Woods Hole Oceanographic Institution

Financial Statements
December 31, 2020 and 2019

Woods Hole Oceanographic Institution
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December 31, 2020 and 2019

Report of Independent Auditors

To the Board of Trustees of
Woods Hole Oceanographic Institution

We have audited the accompanying financial statements of Woods Hole Oceanographic Institution (the "Institution"), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities for the year ended December 31, 2020 and of cash flows for the years ended December 31, 2020 and 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Institution'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 Institution'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 Woods Hole Oceanographic Institution as of December 31, 2020 and 2019 and the changes in its net assets for the year ended December 31, 2020 and its cash flows for the years ended December 31, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the statement of financial position as of December 31, 2019, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated July 15, 2020, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of December 31, 2020 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
July 15, 2021

Woods Hole Oceanographic Institution
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents, unrestricted	$ 808,665	$ 5,229,194
Cash and cash equivalents, restricted	25,800,815	28,074,605
Billed (net of allowance for doubtful accounts of $114,177 for 2020 and $85,072 for 2019)	6,963,990	7,129,764
Unbilled	28,281,621	13,374,454
Receivable for investments sold	20,856,039	20,704,828
Other receivables	559,801	818,745
Inventory	2,579,756	3,070,743
Deferred charges and prepaid expenses	4,411,461	1,335,155
Deposits with trustees for construction	15,941,385	33,106,718
Pledges receivable, net (Note 5)	10,072,597	7,630,900
Right of use asset	151,403	-
Investments designated for retiree and active medical plans (Note 3 & 10)	12,513,258	11,650,933
Investments, pooled (Note 3)	448,501,806	413,323,721
Other assets	1,057,813	1,038,373
	578,500,410	546,488,133
Property, plant and equipment		
Land, buildings and improvements	185,215,123	180,063,680
Vessels and dock facilities	14,723,313	13,985,079
Laboratory and other equipment	48,202,340	46,229,774
Construction in process	19,217,550	4,291,925
	267,358,326	244,570,458
Accumulated depreciation	(164,004,915)	(153,606,256)
Net property, plant and equipment	103,353,411	90,964,202
Contributions receivable from remainder trusts, long-term, net (Note 6)	1,040,530	1,026,564
Total assets	$ 682,894,351	$ 638,478,899
Liabilities		
Accounts payable and other liabilities (Note 8)	$ 29,913,247	$ 24,228,755
Accrued payroll and related liabilities	11,380,729	9,332,405
Deferred revenue and refundable advances	3,377,360	4,048,618
Deferred fixed rate variance (Note 7)	1,445,663	4,799,316
Right of use liability	151,403	-
Accrued postretirement liability (Note 10)	33,009,992	31,173,664
Accrued pension liability (Note 9)	107,962,291	114,987,698
Bonds payable (Note 8)	81,984,491	83,723,699
Total liabilities	269,225,176	272,294,155
Net assets		
Without donor restrictions	(14,585,094)	(26,153,449)
With donor restrictions	428,254,269	392,338,193
Total net assets	413,669,175	366,184,744
Total liabilities and net assets	$ 682,894,351	$ 638,478,899

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statements of Activities
Years Ended December 31, 2020 and 2019
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenues				
Sponsored research				
Government	$ 161,898,614	$ -	$ 161,898,614	$ 139,405,005
Ships and submersibles operations	19,079,783	-	19,079,783	28,384,458
Subcontracts and nongovernment	25,185,015	22,374,850	47,559,865	69,969,893
Sponsored research assets released to operations	18,691,061	(18,691,061)	-	-
Fixed price awards	1,451,344	-	1,451,344	259,871
Education				
Joint program income	6,356,991	-	6,356,991	5,193,032
Endowment income	-	9,177,130	9,177,130	8,911,895
Education funds released from restriction	9,350,234	(9,350,234)	-	-
Education fees	42,594	-	42,594	450,868
Contributions and gifts	14,511,780	9,440,938	23,952,718	20,113,979
Contributions in kind	266,707	-	266,707	411,130
Investment return designated for current operations	4,326,527	-	4,326,527	4,478,356
Releases from restrictions	-	(4,271,836)	(4,271,836)	(1,633,744)
Charter Income	-	-	-	1,971,180
Fees	1,114,137	-	1,114,137	1,290,927
Rental income	559,347	-	559,347	553,087
Communication and publications	219,797	-	219,797	277,705
Other	584,159	-	584,159	968,047
Total revenues	263,638,090	8,679,787	272,317,877	281,005,689
Expenses				
Research	174,422,941	-	174,422,941	176,447,987
Marine operations	32,132,479	-	32,132,479	13,866,886
Academic programs	13,484,866	-	13,484,866	12,148,866
Other Institution activities	8,794,738	-	8,794,738	9,221,315
Unsponsored research	14,151,738	-	14,151,738	14,645,681
Ships and submersibles	19,079,783	-	19,079,783	28,384,458
Total expenses	262,066,545	-	262,066,545	254,715,193
Change in net assets from operating activities	1,571,545	8,679,787	10,251,332	26,290,496
Nonoperating revenue and expenses				
Investment return greater than amounts designated for sponsored research, education and current operations	6,401,544	27,130,323	33,531,867	19,842,542
Return on investments for retiree and active medical plans	1,845,820	-	1,845,820	2,313,166
Net realized/unrealized (loss) on interest rate swap	(2,517,111)	-	(2,517,111)	(2,155,875)
Change in split interest agreements	7,452	105,966	113,418	293,767
Other nonoperating expenses	(69,876)	-	(69,876)	(69,876)
Donor reclassification to ship operations	-	-	-	26,262
(Loss) on sale of investment	(219,749)	-	(219,749)	(500,000)
Net periodic benefit cost	(1,287,527)	-	(1,287,527)	(245,533)
Pension and post-retirement related changes other than net periodic benefit costs (Note 9)	5,836,257	-	5,836,257	(16,674,540)
Change in net assets from nonoperating activities	9,996,810	27,236,289	37,233,099	2,829,913
Total change in net assets	11,568,355	35,916,076	47,484,431	29,120,409
Net assets at				
Beginning of year	(26,153,449)	392,338,193	366,184,744	337,064,335
End of year	$ (14,585,094)	$ 428,254,269	$ 413,669,175	$ 366,184,744

