Monterey Bay Aquarium Research Institute

Financial Statements
December 31, 2020 and 2019

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December 31, 2020 and 2019

Report of Independent Auditors

To the Board of Directors of the
Monterey Bay Aquarium Research Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Monterey Bay Aquarium Research Institute (the "Institute"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 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 Institute'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 Institute'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 Monterey Bay Aquarium Research Institute as of December 31, 202;0 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Francisco, California
August 4, 2021

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Monterey Bay Aquarium Research Institute
Statements of Financial Position
December 31, 2020 and 2019

(in thousands of dollars)	2020	2019
Assets		
Cash and cash equivalents	$ 45,051	$ 18,310
Receivables		
The David and Lucile Packard Foundation	79,540	47,407
Federal awards and other	1,694	1,458
Prepaid expenses and other assets	6,599	10,968
Capital funding from The David and Lucile Packard Foundation	24,950	-
Deferred compensation plan investments	5,297	4,575
Property and equipment, net	45,490	46,434
Total assets	$ 208,621	$ 129,152
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,892	$ 1,206
Accrued expenses and other liabilities	6,702	5,985
Deferred compensation plan liabilities	5,297	4,575
Postretirement benefit liabilities	18,627	17,227
Total liabilities	32,518	28,993
Net assets		
Without donor restrictions		
Undesignated	31,290	33,960
Board designated	16,329	13,540
From The David and Lucile Packard Foundation		
For ongoing operations	49,540	47,407
For vessel and shore side infrastructure	78,944	5,252
Total net assets without donor restrictions	176,103	100,159
Total net assets	176,103	100,159
Total liabilities and net assets	$ 208,621	$ 129,152

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

Monterey Bay Aquarium Research Institute
Statement of Activities
Years Ended December 31, 2020 and 2019

(in thousands of dollars)	2020	2019
Revenue and other support		
Funding from The David and Lucile Packard Foundation	$ 124,490	$ 47,407
Federal awards	7,530	6,637
Nonfederal awards	668	516
Other	1,103	1,946
Total revenue and other support	133,791	56,506
Expenses		
Research and development	42,473	40,810
Marine operations	3,008	4,187
Information and technology dissemination	1,679	1,395
Operational support	9,193	6,909
Total expenses	56,353	53,301
Increase in net assets, before nonoperating postretirement activity	77,438	3,205
Components of net periodic postretirement benefit cost other than service cost	2,121	2,319
Postretirement benefit-related changes other than net periodic postretirement benefit cost	- (3,615)	(5,683)
Increase (decrease) in net assets	75,944	(159)
Net assets without donor restrictions		
Beginning of year	100,159	100,318
End of year	$ 176,103	$ 100,159

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

Monterey Bay Aquarium Research Institute
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in thousands of dollars)	2020	2019
Cash flows from operating activities		
Cash received from donors	$ 131	$ 630
Cash received from grants	8,054	6,922
Cash received from other support	562	862
Cash received from interest	255	496
Cash paid for employees	(33,268)	(32,741)
Cash paid for program expenses	(12,914)	(13,722)
Cash paid for taxes	(17)	(21)
Cash paid from deferred compensation	(138)	(133)
Net cash used in operating activities	(37,335)	(37,707)
Cash flows from investing activities		
Purchase of deferred compensation plan investments	(890)	(1,301)
Proceeds from maturity of certificates of deposit	8,150	7,500
Purchase of certificates of deposit	(4,000)	(9,150)
Proceeds from sale and maturity of deferred comp investments	763	1,178
Purchase of property and equipment using capital grant funding	(1,112)	(1,646)
Purchase of property and equipment	(6,242)	(4,809)
Net cash used in investing activities	(3,331)	(8,228)
Cash flows from financing activities		
Cash received from The David and Lucile Packard Foundation	67,407	45,365
Net cash provided by financing activities	67,407	45,365
Net increase (decrease) in cash and cash equivalents	26,741	(570)
Cash and cash equivalents		
Beginning of year	18,310	18,879
End of year	$ 45,051	$ 18,309
Supplemental Information		
Noncash donation of capital asset by MBARI	$ 618	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization
The Monterey Bay Aquarium Research Institute (the "Institute") is a not-for-profit organization founded in 1987 for the purpose of conducting scientific research in marine biology, oceanography, underwater geology, and other kinds of marine research in and around the Monterey Bay and elsewhere and to educate the scientific community and the general public in regard to such research. The Institute's primary facilities are located in Moss Landing, California.

