

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

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

December 31, 2020 and 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bermuda Institute of Ocean Sciences (BIOS), Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bermuda Institute of Ocean Sciences (BIOS), Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 21 and 22 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 25, 2021 on our consideration of BIOS'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 solely 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 the effectiveness of BIOS's 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 BIOS's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

June 25, 2021

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,153,650	\$ 2,260,391
Grants and accounts receivable	837,493	837,804
Contributions receivable, net (Note 4)	8,254,960	94,751
Inventory and prepaid expenses	167,025	51,316
Investments (Note 5)	19,139,935	18,051,990
Property and equipment, net (Note 6)	<u>17,043,269</u>	<u>18,019,147</u>
	<u>\$ 49,596,332</u>	<u>\$ 39,315,399</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 923,270	\$ 886,878
Grants and other advances	665,949	466,960
Loans payable (Note 7)	<u>9,330,649</u>	<u>9,380,317</u>
Total Liabilities	<u>10,919,868</u>	<u>10,734,155</u>
Net Assets		
Without donor restrictions	9,523,063	9,259,440
With donor restrictions (Notes 10 and 11)	<u>29,153,401</u>	<u>19,321,804</u>
Total Net Assets	<u>38,676,464</u>	<u>28,581,244</u>
	<u>\$ 49,596,332</u>	<u>\$ 39,315,399</u>

See notes to financial statements

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Activities
Year Ended December 31, 2020

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND OTHER SUPPORT				
Contributions	\$ 1,405,639	\$ 11,140,467	\$ 12,546,106	\$ 1,471,972
Grants and contracts				
U.S. government and corporations	8,608,238	78,739	8,686,977	9,290,763
Bermuda government	148,213	-	148,213	167,960
Tuition, guest services and other income	906,012	-	906,012	1,712,493
Investment return	318,896	1,405,793	1,724,689	2,735,651
Net assets released from restrictions (Notes 10 and 11)	<u>2,793,402</u>	<u>(2,793,402)</u>	-	-
Total Revenue and Other Support	<u>14,180,400</u>	<u>9,831,597</u>	<u>24,011,997</u>	<u>15,378,839</u>
EXPENSES				
Program Services				
Scientific research	11,563,324	-	11,563,324	13,472,765
Education	620,735	-	620,735	1,670,663
Guest and residential services	<u>301,581</u>	-	<u>301,581</u>	<u>93,924</u>
Total Program Services	12,485,640	-	12,485,640	15,237,352
Development and public relations	296,462	-	296,462	525,947
Management and general	<u>1,134,675</u>	-	<u>1,134,675</u>	<u>1,118,765</u>
Total Expenses	<u>13,916,777</u>	-	<u>13,916,777</u>	<u>16,882,064</u>
Change in Net Assets	263,623	9,831,597	10,095,220	(1,503,225)
NET ASSETS				
Beginning of year	<u>9,259,440</u>	<u>19,321,804</u>	<u>28,581,244</u>	<u>30,084,469</u>
End of year	<u>\$ 9,523,063</u>	<u>\$ 29,153,401</u>	<u>\$ 38,676,464</u>	<u>\$ 28,581,244</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 726,901	\$ 745,071	\$ 1,471,972
Grants and contracts			
U.S. government and corporations	9,282,822	7,941	9,290,763
Bermuda government	167,960	-	167,960
Tuition, guest services and other income	1,712,493	-	1,712,493
Investment return	534,576	2,201,075	2,735,651
Net assets released from restrictions (Notes 10 and 11)	<u>3,348,496</u>	<u>(3,348,496)</u>	<u>-</u>
Total Revenue and Other Support	<u>15,773,248</u>	<u>(394,409)</u>	<u>15,378,839</u>
EXPENSES			
Program Services			
Scientific research	13,472,765	-	13,472,765
Education	1,670,663	-	1,670,663
Guest and residential services	93,924	-	93,924
Total Program Services	<u>15,237,352</u>	<u>-</u>	<u>15,237,352</u>
Development and public relations	525,947	-	525,947
Management and general	<u>1,118,765</u>	<u>-</u>	<u>1,118,765</u>
Total Expenses	<u>16,882,064</u>	<u>-</u>	<u>16,882,064</u>
Change in Net Assets	(1,108,816)	(394,409)	(1,503,225)
NET ASSETS			
Beginning of year	<u>10,368,256</u>	<u>19,716,213</u>	<u>30,084,469</u>
End of year	<u>\$ 9,259,440</u>	<u>\$ 19,321,804</u>	<u>\$ 28,581,244</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Functional Expenses
Year Ended December 31, 2020