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Total change in net assets	$ 47,484,431	$ 29,120,409
Adjustments to reconcile total change in net assets to net cash used in operating activities		
Depreciation	10,980,191	10,743,913
Amortization	(569,208)	(546,460)
Change in split interest agreements	(113,418)	(293,767)
Allowance for uncollectible pledges	340,672	2,345
Discount on pledges	23,732	33,575
Net realized and unrealized (gain) on investments	(56,847,403)	(42,899,190)
Loss on sale of investment	-	500,000
Unrealized loss on interest swap	1,294,564	1,289,536
Pension related changes other than net periodic pension costs	(5,836,257)	16,674,540
Contributions to be used for long-term investment	(1,666,929)	(6,339,673)
Receipt of contributed securities	(312,304)	(1,192,513)
Liquidation of contributed securities	312,304	1,192,513
(Increase) decrease in assets		
Reimbursable costs and fees		
Billed	165,774	(3,133,112)
Unbilled	(14,907,167)	(2,010,620)
Other receivables	258,944	646,284
Pledges receivable	(2,806,103)	(5,631,168)
Inventory	490,987	249,883
Deferred charges and prepaid expenses	(3,076,306)	219,232
Other assets	(19,440)	(115,838)
Operating lease liability		
Remainder trusts	(13,966)	(191,982)
Deferred fixed rate variance	-	1,520,599
Increase (decrease) in liabilities		
Accrued pension and postretirement liability	647,178	(148,135)
Accounts payable and other liabilities	5,120,979	(27,573)
Accrued payroll and related liabilities	2,048,324	823,182
Deferred revenue and refundable advances	(671,257)	(13,612,265)
Deferred fixed rate variance	(3,353,653)	4,799,316
Net cash used in operating activities	(21,025,331)	(8,326,969)
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(23,987,032)	(13,368,788)
Bond Proceeds		
Proceeds used for PP&E, net	17,165,333	1,300,983
Endowment and other		
Purchase of investments	(6,482,502)	(9,358,848)
Sale of investments	26,056,000	33,648,000
Receivable for investments sold	(151,211)	(351,406)
Purchase of investments designated for retiree and active medical plans	-	(499,614)
Proceeds from the sale of investments designated for retiree and active medical plans	983,495	1,199,546
Net cash provided by investing activities	13,584,083	12,569,873
Cash flows from financing activities		
Repayments under debt agreement	(1,170,000)	(1,120,000)
Borrowing under line of credit	-	1,000,000
Repayments under line of credit	-	(8,000,000)
Contributions to be used for long-term investment	1,666,929	6,339,673
Net cash provided by financing activities	496,929	(1,780,327)
Net (decrease) increase in cash and cash equivalents	(6,944,319)	2,462,577
Cash and cash equivalents		
Beginning of year	33,553,799	31,091,222
End of year	$ 26,609,480	$ 33,553,799
Supplemental disclosures		
Cash paid for interest	$ 4,916,675	$ 4,645,654
Noncash activity		
Construction in process additions remaining in accounts payable	$ 290,803	$ 908,434
Contributed securities	312,304	1,192,513

The accompanying notes are an integral part of these financial statements.

1. Background

Woods Hole Oceanographic Institution (the "Institution") is a private, independent not-for-profit research and educational institution located in Woods Hole, Massachusetts. Founded in 1930, the Institution is dedicated to advancing knowledge of the ocean and its interaction with the Earth system through a sustained commitment to excellence in science, engineering, and education and to the application of this knowledge to problems facing society.

The Institution is a qualified tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as it is organized and operated for education and scientific purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institution's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions and legal restrictions imposed under Massachusetts State law. Accordingly, net assets and changes therein are classified as follows:

Net Assets with Donor Restrictions

Donor-imposed restricted net assets are subject to donor-imposed stipulations that they be maintained by the Institution in perpetuity, or may or will be met by actions of the Institution and/or the passage of time. Generally, the donors of donor-restricted endowment funds permit the Institution to use all or part of the income earned and capital appreciation, if any, on related investments for general or specific purposes. Assets in an endowment fund are donor restricted assets until the Institution appropriates and spends such sums in accordance with the terms of the underlying endowment funds and in accordance with Massachusetts law, at which time they will be released to revenues without donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions with the exception of certain investment expenses which are required to be netted against investment return. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of net assets with donor restrictions, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as releases between the applicable classes of net assets. Amounts received for sponsored research are reflected in sponsored research revenue and released to operations when spent for the appropriate purpose, or as deferred revenue if expenditures have yet to be incurred.

Contributions
Contributions, including promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as support without donor restrictions. Promises to give that are scheduled to be received after the balance sheet date or are subject to donor-imposed stipulations are shown as increases in net assets with donor restrictions and are released to net assets without donor restrictions when the purpose or restriction is met. Promises to give, subject to donor-imposed stipulations that the corpus be maintained in perpetuity, are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions other than cash are generally recorded at market value on the date of the gift (or an estimate of fair value); although certain noncash gifts, for which a readily determinable market value cannot be established, are recorded at a nominal value until such time as the value becomes known. Contributed securities are sold immediately upon receipt. Contributions to be received after one year are discounted at the appropriate rate commensurate with risk. Amortization of such discount is recorded as additional contribution revenue in accordance with restrictions imposed by the donor on the original contribution, as applicable. Amounts receivable for contributions are reflected net of an applicable reserve for collectability.

The Institution reports contributions in the form of land, buildings, or equipment as operating support without donor restrictions at fair market value when received.

Dividends, interest and net gains on investments of endowment and similar funds are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a donor restricted endowment fund;

- As increases in net assets with donor restrictions if the terms of the gift or relevant state law impose restrictions on the current use of the income or net realized and unrealized gains until they are appropriated for expenditure and/or the purpose restrictions are met; and

- As increases in net assets without donor restrictions in all other cases.

Operations
The statement of activities reports the Institution's operating and nonoperating activities. Operating revenues and expenses consist of those activities attributable to the Institution's current annual research or educational programs, all gifts received, charter income, and a component of endowment income appropriated for operations (Note 3). Endowment investment income, gains and losses, from endowment funds without donor restrictions, over the amount appropriated under the Institution's spending plan are reported as nonoperating revenue (expense) as investment return (less than) in excess of amounts designated for sponsored research, education and current operations.

Nonoperating revenues (expenses) also include the change in value of split interest agreements, realized/unrealized (losses) gains on interest rate swaps, and the net periodic pension income (cost) on the noncontributory defined benefit pension plan that is not reimbursed through negotiated fixed rate agreements with the federal government. Additionally, nonoperating activities include redesignation of donor gifts, depreciation on certain government-funded facilities and pension related changes other than net periodic pension costs.

As a result of an amendment to the postretirement health plan, in 2012 and forward, the Institution recognizes the return on investments designated for retiree and active medical plan expenses, and actual active and retiree medical expenses as nonoperating activities when these expenses are funded by withdrawals from the postretirement plan (Note 10).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and overnight repurchase agreements with initial maturities of three months or less when purchased which are stated at cost, which approximates market value.

The Institution has elected to treat all short-term highly liquid investments, (i.e., cash equivalents), embedded in pooled investments, investments designated for retiree and active medical plans and split interest agreements as short-term investments.

The Institution invests its cash and cash equivalents in money market funds at a financial institution which fully insures the balances held.

Included in restricted cash at December 31, 2020 and 2019 respectively are advances received from the United States Navy, other U.S. Government and state agencies as well as contributions from donors who have restricted money for specific research initiatives. Interest earned on unspent funds from federal agencies is remitted to the federal government. Restricted cash also includes Board designated cash and is detailed in the table below :

	2020	2019
US Navy & Other Government Advances	$ 19,770,677	$ 25,077,282
Massachusetts Radiation Control	271,052	267,889
Board Designated Cash	2,759,086	2,729,434
Line of Credit Facilities	3,000,000	-
	$ 25,800,815	$ 28,074,605

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts presented in the statements of cash flows.

	2020	2019
Cash and cash equivalents, unrestricted	$ 808,665	$ 5,229,194
Cash and cash equivalents, restricted	25,800,815	28,074,605
Cash included in pooled investments	-	250,000
Total cash, cash equivalents and restricted cash in the statement of cash flows	$ 26,609,480	$ 33,553,799

Investments

Investment securities are carried at market value and determined as follows: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sales prices were reported on that day are valued at closing bid prices. The value of publicly traded securities or mutual funds are based upon quoted market prices and net asset values. Other investments, such as private equity funds, venture capital funds and hedge funds for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Institution reviews and evaluates the valuations provided by investment managers and believes that these valuations are a reasonable estimate of fair value as of December 31, 2020 and 2019 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Purchases and sales of investment securities are recorded on a trade date basis. Realized gains and losses are computed on a specific identification method. Investment income, net of investment expenses, is distributed on the unit method.