Since 1994, The David and Lucile Packard Foundation (the "Foundation") has been the Institute's only member, with the power to elect the Board of Directors. In 2020 and 2019 approximately 93% and 84% of the Institute's revenues and other support came from the Foundation, respectively. In addition, certain trustees and officers of the Foundation are also directors or officers of the Institute.

Basis of Presentation
The financial statements are presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities,* which requires the Institute to classify its net assets into two categories according to donor-imposed restrictions – net assets without donor imposed restrictions and net assets with donor-imposed restrictions.

Net Assets without Donor Restrictions
Net assets without donor restrictions represent resources which do not have donor-imposed stipulations available to support the Institute's operations. Additionally, an operating reserve has been established for use on specific projects subject to the Board of Directors' approval. Funding received from the Foundation are considered equity transactions. In 2020 and 2019, the Foundation committed to fund the Institute's subsequent year's operations in the amounts of $49,540 and $47,407, respectively. Additionally, in 2020, the Institute was awarded funding in the amount of $75,000 for specified capital projects. This funding will be paid in three installments with the first installment being received in 2020 and the other two installments to be received in subsequent years. This funding, together with an award received in 2017 of $10,000, will be used on those specified capital projects. As these funds are used to pay for those capital projects, the Institute will report these funds as undesignated within net assets without donor restriction on the statement of financial position.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent contributions that are limited in use by the Institute in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Institute according to the terms of the contributions. At December 31, 2020 and 2019 there were no net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the accrual for postretirement benefit liabilities and the estimated useful life for property and equipment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to credit risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained by major financial institutions and include investments in money market funds. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. Receivables consist primarily of funds due from the Foundation (Note 3). The Institute closely monitors receivables and has not experienced significant credit losses to date.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, money market funds and highly liquid investments purchased with an original maturity date of three months or less.

Other Assets

The Institute's other assets include deferred compensation plan investments and certificates of deposits with original maturity dates greater than 90 days which are reported at fair value.

Certificates of deposit totaled $5,020 and $9,174 as of December 31, 2020 and 2019, respectively.

Investments

Fair value is determined in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction at the measurement date. The Institute determines fair value based upon the fair value hierarchy established under applicable accounting guidance which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. Investments are categorized as Level 1 when the valuation is based upon quoted prices in active markets for identical assets or liabilities; Level 2 when the valuation is based upon inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 when the valuation is based upon unobservable inputs in which little or no market data exists, therefore requiring the Institute to develop assumptions to determine the best estimate of fair value. All of the Institute's financial securities (nonretirement investments) are considered Level 1, as disclosed in the following table:

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money market funds	$ 43,945	$ -	$ -	$ 43,945	$ 17,133	$ -	$ -	$ 17,133
Certificates of deposit	5,020	-	-	5,020	9,174	-	-	9,174
	$ 48,965	$ -	$ -	$ 48,965	$ 26,307	$ -	$ -	$ 26,307

Investment transactions are recorded on a trade date basis. Realized gains and losses on dispositions of investments represent the difference between the original cost of the investment and the proceeds received from the sale.

Property and Equipment
Property and equipment are stated at cost or at the fair market value at the date of donation and are depreciated on the straight-line basis over the estimated useful lives of the assets (3 to 30 years). Capitalized costs for self-constructed assets include direct labor and benefits for employees specifically identified with the project. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Revenue Recognition
Contributions are recognized as revenues when they are unconditionally pledged or received. The Institute reports contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the accompanying statement of activities as net assets released from restrictions. Contributions with donor restrictions are reported as contributions without donor restrictions when the restriction is met in the same period as the contribution is received.

