

MAINE STATE LEGISLATURE

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**To: Joint Standing Committee on Appropriations and Financial Affairs
Joint Standing Committee on Labor, Commerce, Research and Economic
Development**

From: MDI Biological Laboratory

Re: Annual Report on utilization of the 2014 Maine Biological Research Bond

Project Overview

The \$3 million Maine Biological Research Bond was awarded to the MDI Biological Laboratory on July 9, 2015. The Laboratory will provide a match of \$5.7 million in public and private funds. The total project cost of \$8.7 million is allowing the MDI Biological Laboratory to modernize and expand infrastructure in order to increase biotechnology workforce training, retain and recruit to the State multiple biomedical research and development groups, and create a drug discovery and development facility that will improve human health and stimulate biotechnology job growth and economic activity.

The project consists of the following four components. We are happy to report that all four components are now complete.

- 1) Construction of a 6,560 sq. ft. state-of-the-art research training facility specifically designed to support hands-on biotechnology training for Maine students (\$2.25 million);
- 2) Modernization and expansion of critical infrastructure to support expansion of research training programs: electrical, water, and waste systems (\$700,000);
- 3) Renovation and conversion of an existing 1,700 sq. ft. research training laboratory into research space to facilitate drug discovery and development (\$50,000);
- 4) Recruitment of three highly qualified biomedical research and development groups specializing in tissue repair and regeneration. (\$5.7 million).

Description of work completed

1) Construction of a 6,560 sq. ft. state-of-the-art research training facility

Construction of the new research training facility was completed in February 2017 and the first hands-on research training program was held in the new facility in March 2017.

Dedicated as the Maine Center for Biomedical Innovation (MCBI) in July 2017, the Center has a threefold mission:

- 1) Provide STEM students, scientists and life science start-up companies with the training and educational resources required to launch startup companies and turn laboratory discoveries into new products;
- 2) Provide startup life science companies with the physical resources they need to further develop their discoveries into commercialized products;
- 3) Provide life science entrepreneurs access to a network of intellectual resources (scientists, business mentors and experts, potential investors) required for successful company launch and development.

A total of 15 specialized training courses were held in the facility in 2017, and 29 are scheduled for 2018. The new facility has garnered rave reviews from faculty and students and has dramatically enhanced the MDI Biological Laboratory's capacity to support hands-on biotechnology training for Maine students and life science entrepreneurs.

2) Modernization and expansion of critical infrastructure

Modernization and expansion of electrical, water and waste systems were completed in February 2017. Expanded parking and pedestrian areas to support growth of the institution's drug discovery and research and biotechnology workforce training programs were completed in July 2017.

3) Renovation and conversion of 1,700 sq. ft. of existing research training space into drug discovery and development research space for two additional research groups.

Renovations of the existing 1,700 sq. ft. research training laboratory were completed in early 2017, creating state-of-the-art drug discovery and research space. The renovated space is now fully occupied by two research teams focused on identifying and exploring new therapeutic approaches to cardiac and limb regeneration.

4) Recruitment of three research and development groups specializing in tissue repair and regeneration

With the expansion of available research space to support drug discovery and development research, the MDI Biological Laboratory successfully recruited three new research groups to our campus. The first, Dr. James Godwin, was recruited from the Australian Regenerative Medicine Institute in May 2016 and appointed to a joint assistant professor position with The Jackson Laboratory. Second, Dr. Sam Beck was recruited from the University of Texas at Austin and named assistant professor in August 2017. Additionally, Dr. Jarod Rollins, a post-doctoral fellow at the MDI Biological Laboratory was promoted to an assistant professor faculty position in January 2018.

Progress in meeting expected outcomes

1) Modernize and expand infrastructure in a biological laboratory specializing in tissue repair and regeneration located in the State of Maine

Bond funding provided through the Maine Technology Institute has allowed the MDI Biological Laboratory to modernize and expand its infrastructure to support the future growth of its tissue repair and regeneration research. Construction of a 6,560 sq. ft. state-of-the-art research training facility, expansion of electrical, water and waste systems, expanded parking and pedestrian areas, and renovation of 1,700 sq. ft. of laboratory space are now complete and have set the stage for significant expansion of our biotechnology workforce training and our drug discovery and development research programs.

2) Increase biotechnology workforce training

The completion of the 6,560 sq. ft. Maine Center for Biomedical Innovation in 2017 has significantly increased the MDI Biological Laboratory's capacity for training Maine's biotechnology workforce. As a result of the additional space dedicated solely to workforce training, the MDI Biological Laboratory will launch five new week-long biotechnology and biomedical training programs in 2018, a 17% increase in offerings from the previous year.

3) Retain and recruit to the State of Maine multiple biomedical research and development groups

With the expansion of infrastructure and laboratory space supported by bond funding, the MDI Biological Laboratory has recruited three additional biomedical research and development groups. They are headed by Dr. James Godwin, Dr. Sam Beck and Dr. Jarod Rollins.

4) Create a drug discovery and development facility that will improve human health and stimulate biotechnology job growth and economic activity

The research underway in our drug discovery and development facility has the potential to significantly improve human health and stimulate economic activity and job growth in Maine. MDI Biological Laboratory faculty were awarded four new federal research grants in 2017 totaling \$5.46 million:

- Dr. Sandra Rieger received a \$1.8 million grant over five years to study chemotherapy induced peripheral neuropathy. Rieger has discovered two compounds that prevent or reverse chemotherapy-induced peripheral neuropathy in zebrafish. The compounds are the subject of a provisional patent filed last year by the MDI Biological Laboratory.
- Dr. Vicki Losick was recognized as an 'outstanding investigator' by the National Institutes of General Medical Sciences with a \$1.7 million, five-year grant to study wound repair and the process by which cells that have been lost or damaged by injury or disease replace themselves.

- Novo Biosciences Inc., a spinoff of the MDI Biological Laboratory, received a two-year, \$1.5 million Small Business Innovation Research (SBIR) grant for the development of MSI-1436 as a potential regenerative medicine therapy for the treatment of patients who have suffered an acute heart attack.
- Dr. Aric Rogers received a grant of \$455,000 over two years to study the cellular mechanisms governing longevity.

Summary

The \$3 million Maine Biomedical Research Bond awarded to the MDI Biological Laboratory is playing a critical role in growing our federally funded research and workforce training programs. By providing the infrastructure and laboratory space required to hire three additional junior scientists, the funding allowed us to meet a key requirement of our \$13 million NIH Center for Biomedical Research grant.

Additionally, the establishment of the Maine Center for Biomedical Innovation has allowed us to provide incubator space to outside startup companies. Our recent experience with these efforts demonstrates that there is significant demand for life science incubator space, and we turned three companies away in 2017 due to lack of space and scientific resources. We are in the process of seeking additional funding to modernize and convert existing seasonal research space into suitable incubator space for small life science startups.

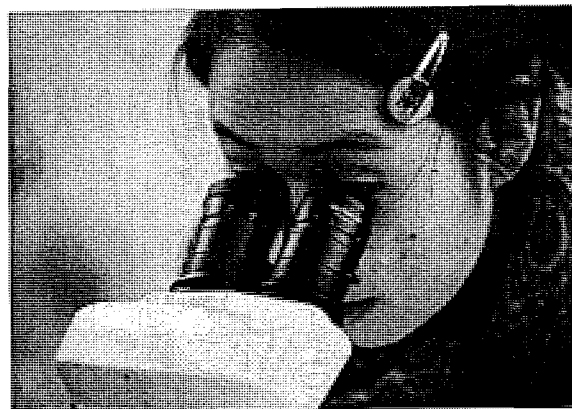
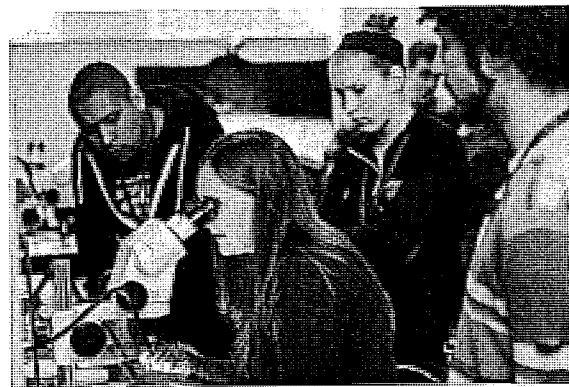
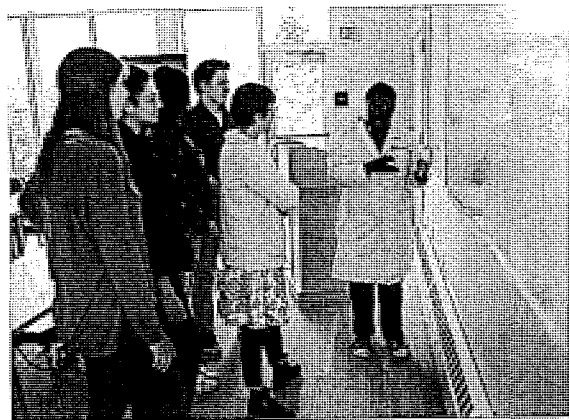
We remain grateful to Maine Legislature and voters for providing this essential funding and their willingness to invest in Maine's R&D economy.