The Institution makes investments in funds that make direct investments in public securities, over the counter securities, and other securities which may or may not have readily available market prices. The Institution follows authoritative guidance under generally accepted accounting principles for estimating the fair value of investments in those funds that have calculated net asset value per share in accordance with the specialized accounting guidance for investment companies. Accordingly, the Institution uses the net asset value, (NAV) without further adjustment as a practical expedient to determine the fair value of these funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. These values are reviewed and approved by the Institution.

Investment Income Unitization

The Institution's investments are pooled in an endowment fund and the investments and allocation of income are tracked on a unitized basis. The Institution distributes to operations for each individual fund an amount of investment income earned by each of the fund's proportionate share of investments based on a total return policy.

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, the Institution's annual operating budget should not exceed 5.0% of the Fund's (pooled investments) trailing 36 month rolling average market value. This amounted to $20,698,000 and $20,350,000 for the years ended December 31, 2020 and 2019, respectively, and is classified in operating revenues (research, education, and operations). The Institution is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, The Institution considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Institution has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no underwater endowment funds at December 31, 2020 or 2019.

Deposits with Trustees for Construction
Deposits with trustees for construction consist principally of investments in United States Government obligations and have been deposited with trustees under certain loan agreements. These amounts are restricted for use on approved construction projects and facility improvements set forth under the Series 2018 Bond issue (see Note 8). At December 31, 2020 and 2019, $15,941,385 and $33,106,718 was available for these purposes.

Other Assets
Other assets consist primarily of investments held by various split-interest agreements and donated property.

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Included in inventories are costs associated with the construction of engineered equipment under contracts totaling $1,099,184 and $1,094,108 for the years ended December 31, 2020 and 2019 respectively.

Contracts and Grants
Revenue earned on grants for research is recognized as related costs are incurred. Revenue on contracts is recognized as value is transferred to customers, which is comparable to when related costs are incurred for research and research and development contracts. For engineered equipment contracts, revenue is recognized at a point in time when the equipment is delivered.

The Institution received 88% and 83% of its sponsored research revenues from government agencies including 45% and 44% of its operating revenues directly from the National Science Foundation and 20% and 14% from the United States Navy in fiscal years 2020 and 2019, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

Joint Program Revenue
The Institution operates a joint graduate program in Oceanography with another institution under a memorandum of agreement. Tuition is charged to students per semester at agreed upon rates.

Charter Income
Revenues earned from vessel charters are based upon negotiated day rates with customers or a fixed day rate that approximates fair value for certain parties to the lease.

Other Income
Included in other income is membership, royalty and other ancillary income.

Deferred Financing Costs
Costs incurred in connection with the placement of the MassDevelopment, Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2018, have been deferred and are being amortized over the term of the obligation on a straight-line basis, which approximates the effective interest method. The unamortized portion of the deferred financing costs are included in the offset to long-term debt on the statement of financial position.

Interest Rate Swap
The Institution entered into an interest rate swap agreement on the MassDevelopment, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue Series A Bonds in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against

changes in the cash flow requirements of the Institution's variable rate debt obligations. The Series A bonds were retired on January 2, 2009.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement along with the change in fair value of the swap are recorded in nonoperating activities as net realized/unrealized (losses) gains on interest swap. The swap is carried at fair value and included in accounts payable and other liabilities in the statement of financial position.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 12 to 39 years on buildings and improvements, 10 to 15 years on vessels and dock facilities and 5 to 10 years on laboratory and other equipment. Depreciation expense on property, plant, and equipment purchased by the Institution in the amounts of $10,910,322 and $10,674,045 in 2020 and 2019, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to $69,876 in 2020 and 2019 has been charged to nonoperating expenses as these assets were gifted by the Government.

Leases
The Institution leases portions of certain buildings to others under arrangements that are classified as operating leases. The term of these two agreements does not exceed five years. Income under these agreements totaled $376,270 and $375,271 for the years ended December 31, 2020 and 2019 respectively. Operating leases are included in right of use assets and lease liabilities in the Institution's statement of financial position at December 31, 2020.

Expenses
Expenses are recognized when incurred and charged to the functions to which they are directly related. Sponsored research includes general research, marine operations research and services and ship and submersible operation and usage. Academic programs costs are associated primarily with the Joint program. Unsponsored research includes internally funded research activities of the Institution. Other institutional activities include development, communications, marine operations support and other unsponsored activities.

Included in other institution activities are fund raising expenses totaling $4,013,517 and $3,459,451 for the years ended December 31, 2020 and 2019. Fund raising expenses totaled approximately 18% and 17% of revenue from contributions for the years ending December 31, 2020 and 2019 respectively. The calculation includes costs associated with the Institution's Development Office, (including direct support activities) and the Contributions and gifts total presented on the statement of activities (excluding Contributions in kind).

Use of Estimates
The preparation of the financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

New Accounting Pronouncements
In August of 2019 the FASB issued ASU 2018-13 Fair Value Measurement (Topic) 820). The amendments in this Update as part of the disclosure framework project. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to

financial statements by facilitating clear communication of the information required by generally accepted accounting principles (GAAP) that is most important to users of each entity's financial statements. The amendments in this Update for the Institution are effective for the year ended December 31, 2020. The Institution adopted this update on a retrospective basis and there were no changes to net assets or changes in net assets as a result of this adoption.

In February of 2016, the FASB issued ASU 2016-02 Leases (Topic 842). The amendments in this update increase comparability and transparency among organizations by recognizing most lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. On January 1, 2020, the Institution adopted this new accounting guidance related to leasing using the modified retrospective approach under the standard. The Institution elected the "package of practical expedients", an option which permits it to not reassess prior conclusions about lease identification, lease classification and initial direct costs under the new standard. Effective January 1, 2020, we recognized approximately $151,403 of lease assets and $151,403 of lease liabilities as a result of the adoption of the Leases Standard. Prior year comparative financial statements have not been restated to reflect the adoption of this standard.

In August 2018 the FASB issued ASU 2018-15 Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. The amendments are to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance for determining when the arrangement includes a software license. The amendment in this Update for the Institution are effective for the year ended December 31, 2022.

In November 2018 the FASB issued ASU 2018-18 Collaborative Arrangements (Topic 808). The amendments in this Update are intended to clarify transactions between collaborative arrangement participants and revenue from contracts with customers. The amendments in this Update for the Institution are effective for the year ended December 31, 2022.

In September 2020 the FASB issued ASU issued 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, (Topic 958). The amendments in this update address improving transparency through enhancements to presentation and disclosure of nonfinancial assets recognized by Not-for-Profit entities. The amendments in this Update for the Institution are effective for the year ended December 31, 2022.

3. Investments

The Institution has retained and outsourced services for manager selection, risk management and asset allocation of endowment assets to a third party. The assets transferred for investment under this arrangement, titled "Multi-strategy Investment Fund", represent holdings in the following classifications; Equity, Long/Short Equity, Real Assets, Commodities/Resources Credit/Special Situations, Absolute return, Fixed Income and Hedges/Opportunistic. These assets represent a concentrated investment in one investment manager. A consequence of this concentration is that the performance may be more favorably or unfavorably affected by the performance of the individual manager. The Institution invests in two separate sub-funds within the Multi-strategy Investment Fund. One sub-fund allows for annual withdrawals while the other allows for daily withdrawals with a notice of ten business days.