	2020						2019 Total	
	Science	Education	Guest Services	Total Program Services	Management and General	Development and Public Relations		Total
Salaries	\$ 3,565,530	\$ 217,231	\$ 83,584	\$ 3,866,345	\$ 1,922,710	\$ 227,432	\$ 6,016,487	\$ 6,775,014
Subrecipient contracts	1,263,671	-	-	1,263,671	-	-	1,263,671	1,785,343
Depreciation	1,796,757	454	102,560	1,899,771	237,272	-	2,137,043	2,036,835
Occupancy	-	-	-	-	-	-	-	1,958
Employee benefits	568,510	27,058	36,555	632,123	423,497	44,727	1,100,347	1,244,254
Supplies	568,712	17,628	15,271	601,611	38,943	1,893	642,447	871,673
Utilities and fuel	238,572	-	18,570	257,142	354,414	497	612,053	863,654
Travel and lodging	254,087	1,565	3,119	258,771	6,107	-	264,878	588,157
Equipment repairs and maintenance	336,245	-	34,204	370,449	224,807	11,608	606,864	1,292,915
Postage and shipping	87,258	1,113	241	88,612	3,641	425	92,678	267,506
Insurance	80,475	-	50,364	130,839	186,026	-	316,865	281,820
Interest and bank fees	-	-	-	-	471,499	-	471,499	429,153
Professional fees and services	48,255	672	22,375	71,302	220,568	2,635	294,505	230,422
Printing and publishing	5,585	-	-	5,585	-	6,758	12,343	11,232
Entertainment	590	-	-	590	9,735	400	10,725	33,962
Miscellaneous	-	-	74,285	74,285	-	87	74,372	168,166
Captive services	161,302	166,078	(272,884)	54,496	(54,496)	-	-	-
Overhead and cost recoveries	2,587,775	188,936	133,337	2,910,048	(2,910,048)	-	-	-
Total Expenses	\$ 11,563,324	\$ 620,735	\$ 301,581	\$ 12,485,640	\$ 1,134,675	\$ 296,462	\$ 13,916,777	\$ 16,882,064

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Science	Education	Guest Services	Total Program Services	Management and General	Development and Public Relations	Total
Salaries	\$ 3,516,240	\$ 304,953	\$ 210,981	\$ 4,032,174	\$ 2,329,270	\$ 413,570	\$ 6,775,014
Subrecipient contracts	1,785,343	-	-	1,785,343	-	-	1,785,343
Depreciation	1,700,341	454	102,200	1,802,995	233,840	-	2,036,835
Occupancy	-	1,958	-	1,958	-	-	1,958
Employee benefits	630,590	44,620	60,051	735,261	445,368	63,625	1,244,254
Supplies	729,009	31,009	46,833	806,851	61,563	3,259	871,673
Utilities and fuel	404,752	-	26,937	431,689	429,751	2,214	863,654
Travel and lodging	526,980	6,245	-	533,225	40,806	14,126	588,157
Equipment repairs and maintenance	757,228	-	38,002	795,230	482,204	15,481	1,292,915
Postage and shipping	259,434	411	823	260,668	6,395	443	267,506
Insurance	53,911	-	37,014	90,925	190,895	-	281,820
Interest and bank fees	-	-	-	-	429,153	-	429,153
Professional fees and services	45,222	-	24,401	69,623	159,204	1,595	230,422
Printing and publishing	2,904	-	-	2,904	-	8,328	11,232
Entertainment	85	3,800	237	4,122	28,677	1,163	33,962
Miscellaneous	2,746	-	163,437	166,183	1,820	163	168,166
Captive services	201,752	778,081	(856,606)	123,227	(125,207)	1,980	-
Overhead and cost recoveries	2,856,228	499,132	239,614	3,594,974	(3,594,974)	-	-
Total Expenses	\$ 13,472,765	\$ 1,670,663	\$ 93,924	\$ 15,237,352	\$ 1,118,765	\$ 525,947	\$ 16,882,064