Contracts deemed exchange contracts are recognized in accordance with ASC 606. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer. We recognize revenue when it satisfies a performance obligation by transferring control over goods and services to a customer.

Performance Obligations
The Institute is occasionally engaged by organizations with the intention to transfer goods or services which are outlined by a scope of work in every contract and have discrete pricing associated with the service to be provided. Each service is accounted for as a separate performance obligation. Generally, these performance obligations are satisfied over time and recognize revenue as the goods or services are provided, as this best represents the transfer of control to the customer. The Institute had $33 and $23 in outstanding receivables associated with contracts accounted for under ASC 606 as of December 31, 2020 and 2019, respectively. The Institute recognized all revenue and expenses associated with contracts as of December 31, 2020.

Disaggregation of Revenue
The Institute’s revenue is disaggregated by customer type, contract type and service type. The majority of the Institute’s exchange contract revenue is from contracts with government entities either directly or as a subcontractor and is recognized over time as the services are performed. These contracts are cost reimbursable. The Institute also earns royalty revenues from the licensing and sales of intellectual property which are recognized at a point in time.

The following table disaggregates revenue based on the timing of revenue recognition for the year ending December 31, 2020 and 2019, respectively:

	2020	**2019**
Over time (procurement)	$ 268	$ 251
Point in time (royalties)	240	305
	$ 508	$ 556

Deferred Grant Revenue
Deferred grant revenue represents funds which have been received for programs which have not yet been completed or taken place, and therefore have not yet been earned.

Income Taxes
The Institute is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes pursuant to Section 501(a) of the Code and Section 23701(d) of the California Tax Code. To the extent that the Institute carries out activities that are subject to unrelated business income tax, it is subject to income taxation.

The Institute is a private operating foundation within the meaning of Section 509(a) of the Code that makes its required charitable expenditures by sponsoring and managing its own programs.

Pursuant to Section 4940(a) of the Code, the Institute's investment income, reduced by certain allowable expenses, is subject to excise tax at a rate of 1.39% of investment income. The Institute's status as an operating foundation is determined annually by satisfying the income test and certain other numerical tests. Generally, a private operating foundation must make qualifying distributions of 4.25% of the average fair value of the foundation's investment assets directly for the active conduct of the activities for which it is organized and operating. The Institute has met the requirements for private operating foundation status through December 31, 2020 and 2019.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2022 for the Institute. The Institute is evaluating the impact of the new guidance on the financial statements.

2. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consist of the following:

	2020	2019
Land	$ 4,236	$ 4,236
Buildings	53,548	53,153
Research vessels	46,748	46,191
Remotely operated vehicles	23,099	22,837
Ocean deployed equipment	30,952	29,767
General equipment, furniture, and fixtures	20,491	20,770
Capital projects in progress	9,938	6,272
	189,012	183,226
Less: Accumulated depreciation	(143,522)	(136,792)
Property and equipment, net	$ 45,490	$ 46,434

Depreciation expense for the years ended December 31, 2020 and 2019 was $8,322 and $7,448, respectively. As of December 31, 2020 and 2019, the carrying value of the leased property for which the Institute is the lessor is as follows:

	2020	2019
Land	$ 165	$ 165
Buildings	1,397	1,397
Less: Accumulated depreciation	(974)	(927)
Lease property, net	$ 588	$ 635

3. Related-Party Transactions

In December of 2020 and 2019, the Institute received funding from the Foundation to support the subsequent year's operations. The receivable from the Foundation was $49,540 and $47,407 as of December 31, 2020 and 2019, respectively, and is included in net assets without donor restrictions. In addition to the funding for the Institute's operations, the Institute received funding from the Foundation in the amount of $75,000 on October 30, 2020 for project management and construction costs for a new flagship research vessel and related onshore infrastructure. In 2020 the Institute received $20,000 from the capital grant. Contributions receivable from the Foundation at December 31, 2020 and 2019 are due as follows:

	2020	2019
Contributions receivable before discount	$ 104,540	$ 47,407
Less: Unamortized discount*	(50)	-
Net contributions receivable	$ 104,490	$ 47,407
Amounts due in		
Less than one year	$ 79,540	$ 47,407
One to two years	25,000	-
	$ 104,540	$ 47,407

* Discount rate used to present value contributions for the year ended December 31, 2020 was .2%

4. Commitments and Contingencies

The Institute leases certain land and facilities under noncancelable operating leases. The terms of these leases expire in 2020 through 2039, with certain options to renew. Certain rental rates are subject to adjustment based on increases in the consumer price index. Future minimum lease payments under noncancelable operating leases as of December 31, 2019 are approximately as follows:

Year ending December 31,	
2021	$ 215
2022	217
2023	222
2024	223
2025	176
Thereafter	555
	$ 1,608

Rent expense was $221 and $225 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019 the Institute has $500 and $500 on deposit as collateral to guarantee that the Institute will comply with the provisions of a land lease entered into with the State of California, California State Lands Commission to obtain right-of-way use needed for the operation of one of the Institute's projects, the MARS Project, respectively. This amount is included in prepaid expenses and other assets in the statement of financial position.

The Institute derives a portion of its revenues from various federally funded programs that are subject to review and audit by governmental oversight agencies. Institute management believes that the Institute is in material compliance with the standards set forth by the federal governmental agencies and that the outcome of reviews and audits conducted by such agencies will not have a significant effect on the financial position of the Institute.

Claims

Claims are filed from time to time against the Institute in the ordinary course of business. The Institute is not aware of any such matters that would have a material adverse effect on the Institute's financial position.

5. Minimum Future Rental Revenues

The Institute leases land and facilities to others under noncancelable leases with lease terms expiring in 2020 and 2025, with options to renew. Certain rental rates are subject to annual increases ranging up to 3%.

Minimum future rental receipts from operating leases having noncancelable lease terms in excess of one year as of December 31, 2020 are approximately as follows:

Year ending December 31,		
2021	$	105
2022		37
2023		37
2024		38
2025		39
Thereafter		-
	$	256

6. Retirement Plans

The Institute sponsors a defined contribution plan under IRC 403(b). The Plan covers all employees who meet eligibility requirements. Contributions to the 403(b) plan are made by the Institute at 10% of an employee's annual salary. Under the 403(b) plan and subject to statutory limits, employees may make voluntary deferred salary contributions to the Plan. Total expenses related to this plan were $2,479 and $2,369 in 2020 and 2019, respectively.

The Institute sponsors a Section 457(b) Qualified Eligible Salary Deferral Plan (the "Salary Deferral Plan") primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Salary Deferral Plan enables participants to defer income on a pre-tax basis. There are no Institute contributions related to this plan. At December 31, 2020 and 2019 the Institute held plan investments of $5,220 and $4,518 that are included in deferred compensation plan investments, respectively. These assets are designated by the Institute to pay future Salary Deferral Plan liabilities of $5,220 and $4,518, as of December 31, 2020 and 2019, respectively. These liabilities are included in deferred compensation plan liabilities.

The Institute also sponsors a Nonqualified Deferred Compensation Restoration Plan (the "Compensation Restoration Plan") primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Compensation Restoration Plan provides for the Institute to make contributions to a participant's account equal to the amount in excess of IRC limits which the participant would otherwise have been eligible for in accordance with the Institute's 403(b) plan. At December 31, 2020 and 2019 the Institute held plan investments of $76 and $57, that are included in deferred compensation plan investments, which are designated by the Institute to pay future Compensation Restoration Plan liabilities of $76 and $57 as of December 31, 2020 and 2019, respectively. These liabilities are included in deferred compensation plan liabilities.