The following table presents the classification and carrying value of investments at December 31:

	2020 Market	2019 Market
Assets		
Cash and short-term investments	$ 595,775	$ 5,658,850
Multi-strategy Investment Funds -Short-term Liquidity Funds	22,511,568	21,240,440
Multi-strategy Investment Funds - WHOI Investment Holdings, LP	425,394,463	386,424,431
Total investments pooled	448,501,806	413,323,721
Investments designated for retiree and active medical plans		
Commingled funds	12,513,258	11,650,933
Total investments designated for retiree and active medical plans	12,513,258	11,650,933
Total assets at fair value	$461,015,064	$424,974,654

The following schedule summarizes the investment return and its classification in the statement of activities:

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Dividend interest and other income	$ 2,041	$ 8,284	$ 10,325
Change in unrealized appreciation	10,726,029	43,493,510	54,219,539
Total return on investments	10,728,070	43,501,794	54,229,864
Investment return designated for			
Sponsored research	-	(7,194,343)	(7,194,343)
Education	-	(9,177,130)	(9,177,130)
Current operations	(4,326,527)	-	(4,326,527)
Total distributed to operations	(4,326,527)	(16,371,473)	(20,698,000)
Investment return in excess of amounts designated for sponsored research, education and current operations	$ 6,401,543	$ 27,130,321	$ 33,531,864

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Dividend interest and other income	$ 36,246	$ 134,028	$ 170,274
Change in unrealized appreciation	8,545,329	31,476,939	40,022,268
Total return on investments	8,581,575	31,610,967	40,192,542
Investment return designated for			
Sponsored research	-	(6,959,749)	(6,959,749)
Education	-	(8,911,895)	(8,911,895)
Current operations	(4,478,356)	-	(4,478,356)
Total distributed to operations	(4,478,356)	(15,871,644)	(20,350,000)
Investment return in excess of amounts designated for sponsored research, education and current operations	$ 4,103,219	$ 15,739,323	$ 19,842,542

Net realized and unrealized gains/(losses) attributable to investments designated for retiree and active medical plans were $1,845,820 and $2,313,166 for the years ended December 31, 2020 and 2019, respectively.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the market values and the amounts reported in the statement of financial position.

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as "exit price"). Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

Fair Value Hierarchy
A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity's assumptions about the inputs market participants would use. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy is described below:

Level 1 — Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment. Level 1 assets and liabilities primarily include debt and equity securities that are traded in an active exchange market.

Level 2 — Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. As described in Note 2, the Institution generally uses the net asset value per share of the investment (or its equivalent) reported by the investee fund manager as the primary input to its valuation; however, adjustments to the reported amount may be made based on various factors.

Investments that are valued using the "practical expedient" or net asset value per share ("NAV") are excluded from the fair value leveling hierarchy. Investments include private equity, venture capital, other limited partnerships and multi strategy funds.

The following tables summarize fair value measurements at December 31, 2020 and 2019 for financial assets and liabilities measured at fair value:

	2020				
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	NAV as Practical Expedient (NAV)	Total Fair Value
Assets					
Cash and short-term investments	$ 595,775	$ -	$ -	$ -	$ 595,775
Multi-strategy Investment Funds - Short-term Liquidity Funds	-	-	-	22,511,568	22,511,568
Multi-strategy Investment Funds - WHOI Investment Holdings, LP	-	-	-	425,394,463	425,394,463
Total pooled	595,775	-	-	447,906,031	448,501,806
Contributions receivable from remainder trust	-	-	1,040,530	-	1,040,530
Other assets	-	-	957,811	-	957,811
Investments designated for retiree and active medical plans - commingled funds	-	-	-	12,513,258	12,513,258
Total assets at fair value	$ 595,775	$ -	$ 1,998,341	$ 460,419,289	$ 463,013,405
Interest rate swap	$ -	$ 8,627,266	$ -	$ -	$ 8,627,266
Total liabilities at fair value	$ -	$ 8,627,266	$ -	$ -	$ 8,627,266

	2019				
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	NAV as Practical Expedient (NAV)	Total Fair Value
Assets					
Cash and short-term investments	$ 5,658,850	$ -	$ -	$ -	$ 5,658,850
Multi-strategy Investment Funds - Short-term Liquidity Funds	-	-	-	21,240,440	21,240,440
Multi-strategy Investment Funds - WHOI Investment Holdings, LP	-	-	-	386,424,431	386,424,431
Total pooled	5,658,850	-	-	407,664,871	413,323,721
Contributions receivable from remainder trust	-	-	1,026,564	-	1,026,564
Other assets	-	-	938,371	-	938,371
Investments designated for retiree and active medical plans - commingled funds	-	-	-	11,650,933	11,650,933
Total assets at fair value	$ 5,658,850	$ -	$ 1,964,935	$ 419,315,804	$ 426,939,589
Interest rate swap	$ -	$ 7,332,702	$ -	$ -	$ 7,332,702
Total liabilities at fair value	$ -	$ 7,332,702	$ -	$ -	$ 7,332,702

The Institution has adopted a policy that defines near-term liquidity as those investments allowing liquidity within 90 days of the reporting period.

The following table presents the assets and liability carried at fair value as of December 31, 2020 and 2019 that are classified within Level 3 of the fair value hierarchy defined above:

	2020	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Contributions Receivable From Remainder Trust	Other Assets
Balance January 1, 2020	$ 1,026,564	$ 938,371
Settlements	-	(73,831)
Unrealized gains	13,966	93,271
Balance December 31, 2020	$ 1,040,530	$ 957,811

	2019	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Contributions Receivable From Remainder Trust	Other Assets
Balance January 1, 2019	$ 834,582	$ 822,533
Unrealized losses	191,982	115,838
Transfers	-	
Balance December 31, 2019	$ 1,026,564	$ 938,371

The change in unrealized gain/(loss) related to Level 3 assets held as of December 31, 2020 and 2019 was $113,418 and $293,466 respectively. These amounts are included in the line item "Changes in split interest agreements" in the statement of activities.

Contributions from Remainder Trusts and split interest agreements (included in the category "Other Assets") have stated interest rates and mortality estimates applied for discounting the future cash flows to the Institution for these arrangements. Interest rates and discount rates associated with establishing or recording these agreements are set at the date of gift and the current interest rate environment may be considerably different which affects the fair value calculation. Mortality (the expected length of time until the Institution received the settlement), is also an estimate impacting the fair value calculation. Actual results differing from these estimates in conjunction with deviations in interest rates directly impact the amount of gain or loss recorded in the Changes in split interest agreements in the statement of activities.

The fair market value of the investments described in the table below are based on net asset value per share of the investments as of December 31, 2020.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Multi-strategy Investment Funds Short-term liquidity funds	$ 22,511,568	Monthly redemption terms	
Multi-strategy Investment Funds WHOI Investment Holdings, LP	425,394,463	Annual (year end), redemption terms	$13,073,155 designated as illiquid remaining lives up to 5 years
Investments designated for retiree and active medical plans - commingled funds	12,513,258	Daily redemption terms	
Total investments	$ 460,419,289		

The fair market value of the investments described in the table below are based on net asset value per share of the investments as of December 31, 2019.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Multi-strategy Investment Funds Short-term liquidity funds	$ 21,240,440	Monthly redemption terms	
Multi-strategy Investment Funds WHOI Investment Holdings, LP	386,424,431	Annual (year end), redemption terms	$13,324,919 designated as illiquid remaining lives up to 5 years
Investments designated for retiree and active medical plans - commingled funds	11,650,933	Daily redemption terms	
Total investments	$ 419,315,804		

5. Pledges Receivable, Net

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Discount rates used to calculate the present value of pledges receivable ranged from 0.94% to 2.40% at December 31, 2020 and 2019.