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,095,220	\$ (1,503,225)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net appreciation in fair value of investments	(1,772,138)	(2,480,862)
Depreciation	2,137,043	2,036,835
Loss on disposal of property and equipment	-	63,090
Contributions, grants and contracts classified as financing activities	(857,790)	(1,648,539)
Change in discount of unconditional promises to give	616,917	(932)
Changes in operating assets and liabilities (Note 13)	(8,657,143)	1,089,243
Net Cash from Operating Activities	1,562,109	(2,444,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	815,233	826,363
Purchases of investments	(131,040)	(376,285)
Expenditures for property and equipment	(1,161,165)	(1,772,696)
Net Cash from Investing Activities	(476,972)	(1,322,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	25,600	34,941
Grants and contracts used for property acquisition	832,190	1,613,598
New borrowings under loans payable	-	2,600,000
Repayment of loans payable	(49,668)	(46,090)
Net Cash from Financing Activities	808,122	4,202,449
Net Change in Cash and Cash Equivalents	1,893,259	435,441
CASH AND CASH EQUIVALENTS		
Beginning of year	2,260,391	1,824,950
End of year	\$ 4,153,650	\$ 2,260,391
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 459,363	\$ 416,102
Noncash transactions		
Equipment and services donated to BIOS	116,100	-

See notes to financial statements

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

1. Organization

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

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

Net Asset Presentation

BIOS is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BIOS. These net assets may be used at the discretion of BIOS management and board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Donor restrictions with stipulations that they be used for a particular purpose or for a specified time period are temporary in nature until the purpose or stipulated time restriction is met. Other donor restrictions are perpetual in nature creating endowment funds that provide a permanent source of income.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. BIOS reports gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are restricted as support for future periods. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value and are recorded as an increase in net assets without donor restrictions unless the donor places restrictions on their use. Contributions due after one year are reported at their net present value. Amortization of the discount is recorded annually as additional contribution revenue over the anticipated collection period of the pledge.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of staff estimates of time and effort. Direct program costs such as grants, occupancy, interest, fuel, and professional fees are allocated directly to the programs. All other costs that are not charged directly to a program are allocated based on actual usage, metric application or contractual requirements.

Foreign Currency

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

Cash Equivalents

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

Allowance for Uncollectible Receivables

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

Inventory

Inventory is reported at the lower of cost or net realizable value (first in, first out) and consists of glider batteries, gift shop merchandise, cafeteria, laboratory and SCUBA supplies held for resale. Glider batteries are unit stores expensed at the time of deployment in glider missions.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

Fair Value Measurements

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

Pursuant to US GAAP guidance, alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient are not categorized within the fair value hierarchy.

Investment Valuation and Income Recognition

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment. US GAAP provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of BIOS’s interest therein.

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

Alternative investments consist of non-traditional, not readily marketable investments. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

Grant Support and Revenue Recognition

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

Tuition and Guest Services

Tuition and guest services are recognized over the period the tuition and as guest services are provided. Prepayments are recorded as deferred revenue.

Property and Equipment

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

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which of the carrying amount of the asset exceeds the fair value of the asset. Management has concluded that an impairment charge for 2020 and 2019 is not necessary.

Accounting for Uncertainty in Income Taxes

BIOS recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that BIOS had no uncertain income tax positions that require financial statement recognition or disclosure. BIOS is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2017.