MDI Biological Laboratory
 State of Maine Bond Funding
 MTI - Contract BR2015

| Disbursement Report | Total Budget | Prior Period Cumulative | 1/1/17 - 12/31/17 | Cumulative to Date 12/1/2015 - 12/31/2017 | Budget Remaining |
|---|---------------------|-------------------------|---------------------|---|--------------------|
| BIOTECHNOLOGY WORKFORCE TRAINING | | | | | |
| Teaching Laboratory | | | | | |
| A. Administrative Cost & Reserve | | | | | |
| Furniture/Fixtures/Equipment | 50,000.00 | 18,717.66 | 27,615.92 | 46,333.58 | 3,666.42 |
| Advert/Insurance/Legal -Builders Risk Policy 5251722-10 | 10,000.00 | 8,343.00 | 4,076.00 | 12,419.00 | -2,419.00 |
| IT Equipment and Installation | 40,000.00 | 0.00 | 46,872.81 | 46,872.81 | -6,872.81 |
| Misc Expenses (postage, etc) | 5,000.00 | 0.00 | 0.00 | 0.00 | 5,000.00 |
| Project Internal Management & Contingency | 130,000.00 | 26,703.80 | 1,393.00 | 28,096.80 | 101,903.20 |
| Subtotal Administrative Cost & Reserve | 235,000.00 | 53,764.46 | 79,957.73 | 133,722.19 | 101,277.81 |
| B. Fees & Services | | | | | |
| Geotechnical Services | 2,500.00 | 0.00 | 0.00 | 0.00 | 2,500.00 |
| Surveying | 2,500.00 | 4,029.38 | 0.00 | 4,029.38 | -1,529.38 |
| Materials Testing | 10,000.00 | 0.00 | 0.00 | 0.00 | 10,000.00 |
| Permits & Fees | 25,000.00 | 12,284.89 | -451.50 | 11,833.39 | 13,166.61 |
| Commissioning | 20,000.00 | 0.00 | 0.00 | 0.00 | 20,000.00 |
| Architect Fee | 40,000.00 | 51,261.92 | 10,090.55 | 61,352.47 | -21,352.47 |
| Landscape Architect Fee | 10,000.00 | 13,072.95 | 19,281.25 | 32,354.20 | -22,354.20 |
| Site/Civil Engineering Fee | 15,000.00 | 28,681.69 | 0.00 | 28,681.69 | -13,681.69 |
| Subtotal Fees & Services | 125,000.00 | 109,330.83 | 28,920.30 | 138,251.13 | -13,251.13 |
| C. Construction | | | | | |
| Demolition/Disposal | 20,000.00 | 20,000.00 | 0.00 | 20,000.00 | 0.00 |
| Site Work | 150,000.00 | 114,021.60 | 4,449.00 | 118,470.60 | 31,529.40 |
| Landscaping | 50,000.00 | 0.00 | 218,989.48 | 218,989.48 | -168,989.48 |
| Building | 600,000.00 | 862,274.44 | 162,156.20 | 1,024,430.64 | -424,430.64 |
| Fire Protection | 50,000.00 | 69,974.00 | 2,140.00 | 72,114.00 | -22,114.00 |
| HVAC/Plumbing (design/build) | 400,000.00 | 281,577.50 | 117,660.50 | 399,238.00 | 762.00 |
| Electrical (design/build) | 280,000.00 | 105,167.20 | 112,784.23 | 217,951.43 | 62,048.57 |
| Lab Equipment & Furnishings | 250,000.00 | 60,388.98 | 127,380.00 | 187,768.98 | 62,231.02 |
| Elevator | 90,000.00 | 80,622.00 | 0.00 | 80,622.00 | 9,378.00 |
| Subtotal Construction | 1,890,000.00 | 1,594,025.72 | 745,559.41 | 2,339,585.13 | -449,585.13 |
| Total Teaching Laboratory | 2,250,000.00 | 1,757,121.01 | 854,437.44 | 2,611,558.45 | -361,558.45 |
| DRUG DISCOVERY AND DEVELOPMENT | | | | | |
| Renovation of existing laboratory space | 50,000.00 | 22,327.67 | 0.00 | 22,327.67 | 27,672.33 |
| Infrastructure Improvements | | | | | |
| Well Manager Water System | 230,000.00 | 63,479.45 | 66,572.75 | 130,052.20 | 99,947.80 |
| New Parking Area | 80,000.00 | 13,372.00 | 65,597.76 | 78,969.76 | 1,030.24 |
| New Wastewater Treatment Plant | 150,000.00 | 9,066.00 | 34,769.85 | 43,835.85 | 106,164.15 |
| Bury Underground Electrical Service | 240,000.00 | 113,256.07 | 0.00 | 113,256.07 | 126,743.93 |
| Total State of Maine Funding | 3,000,000.00 | 1,978,622.20 | 1,021,377.80 | 3,000,000.00 | 0.00 |

MDI Biological Laboratory
 State of Maine Bond Funding
 MTI - Contract BR2015

| Matching Funds Report | Total Budget | Prior Period Cumulative | 1/1/17 - 12/31/17 | Cumulative to Date 12/1/2015 - 12/31/2017 | Budget Remaining |
|--|---------------------|-------------------------|---------------------|---|---------------------|
| BIOTECHNOLOGY WORKFORCE TRAINING | | | | | |
| Workforce Training Outreach | | | | | |
| INBRE Grant | 342,031.00 | 138,204.14 | 148,114.69 | 286,318.83 | 55,712.17 |
| DRUG DISCOVERY AND DEVELOPMENT | | | | | |
| Research Program Support | | | | | |
| Faculty Grants | 562,246.00 | 285,083.09 | 447,643.26 | 732,726.35 | -170,480.35 |
| COBRE Grant | 2,370,646.00 | 855,312.41 | 562,432.92 | 1,417,745.33 | 952,900.67 |
| RETAIN AND RECRUIT FACULTY | | | | | |
| Institutional Funds | 710,725.00 | 370,155.66 | 187,303.40 | 557,459.06 | 153,265.94 |
| Faculty Grants | 242,195.00 | 145,065.65 | 204,216.04 | 349,281.69 | -107,086.69 |
| COBRE Grant | 920,157.00 | 283,562.03 | 146,166.27 | 429,728.30 | 490,428.70 |
| INBRE Grant | 552,000.00 | 0.00 | 0.00 | 0.00 | 552,000.00 |
| Total Match Provided | 5,700,000.00 | 2,077,382.98 | 1,695,876.58 | 3,773,259.56 | 1,926,740.44 |
| **Please note that match for the month of December is not yet recorded. It will be included on the January report. | | | | | |



***THE MOUNT DESERT ISLAND
BIOLOGICAL LABORATORY
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016***

**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
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FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Mount Desert Island Biological Laboratory

Report on the Financial Statements

We have audited the accompanying financial statements of Mount Desert Island Biological Laboratory (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Desert Island Biological Laboratory as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 19-20 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2017, on our consideration of Mount Desert Island Biological Laboratory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Desert Island Biological Laboratory's internal control over financial reporting and compliance.

Horton, McFarland & Veysey, LLC
Horton, McFarland & Veysey, LLC
Ellsworth, ME
June 2, 2017



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016**

Assets

| | |
|---|--------------------------|
| Current Assets: | |
| Cash & Cash Equivalents | 2,726,302 |
| Certificates of Deposit | 6,628,127 |
| Accounts Receivable (Net of Allowance) | 126,054 |
| Grants Receivable | 1,003,792 |
| Contributions Receivable | 28,675 |
| Pledges Receivable | 366,417 |
| Prepaid Expenses | 5,070 |
| Total Current Assets | <u>10,884,437</u> |
| Non Current Assets: | |
| Pledges Receivable (Net of Discount) | 682,869 |
| Investments | 5,224,082 |
| Investments - Charitable Gift Annuities | 24,532 |
| Land, Buildings & Equipment (Net of Depreciation) | 14,409,381 |
| Total Non Current Assets | <u>20,340,864</u> |
| Total Assets | <u>31,225,301</u> |

Liabilities

| | |
|---|-------------------------|
| Current Liabilities: | |
| Accounts Payable | 612,870 |
| Accrued Indirect Cost Adjustments | 566,345 |
| Revenues Received in Advance | 6,900 |
| Deferred Grants | 466,429 |
| Charitable Gift Annuities | 1,493 |
| Bonds Payable | 125,000 |
| Total Current Liabilities | <u>1,779,037</u> |
| Long Term Liabilities: | |
| Charitable Gift Annuities | 8,012 |
| Bonds Payable | 4,175,000 |
| Less: Bond Issuance Costs (Net of Amortization) | (128,429) |
| Total Long Term Liabilities | <u>4,054,583</u> |
| Total Liabilities | <u>5,833,620</u> |

Net Assets

| | |
|---|--------------------------|
| Unrestricted | 12,877,491 |
| Temporarily Restricted | 8,065,808 |
| Permanently Restricted | 4,448,382 |
| Total Net Assets | <u>25,391,681</u> |
| Total Liabilities & Net Assets | <u>31,225,301</u> |

See independent auditors' report and notes to the financial statements.



THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>Total</i> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Operating Support and Revenue | | | | |
| Grants & Contracts | 5,626,241 | | | 5,626,241 |
| Indirect Costs Recovered-Grants & Contracts | 1,766,983 | | | 1,766,983 |
| Contributions & Private Grants | 976,002 | 287,252 | 13,035 | 1,276,289 |
| Fees for Programs & Services | 1,533,621 | | | 1,633,621 |
| Interest Income (Net of Fees) | 11,513 | 22,465 | | 33,978 |
| Long-Term Investment Return Utilized | 211,412 | | | 211,412 |
| Miscellaneous Revenue | 19,041 | 1,000 | | 20,041 |
| Net Assets Released from Restrictions | 664,716 | (664,716) | | - |
| Total Operating Support & Revenue | 10,909,529 | (353,999) | 13,035 | 10,568,565 |
| Operating Expenses | | | | |
| Research Programs & Core Services | 3,299,495 | | | 3,299,495 |
| Research Training & Education Programs | 1,075,044 | | | 1,075,044 |
| Research Subawards | 2,532,939 | | | 2,532,939 |
| Facilities & Food Services | 1,148,140 | | | 1,148,140 |
| Development & Public Affairs | 605,408 | | | 605,408 |
| General Administration | 1,759,870 | | | 1,759,870 |
| Bond & Mortgage Interest | 245,154 | | | 245,154 |
| Depreciation & Amortization | 1,192,633 | | | 1,192,633 |
| Total Operating Expenses | 11,858,683 | - | - | 11,858,683 |
| Change in Net Assets from Operating Activities | (949,154) | (353,999) | 13,035 | (1,290,118) |
| Non-Operating Activities | | | | |
| Government Grants for Capital Purposes | 2,400,719 | | | 2,400,719 |
| Contributions & Non-government Grants for Capital Purposes | 32,986 | | | 32,986 |
| Proceeds from the Sale of Assets | 500 | | | 500 |
| Long-Term Investment Return | 1,673 | 481,293 | | 482,966 |
| Change in Value of Split-Interest Agreements | (357) | | | (357) |
| Long-Term Investment Return Utilized by Operations | | (211,412) | | (211,412) |
| Total Non-Operating Activities | 2,435,521 | 269,881 | - | 2,705,402 |
| Total Change in Net Assets | 1,486,367 | (84,118) | 13,035 | 1,415,284 |
| Net Assets, Beginning of Year (Restated) | 11,391,124 | 8,149,926 | 4,435,347 | 23,976,397 |
| Net Assets, End of Year | 12,877,491 | 8,065,808 | 4,448,382 | 25,391,681 |

See independent auditors' report and notes to the financial statements.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities

| | |
|--|----------------|
| Change in Net Assets | 1,415,284 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | |
| Provision For Depreciation & Amortization | 1,192,633 |
| Unrealized (Gains) Losses on Investments | (386,651) |
| Realized Loss on Disposal of Assets | 154,867 |
| Decrease (Increase) in: | |
| Accounts Receivable | (48,641) |
| Grants Receivable | (453,559) |
| Contributions & Pledges Receivable (Net of Discount) | 335,775 |
| Prepaid Expenses | 15,880 |
| Increase (Decrease) in: | |
| Accounts Payable | 4,660 |
| Charitable Gift Annuities | (1,493) |
| Accrued Indirect Cost Adjustments | 106,024 |
| Revenues Received in Advance & Deferred Grants | <u>236,679</u> |

Net Cash Provided by Operating Activities 2,571,458

Cash Flows From Financing Activities

Repayment of Loans (115,000)

Net Cash Provided By Financing Activities (115,000)

Cash Flows From Investing Activities

| | |
|--|------------------|
| (Purchase) Sale of Investments (Net) | (97,160) |
| (Purchase) Sale of Certificates of Deposit | (2,485,333) |
| Building and Plant Improvements | (2,071,457) |
| Purchase of Equipment | <u>(576,015)</u> |

Net Cash Used By Investing Activities (5,229,965)

Increase (Decrease) in Cash & Equivalents (2,773,507)

Cash & Equivalents, Beginning of Period 5,499,809

Cash & Equivalents, End of Period 2,726,302

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for:

 Interest Expense 243,904

See independent auditors' report and notes to the financial statements.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mount Desert Island Biological Laboratory's (the Institution) financial statements include the operations for which the Board of Trustees exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

NATURE OF ACTIVITIES

The Mount Desert Island Biological Laboratory is a nonprofit; no stock corporation organized in the State of Maine. The Institution is a scientific research and educational facility located in Bar Harbor, Maine. It is funded primarily through grants and contributions.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Institution reports gifts of land, buildings, and equipment as unrestricted support (revenue) unless explicit donor-imposed restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support (revenue). Without explicit donor-imposed stipulations about how long those long-lived assets must be maintained, the Institution reports expirations of donor-imposed restrictions when the donated or acquired long-lived assets are placed into service. When a donor-imposed restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Mount Desert Island Biological Laboratory complies with the *Financial Statements of Not-for-profit Organizations* topic of the FASB Codification. Under this topic, the Institution is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of The Mount Desert Island Biological Laboratory's net asset categories is as follows:

Unrestricted - Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Institution, and include those expendable resources which have been designated for special use by the Board of Trustees.

Temporarily Restricted - Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted - Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. Generally, the donors of these assets permit the Institution to use all or part of the income earned on related investments for general or specific purposes.

MANAGEMENT ESTIMATES

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

FAIR VALUE OF FINANCIAL MEASUREMENTS

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards define fair value 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of input used for fair value measurement are as follows:

Level 1: Fair values based on quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets and liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

The Mount Desert Island Biological Laboratory's only financial instrument that is reported at fair value is the investments, which fall under Level 1 of the fair value hierarchy.

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at variable rates, which approximate current market rates for notes with similar maturities and credit quality.

The carrying amount of cash and cash equivalents, accounts receivable, grants receivable, and notes receivable approximates fair value because of the short maturity of these financial instruments. The carrying value, which is the fair value of investments, is based upon values provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS

The Institution qualifies as an organization exempt from income tax under Section 501(c) (3) of the Internal Revenue Code. The Institution did not have gross income (gross income is gross receipts minus the cost of goods sold) from unrelated trade or business activities of \$1,000 or more. Unrelated trade or business income is the gross income derived from any trade or business activity that is regularly carried on, and not substantially related to the Organization's exempt purpose or function (aside from the Organization's need for income or funds or the use it makes of the profits).

The Institution regularly reviews and evaluates its tax position taken in previously filed information returns and as is reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Institution believes that in the event of an examination by taxing authorities, its position would prevail based upon technical merit of such positions. Therefore, the Institution has concluded that no tax benefits or liabilities are required to be recognized. The Institution's tax returns are subject to federal and state review by taxing authorities for fiscal years ended December 31, 2014, 2015, 2016.

The Institution is subject to federal and state payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of December 31, 2016. No examinations have been conducted by the federal or state taxing authorities and no correspondence has been received from these authorities.

CASH, CASH EQUIVALENTS AND CUSTODIAL CREDIT RISK

The Mount Desert Island Biological Laboratory maintains its cash balances at various financial institutions. At each FDIC insured institution, Mount Desert Island Biological Laboratory's cash deposits, including certificates of deposits, are insured up to \$250,000 by the FDIC. In some instances, cash deposits in excess of the \$250,000 FDIC limit are swept into repurchase agreements for overnight investment in securities held in a Federal Reserve account pledged by the bank as collateral for these funds above the FDIC limit. The securities subject to repurchase agreement are not insured by the FDIC. Funds held by the bank pursuant to a repurchase agreement do not constitute a deposit and, therefore, are not insured by the FDIC or by the United States Government or any of its agencies. With respect to amounts invested in these repurchase agreements, the FDIC has stated that customers will be treated as a secured creditor of the bank in the event of the Bank's insolvency.

At December 31, 2016, total cash deposits with financial institutions, including certificates of deposit, were \$9,513,355. Of these cash deposits \$36,797 were uninsured and uncollateralized.

For purposes of the statements of cash flows, cash and cash equivalents are comprised of cash on hand and demand deposits with banks and other financial institutions with an original maturity of three months or less.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Institution has adopted deposit and investment policies that govern the Institution's allowable deposits or investments and address the specific types of risk to which the Institution is exposed. The objective for endowment funds is to match the S&P 500 stock index (net of fees) over a three year period. The equity portfolio will be broadly diversified according to economic sector, industry, number of holdings and other investment characteristics. The objective for non-endowment funds is to maximize earnings without causing significant risk to principal. The Institution does not have a formal policy of requiring collateral or other security support for financial instruments subject to credit risk.

Certificates of Deposit

The Institution has invested in Certificates of Deposit through the CDARS Network which allows the Institution to deposit large amounts with a CDARS Network member who places the funds in FDIC insured CD's issued by other members of the Network. At December 31, 2016, the Institution has CDARS Network Certificates of Deposit maturing from January 2017 to December 2017.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at net realizable value. Uncollectible accounts are written off in the year in which they are deemed to be uncollectible. An allowance for doubtful accounts of \$5,071 has been netted against accounts receivable as of December 31, 2016. The calculation of the allowance is based on management's review of the individual receivables and past experience of the Institution.

PREPAID EXPENSES

Payments to vendors that will benefit periods beyond the current fiscal year are recorded as prepaid expenses.

GENERAL FIXED ASSETS, DEPRECIATION AND AMORTIZATION

Fixed assets of the Institution include land, land improvements, buildings, building improvements, vehicles, equipment, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. All improvements to fixed assets which add to the value or materially extend the life of the asset are capitalized. All fixed assets of the Institution are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also may include capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. Donated fixed assets are reported at their fair value or the estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land is not depreciated. All other individual fixed assets of the Institution are depreciated over their estimated useful lives using the straight-line method. Under this method, the recorded cost of each fixed asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. Fixed assets which are under construction but not yet completed are recorded as construction in progress. These fixed assets will not begin to be depreciated until they are completed. See note on long term liabilities for descriptions of assets pledged as collateral for debt.

The Institution follows the policy of establishing a provision for annual amounts of depreciation, which allocates the cost of the plant, property, and equipment over its estimated useful life. The ranges of estimated useful lives and methods of depreciation used are:

| | Years | Method |
|--------------------------|---------|---------------|
| Buildings & Improvements | 20 – 40 | Straight-Line |
| Equipment & Furnishings | 5 – 10 | Straight-Line |

CONTRIBUTIONS, PROMISES TO GIVE AND IN KIND CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to the Institution that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions and pledges receivable are recorded at their estimated net realizable value (discounted to present value).