At December 31, 2020 and 2019 all the Institute's deferred compensation plan investments were classified as Level 1 as they are mutual funds with daily traded fair market values and consisted of the following:

	2020	2019
Equity and bond mutual funds	$ 1,909	$ 1,832
Equity mutual funds	2,803	2,005
U.S. Government securities mutual funds	583	611
Real estate mutual funds	2	127
Total fair value of deferred compensation plan investments	$ 5,297	$ 4,575

The Institute has a contributory retiree health insurance program (the "Plan") which covers substantially all employees who meet the eligibility requirements. Each August 1, the Institute contributes on behalf of each retired employee to a health reimbursement account (HRA). The amount of the contribution is 50% of the premium in effect as of August 1, 2017 with the same family status (single or two-party coverage) as the retiree. The retiree may then spend the amount in the HRA on any medical expenses that are tax-deductible, including premiums for health insurance.

The following information presents the Plan's unfunded status and the amounts recognized in the statement of financial position as of December 31, 2020 and 2019 based on a measurement date of December 31:

	2020	2019
Benefit obligation	$ 18,627	$ 17,227
Fair value of plan assets	-	-
Unfunded status	$ 18,627	$ 17,227
Amount recognized in the statements of financial position as postretirement benefit liabilities	$ 18,627	$ 17,227

Amounts recognized in net assets without donor restrictions at December 31, 2020 and 2019 were as follows:

	2020	2019
Net loss	$ 7,902	$ 7,644
Prior service cost	(14,846)	(18,203)
	$ (6,944)	$ (10,559)

The Institute Plan's net periodic postretirement benefit cost reflected in the statement of activities for the years ended December 31, 2020 and 2019 were ($1,837) and ($2,079), respectively.

Changes other than net periodic postretirement benefit cost recognized in the statement of activities for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Net actuarial loss (gain)	$ 971	$ 2,544
Amortization of net loss	(713)	(508)
Plan amendment	-	259
Amortization of prior service cost	3,357	3,388
Total changes other than net periodic postretirement benefit cost/credit	$ 3,615	$ 5,683

The net actuarial loss during the year ended December 31, 2020 was primarily attributable to the decrease in the discount rate from 3.07% as of December 31, 2019 to 2.30% as of December 31, 2020 and a change in mortality tables used for underlying assumptions.

Total contributions paid by the Institute to the Plan for the years ended December 31, 2020 and 2019 were $305 and $255, respectively. Total benefit payments made from the Plan for the years ended December 31, 2020 and 2019 were $378 and $273, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit liabilities was 3.07% and 4.10% as of December 31, 2020 and 2019 and in determining the net periodic postretirement benefit cost was 4.10% and 3.61% for the years ended December 31, 2020 and 2019, respectively.

The Plan is fully insured and is funded on a pay-as-you-go basis. The estimated minimum benefit payments by year that reflect expected future service to be paid by the Institute are as follows:

2021 / 2020	$ 454	$ 404
2022 / 2021	545	508
2023 / 2022	612	589
2024 / 2023	668	661
2025 / 2024	718	726
2026-2030 / 2025-2029	4,331	4,430

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) was assumed to be 7.0% in 2021, 6.8% in 2022 and declining by 0.2% per year until the ultimate trend rate of 5.0% is reached by 2031.

7. Analysis of Expenses

	2020					
	Program Services				Supporting Activities	
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salaries, fringe, board fees	$ 21,084	$ 6,352	$ 1,152	$ 28,588	$ 5,413	$ 34,001
Other expenses and allocations	12,155	(4,404)	194	7,945	3,851	11,796
Depreciation	5,625	272	25	5,922	2,400	8,322
Occupancy	3,339	641	189	4,169	(2,929)	1,240
Travel, conferences and meetings	179	140	7	326	98	424
Printing and publications	91	7	112	210	19	229
Accounting fees	-	-	-	-	200	200
Legal fees	-	-	-	-	141	141
Postretirement benefit costs - interest and amortization	(1,315)	(396)	(72)	(1,783)	(338)	(2,121)
Total expenses	$ 41,158	$ 2,612	$ 1,607	$ 45,377	$ 8,855	$ 54,232