Pledges receivable consist of the following at December 31:

	2020	2019
Unconditional promises expected to be collected in		
Less than one year	$ 6,212,806	$ 4,774,408
One year to five years	4,465,039	3,097,335
Reserve for uncollectible pledges receivable	(500,017)	(159,345)
Unamortized discount	(105,231)	(81,498)
	$ 10,072,597	$ 7,630,900

The total amount of conditional pledges which are not recognized in the Institution's financial statements totals $13,310,833 and $15,684,076 for the years ended December 31, 2020 and 2019.

6. Contribution Receivable from Remainder Trusts, Net and Other Split Interest Agreements

Contributions receivable from remainder trusts at December 31, 2020 and 2019 were $1,040,530 and $1,026,564, respectively. In addition, the Institution is the beneficiary for split interest agreements held in gift annuity and pooled income funds totaling $957,811 and $938,371 for the years ended December 31, 2020 and 2019 respectively. These amounts are presented in other assets. Included in accounts payable and other liabilities are net expected payouts of $505,268 and $523,449 for the years ended December 31, 2020 and 2019 respectively. Contribution revenue for split interest agreements totaled $0 and $20,325 for the years ended December 31, 2020 and 2019 respectively.

The receivable and other split interest agreements and related revenues are measured at the present value of estimated future cash flows to be received, net of expected payouts, and recorded in the appropriate net asset category based on donor stipulation. During the term of these agreements, changes in the value are recognized based on amortization of discounts and changes in actuarial assumptions. Discount rates used in these calculations ranged from 4.72% to 6.0%, at December 31, 2020 and 2019.

7. Deferred Fixed Rate Variance

The Institution receives funding or reimbursement from federal government agencies for sponsored research under government grants and contracts. Revenue is recognized as related costs are incurred. The Institution has negotiated fixed rates with the federal government for the recovery of certain fringe benefits and indirect costs on these grants and contracts. Such recoveries are subject to carryforward provisions that provide for adjustments to be included in the negotiation of future fixed rates. The deferred fixed rate variance accounts represent the cumulative amount owed to or due from the federal government. The Institution's rates are negotiated with the Office of Naval Research (ONR), the Institution's cognizant agency.

The composition of the deferred fixed rate variance is as follows:

Deferred fixed rate variance asset at December 31, 2018	$ 1,520,599
2019 indirect costs	94,364,813
Amounts recovered	(100,684,728)
2019 change	(6,319,915)
Deferred fixed rate variance asset at December 31, 2019	(4,799,316)
2020 indirect costs	104,571,206
Amounts recovered	(101,217,553)
2020 change	3,353,653
Deferred fixed rate variance asset at December 31, 2020	$ (1,445,663)

As of December 31, 2020, the Institution has expended a cumulative amount less than recovered amounts of $1,445,663 which will be reflected as a deduction to future year recoveries. This amount has been reported as a liability of the Institution. Included in the Institution's rate agreements with their cognizant agency is a provision requiring full liquidation of any deferred rate variance generated in a specific year two years into the future as part of that year's rate calculation.

8. Line of Credit, Bonds Payable and Interest Rate Swap

Indebtedness at December 31, 2020 and 2019 includes bonds issued through MassDevelopment. Balances of outstanding bonds payable at December 31 consist of the following:

	2020	2019
MassDevelopment, Series 2018, Fixed Rate Revenue Bonds	$ 73,220,000	$ 74,390,000
Add: Series 2018 unamortized bond premium	9,351,517	9,942,200
Less: Series 2018 unamortized bond discount	(221,931)	(230,049)
Deferred financing costs	(365,095)	(378,452)
Bonds payable	$ 81,984,491	$ 83,723,699

In fiscal 2004, proceeds were received from the offering of the $54,850,000 MassDevelopment, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series A (2004), (the "Series A Bonds"), which were used to repay the MassDevelopment B Pool loans and for campus construction completed in December 2007. The bonds contain certain restrictive covenants including limitations on obtaining additional debt, filings of annual financial statements and limitations on the creation of liens. In addition, the Institution agrees that, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law, it will maintain resources with and without donor restrictions at a market value equal to at least 75% of all outstanding indebtedness.

On December 1, 2008, the Institution issued $65,000,000 MassDevelopment, Fixed Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008), (the "Series B Bonds"). The proceeds were used for major maintenance and renovation projects throughout the Institution and were used to retire the Series A Bonds. The Series B Bonds mature in 2034 and bear fixed interest rates from 4.0% to 5.5% payable on June 1 and December 1 beginning in 2009. The Series B Bonds are collateralized by the Institution's revenues without donor restrictions. The

Institution incurred costs of $268,500 associated with the issue which have been capitalized and are being amortized over the life of the bonds. Debt covenants are consistent with the requirements under the Series A bond agreement as long as the interest rate swap agreement is in effect.

On May 9, 2018 the Institution issued $75,510,000 MassDevelopment, Fixed Rate Revenue Bonds, Woods Hole Oceanographic Series 2018. The Institution received proceeds of $86,306,214 net of issuance costs of $644,296, which included underwriter's discount, legal, consulting and Issuer costs. Of this amount $50,660,224 was used to retire the Series B (2008) obligations of outstanding principal and interest with the remaining amount held by trustees that will be drawn down to fund future maintenance and renovation projects throughout the Institution along with the building of new facilities. The Bonds mature in 2048 and bear a fixed interest rates ranging from 4.0% to 5%. The Series 2019 Bonds contain no financial covenants. Interest expense on the Bonds totaled $1,992,134 and $1,926,845, net of amounts capitalized of $1,097,679 and $1,247,119 for the years ended December 31, 2020 and 2019 respectively.

The Institution maintains two uncollateralized lines of credit with two separate banks. The lines of credit in the aggregate allow for a maximum borrowing capacity of $45,000,000. One agreement, with a maximum capacity of $30,000,000, bears interest at 1% below the Wall Street Journal Prime Rate, contains no expiration date but is subject to annual reviews on or about September 30. The Institution entered into a second line of credit with a new bank in 2020 upon the expiration of the former credit line. This new line of credit allows for borrowing with a maximum capacity of $15,000,000 and bears interest at the current WSF Prime Rate minus 1%. The current Prime Rate is 3.25%. The agreement requires the Institution to open a deposit account and maintain a $3,000,000 balance. The loan must be repaid in full for a minimum of thirty consecutive days annually. The Institution had no outstanding borrowings on the lines of credit at either December 31, 2020 or 2019, respectively.

The Institution has a Promissory Note with Cape Cod Five Bank for $10,000,000 which was initiated in June 2020 which allowed for a maximum borrowing of $10,000,000. The note has a maturity date of June 30th, 2021 and has not been utilized to date. The note was entered into due to the COVID environment that has existed since March 2020.

The aggregate maturities due on the Series 2018 long-term debt at December 31, 2020 are as follows:

Fiscal Year	**Principal Amount**
2021	$ 1,230,000
2022	1,290,000
2023	1,360,000
2024	1,425,000
2025	1,500,000
Thereafter	66,415,000
	$ 73,220,000

In June 2004, the Institution entered into an interest rate swap agreement on the Series A Bonds (subsequently refinanced to Series B Bonds) in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations. The term of the swap is through June 1, 2034 and effectively locked in a fixed rate of 3.79% per annum. The agreement has a notional amount of $45,725,000. Interest expense in association with the swap agreement totaled $1,222,547 and $866,339 which is reflected as part of the net realized/unrealized (losses) gains on interest rate swap at December 31, 2020 and 2019, respectively.