The Institution uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with financial accounting standards, the financial statements reflect only those contributed services requiring specific expertise, which the Institution would otherwise need to purchase. However, many individuals volunteer their time and perform a variety of tasks, such as assisting special events. Contributed goods and services are recorded at rates that would have been paid for similar goods or services if purchased and are included in contributions. There were contributed legal services recorded for the year ended December 31, 2016 in the amount of \$77,748. The services related to an intellectual property project being conducted by the Institution.

INVESTMENTS AND INVESTMENT INCOME

It is the Institution's policy to value investments and record investment interest, fees, realized and unrealized gains and losses in accordance with Financial Accounting Standard Board (FASB) ASC 958-320, *Not-for-Profit Entities, Investments – Debt and Equity Securities*. In accordance with this codification section, Institution investments are recorded at their fair value at the Statement of Financial Position date. The investments of the Institution consist exclusively of equity investments for which the fair value is readily available through market quotes and other areas. This use of quoted prices to determine fair value is referred to as level 1 of the three level hierarchies for determining the fair value of investments. The Institution's method for valuing its investments has not changed during the current fiscal year in comparison to prior fiscal year. The investment policy of the Institution is to obtain a consistent rate of return on its investments with as little exposure to risks as possible. Withdrawals from the investments held as endowment funds require Board of Trustee approval. The Institution's spending policy for endowment funds allows for expending up to 5% of the three year trailing average of each individual endowment fund based on December 31 values as approved by the Board of Trustees.

ADVERTISING

All non-direct response advertising costs of the Institution are expensed as they are incurred. Total advertising costs incurred by the Institution was \$21,250 for the fiscal year ended December 31, 2016.

RETIREMENT PLAN

The Institution has a defined contribution 403b salary deferral retirement plan covering substantially all the employees, which is administered through TIAA. The Institution's policy is to fund retirement costs as they are accrued. Retirement costs for 2016 were \$186,017.

SUBSEQUENT EVENTS MEASUREMENT DATE

The Mount Desert Island Biological Laboratory monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements from the year end of December 31, 2016 through June 2, 2017, the date on which the financial statements were available to be issued.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
 NOTES TO FINANCIAL STATEMENTS
 AT DECEMBER 31, 2016**

NOTE 2 – ASSET COLLATERALIZED AND LETTER OF CREDIT

The Institution has assigned a security interest in the Institution's First Advisor Investment account of not less than \$200,000 to The First, N.A. to establish a \$150,000 Irrevocable Standby Letter of Credit with that bank. This action was taken in accordance with regulations of the U. S. Nuclear Regulatory Commission to guarantee financial responsibility for any clean-up resulting from radioactive contamination. This assignment does not affect earnings but it does impair liquidity.

NOTE 3 – PLEDGES RECEIVABLE

As of December 31, 2016 the Institution had outstanding pledges receivable totaling \$1,083,583 with a present value discount of \$34,297 for a discounted value of \$1,049,286. Pledges are discounted using the effective interest rate method at 3%. All pledges are expected to be collected and no allowance has been made for uncollectible amounts.

Pledges receivable are scheduled to be received as follows:

| | |
|------------------|------------------|
| Less than 1 Year | 366,417 |
| 1 to 5 Years | <u>717,166</u> |
| | <u>1,083,583</u> |

NOTE 4 – FIXED ASSETS AND DEPRECIATION

Fixed assets consisted of the following at December 31, 2016:

| Description | Balance 1/1/16 | Additions | Transfers | Disposals | Balance 12/31/16 |
|--------------------------------|-------------------|------------------|-----------|------------------|---------------------|
| Land | 116,870 | | | | 116,870 |
| Buildings & Improvements | 18,363,672 | | 23,559 | (303,614) | 18,083,617 |
| Construction in Progress | - | 2,071,457 | (23,559) | | 2,047,898 |
| Equipment & Furnishings | 7,163,228 | 576,015 | | (14,516) | 7,724,727 |
| | <u>25,643,770</u> | <u>2,647,472</u> | - | <u>(318,130)</u> | <u>27,973,112</u> |
| Less: Accumulated Depreciation | 12,540,782 | 1,186,212 | | (163,263) | 13,563,731 |
| Total Net Fixed Assets | <u>13,102,988</u> | <u>1,461,260</u> | - | <u>(154,867)</u> | <u>14,409,381</u> |

NOTE 5 – BOND PAYABLE

Bond payable debt at December 31, 2016 consisted of one bond with a principal balance of \$4,300,000, issued through the Finance Authority of Maine, variable rate revenue bonds (Mount Desert Island Biological Laboratory Issue Series 2007). The bonds are secured by a Letter of Credit Reimbursement Agreement with Bar Harbor Bank & Trust. This Letter of Credit Reimbursement Agreement is secured by a security agreement between the Institution and the Bank dated October 1, 2009. The Institution has entered into an interest rate Swap Agreement to minimize the effects of the variable interest rate. Interest is payable monthly. The first principal payment was made December 1, 2010, and the final payment is due December 1, 2036. The bonds are subject to certain covenants, the most restrictive covenant requires a minimum debt service coverage ratio.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
 NOTES TO FINANCIAL STATEMENTS
 AT DECEMBER 31, 2016**

NOTE 5 – BOND PAYABLE (Continued)

At December 31, 2016, The Institution was in compliance with the required debt service coverage ratio.

Maturity of long-term debt is as follows:

| Year ending December 31, | Amount |
|--------------------------|------------------|
| 2017 | 125,000 |
| 2018 | 130,000 |
| 2019 | 140,000 |
| 2020 | 145,000 |
| 2021 | 155,000 |
| 2022-2026 | 900,000 |
| 2027-2031 | 1,170,000 |
| 2032-2036 | 1,535,000 |
| | <u>4,300,000</u> |

The above bond payable is secured by any and all business assets of the Institution, including but not limited to: all machinery, equipment, fixtures, appliances, furnishings, supplies, inventory, receivables, general intangibles, investment property, real property, insurance proceeds and settlements.

The calculation of the required minimum debt service ratio referred to above is:

| | |
|---|----------------|
| Change in Unrestricted Net Assets From Operating Activities | (949,154) |
| Add Back: | |
| Depreciation & Amortization | 1,192,633 |
| Bond Interest & Fees | 245,154 |
| Funds Available for Debt Service | <u>488,633</u> |
| Debt Service to Others: | |
| Bond Principal Payments | 115,000 |
| Bond Interest & Fees | 245,154 |
| Total Debt Service to Others | <u>360,154</u> |
| Debt Service Coverage Ratio (1.1 or Higher Required) | 1.36 |

NOTE 6 – CHARITABLE GIFT ANNUITIES

The Institution has established a gift annuities program which allows the Institution to accept a gift from a donor in exchange for the Institution agreeing to pay the Donor's annuity payments until the Donor's death. The Institution evaluates each potential annuity prior to acceptance with the consideration of the age of the donor, terms of the annuity payments, required payments terms, and the gift acceptance policy.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 6 – CHARITABLE GIFT ANNUITIES (Continued)

Upon execution of the charitable gift annuity agreements, the Institution records an asset for the fair market value of the charitable gift annuities and a liability based upon the actuarial present value of amounts expected to be paid to donors. The net of the gift annuity asset and liability is the remainder interest, the residual the Institution expects to receive from the annuities. The present value is readjusted annually.

The following table summarizes activity in the gift annuities investment for the year ended December 31, 2016:

| | |
|--|----------------------|
| Charitable Gift Annuities Investment Balance at 1/1/16 | 24,711 |
| Contributions Recorded as Revenues | - |
| Increase in Liability | - |
| Interest & Dividend Income | 793 |
| Annuity Payments | (1,850) |
| Investment Fees | (253) |
| Change in Value | <u>1,131</u> |
| Charitable Gift Annuities Investment Balance at 12/31/16 | <u><u>24,532</u></u> |

The following table summarizes the change in the charitable gift annuities liability account for the year ended December 31, 2016:

| | |
|--|---------------------|
| Charitable Gift Annuities Liability Balance at 1/1/16 | 10,998 |
| Increase in Liability | |
| Annuity Liability Principal Payments | <u>(1,493)</u> |
| Charitable Gift Annuities Investment Balance at 12/31/16 | <u><u>9,505</u></u> |
| Amount Shown as a Current Liability | 1,493 |
| Amount Shown as a Long Term Liability | <u><u>8,012</u></u> |
| | <u><u>9,505</u></u> |

The liabilities are determined based upon the Donor's life expectancy and using discount rates between 5% and 10%, at December 31, 2016, provided by Internal Revenue Service valuation tables. At the time of the Donor's death, any remaining unamortized liability is recorded as additional contributions.

NOTE 7 – INTEREST COSTS

Total interest costs incurred for 2016 were \$245,154. All interest costs were expensed in 2016 with no interest costs capitalized during 2016. Cash disbursements for interest were \$245,154 during 2016.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 8 – NET ASSETS

Net assets are available for the following purposes at December 31, 2016:

| | Temporarily Restricted | Permanently Restricted |
|--------------------------------------|---------------------------|---------------------------|
| Student Fellowships Funds | 484,942 | 1,580,884 |
| Visiting Scientist Fellowships Funds | 379,797 | 525,076 |
| Lecture, Symposium & Course Funds | 194,788 | 175,765 |
| Director's & Other Funds | 259,762 | 42,825 |
| Flexible Reserve Funds | 6,681,709 | - |
| General Endowment Funds | 64,810 | 2,123,832 |
| | <u>8,065,808</u> | <u>4,448,382</u> |

NOTE 9 – INVESTMENTS

Investments are held at various institutions. Investments are reported at their fair market value as required by the accounting standards codification.