	2019					
	Program Services				Supporting Activities	
	Research and Development	Marine Operations	Information Dissemination	Program Subtotal	Operational Support	Total Expenses
Salary, benefits and payroll taxes	$ 21,281	$ 6,670	$ 919	$ 28,870	$ 4,151	$ 33,021
Other expenses and allocations	12,892	(5,688)	120	7,324	3,038	10,362
Depreciation	2,559	2,533	24	5,116	2,332	7,448
Occupancy	3,496	607	196	4,299	(3,079)	1,220
Travel, conferences, and meetings	499	59	27	585	155	740
Printing and publications	83	6	109	198	25	223
Accounting fees	-	-	-	-	202	202
Legal fees	-	-	-	-	85	85
Postretirement benefit costs - interest and amortization	(1,494)	(468)	(65)	(2,027)	(292)	(2,319)
Total expenses	$ 39,316	$ 3,719	$ 1,330	$ 44,365	$ 6,617	$ 50,982

The Institute classifies operating cost amongst its three main activities. Cost are associated with each activity either by occurring directly within that activity or by allocation from another activity. Allocations are made for facility and ship usage to better align costs with each activity's use of resources. Total program expenses shown on the analysis of expenses do not articulate with total expenses shown on the statement of activities. Interest expense and gain amortization associated with the contributory retiree health insurance program are reflected in the analysis of expenses with their respective program activity. The Institute's expenses are classified within the following activities:

Research and Development
Develop and adapt innovative technologies for advancing our understanding of the ocean.

Marine Operations
The Division of Marine Operations serves a role in the support of the Institute's research and development by operating and maintaining the Institute's research vessels and remotely operated vehicles. The support provided by the Division of Marine Operations facilitates the work of developing, adapting and utilizing innovative technology.

Information Dissemination
Information and technology dissemination serves as a gateway for the transfer of knowledge gained, solutions devised and technologies developed to communities outside of the Institute. These communities include researchers, educators, policy makers, resource managers, industry and the general public.

8. Available Resources and Liquidity

The Institute has a board designated operating reserve of $16,329 and $13,540 at December 31, 2020 and 2019, respectively. This is a governing board-designated reserve with the object of setting aside funds to be used on specifically approved projects. The Institute maintains the reserve at no less than $6,000 which was determined by management as the minimum needed to meet capital fluctuations during a given year. The operating reserve consists of unused funds that result from support in excess of actual expenditures. Over the course of a given year, the Institute may realize surpluses or deficits relative to its proposed revenue and expenditures; these fluctuations are added to or are deducted from the operating reserve at the end of each calendar year. The operating reserve is held as money market funds and certificates of deposit. Although the Institute does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the operating reserve could be made available by the Board of Directors if necessary.

The following represents the Institute's financial assets as of December 31, 2020 and 2019.

	2020	2019
Cash and cash equivalents	$ 45,051	$ 18,310
Certificates of deposit maturing in less than 90 days	250	3,002
Certificates of deposit maturing in greater than 90 days	4,250	5,670
David and Lucile Packard Foundation receivables	79,540	47,407
Federal awards and other receivables	1,694	1,458
Total financial assets	130,785	75,847
Less those unavailable due to designations		
Board designations		
Operating reserve	16,329	13,540
Funding from David and Luclie Packard Foundation for capital projects	82,370	7,420
Capital grant spent not yet in service	(3,426)	(2,168)
Total amounts unavailable for general expenditures	95,273	18,792
Financial assets available to meet cash needs for operating expenditures within one year	$ 35,512	$ 57,055

9. Subsequent Events

The Institute has evaluated subsequent events for the period December 31, 2020 through August 4, 2021, the date financial statements were issued. The Institute entered into a contract with Avila Brothers, Inc. for approximately $4,100 as of January 2021 for the construction of the field exhibition staging building. The building is expected to be completed by the end of 2021. The Institute also entered into contracts with Construcciones Navales P. Freire S.A. and Glosten Associates, Inc. totaling $45,120 for the construction of a new flagship vessel. These contract amounts do not include contingencies, which are not expected to exceed $10,040. Construction of the vessel is expected to begin in 2021 with completion anticipated in 2023.