The fair value of the interest rate swap at December 31, 2020 and 2019 is as follows:

	Fair Value	
	2020	**2019**
Statement of financial position location		
Accounts payable and other liabilities	$ 8,627,266	$ 7,332,702

The effect of the interest rate swap on the statement of activities for 2020 and 2019 is as follows:

	Amount of Loss Recognized in Statement of Activities	
	2020	**2019**
Location of loss recognized in statement of activities		
Nonoperating income and expenses		
Net realized/unrealized (loss) on interest rate swap	$ (2,517,111)	$ (2,155,875)

9. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering certain employees of the Institution (Qualified Plan), and a supplemental benefit plan for certain other employees. Pension benefits are earned based on years of service and compensation received. The Institution's policy is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974.

The Institution sponsors a 403(b) Defined Contribution Plan (DC Plan). Contributions for the defined contribution plan totaled $8,844,554 and $8,518,019 for the years ended December 31, 2020 and 2019, respectively. Effective January 1, 2010, no new participants were allowed to enter the Qualified Plan but were eligible to participate in the DC Plan. The Qualified Plan was placed under a soft freeze for current participants with all future retirement benefits being earned through the new DC Plan and prior benefits adjusted for future salary increases.

	Qualified Plan Pension Benefits 2020	Qualified Plan Pension Benefits 2019
Change in benefit obligation		
Benefit obligation at beginning of year	$ 307,836,341	$ 272,138,136
Interest cost	10,560,532	11,655,591
Actuarial loss	25,574,417	36,557,828
Benefits paid	(15,334,885)	(12,724,548)
Settlements	-	-
Transfers from other plans	90,795	209,334
Benefit obligation at end of year	328,727,200	307,836,341
Change in plan assets		
Fair value of plan assets at beginning of year	192,848,643	171,112,598
Employer contributions	12,000,000	8,700,000
Actual return on plan assets	31,160,356	25,551,259
Benefits paid	(15,334,885)	(12,724,548)
Settlements	-	-
Transfers from other plans	90,795	209,334
Fair value of plan assets at end of year	220,764,909	192,848,643
Funded status	$ (107,962,291)	$ (114,987,698)
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	$ 107,962,291	$ 114,987,698
Net amount recognized	$ 107,962,291	$ 114,987,698
Amounts recognized in net assets without donor restrictions		
Net actuarial loss	$ 70,403,987	$ 77,632,533
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	$ 328,727,200	$ 307,836,341
Accumulated benefit obligation	317,841,858	297,157,077
	$ 646,569,058	$ 604,993,418
Components of net periodic benefit cost		
Service cost	$ -	$ -
Interest cost	10,560,532	11,655,591
Expected return on plan assets	(9,418,496)	(10,370,996)
Amortization of net actuarial loss	11,061,103	6,429,953
Settlements	-	-
Net periodic benefit cost	$ 12,203,139	$ 7,714,548
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of net actuarial loss	$ (11,061,103)	$ (6,429,953)
Net actuarial gain (loss)	3,832,557	21,377,565
Immediate recognition of loss due to settlements	-	-
Total recognized in nonoperating revenues (expenses)	$ (7,228,546)	$ 14,947,612

The Institution has reflected $12,000,000 and $8,700,000 for the years ended December 31, 2020 and 2019, respectively, in the operating section of the statement of activities which represents employer contributions reimbursed through the employee benefit fixed rate as negotiated with the United States Government. Any difference between the employer contributions and the net periodic benefit cost is recorded in the nonoperating section of the statement of activities. This difference amounted to (income) expenses of $203,139 and $(985,452) for the years ended December 31, 2020 and 2019, respectively.

	Qualified Plan Pension Benefits 2020	Qualified Plan Pension Benefits 2019
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	2.85 %	3.55 %
Rate of compensation increase	3.5 %	3.5 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	3.6 %	4.4 %
Expected long-term rate of return on plan assets	5.75 %	5.75 %
Rate of compensation increase	3.5 %	3.5 %

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid.

This resulted in a 5.75% assumption as of December 31, 2020 and 2019.

Plan Assets

The long-term investment objectives of the Plan are to (1) achieve an average real total return assessed over rolling five year periods, that is consistent with the Plan's actuarial assumptions; (2) generate acceptable long-term returns, as determined by measurement against the Fund's benchmarks and (3) generate acceptable long-term returns without compromising the liquidity and stability required to support the Plan's annual payments to the Plan's beneficiaries.

The Institution has retained and outsourced services for manager selection, risk management and asset allocation of the Plan's assets to a third party to assist with implementing the Plan's investment policy. In addition, Target Allocations for asset classes have been revised to include two broad categories; (1) Growth and Excess Return Portfolio, (2) Fixed Income/Liability Hedging Portfolio. These categories have been assigned a 60% and 40% Target Allocation, respectively.

Expected amounts amortized from net assets without donor restrictions into net periodic pension cost for the next fiscal year	
Amortization of net loss	$ 12,823,164

Fair Value Disclosures

The following fair value hierarchy table's present information about the Qualified Plan's financial assets measured at fair value on a recurring basis, (as described in Note 4).

	2020				
	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Assets					
Cash and cash equivalents	$ 8,314,472	$ -	$ -	$ -	$ 8,314,472
Private equity, venture capital and other limited partnerships	-	-	-	38,093,930	38,093,930
Commingled funds	-	-	-	46,121,039	46,121,039
Exchange traded funds	21,122,943	-	-	-	21,122,943
Hedge funds	-	-	-	62,440,173	62,440,173
Mutual funds	35,248,162	-	-	-	35,248,162
Domestic common stock	7,488,965	-	-	-	7,488,965
Domestic fixed income	-	-	-	-	-
Total assets at fair value	$ 72,174,542	$ -	$ -	$ 146,655,142	$ 218,829,684

	2019				
	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Assets					
Cash and cash equivalents	$ 5,983,742	$ -	$ -	$ -	$ 5,983,742
Private equity, venture capital and other limited partnerships	-	-	-	25,693,117	25,693,117
Commingled funds	-	-	-	47,849,467	47,849,467
Exchange Traded Funds	18,636,786	-	-	-	18,636,786
Hedge funds	-	-	-	58,008,629	58,008,629
Mutual funds	30,638,107	-		-	30,638,107
Domestic common stock	5,668,538	-	-	-	5,668,538
Domestic fixed income	906,069	-	-	-	906,069
Total assets at fair value	$ 61,833,242	$ -	$ -	$ 131,551,213	$ 193,384,455

Included in plan assets are net investment related (payables)/receivables of $1,935,224 and $(535,812) as of December 31, 2020 and 2019, respectively. There were no transfers to or from Level 3 for the years ended December 31, 2020 and 2019.

The following unfunded commitments and redemption terms within the retirement trust are detailed below:

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity, venture capital and other limited partnerships	$ 38,093,930	$ 39,417,887	Restricted from Redemption	Restricted from Redemption
Commingled funds	46,121,039	-	Daily-Triennially	1 Business Day-90 Calendar Days
Hedge funds	62,440,173	3,775,500	Monthly-Triennially	17 Business Days - 4 Months
Total	$ 146,655,142	$ 43,193,387		

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity, venture capital and other limited partnerships	$ 25,693,117	$ 15,988,657	Restricted from Redemption	Restricted from Redemption
Commingled funds	47,849,467	-	Daily-Triennially	1 Business Day-90 Calendar Days
Hedge funds	58,008,629	3,775,500	Monthly-Triennially	17 Business Days - 4 Months
Total	$ 131,551,213	$ 19,764,157		

Expected Contributions

The Institution anticipates contributing $15,800,000 to the Qualified Plan in 2021.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2021	$ 21,533,841
2022	22,295,308
2023	19,560,097
2024	19,323,410
2025	18,716,360
2026–2030	86,169,970

Amortization of Gains and Losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of net periodic benefit income (cost) for the year. If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the projected benefit obligation and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period until 25 years of service of participating employees expected to receive benefits under the plan.