Fair values and cost basis have been established and are comprised as follows as of December 31, 2016:

| | Cost | Fair Value | Carrying Value |
|------------------|------------------|------------------|------------------|
| Cash & Near Cash | 318,679 | 318,679 | 318,679 |
| Equities | 2,994,764 | 4,358,242 | 4,358,242 |
| Fixed Income | 509,384 | 503,110 | 503,110 |
| Mutual Funds | 69,870 | 68,583 | 68,583 |
| | <u>3,892,697</u> | <u>5,248,614</u> | <u>5,248,614</u> |

The components of investment return are as follows at December 31, 2016

| | |
|---|----------------|
| Interest & Dividend Income | 131,867 |
| Unrealized Gains (Losses) | 387,782 |
| Fees | <u>(2,705)</u> |
| | <u>516,944</u> |
| Operating Interest Income (Net of Fees) | 33,978 |
| Non-Operating Long-Term Investment Return | <u>482,966</u> |
| | <u>516,944</u> |



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
 NOTES TO FINANCIAL STATEMENTS
 AT DECEMBER 31, 2016**

NOTE 9 – INVESTMENTS (Continued)

Endowment

The Institution complies with *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. This topic provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as enacted by the State of Maine.

The Institution interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Institution classifies as permanently restricted net assets (a) the original value of the gifts donated (b) the original value of subsequent gifts, and (c) net investment returns to temporarily restricted net assets.

The change in the Institution's endowment funds for the year ended December 31, 2016 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------------------|--------------|---------------------------|---------------------------|-----------|
| Endowment Assets, January 1, 2016 | - | (24,867) | 2,117,982 | 2,093,115 |
| Investment Return: | | | | |
| Investment Income | - | 36,645 | | 36,645 |
| Unrealized Gains (Losses) | - | 149,209 | | 149,209 |
| Less: Fees | - | 123 | | 123 |
| Total Investment Return | - | 185,731 | - | 185,731 |
| Contributions | 30,000 | 1,000 | 5,850 | 36,850 |
| Released from Restrictions | - | (97,054) | | (97,054) |
| | 30,000 | (96,054) | 5,850 | (60,204) |
| Endowment Assets, December 31, 2016 | 30,000 | 64,810 | 2,123,832 | 2,218,642 |

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Health Reimbursement Arrangement

The Institution offers employees a health expense reimbursement benefit whereby the Institution covers employee's medical costs above a certain amount until the employee meets the high insurance deductible. There are currently approximately 44 employees covered by this benefit. A liability for these medical costs reimbursements is contingent on a specific event that is outside the control of the employer and therefore are not recorded as a liability in these financial statements.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Lines of Credit

The Institution has an irrevocable stand by letter of credit with The First, N.A. in the amount of \$150,000 as described in Note 2.

Contracts

The Institution entered into various agreements during 2015 and 2016 for construction services and related furnishing and equipment purchases, related to the new teaching lab building being constructed. The agreements have a total agreed upon price of \$2,433,662 for the services as outlined in the agreements. At December 31, 2016 there remained an unpaid commitment on the agreements of \$615,836.

Bond Payable Covenant

As referred to in the long term liability note (see note 6 for more information) the Institution has a restrictive covenant to maintain a debt service coverage ratio of 1.1 or higher. At December 31, 2016 the Institution was in compliance with this covenant.

General

The Institution is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Institution purchases commercial insurance for the risks of losses to which it is exposed. There have been no significant reductions in the commercial coverage from the prior year. The Institution is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2016.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Institution expects such amount, if any to be immaterial.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Institution actively maintains a Conflict of Interest Policy, which Trustees review and discuss annually during a regular meeting of the Board of Trustees. All Trustees and key non-Trustee members of board committees acknowledge review of this policy and disclose potential conflicts of interest on an annual basis.

Two Trustees of the Institution rented lab, office and/or housing space from the Institution. During 2016, the Trustees paid the Institution \$39,747 for the use of the facilities. The Trustees were paid \$8,200, during 2016, by the Institution for course related services performed by the Trustees.

The Institution paid three former Trustees for course related services. During 2016, the Institution paid \$17,500 for the services performed. One former Trustee used the Institution and office space at the Institution at no charge during 2016. A former Trustee paid \$13,091 to the Institution for core facilities use and accommodations for his lab staff.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2016**

NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)

The Institution paid a former Trustee a grant writing fee of \$5,206 and an external advisory committee fee of \$500 during 2016.

The Institution purchased food and catering services, from a business owned by an employee of the Institution, in the amount of \$10,693 for 2016. The Institution also purchased food from a relative of the same employee in the amount of \$1,092 in 2016.

The Institution paid \$2,917, to the family member of a Trustee, to rent a boat during 2016.

The Institution paid \$10,047 to the former Vice President of Administration for consulting work after her retirement during 2016.

There were no related party payables at December 31, 2016. Related party receivables totaled \$13,392 at December 31, 2016.

NOTE 12 – FUNCTIONAL EXPENSE

Total program costs for the year ended December 31, 2016 were \$9,372,471. Total fundraising costs for the year ended December 31, 2016 were \$366,060. Total administrative and general costs for the year ended December 31, 2016 were \$2,120,152.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE - BOND ISSUANCE COSTS

The Institution has implemented FASB Accounting Standards Update No 2015-03 Simplifying the Presentation of Debt Issuance Costs for 2016. This update requires that bond issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendment. The effect of the change is that debt issuance costs are no longer shown as an asset and are instead reported as a direct reduction from long term liabilities. Debt Issuance costs are being amortized on the straight line method over the life of the related bond payable. The annual amount is \$6,421 through 2036.

NOTE 14 – SUBSEQUENT EVENT

In the first quarter of 2017, the Institution became aware of additional liability for employer contributions to the 403B plan, referred to in note 1. The amount has not been finalized as of the date of these financial statements and therefore has not been recorded. The contributions will be made in 2017, once the amount has been determined.

NOTE 15 – RESTATEMENT

Unrestricted Net Assets, beginning of year, and Total Net Assets, beginning of year, have each been increased by \$186,952. This restatement is necessary because the net indirect cost rates calculated for 2013 through 2015 were finalized higher than the provisional indirect cost rates used in those fiscal years.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31,**

SCHEDULE 1

| | 2016 | <i>Restated</i> 2015 |
|---|-------------------|--------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash & Cash Equivalents | 2,726,302 | 5,499,809 |
| Certificates of Deposit | 6,628,127 | 4,142,794 |
| Accounts Receivable (Net of Allowance) | 126,054 | 77,413 |
| Grants Receivable | 1,003,792 | 550,233 |
| Contributions Receivable | 28,675 | 19,875 |
| Pledges Receivable | 366,417 | 404,917 |
| Prepaid Expenses | 5,070 | 20,950 |
| Total Current Assets | <u>10,884,437</u> | <u>10,715,991</u> |
| Non Current Assets: | | |
| Pledges Receivable (Net of Discount) | 682,869 | 988,944 |
| Investments | 5,224,082 | 4,740,092 |
| Investments - Charitable Gift Annuities | 24,532 | 24,711 |
| Land, Buildings & Equipment (Net of Depreciation) | 14,409,381 | 13,102,988 |
| Total Non Current Assets | <u>20,340,864</u> | <u>18,856,735</u> |
| Total Assets | <u>31,225,301</u> | <u>29,572,726</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable | 612,870 | 608,210 |
| Accrued Indirect Cost Adjustments | 566,345 | 460,321 |
| Revenues Received in Advance | 6,900 | - |
| Deferred Grants | 466,429 | 236,650 |
| Charitable Gift Annuities | 1,493 | 1,493 |
| Bonds Payable | 125,000 | 115,000 |
| Total Current Liabilities | <u>1,779,037</u> | <u>1,421,674</u> |
| Long Term Liabilities: | | |
| Charitable Gift Annuities | 8,012 | 9,505 |
| Bonds Payable | 4,175,000 | 4,300,000 |
| Less: Bond Issuance Costs (Net of Amortization) | (128,429) | (134,850) |
| Total Long Term Liabilities | <u>4,054,583</u> | <u>4,174,655</u> |
| Total Liabilities | <u>5,833,620</u> | <u>5,596,329</u> |
| Net Assets | | |
| Unrestricted | 12,877,491 | 11,391,124 |
| Temporarily Restricted | 8,065,808 | 8,149,926 |
| Permanently Restricted | 4,448,382 | 4,435,347 |
| Total Net Assets | <u>25,391,681</u> | <u>23,976,397</u> |
| Total Liabilities & Net Assets | <u>31,225,301</u> | <u>29,572,726</u> |

See independent auditors' report.