Subsequent Events

Management evaluated subsequent events for disclosure and/or recognition in the financial statements through June 25, 2021, the date financial statements were available for issuance.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

3. Concentrations of Financial Risk

Financial instruments that are exposed to concentrations of financial risk consist primarily of cash, managed investment funds and receivables. Management believes the diversification and quality of managed investment funds minimizes risk concentration regarding investments other than fluctuations in the financial markets in general. At December 31, 2020 and 2019 grants and accounts receivable from one grantor totaled approximately \$602,000 and \$418,000. At December 31, 2020 and 2019, gross contributions receivable due from one donor totaled approximately \$8,866,000 and \$75,000.

For the years ended December 31, 2020 and 2019 grants and contracts from one grantor totaled approximately 93% and 86% of grants and contracts. For the year ended December 31, 2020 contributions from one donor totaled approximately 85% of contributions. For the year ended December 31, 2019 contributions from two donors totaled approximately 21% of contributions.

4. Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Amount expected to be collected in:		
One year or less	\$ 2,197,920	\$ 94,751
Years two through five	<u>6,673,957</u>	<u>-</u>
	8,871,877	94,751
Less:		
Discount (5% per annum) to present value	<u>(616,917)</u>	<u>-</u>
	<u>\$ 8,254,960</u>	<u>\$ 94,751</u>

5. Investments

BIOS investments consist of funds managed by independent fund managers. Following are the investments at December 31, grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	<u>2020</u>		
	Investment Valued Using		
	<u>Level 1</u>	<u>NAV (*)</u>	<u>Total</u>
Treasury Money Market Fund	\$ 2,412,202	\$ -	\$ 2,412,202
Common stock	50,717	-	50,717
Global Multi-Asset Fund	<u>-</u>	<u>16,677,016</u>	<u>16,677,016</u>
	<u>\$ 2,462,919</u>	<u>\$ 16,677,016</u>	<u>\$ 19,139,935</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments (continued)

	2019		
	Level 1	Investment Valued Using NAV (*)	Total
Treasury Money Market Fund	\$ 2,400,947	\$ -	\$ 2,400,947
Global Multi-Asset Fund	-	15,651,043	15,651,043
	<u>\$ 2,400,947</u>	<u>\$ 15,651,043</u>	<u>\$ 18,051,990</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding investments valued at NAV using the practical expedient at December 31, 2020 is as follows:

	Fair Value	Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Global Multi-Asset Fund - see "a" below	\$ 16,677,016	\$ -	Monthly	5 days

- a. The fund's investment objective is to provide a diversified investment solution for long-term nonprofit investors by allocating assets across a broad spectrum of asset classes. The fund will invest primarily in a diversified portfolio of equity and fixed income securities and will also invest in real assets and alternative investments, in a proportion that the investment manager considers optimal for a well-diversified portfolio. The fund will employ active and passive strategies and will be unconstrained by geography, strategy and market capitalization.

6. Property and Equipment

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

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Land		\$ 486,850	\$ 486,850
Buildings and improvements	20-40 years	17,532,500	17,631,209
Furniture, fixtures and equipment	5-15 years	8,371,119	8,647,819
RV Atlantic Explorer	25 years	13,639,666	12,918,444
Other	5-25 years	<u>758,392</u>	<u>758,392</u>
		40,788,527	40,442,714
Accumulated depreciation		<u>(23,745,258)</u>	<u>(22,423,567)</u>
		<u>\$ 17,043,269</u>	<u>\$ 18,019,147</u>

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

7. Loans Payable

Loans payable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Bank of N.T. Butterfield term loan, secured by mortgage on real property and research vessel, to refinance pre-existing debt and fund capital expenditures on the research facility. Payable in monthly installments of interest only (4.00%) through May 2021, then payable of monthly installments of \$45,416 plus interest, due May 2022.	\$ 5,750,000	\$ 5,750,000
Bank of N.T. Butterfield, revolving loan, secured by investment portfolio, due October 2021, interest payable in monthly installments at 4.00%.	2,600,000	2,600,000
Loan payable (unsecured) to Air Care Limited pursuant to the Energy Performance Contract, payable in monthly installments of \$10,438, including interest at 7.5%, due March, 2032.	<u>980,649</u>	<u>1,030,317</u>
	<u>\$ 9,330,649</u>	<u>\$ 9,380,317</u>

Aggregate maturities of loans payable approximate \$2,837,000 in 2021, \$5,625,000 in 2022, \$62,000 in 2023, \$67,000 in 2024, \$72,000 in 2025 and \$668,000 thereafter. Interest expense totaled approximately \$459,000 and \$416,000 for years ended December 31, 2020 and 2019.

