985	3,884,396
Operating	3,649,291	2,769,869
Endowment	—	(36,966)
Nonoperating (plant)	266,997	138,717
	\$ 7,847,273	6,756,016

(12) Functional Classification of Expenses

Expenses by functional and natural classification for the year ended June 30, 2019.

	Resident research	Education	Whitman research	Other institutional activities	Conference, housing and dining	Research services	Facilities	Administration	Total
Salaries	\$ 7,091,328	854,188	—	189,353	608,411	1,261,596	2,188,260	5,363,206	17,556,342
Fringe benefits	2,304,425	193,190	—	47,155	190,929	399,190	709,800	2,680,631	6,525,320
Professional services	40,725	704,810	—	1,500	—	—	30,172	708,539	1,485,746
Equipment	26,411	6,713	—	2,031	27,201	678	39,120	22,758	124,912
Supplies	1,179,123	617,253	10,268	87,857	79,189	525,860	117,511	187,145	2,804,206
Travel	522,510	566,741	22,286	5,137	17	11,035	1,768	154,644	1,284,138
Interest expense, net	—	—	—	—	—	—	—	977,299	977,299
Other expenses	453,631	573,207	24,990	43,995	230,295	311,040	1,047,014	2,251,110	4,935,282
Inter-departmental charges, net	595,662	2,599,331	797,267	(9,839)	(3,997,910)	(7,265)	(48,180)	70,934	—
Subcontracts	1,703,221	—	—	—	2,177,930	—	—	34,841	3,915,992
Serials and books	711	149	—	—	—	50	3,475	437,438	441,823
Utilities	3,066	—	—	—	1,141	1,456	2,076,402	76,173	2,158,238
Depreciation	—	—	—	—	—	—	4,644,240	—	4,644,240
Total	13,920,813	6,115,582	854,811	367,189	(682,797)	2,503,640	10,809,582	12,964,718	46,853,538
Overhead expense allocations	13,467,327	4,924,867	1,147,180	784,345	5,954,221	(2,503,640)	(10,809,582)	(12,964,718)	—
Total expenses	\$ 27,388,140	11,040,449	2,001,991	1,151,534	5,271,424	—	—	—	46,853,538

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June 30, 2019 and 2018

Expenses by functional and natural classification for the year ended June 30, 2018.

	Resident research	Education	Whitman research	Other institutional activities	Conference, housing and dining	Research services	Facilities	Administration	Total
Salaries	\$ 6,436,097	776,976	—	171,781	622,508	1,139,768	2,306,121	4,894,061	16,347,312
Fringe benefits	2,161,794	164,527	—	42,229	195,074	377,401	773,353	2,139,195	5,853,573
Professional services	39,676	722,066	—	—	—	37,790	73,569	512,232	1,385,333
Equipment	63,255	(2,893)	—	3,725	10,060	44,959	11,497	23,617	154,220
Supplies	994,966	731,995	14,793	55,762	55,365	517,026	216,757	165,779	2,752,443
Travel	394,187	526,341	(5,230)	3,639	1,268	4,247	(984)	78,030	1,001,498
Interest expense, net	—	—	—	—	—	—	—	1,018,634	1,018,634
Other expenses	456,617	485,502	(46,550)	24,002	247,472	331,492	1,107,087	1,710,720	4,316,342
Inter-departmental charges, net	481,290	2,407,415	644,530	8,061	(3,478,321)	(42,360)	(64,586)	43,971	—
Subcontracts	1,303,745	—	—	—	1,926,021	—	—	19,416	3,249,182
Serials and books	580	7,661	—	—	—	—	2,887	466,061	477,189
Utilities	7,670	—	—	175	2,851	1,857	2,128,057	85,464	2,226,074
Depreciation	—	—	—	—	—	—	4,417,283	—	4,417,283
Total	12,339,877	5,819,590	607,543	309,374	(417,702)	2,412,180	10,971,041	11,157,180	43,199,083
Overhead expense allocations	12,308,279	4,535,780	1,153,452	762,741	5,780,149	(2,412,180)	(10,971,041)	(11,157,180)	—
Total expenses	\$ 24,648,156	10,355,370	1,760,995	1,072,115	5,362,447	—	—	—	43,199,083

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

(13) Related Parties

In addition to affiliate activity previously disclosed, the Laboratory had the following other related party activity.

Current and former trustees of the Laboratory have outstanding pledged contributions of \$4,436,000 and \$2,787,000 at June 30, 2019 and 2018. These amounts are included in contributions receivable in the statement of financial position.

(14) Subsequent Events

In connection with the preparation of these financial statements, the Laboratory has evaluated events and transactions through December 2, 2019, which is the date these financial statements were available for issuance.