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31,**

SCHEDULE 2

| | 2016 Summarized Totals | Restated 2015 Summarized Totals |
|--|------------------------------|--|
| Operating Support and Revenue | | |
| Grants & Contracts | 5,626,241 | 5,659,831 |
| Indirect Costs Recovered-Grants & Contracts | 1,766,983 | 1,691,045 |
| Contributions & Private Grants | 1,276,289 | 2,747,167 |
| Fees for Programs & Services | 1,633,621 | 1,707,586 |
| Interest Income (Net of Fees) | 33,978 | 56,185 |
| Long-Term Investment Return Utilized | 211,412 | 187,602 |
| Miscellaneous Revenue | 20,041 | 20,316 |
| Net Assets Released from Restrictions | - | - |
| Total Operating Support & Revenue | <u>10,568,565</u> | <u>12,069,732</u> |
| Operating Expenses | | |
| Research Programs & Core Services | 3,299,495 | 3,444,519 |
| Research Training & Education Programs | 1,075,044 | 993,282 |
| Research Subawards | 2,532,939 | 2,592,547 |
| Facilities & Food Services | 1,148,140 | 1,012,641 |
| Development and Public Affairs | 605,408 | 586,613 |
| General Administration | 1,759,870 | 1,756,738 |
| Bond & Mortgage Interest | 245,154 | 250,671 |
| Depreciation & Amortization | 1,192,633 | 1,224,947 |
| Total Operating Expenses | <u>11,858,683</u> | <u>11,861,958</u> |
| Change in Net Assets from Operating Activities | <u>(1,290,118)</u> | <u>207,774</u> |
| Non-Operating Activities | | |
| Government Grants for Capital Purposes | 2,400,719 | 266,822 |
| Contributions & Non-government Grants for Capital Purposes | 32,986 | - |
| Proceeds from Sale of Assets | 500 | 1,100 |
| Long-Term Investment Return | 482,966 | 46,089 |
| Change in Value of Split-Interest Agreements | (357) | (32) |
| Long-Term Investment Return Utilized by Operations | (211,412) | (187,602) |
| Total Non-Operating Activities | <u>2,705,402</u> | <u>126,377</u> |
| Total Change in Net Assets | 1,415,284 | 334,151 |
| Net Assets, Beginning of Year (Restated) | <u>23,976,397</u> | <u>23,642,246</u> |
| Net Assets, End of Year | <u>25,391,681</u> | <u>23,976,397</u> |

See independent auditors' report.



THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2016

| Federal Grantor/Pass-Through Grantor/Program Title | Research & Development | Federal CFDA Number | Award Date | Passed-Through to Sub recipients | Total Expenditures |
|---|------------------------|---------------------|------------|----------------------------------|--------------------|
| National Institutes of Health: | | | | | |
| National Institute of Environmental Health Sciences: | | | | | |
| Environmental Health - The Comparative Toxicogenomics Database (CTD) Passed-Through North Carolina State University | Yes | 93.113 | 9/5/16 | 250,356 | 268,017 |
| Environmental Health - Generation of a Centralized and Integrated Resource for Exposure Data | Yes | 93.113 | 12/21/10 | | 442 |
| Environmental Health - The Comparative Toxicogenomics Database (CTD) | Yes | 93.113 | 12/1/16 | | 22,045 |
| | | | | <u>250,356</u> | <u>290,504</u> |
| National Institute of General Medical Sciences: | | | | | |
| Biomedical Research and Research Training Programs: | | | | | |
| Comparative Functional Genomics INBRE in Maine | Yes | 93.859 | 4/12/16 | 2,227,314 | 3,711,526 |
| Comparative Biology of Tissue Repair, Regeneration & Aging | Yes | 93.859 | 5/19/16 | | 2,198,375 |
| The Function of Germ Granules in Maintaining Pluripotency in the C. Elgans Germline | Yes | 93.859 | 3/3/16 | | 286,408 |
| | | | | <u>2,227,314</u> | <u>6,196,309</u> |
| National Institute of Diabetes and Digestive and Kidney Diseases: | | | | | |
| Diabetes, Digestive and Kidney Diseases Extramural Research Programs: | | | | | |
| Origins of Renal Physiology | Yes | 93.847 | 2/19/15 | | 97,462 |
| Mechanisms of Phosphorylation Mediated Intraprotein Signaling in a CLC Cl Channel | Yes | 93.847 | 6/30/16 | 25,070 | 236,026 |
| Mechanisms of Cellular Osmosensing and Osmotic Stress Induced Damaged Repair | Yes | 93.847 | 1/15/16 | | 474,214 |
| | | | | <u>25,070</u> | <u>807,702</u> |
| National Institute on Aging: | | | | | |
| Aging Research - Lifespan Extension by Differential Translation Mediated by EIF-4G in C. Elegans | Yes | 93.866 | 2/27/15 | | 132,604 |
| National Institute of Biomedical Imaging and Bioengineering: | | | | | |
| Trans-NIH Research Support - Establishing a Network of Skilled BD2K Practitioners | Yes | 93.310 | 9/25/15 | | 107,019 |
| National Institute of Neurological Disorders and Stroke: | | | | | |
| Extramural Research Programs in the Neurosciences and Neurological Disorders - Analyzing Paclitaxel-Induced Changes in the Skin as Possible Cause of CIPN | Yes | 93.853 | 5/20/16 | | 91,517 |
| Total National Institutes of Health | | | | <u>2,502,740</u> | <u>7,625,655</u> |
| National Science Foundation: | | | | | |
| Biological Sciences - REU Site: Comparative Approaches in Cellular, Molecular and Environmental Biology | Yes | 47.074 | 7/28/15 | | 106,724 |
| Total National Science Foundation | | | | <u>-</u> | <u>106,724</u> |
| Environmental Protection Agency: | | | | | |
| Environmental Education Grant Program | No | 66.951 | 9/10/15 | | 112,411 |
| Total Environmental Protection Agency | | | | <u>-</u> | <u>112,411</u> |
| Total Federal Funds | | | | <u>2,502,740</u> | <u>7,844,790</u> |

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards



**The Mount Desert Island Biological Laboratory
Notes to the Schedule of Expenditures of Federal Awards
At December 31, 2016**

Note 1: General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of The Mount Desert Island Biological Laboratory (the Institution) for the year ended December 31, 2016.

Note 2: Basis of Accounting

The accompanying schedules are prepared and presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the Institution's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Mount Desert Island Biological Laboratory, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Mount Desert Island Biological Laboratory; therefore some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. The Organization did not elect to use the 10% de minimis indirect cost rate.

Note 3: Relationship to Basic Financial Statements

Governmental Accounting Standards Board (GASB) Statement No. 33 provides that grant revenue should be recognized when all applicable eligibility requirements are met, and, under accrual accounting, when the resources are available. Therefore, the proceeds of grants which do not specify time requirements, and for which all other eligibility requirements have been met, are recognized as revenues in the current fiscal year. Expenditures are recognized in the fiscal year spent for the required purpose.

Note 4: Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

Note 5: Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Mount Desert Island Biological Laboratory. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.





HORTON, McFARLAND & VEYSEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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(1948 - 2006)

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Nicholas Henry, CPA

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

To the Board of Trustees of
Mount Desert Island Biological Laboratory

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mount Desert Island Biological Laboratory (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Desert Island Biological Laboratory's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Desert Island Biological Laboratory's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Desert Island Biological Laboratory's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Horton, McFarland & Veysey, LLC
Horton, McFarland & Veysey, LLC
Ellsworth, ME
June 2, 2017





HORTON, McFARLAND & VEYSEY, LLC
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
Mount Desert Island Biological Laboratory

Report on Compliance for Each Major Federal Program

We have audited Mount Desert Island Biological Laboratory's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mount Desert Island Biological Laboratory's major federal programs for the year ended December 31, 2016. Mount Desert Island Biological Laboratory's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Mount Desert Island Biological Laboratory complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Horton, McFarland & Veysey, LLC
Horton, McFarland & Veysey, LLC
Ellsworth, ME
June 2, 2017



**THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: (unqualified), qualified, adverse, disclaimer]

Internal control over financial reporting: -

Material weakness(es) identified? - _____ Yes X No

Reportable condition(s) identified not considered to be material reported weaknesses? - _____ Yes X None

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs: -

Material weaknesses identified? - _____ Yes X No

Reportable condition(s) identified not considered to be material reported weaknesses? - _____ Yes X None

Type of auditors' report issued on compliance for major programs: (unqualified), qualified, adverse, disclaimer]

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? - _____ Yes X No

Identification of major programs:

| <i>CFDA Number(s)</i> | <i>Name of Federal Program or Cluster</i> |
|--|---|
| 93.113, 93.859, 93.847, 93.866, 93.310, 93.853 | NIH - National Institute of Health Research and Development Cluster |



THE MOUNT DESERT ISLAND BIOLOGICAL LABORATORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

| | | | |
|--|---|-------------------|------------------|
| Dollar threshold used to distinguish | - | | |
| Between Type A and Type B programs | - | <u>\$ 750,000</u> | |
| Auditee qualified as low-risk auditee? | - | <u> X </u> Yes | <u> </u> No |

Financial Statement Findings

None Reported.

Federal Award Findings and Questioned Costs

None Reported.

Summary of Prior Year Findings

None Reported.





The Jackson Laboratory

*Leading the search
for tomorrow's cures*

Adam Carter, CRA

Senior Manager, Sponsored Projects & Administrative Services
860.837.2159 t | 207.288.6053 f | adam.carter@jax.org

January 15, 2018

Maine Technology Institute
8 Venture Ave
Brunswick, ME 04011

RE: MTAF CR2015 Annual Report

Dear Ms. Bentley,

Below you will find the Facilities contribution to the MTAF CR2015 annual report.

During the annual reporting period of 1/1/17-12/31/17 The Jackson Laboratory has made momentous progress towards its goal of creating the Center for Biomedical Analysis as (CBA) outlined in MTAF award CR2015.

Recapping previous reports, Harriman Associates of Auburn, ME was selected as the design team in 2015. Design efforts were completed in 2016 and through a competitive procurement process PC Construction of Scarborough, ME was selected as The Jackson Laboratory's Construction Manager. Ground was officially broken on the facility in August, 2016 and we are pleased to report that by the end of 2017 construction on the core CBA facility was completed with certificate of occupancy achieved in early January 2018.

Since 1/1/17 the CBA phase I portion of the project has transformed from a structural steel shell (picture at right) to a fully constructed behavioral and phenotyping research facility capable of performing cutting edge scientific research. As outlined on the floor plans attached, construction has been substantially completed on over 21,000 gsf of CBA space containing 24 isolated procedure rooms to perform individual simultaneous assays, two (2) animal holding spaces, clean and soiled materials circulation corridors, and over 1,250 GSF of support space for surgery, necropsy, imaging, and other specialized common activities. Collectively these areas are highlighted in red in the attached floor plans.