8. Sponsored Projects

Approximately 37% and 62% of revenues in 2020 and 2019 are awards for sponsored projects (governments and other sources). The awards generally provide for recovery of both direct and indirect costs. The indirect costs covered by the awards are determined as a negotiated or agreed-upon percentage of direct costs with certain exclusions.

9. Pension Plan

BIOS maintains a contributory pension plan for employees ages 23 and over who have worked at least 720 hours in any calendar year. Participation in the plan is mandatory for Bermudians and spouses of Bermudians until they are 65 years old. The plan is voluntary for all other employees. Each participating employee may contribute to the plan up to a maximum of 10% of their gross salary. Mandatory participants must contribute 5%. BIOS matches the employee contribution of 5% of gross salary in accordance with the plan documents and the Bermuda Occupational Pensions Act 1998. Pension expense for the years ended December 31, 2020 and 2019 approximated \$198,000 and \$228,000.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

10. Endowment Funds

Donor-restricted funds whose purpose is to provide long-term support for BIOS and its charitable programs are endowment funds. Net assets of endowment funds are classified as net assets with donor restrictions or net assets without donor restrictions as determined by the directions of donors, where applicable, and the provisions of the laws of the State of New York. Absent donor stipulations to the contrary, the provisions of New York State law do not impose restrictions on the use of income or capital appreciation derived from the original gift.

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

Interpretation of Law

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

Investment Return Objectives

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

Investment Philosophy

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

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

10. Endowment Funds (continued)

Spending Policy

It is BIOS policy to annually distribute up to 5% of a three-year moving average of the Fund's market value as of June 30 of each year. This distribution will be sanctioned by the applicable laws of the state of New York. In 2020 and 2019, the full 5% was eligible for distribution to support the operations of BIOS.

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

Activity Summary

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

	Without Donor Restrictions	With Donor Restrictions	Total
2020			
Balance at January 1, 2020	\$ 1,595,141	\$ 14,090,844	\$ 15,685,985
Contributions	-	25,600	25,600
Investment management fees	(10,652)	(48,613)	(59,265)
Capital appreciation	317,957	1,454,405	1,772,362
Appropriated for expenditure	(131,087)	(590,978)	(722,065)
Balance at December 31, 2020	\$ 1,771,359	\$ 14,931,259	\$ 16,702,617
2019			
Balance at January 1, 2019	\$ 1,238,772	\$ 12,424,545	\$ 13,663,317
Contributions	-	34,941	34,941
Investment return	36,761	167,323	204,084
Capital appreciation	447,247	2,033,751	2,480,998
Appropriated for expenditure	(127,639)	(569,716)	(697,355)
Balance at December 31, 2019	\$ 1,595,141	\$ 14,090,844	\$ 15,685,985

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the purposes listed:

	2020	2019
Scientific research	\$ 15,589,419	\$ 6,208,237
Education	2,867,588	2,478,817
Laboratory building	263,753	227,709
Future periods and administrative	290,000	290,000
	\$ 19,010,760	\$ 9,204,763

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

11. Net Assets With Donor Restrictions (continued)

Investment return from net assets held and subject to BIOS spending policy and appropriation is available to support the indicated activities at December 31:

	<u>2020</u>	<u>2019</u>
Scientific research	\$ 5,182,193	\$ 5,181,693
Education	3,482,477	3,457,377
Laboratory building	350,000	350,000
General operations	<u>1,127,971</u>	<u>1,127,971</u>
	<u>\$ 10,142,641</u>	<u>\$ 10,117,041</u>