10. Other Postretirement Benefits

In addition to providing retirement plan benefits, the Institution provides certain health care benefits for retired employees and their spouses. Substantially all of the Institution's employees may become eligible for the benefits if they reach normal retirement age (as defined) or elect early retirement after having met certain time in service criteria.

Effective January 1, 2012 the Trust agreement which had been funding the Plan was amended to include active employees. Accordingly, assets of the Plan were then decoupled and recorded on the Institution's statement of financial position as investments designated for retiree and active medical plans along with a corresponding increase to the accrued postretirement liability. Actual returns from investments designated for retiree and active medical plans totaled gains/(losses) of $1,961,475 and $2,313,166 for the years ended December 31, 2020 and 2019, respectively, and are presented in the nonoperating section of the statement of activities, net of administrative fees of $115,655 and $76,699 for 2020 and 2019, respectively. Health care benefits for active employees funded from these investments totaled $0 for the years ended December 31, 2020 and 2019, respectively, and are also presented in the nonoperating section of the statement of activities.

	Other Postretirement Benefits 2020	Other Postretirement Benefits 2019
Change in benefit obligation		
Benefit obligation at beginning of year	$ 31,173,664	$ 28,609,419
Service cost	343,146	306,264
Interest cost	1,084,388	1,230,985
Benefits paid, net of participant contributions	(983,495)	(699,932)
Actuarial loss	1,392,289	1,726,928
Benefit obligation at end of year	33,009,992	31,173,664
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	983,495	699,932
Actual return on plan assets	-	-
Benefits paid, net of participant contributions	(983,495)	(699,932)
Fair value of plan assets at end of year	-	-
Funded status	$ (33,009,992)	$ (31,173,664)
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	$ 33,009,992	$ 31,173,664
Net amount recognized	$ 33,009,992	$ 31,173,664
Amounts recognized in net assets without donor restrictions		
Net prior service credit	$ -	$ -
Net actuarial loss	4,427,395	3,035,106
Net amount recognized	$ 4,427,395	$ 3,035,106
Components of net periodic benefit cost		
Service cost	$ 343,146	$ 306,264
Interest cost	1,084,388	1,230,985
Expected return on plan assets	-	-
Amortization of prior service credit	-	-
Amortization of net actuarial loss	-	-
Net periodic benefit cost	$ 1,427,534	$ 1,537,249
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Amortization of prior service credit	$ -	$ -
Amortization of net actuarial loss	-	-
Net actuarial loss (gain)	1,392,289	1,726,928
Total recognized in nonoperating expense (revenue)	$ 1,392,289	$ 1,726,928

The Institution recognizes the net periodic benefit cost in the nonoperating section of the statement of activities. This amounted to $1,084,388 and $1,537,429 for the years ended December 31, 2020 and 2019, respectively.

	2020	2019
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	2.85 %	3.55 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	3.6 %	4.4 %
Expected long-term rate of return on plan assets	N/A	N/A

The plan does not provide prescription drug benefits for post-65 retirees; therefore, there is no anticipated Medicare employer subsidy.

	2020		2019	
	Pre-65	Post-65	Pre-65	Post-65
Assumed health care cost trend rates at December 31,				
Health care cost trend rate assumed for next year	6.5 %	5.0 %	6.5 %	5.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2026	2026	2026	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2020		2019	
	One-Percentage-Point Increase in Trend	One-Percentage-Point Decrease in Trend	One-Percentage-Point Increase in Trend	One-Percentage-Point Decrease in Trend
Effect on total of service cost and interest cost components	$ 289,691	$ (223,003)	$ 273,317	$ (214,576)
Effect on year-end postretirement benefit obligation	5,481,689	(4,357,225)	5,120,113	(4,067,796)

Expected amounts amortized from net assets without donor restrictions into net periodic pension cost for the next fiscal year	
Amortization of net prior service cost	$ -
Amortization of net loss	121,007

Expected Contributions
The Institution provides contributions as expenses are incurred. The Institution expects contributions to the Retiree Medical Plan in 2021 to be equal to the expected benefit in 2021 of $1,299,830.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2021	$ 1,299,830
2022	1,327,570
2023	1,399,283
2024	1,436,133
2025	1,434,687
2026–2030	7,351,914

11. Net Assets

The Institution's endowment consists of 149 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designed by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, the net asset composition by type consisted of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Perpetual in nature	$ -	$ 108,466,596	$ 108,466,596
Purpose restricted	-	267,977,459	267,977,459
Board designated funds	92,913,790	-	92,913,790
Endowment net assets	92,913,790	376,444,055	469,357,845
Purpose restricted - research	-	37,060,521	37,060,521
Purpose restricted - education	-	5,676,820	5,676,820
Time restricted and other	-	8,922,873	8,922,873
Pension and postretirement benefits	(128,459,026)	-	(128,459,026)
Undesignated	20,960,142	150,000	21,110,142
Total net assets	$ (14,585,094)	$ 428,254,269	$ 413,669,175

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Perpetual in nature	$ -	$ 106,804,987	$ 106,804,987
Purpose restricted		240,718,767	240,718,767
Board designated funds	86,504,795	-	86,504,795
Endowment net assets	86,504,795	347,523,754	434,028,549
Purpose restricted - research	-	36,236,795	36,236,795
Purpose restricted - education	-	5,656,157	5,656,157
Time restricted and other	-	2,921,487	2,921,487
Pension and postretirement benefits	(134,510,429)	-	(134,510,429)
Undesignated	21,852,185	-	21,852,185
Total net assets	$ (26,153,449)	$ 392,338,193	$ 366,184,744

Changes in endowment net assets for the year ended December 31, consisted of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets beginning of year	$ 86,504,795	$ 347,523,754	$ 434,028,549
Investment return			
Investment income, net of fees	2,041	8,284	10,325
Net appreciation	10,726,029	43,493,510	54,219,539
Total investment return	10,728,070	43,501,794	54,229,864
New gifts	-	1,684,014	1,684,014
Appropriation of endowment assets	-	-	-
for expenditure under spending policy	(4,326,527)	(16,371,473)	(20,698,000)
Additional appropriations, net	-	-	-
Change in split interest agreements	7,452	105,966	113,418
Net assets end of year	$ 92,913,790	$ 376,444,055	$ 469,357,845

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net assets beginning of year	$ 92,408,208	$ 325,128,716	$ 417,536,924
Investment return			
Investment income, net of fees	36,246	134,028	170,274
Net appreciation	8,545,329	31,476,939	40,022,268
Total investment return	8,581,575	31,610,967	40,192,542
New gifts	-	6,390,133	6,390,133
Appropriation of endowment assets for expenditure under spending policy	(4,478,356)	(15,871,644)	(20,350,000)
Additional appropriations, net	(10,034,817)	-	(10,034,817)
Change in split interest agreements	28,185	265,582	293,767
Net assets end of year	$ 86,504,795	$ 347,523,754	$ 434,028,549

12. Liquidity and Availability of Financial Assets

The Institution's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2020	**2019**
Cash and cash equivalents	$ 808,665	$ 5,229,194
Accounts receivable billed and unbilled	35,245,611	20,503,218
Receivable for investments sold	4,166,051	4,326,527
Other receivables	-	73,860
Pledges receivable	6,211,227	4,773,288
	$ 46,431,554	$ 34,906,087

The Institution's endowment funds consist of donor-restricted and Board designated funds. Income from donor-restricted funds are restricted by purpose and are not available for general expenditure. The Institution defines general expenditures as any costs included in total expenses from operating activities. As described in Note 2 the Board designated endowment has a spending rate of 5% and $4,166,051 will be available for general use within the next twelve months.