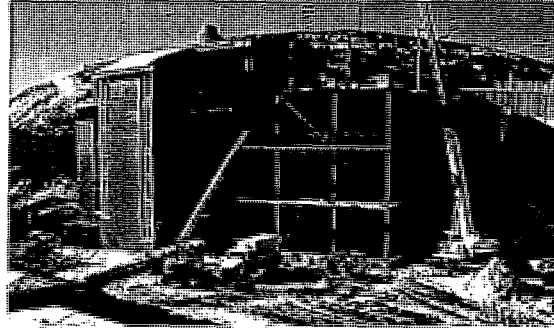


The Phase I construction area is currently undergoing punch-list completion, functional testing and commissioning of critical building systems, functional testing and validation of complex scientific equipment, and will be subject to final cleaning, disinfection, and sterilization in February 2018.

www.jax.org

600 Main Street, Bar Harbor, ME 04609 | 207.288.6000

Since 1/1/17 JAX has started site work on the Phase II portion of the project and has completed site work and foundations, and is nearing completion of the steel structure. This portion of the facility when complete in summer 2018 will provide space for over 3,000 boxes of animals to be held in longitudinal housing close to the new CBA phenotyping and behavioral suites to minimize mouse movement for those animals undergoing long term physiological testing within the CBA. These areas are highlighted in green in the attached floor plans.



Additionally, JAX also leveraged the CBA construction activity and breaking of the bio-barriers to implement a long sought after quality upgrade simultaneous with CBA work by constructing a sterile supply facility to allow for the first time in the Research Animal Facility (RAF) the ability to sterilize and distribute materials to the entire RAF. The \$3.1M project is fully funded by The Jackson Laboratory and would have been nearly impossible to implement without utilizing CBA activities to minimize disruptions caused by construction activities. These areas are shown in white in the attached floor plans.

JAX has continued to procure high-end instrumentation which will be used within the Center for detecting and measuring extremely subtle signs of disease at the cellular level in specialized mice using high-powered imaging and analytical devices. In 2017 JAX has purchased a Bruker 7T MRI imaging platform, Thoren ventilated racking systems, Monmouth downdraft benches, Baker surgery hoods, and Thoren ventilated changing stations. Purchase and installation of JAX purchased operational equipment for the Phase II longitudinal holding space such as casework, ventilated animal holding racks, ventilated changing stations, etc.. will be completed by Q2-18.

The 2018 year will continue to make significant progress in the construction and outfitting the CBA longitudinal holding areas culminating with construction completion in summer 2018 and turnover to JAX internal clients for sterilization, final operational testing, and ultimately occupancy in August 2018.

If upon reviewing this information you have any questions or concerns, please do not hesitate to contact me.

Kind regards,

Adam Carter, CRA
Senior Manager, Sponsored Projects & Administrative Services

Cc: C. Hewett, J. Fitzpatrick

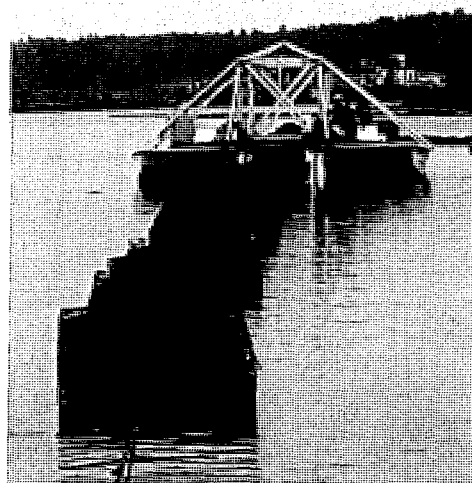
2017 Report to the State of Maine Legislature
Alliance for Maine's Marine Economy
University of Maine System award under RFP# 201507125
Maine Marine Economy and Jobs Bond

Our motivation. Maine's ocean and coastal resources are the foundation of our coastal communities, contributing vital jobs and shaping our culture. Mainers pride themselves on the distinctiveness of their local communities, the prominence of owner-operated small businesses, and the rural and pristine character of much of our coast. Maine fishermen land the highest-value annual catch of East Coast states, and our lobster fishery continues to produce record harvests. Yet, Maine's marine environment and its marine markets are changing. Rising ocean temperatures and ocean acidification, shifting abundances of species, and fluctuating markets are creating both opportunities and challenges. Blessed with an incredibly productive marine ecosystem, access to an array of private, public and nonprofit research institutions, and a culture of ingenuity and hard work, Maine's marine economy has great promise for continued advancement. Our traditional commercial fishing and aquaculture industries, together with the increasing activity in seafood processing and value-added market development for Maine-based marine products, signal incredible potential for economic growth in the next decade.

Our mission. The Alliance for Maine's Marine Economy is a network of more than 20 Maine-based organizations – including large and small private sector businesses, marine research programs at universities and nonprofit research institutions; commercial fishing interests; aquaculture interests and community-based organizations committed to the growth of the local economy – which are dedicated to the growth of a vibrant marine economy for Maine. Our mission is to ensure that Maine seafood, fishing and aquaculture industries and the natural and innovation ecosystems on which they depend are healthy and benefit Maine people.

Accomplishments to date. Since the Alliance's founding in May 2016, we have undertaken a transformative, ten-year, \$14+ million initiative to foster economic development in Maine's marine sectors. We are creating new opportunities for businesses on the coast and throughout the state through capital investments in public and private infrastructure that will benefit the entire sector. As part of this capital investment, the Alliance initiated a competitive Capital Infrastructure Grant Program to help marine businesses or organizations fund capital equipment that will be used to create innovative value-added products, enhance infrastructure, or expand applied marine research, development and commercialization. Recipients of these competitive awards will be announced this month (please see pp. 3-4 for details).

An invitation to all. The Alliance is open to all individuals, businesses and organizations that share



the commitment to a future Maine where healthy marine ecosystems and coastal communities support a diversity of traditional fisheries, aquaculture, and other marine-dependent industries.

Looking ahead. By leveraging existing capacity and working together to pursue new resources, the Alliance is catalyzing targeted infrastructure investments that facilitate business development, accelerate product innovation, assess and prevent risks to resource health, and forecast changes in product supply. Each area has been identified as a pressing need by industry voices. Together with \$7.7M in matching funds, the Alliance is enabling investment of \$7M in 2014 voter approved state bond funds in these four complementary areas. The capital investments enabled by the bond and matching funds is just the beginning. Alliance partners have identified additional projects and contracts that we are confident will attract at least another \$50M of additional private sector and federal grant dollars over the next 10 years, above and beyond the state bond funds. Together, this evolving portfolio of investments and expanded infrastructure and workforce capacity will ensure that Maine marine industries are able to innovate and adapt their business strategies to new opportunities and challenges as they emerge.

As part of this project and in recognition of the central role of Maine's public universities in Maine's marine economy, the University of Maine System has committed more than \$2.3M in internal funds to this important effort.

Partners of the Alliance include the University of Maine System (including the following UMaine entities: Darling Marine Center, Maine Sea Grant, School of Marine Sciences, Aquaculture Research Institute, Cooperative Extension, School of Food and Agriculture, Lobster Institute, Center for Cooperative Aquaculture Research & the Office of Innovation and Economic Development and the UM-Machias marine field station), Maine Coast Fishermen's Association, Maine Aquaculture Association, Cape Seafood, Maine Aquaculture Innovation Center, Maine Lobster Dealers' Association, Maine Lobstermen's Association, Downeast Lobstermen's Association, Gulf of Maine Research Institute, University of New England, Maine Department of Marine Resources, Maine Technology Institute, Bigelow Laboratory for Ocean Sciences, Coastal Enterprises, Inc., Island Institute, Maine Center for Coastal Fisheries,

The Alliance, working with the Maine Technology Institute, is enabling the following investments via the state bond funds and additional matching funds:

- \$500,000 (matched with \$800,000) for expansion of Maine Fair Trade Lobster, a seafood processing plant in Prospect Harbor (Hancock County); Paid to date: \$376,151.65
- \$150,000 (matched with \$182,000) for lobster processing equipment at Cape Seafood in Saco (York County); Paid to date: \$150,000
- \$500,000 (matched with \$1,200,000) for a feed barge for a new locally managed aquaculture facility in Downeast Maine owned by Cooke Aquaculture USA (Washington County); Paid to date: \$0
- \$650,000 (matched with \$650,000) for improvements to the waterfront infrastructure at UMaine's Darling Marine Center in Walpole to support applied research, development and business incubation (Lincoln County); Paid to date: \$0
- \$2,000,000 (matched with \$2,000,000) for the addition of laboratory and business incubation space at the marine science field station of the University of Maine at Machias, the Downeast Institute, in Beals (Washington County); Paid to date: \$718,497
- \$125,000 (matched with \$125,000) for instrumentation to support Bigelow Laboratory's analytical services for Maine's wild-harvest and farm-raised seaweed industries (Lincoln County); Paid to date: \$58,080.24
- \$1,150,000 (matched with \$1,650,000) for construction of an Aquatic Animal Health Facility at UMaine with high-level biosafety capabilities to study fish pathogens and help minimize health risks to Maine's wild and farmed fish stocks. The facility will also foster public-private partnerships to develop fish vaccines, marine-based biomedical products, and new species for aquaculture (Penobscot County); Paid to date: \$57,533.87

Downeast Institute for Applied Marine Research & Education, Maine Fair Trade Lobster, and Cooke Aquaculture.