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

	<u>2020</u>	<u>2019</u>
Scientific research	\$ 2,210,518	\$ 2,649,932
Education	556,060	672,444
Laboratory building	<u>26,824</u>	<u>26,120</u>
	<u>\$ 2,793,402</u>	<u>\$ 3,348,496</u>

12. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

Financial Assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,153,650	\$ 2,260,391
Grants and accounts receivable	837,493	837,804
Contributions receivable, net	8,254,960	94,751
Investments	<u>19,139,935</u>	<u>18,051,990</u>
Total Financial Assets	<u>32,386,038</u>	<u>21,244,936</u>
Less amounts not available to be used within one year:		
Board designated endowment funds	1,771,359	1,595,141
Restricted by donor with time or purpose restrictions	19,010,760	9,204,763
Restricted by donor to be held in perpetuity	<u>10,142,641</u>	<u>10,117,041</u>
	<u>30,924,760</u>	<u>20,916,945</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,461,278</u>	<u>\$ 327,991</u>

BIOS monitors the availability of resources to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. For purpose of analyzing resources available to meet general expenditures over a 12-month period, BIOS considers all expenditures related to its ongoing mission related activities, as well as services undertaken to support these activities, to be general expenditures.

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Financial Statements
December 31, 2020 and 2019

13. Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
Changes in operating assets and liabilities:		
(Increase) decrease in		
Grants and accounts receivable	\$ 311	\$ (233,624)
Contributions receivable	(8,777,126)	1,608,482
Inventory and prepaid expenses	(115,709)	45,306
Increase (decrease) in		
Accounts payable and accrued expenses	36,392	(24,084)
Grants and other advances	198,989	(306,837)
Changes in operating assets and liabilities	<u>\$ (8,657,143)</u>	<u>\$ 1,089,243</u>

14. COVID-19

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2021 and beyond cannot be reasonably estimated at this time.

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, BIOS's investments have incurred fluctuation in their fair value. Because the value of BIOS's investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

15. Subsequent Event

On April 2, 2021, BIOS and a major United States university executed a non-binding agreement in principle to enter into a significant strategic partnership.

* * * * *

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Uniform Guidance Reports and Schedules

December 31, 2020

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Research and Development – Cluster:					
National Science Foundation:					
Geosciences					
Direct:					
Collaborative Research: Ocean Acidification: Establishing the Links between Offshore Biogeochemistry, Coral Reef Metabolism and Acidification	47.050	OCE-1416670		\$ -	\$ 53,538
Time Series Particle Flux Measurements in the Sargasso Sea	47.050	OCE-1829885		352,538	526,699
Collaborative Research: The Oleander project: High-Resolution observations of the dynamic ocean between New Jersey and Bermuda	47.050	OCE-1536517		-	190,998
The Panulirus Hydrographic Stations (Hydrostation S): Years 65-69	47.050	OCE-1633125		-	86,638
Operation of a Community Marine-Atmospheric Sampling Facility at Tudor Hill, Bermuda	47.050	OCE-1829686		-	84,350
Collaborative Research: Direct Characterization of Adaptive Nutrient Stress Responses in the Sargasso Sea using Protein Biomarkers and a Biogeochemical AUV	47.050	OCE-1657885		-	15,029
Collaborative Research: Biogeochemical and Physical Conditioning of Sub-Antarctic Mode Water in the Southern Ocean	47.050	OCE-1735783		-	270,219
Fall Semester Student Research in Oceanography and Marine Science at BIOS	47.050	OCE-1757475		-	141,674
Oceanographic Technical Services, Bermuda Institute of Ocean Sciences (BIOS), 2018-2022	47.050	OCE-1823636		-	635,112
Ship Operations R/V Atlantic Explorer	47.050	OCE-1822492		-	4,101,405
Collaborative Research: Diel physiological rhythms in a tropical oceanic copepod	47.050	OCE-1829318		48,198	177,430
Collaborative Research: The Bermuda Atlantic Time-Series Study: Sustained Biogeochemical, Ecosystem, and Ocean Change Observations and Linkages in the North Atlantic (Years 31-35)	47.050	OCE-1756105		-	1,404,013
NSFGEO-NERC: Collaborative Research: Using Time-series Field Observations to Constrain an Ocean Iron Model	47.050	OCE-1829844		-	395
Collaborative Research: High-resolution glider observations enable reassessment of export production in oligotrophic Sargasso Sea	47.050	OCE-1851224		-	174,030
Quantifying the Drivers of Midwater Zooplankton Community Structure	47.050	OCE-1948162		-	99,609
2020 Shipboard scientific support equip for RV Atlantic Explorer	47.050	OCE-2018251		-	200,819
Collaborative Research: Zooplankton mediation of particle formation in the Sargasso Sea	47.050	OCE-1919074		-	47,592
Total National Science Foundation				<u>400,736</u>	<u>8,209,550</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020
(Continued)