The Institution's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Institution invests cash in excess of daily liquidity needs in short-term investments. To manage liquidity needs the Institution has committed lines of credit in the amount of $45,000,000 (see Note 8). It is management's intent to extend and/or renew these lines of credit by September 30, 2020 into 2021. In addition, the Institution has Board designated funds in the amount of $92,913,790 which it could draw upon. At December 31, 2020, $21,629,945 of Board designated net assets are committed to fund certain research, education and other designated net assets. Both Board designated and donor-restricted endowment contain investments with lock-up provisions that would reduce the total investments that could be available. The Institution's endowment investments include a multi strategy short-term liquidity fund to provide for additional short-term liquidity needs.

This fund totaled $22,511,568 at December 31, 2020 and allows for daily withdrawals (see Note 4 for redemption terms). Board designated funds are categorized as follows at December 31, 2020:

	2020	2019
Board designated for research	$ 31,237,435	$ 29,034,985
Board designated for research - Director discretionary	1,729,206	1,613,681
Board designated for general unsponsored program support	59,146,059	55,062,491
Other	801,090	793,638
	$ 92,913,790	$ 86,504,795

13. Commitments and Contingencies

The Defense Contract Audit Agency (DCAA) is responsible for auditing indirect charges to grants and contracts on behalf of the ONR. The Institution and the ONR have settled the years through 2018 with no findings or adjustments for unallowable costs. 2019 costs remain under review by DCAA.

The Institution is a defendant in legal proceedings incidental to the nature of its operations. The Institution believes that the outcome of these proceedings will not materially affect its financial position.

14. Related Party Transactions

The Institution also has transactions such as professional services and other items with organizations where members of the Board of Trustees or Corporation are affiliated with the organizations. Total expenditures for these transactions were $0 and $4,452 for the years ended December 31, 2020 and 2019, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are $591,082 and $613,450 at December 31, 2020 and 2019, respectively.

15. Schedule of Functional Expenses

The statement of activities presents expenses by functional programs without distinguishing program versus supporting service expenses (or facilities and administrative ("F&A") costs). F&A expenses totaled $61,338,296 for 2020 and have been allocated among the categories presented utilizing a modified total direct cost ("MTDC") basis. MTDC is a federal government prescribed methodology for allocating F&A costs. While facilities costs are allocated primarily on a square footage basis, administrative costs are allocated proportionally by the total of net direct costs per program plus the program's share of facilities costs. Net program direct costs include total direct costs per program reduced by certain costs such as equipment, subcontracts (by statute) and other cost attributes negotiated with the Institution's cognizant agency specific to the Institution which by nature would lead to a disproportional allocation of F&A costs. Functional expenses for the year ended December 31, 2020 and 2019 are as follows:

	Research	Marine Operations	Academic Programs	Other Institution Activities	Unsponsored Research	Ships and Submersibles	2020 Total
Salaries	$ 36,720,907	$ 3,548,550	$ 2,722,697	$ 3,165,232	$ 3,127,056	$ 6,222,792	$ 55,507,234
Fringe Benefits	15,751,191	1,466,062	1,221,363	1,731,275	1,375,228	2,399,944	23,945,063
Equipment	10,334,585	2,261,659	-	8,075	247,601	7,854	12,859,774
Subcontracts	29,471,975	-	-	-	14,583	-	29,486,558
Supplies	8,694,150	756,790	63,572	99,418	146,603	804,338	10,564,871
Travel	1,226,710	448,227	69,738	53,977	75,401	239,316	2,113,369
Outside Services	3,113,050	262,798	57,279	367,484	89,970	264,460	4,155,041
Utilities	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Professional Services	238,224	34,462	-	150,024	-	2,290	425,000
Repairs and Maintenance	1,196,100	44,820	723	44,177	25,854	1,084,304	2,395,978
Insurance	66,248	2,301	24,826	380,142	33,324	428,511	935,352
Other	20,454,584	1,583,213	6,765,235	265,936	8,212,017	1,745,091	39,026,076
Ship Overhaul	-	17,799,467	-	-	-	-	17,799,467
Ships Fuel	13,814	349,272	-	-	309	1,151,071	1,514,466
Facilities and Administration	47,145,494	3,574,859	2,559,434	2,524,905	803,793	4,729,811	61,338,296
Total operating expenses	174,427,032	32,132,480	13,484,867	8,790,645	14,151,739	19,079,782	262,066,545
Nonoperating expense	-	-	-	(1,287,527)	-	-	(1,287,527)
Total	$ 174,427,032	$ 32,132,480	$ 13,484,867	$ 7,503,118	$ 14,151,739	$ 19,079,782	$ 260,779,018

	Research	Marine Operations	Academic Programs	Other Institution Activities	Unsponsored Programs	Ships and Submersibles	2019 Total
Salaries	$ 38,152,984	$ 969,813	$ 2,586,499	$ 3,014,157	$ 1,818,504	$ 8,853,774	$ 55,395,731
Fringe Benefits	14,837,869	374,630	1,039,141	1,490,032	717,783	2,926,757	21,386,212
Equipment	9,957,185	293,996	594	719	381,077	433,678	11,067,249
Subcontracts	26,877,226	125,507	-	-	-	-	27,002,733
Supplies	6,950,495	210,824	53,473	110,538	184,046	1,024,926	8,534,302
Travel	3,230,519	103,807	124,469	179,282	252,890	685,410	4,576,377
Outside Services	3,549,938	156,405	38,754	467,735	176,146	281,569	4,670,547
Utilities	17	-	-	138	-	-	155
Interest	-	-	-	120,514	-	-	120,514
Professional Services	164,351	-	-	313,588	1,350	19,135	498,424
Repairs and Maintenance	1,591,012	24,119	6,701	58,937	32,548	1,920,754	3,634,071
Insurance	167,187	1,499	22,486	366,626	280	588,950	1,147,028
Other	19,267,175	4,309,485	5,976,267	716,440	10,912,156	3,669,945	44,851,468
Ship Overhaul	-	4,998,863	-	-	-	-	4,998,863
Ships Fuel	15,367	11,675	346	-	-	2,355,982	2,383,370
Facilities and Administration	51,686,662	2,286,263	2,300,136	2,382,609	168,901	5,623,578	64,448,149
Total operating expenses	176,447,987	13,866,886	12,148,866	9,221,315	14,645,681	28,384,458	254,715,193
Nonoperating expense	-	-	-	245,533	-	-	245,533
Total	$ 176,447,987	$ 13,866,886	$ 12,148,866	$ 9,466,848	$ 14,645,681	$ 28,384,458	$ 254,960,726

The category Facilities and Administration in the Schedule of Functional Expenses for the year ended December 31, 2020 includes costs associated with plant operations of $21,898,155, departmental administration of $11,972,680, sponsored program administration of $1,233,489, library costs of $1,313,756 and general administration of $26,614,238. The category Facilities and Administration in the Schedule of Functional Expenses for the year ended December 31, 2019 includes costs associated with plant operations of $21,149,147, departmental administration of $11,238,514, sponsored program administration of $1,155,468, library costs of $1,273,721 and general administration of $23,809,105.

16. Subsequent Event

Management evaluated all events or transactions that occurred after December 31, 2020 through July 15, 2021, the date these financial statements were issued and has concluded that there were no such events or transactions that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.