Activities of the Alliance are coordinated by a newly hired member of Maine Sea Grant's Extension Team, Keri Kaczor. Ms. Kaczor, who begins her position in January 2018, will work closely with Alliance members statewide and will be based in the University of Maine Cooperative Extension office for Knox and Lincoln Counties, in Waldoboro. Her activities will be guided by the Alliance's Advisory Group, chaired by Heather Leslie, and by the Interim Director of Maine Sea Grant, Beth Bisson.

To receive updates on Alliance activities, please join the mailing list at <https://umaine.edu/alliance/> or contact Dr. Heather Leslie at heather.leslie@maine.edu or (207) 350-2713.

The Maine Technology Institute (MTI), in partnership with the Alliance for Maine's Marine Economy, approved eight awards from the Marine Economy Capital Grants (MECG) Program (MECG).

The MECG Program is financed by the Marine Economy and Jobs bond that MTI manages on behalf of the State of Maine. Projects funded by these awards span value-added seafood processing to seaweed aquaculture to shellfish aquaculture, and take place from Washington to York counties. Proposals were reviewed competitively according to five criteria: economic impact, industry-identified need and/or support, project scope and approach to innovation, project team and resources, and quality of budget and finances. Project details are listed below.

Blue Hill Bay Mussels, LLC
Hancock

Award Amount: \$44,328
Match Amount: \$204,972

This project will commercialize a practice called remote settlement, which will benefit Maine's rope-grown mussel industry by giving growers more control over the settlement of mussel spat. The current practice of relying on a single annual cohort of mussel spat to settle at the optimum time and in adequate numbers, limits growth in this industry. A collaboration between Blue Hill Bay Mussels and the Downeast Institute, this project commercializes proven hatchery technology, and will secure and add jobs, result in new processes and products, and increase industry productivity.

Coastal Enterprises Inc.
Multiple locations

Award Amount: \$66,574
Match Amount: \$75,000

This project will increase the sustainable supply, quality, and diversity of domestic seafood by pioneering new technology to aid in the production of high value farm raised sea scallops. Production will lead to innovation, market growth through Maine brand recognition, increased sales and quality jobs for coastal residents.

Community Shellfish LLC
Bremen

Award Amount: \$100,000
Match Amount: \$100,000

This project entails the rehabilitation and re-purposing of a grand-fathered "Lobster Pound" enclosure on the Medomak River in Bremen for use and development as a dynamic and innovative Aquaculture venue to grow shellfish. The project could have long-lasting impact by creating a whole new industry for the area's working waterfront.

Maine Seafood Ventures
Saco

Award Amount: \$400,000
Match Amount: \$1,650,000

For decades, Maine's lobster processing industry has struggled to compete with Canada's subsidized processing infrastructure. Today, Maine's processing industry is growing and Maine Seafood Ventures has been at the forefront of this growth. The award will allow use of the latest High-Pressure Processing (HPP) technology to expand markets for fresh Maine lobster meat by extending its shelf life, enabling Maine Seafood Ventures to generate revenue, create jobs and expand production from seasonal to year-round.

Mook Sea Farm
Walpole

Award Amount: \$336,000
Match Amount: \$1,897,228

Mook Sea Farm (MSF) is building a multipurpose oyster facility to address multiple objectives that benefit MSF and other local oyster growers. The facility will provide infrastructure for expanding existing production and will advance the development of land-based shellfish farming.

Pemaquid Mussel Farms LLC
Damariscotta

Award Amount: \$250,400
Match Amount: \$540,000

Pemaquid Mussel Farms (PMF) helped develop mussel raft aquaculture in Maine, and has recently developed a breakthrough in mussel raft technology, the patented submersible mussel raft, which reduces risk, triples seed to harvest yields, and will allow Maine growers to take advantage of a \$10 million a year market opportunity for Maine grown rope cultured mussels.

Springtide Seaweed, LLC
Port Clyde

Award Amount: \$180,000
Match Amount: \$697,000

The creation of a new aquaculture seaweed exchange that will support new and existing farmers to expand seaweed production, increase jobs, develop innovative new and value-added products, and support communities throughout Maine. This project brings together the largest seaweed farmers in the state, the country's largest seaweed products company that is Maine based, and a comprehensive collaboration with processing, packaging, distribution, and product development specialists and enterprises throughout Maine. The exchange will particularly support organic, sustainable, and restorative practices that reflect and support Maine's traditional marine heritage, communities, and industries.

Shucks Maine Lobster, LLC
Richmond, Gorham

Award Amount: \$400,000
Match Amount: \$1,150,000

Shucks Maine Lobster has become an internationally award-winning Maine Lobster processor of innovative value-added products utilizing state-of-the-art HPP technology with 60 employees in a 26,000 SF facility. Shucks is on the verge of significant growth with immediate plans to expand into a new state-of-the-art Gorham facility; dramatically increase its product line; add 20 new jobs; and sign new agreements with two major players in the Maine lobster industry.

Actuals Paid by Cost Code

Filter By:

Project Name equals Center for Biometric Analysis - Phase I, B74-Center for Biometric Analysis Project

Create Date between 01/01/2011 and 12/31/2017

None



| CSI Division | Current Budget | Bond Issued Funds | JAX Funds | Total | % of Budget |
|---|-------------------|-------------------|------------------|-------------------|--------------|
| DESIGN FEES | | | | | |
| Division with Description: 94 - Design Fees | 1,226,200 | 551,486 | 606,611 | 1,158,097 | 94.4% |
| Division with Description: 98 - Project Management & Oversight | 0 | 979 | 1,076 | 2,055 | #DIV/0! |
| LEGAL & PERMITTING FEES | | | | | |
| Division with Description: 93 - Financial Requirements & Legal Requirements | 30,000 | 10,367 | 11,403 | 21,770 | 72.6% |
| Division with Description: 92 - Permitting | 33,500 | 21,131 | 23,243 | 44,374 | 132.5% |
| Division with Description: 97 - Inspection & Testing / Other | 85,000 | 92,622 | 101,881 | 194,503 | 228.8% |
| CONSTRUCTION | | | | | |
| Division with Description: 01 - General Requirements | 1,418,200 | 944,721 | 1,039,153 | 1,983,873 | 139.9% |
| Division with Description: 02 - Existing Conditions | 423,400 | 50,922 | 56,012 | 106,934 | 25.3% |
| Division with Description: 03 - Concrete | 382,400 | 191,706 | 210,869 | 402,575 | 105.3% |
| Division with Description: 04 - Masonry | 215,100 | 257,249 | 282,963 | 540,212 | 251.1% |
| Division with Description: 05 - Metals | 478,000 | 339,330 | 373,248 | 712,578 | 149.1% |
| Division with Description: 06 - Wood, Plastic, Composites | 119,500 | 3,074 | 3,382 | 6,456 | 5.4% |
| Division with Description: 07 - Thermal & Moisture Protection | 191,200 | 251,146 | 276,250 | 527,396 | 275.8% |
| Division with Description: 08 - Openings | 478,000 | 152,785 | 168,057 | 320,842 | 67.1% |
| Division with Description: 09 - Finishes | 1,147,200 | 762,278 | 838,473 | 1,600,751 | 139.5% |
| Division with Description: 10 - Specialties | 143,400 | 0 | 0 | 0 | 0.0% |
| Division with Description: 11 - Equipment | 23,900 | 131,423 | 144,560 | 275,983 | 1154.7% |
| Division with Description: 12 - Furnishings - Installation | 71,700 | 20,454 | 22,498 | 42,952 | 59.9% |
| Division with Description: 13 - Special Construction | 23,900 | 41,848 | 46,032 | 87,880 | 367.7% |
| Division with Description: 14 - Conveying Equipment | 549,700 | 187,079 | 205,779 | 392,858 | 71.5% |
| Division with Description: 21 - Fire Suppression | 143,400 | 60,120 | 66,130 | 126,250 | 88.0% |
| Division with Description: 22 - Plumbing | 191,200 | 618,312 | 680,117 | 1,298,429 | 679.1% |
| Division with Description: 23 - Heating, Ventilating, & Air Conditioning (HVAC) | 2,270,500 | 530,559 | 583,593 | 1,114,152 | 49.1% |
| Division with Description: 26 - Electrical | 1,027,700 | 622,245 | 684,443 | 1,306,688 | 127.1% |
| Division with Description: 27 - Communications | 95,600 | 0 | 0 | 0 | 0.0% |
| Division with Description: 28 - Electronic Safety and Security | 95,600 | 0 | 0 | 0 | 0.0% |
| Division with Description: 31 - Earthwork | 310,700 | 103,872 | 114,255 | 218,128 | 70.2% |
| Division with Description: 32 - Exterior Improvements | 215,100 | 18,760 | 20,635 | 39,395 | 18.3% |
| Division with Description: 33 - Utilities | 1,195,000 | 30,692 | 33,760 | 64,452 | 5.4% |
| Division with Description: 86 - Interior Specialties - Provision | 71,700 | 0 | 0 | 0 | 0.0% |
| Division with Description: 88 - Furnishings - Provision | 626,400 | 234 | 258 | 492 | 0.1% |
| Division with Description: 89 - Communications | 45,000 | 3,556 | 3,912 | 7,468 | 16.6% |
| BUILDING & SCIENTIFIC EQUIPMENT | | | | | |
| Division with Description: 87 - Equipment - Provision | 5,626,800 | 412,137 | 453,333 | 865,470 | 15.4% |
| CONTINGENCIES | | | | | |
| Division with Description: 99 - Contingencies | 2,075,000 | 99,228 | 109,146 | 208,374 | 10.0% |
| Grand Totals | 21,030,000 | 6,510,314 | 7,161,072 | 13,671,386 | 65.0% |

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