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Research and Development – Cluster (continued):					
Department of Commerce, National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes					
Pass-through funds:					
<i>University of Miami</i> NOAA Cooperative Institutes - Surface Water CO2 Measurements from Ships	11.432	NA15OAR4320064	S17-17	\$ -	\$ 66,250
Total National Oceanic and Atmospheric Administration, Department of Commerce				-	66,250
Department of Commerce, Integrated Ocean Observing System (IOOS)					
Pass-through funds:					
<i>University of Maryland Center for Environmental Science</i> The Alliance for Coastal Technologies (ACT) National Scale Efforts Towards Verification and Validation of Observing Technologies	11.012	NA16NOS0120017	SA07525796 PO54084	-	97,035
Total Integrated Ocean Observing System, Department of Commerce				-	97,035
National Aeronautics and Space Administration					
Science					
Direct:					
NRA/Research Opportunities in Space and Earth Sciences-2013	43.001	NNX16AB05G		-	29,617
Science					
Pass-through funds:					
<i>Virginia Institute of Marine Science</i> Zooplankton-Mediated Export Pathways: Quantifying Fecal Pellet Export and Active Transport by Diel and Ontogenetic Vertical Migration in the North Pacific and Atlantic Oceans	43.001	80NSSC17K0654	721102-712683	-	77,211
<i>The Regents of The University of California, Santa Barbara</i> Bermuda Bio-Optics Project: Data for MOD IS Algorithm Maintenance	43.001	80NSSC18K0736	KK1872	-	45,940
Total National Aeronautics and Space Administration				-	152,768
Total Expenditures of Federal Awards				\$ 400,736	\$ 8,525,603

See independent auditors' report and notes to schedule of expenditures of federal awards

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Bermuda Institute of Ocean Sciences (BIOS), Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of BIOS, it is not intended to and does not present the financial position, changes in net assets or cash flows of BIOS.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

BIOS has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditors' Report

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

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 Bermuda Institute of Ocean Sciences (BIOS), Inc. which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BIOS's internal control over financial reporting (internal control) as a basis to design 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 BIOS's internal control. Accordingly, we do not express an opinion on the effectiveness of BIOS'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 BIOS'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

June 25, 2021



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Bermuda Institute of Ocean Sciences (BIOS), Inc.'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 BIOS's major federal programs for the year ended December 31, 2020. BIOS'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 BIOS'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 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 BIOS'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 BIOS's compliance.

Opinion on Each Major Federal Program

In our opinion, BIOS 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, 2020.

Report on Internal Control Over Compliance

Management of BIOS 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 BIOS'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 BIOS'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.

PKF O'Connor Davies, LLP

June 25, 2021

Bermuda Institute of Ocean Sciences (BIOS), Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major program:

Bermuda Institute of Ocean Sciences (BIOS), Inc.'s major program is the research and development cluster. Accordingly, all grants and programs listed on the schedule of expenditures of federal awards are considered part of the research and development cluster. BIOS has no other federal programs.

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2020.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of non-compliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Audit Findings

There were no prior year audit findings.