

THE WOODS HOLE RESEARCH CENTER, INC.

FINANCIAL STATEMENTS AND REPORTS
REQUIRED BY OMB CIRCULAR A-133

JUNE 30, 2015

THE WOODS HOLE RESEARCH CENTER, INC.

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REQUIRED BY OMB CIRCULAR A-133**

YEARS ENDED JUNE 30, 2015 AND 2014

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Woods Hole Research Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Woods Hole Research Center, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's 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 audits 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 The Woods Hole Research Center, Inc. as of June 30, 2015 and 2014, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and of research program expenses 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 audits 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 October 20, 2015, on our consideration of The Woods Hole Research Center, Inc.'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 The Woods Hole Research Center, Inc.'s internal control over financial reporting and compliance.

Calibre CPA Group, PLLC

Bethesda, MD
October 20, 2015

THE WOODS HOLE RESEARCH CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,695,121	\$ 1,803,857
U.S. Government contributions receivable	532,834	1,034,367
Other contributions receivable, net	949,984	548,122
Prepaid expenses and other receivables	<u>243,545</u>	<u>198,201</u>
Total current assets	<u>3,421,484</u>	<u>3,584,547</u>
INVESTMENTS		
Endowment and quasi-endowment investments	5,264,206	5,016,353
Other investments	<u>976,098</u>	<u>897,111</u>
	<u>6,240,304</u>	<u>5,913,464</u>
NET PROPERTY AND EQUIPMENT	<u>6,170,337</u>	<u>6,781,952</u>
OTHER ASSETS		
Other contributions receivable, net of current portion	448,820	69,065
Beneficial interest in real estate trust assets	212,651	212,651
Bond proceeds held in trust for debt retirement	<u>18,277</u>	<u>19,420</u>
Total other assets	<u>679,748</u>	<u>301,136</u>
Total assets	<u>\$ 16,511,873</u>	<u>\$ 16,581,099</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 262,069	\$ 352,321
Accrued expenses	231,530	237,154
Liability under charitable gift annuities	9,701	9,533
Refundable advances	8,826	16,297
Loan payable	<u>414,192</u>	<u>114,192</u>
Total current liabilities	926,318	729,497
LONG-TERM LIABILITIES		
Liability under charitable gift annuities, net of current portion	52,321	56,230
Loan payable, net of current portion	<u>2,428,111</u>	<u>2,843,442</u>
Total liabilities	<u>3,406,750</u>	<u>3,629,169</u>
NET ASSETS		
Unrestricted		
Operating	2,905,079	2,474,464
Board designated for quasi-endowment	532,488	532,488
Net investment in property and equipment	<u>3,346,311</u>	<u>3,843,738</u>
Total unrestricted	6,783,878	6,850,690
Temporarily restricted	2,633,366	2,413,461
Permanently restricted	<u>3,687,879</u>	<u>3,687,779</u>
Total net assets	<u>13,105,123</u>	<u>12,951,930</u>
Total liabilities and net assets	<u>\$ 16,511,873</u>	<u>\$ 16,581,099</u>

See accompanying notes to financial statements.

THE WOODS HOLE RESEARCH CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions								
U.S. Government	\$ -	\$ 4,759,371	\$ -	\$ 4,759,371	\$ -	\$ 4,984,373	\$ -	\$ 4,984,373
Foundations and other	1,979,833	1,739,808	100	3,719,741	2,068,335	1,026,806	11,100	3,106,241
Investment income	189,599	443,447	-	633,046	242,180	615,475	-	857,655
Donated equipment	20,935	-	-	20,935	10,991	-	-	10,991
In-kind donations	16,404	-	-	16,404	21,588	-	-	21,588
Change in value of split-interest agreements	(8,432)	-	-	(8,432)	(9,849)	-	-	(9,849)
Other income	19,672	-	-	19,672	9,810	-	-	9,810
Net assets released from restrictions	6,722,721	(6,722,721)	-	-	6,689,833	(6,689,833)	-	-
Total support and revenue	8,940,732	219,905	100	9,160,737	9,032,888	(63,179)	11,100	8,980,809
EXPENSES								
Research programs	5,912,283	-	-	5,912,283	6,286,338	-	-	6,286,338
General and administrative	2,332,486	-	-	2,332,486	2,477,491	-	-	2,477,491
Development and fund raising	762,775	-	-	762,775	583,502	-	-	583,502
Total expenses	9,007,544	-	-	9,007,544	9,347,331	-	-	9,347,331
CHANGE IN NET ASSETS								
Beginning of year	(66,812)	219,905	100	153,193	(314,443)	(63,179)	11,100	(366,522)
End of year	6,850,690	2,413,461	3,687,779	12,951,930	7,165,133	2,476,640	3,676,679	13,318,452
	<u>\$ 6,783,878</u>	<u>\$ 2,633,366</u>	<u>\$ 3,687,879</u>	<u>\$ 13,105,123</u>	<u>\$ 6,850,690</u>	<u>\$ 2,413,461</u>	<u>\$ 3,687,779</u>	<u>\$ 12,951,930</u>

See accompanying notes to financial statements.

THE WOODS HOLE RESEARCH CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received		
U.S. Government	\$ 5,253,433	\$ 4,922,638
Foundations and other	2,938,024	3,112,054
Investment income received	96,319	116,023
Other operating receipts	19,671	9,807
Payments to vendors, suppliers, employees and annuitants	(8,464,785)	(8,289,302)
Interest payments	(9,657)	(9,657)
Net cash used for operating activities	(166,995)	(138,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,482,587)	(4,416,595)
Proceeds from sales of investments	2,692,474	4,569,062
Purchases of property and equipment	(37,540)	(21,424)
Proceeds from sale of property and equipment	-	-
Net cash provided by investing activities	172,347	131,043
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of (additions to) bond proceeds held in trust	1,143	1,140
Loan proceeds received	-	-
Repayments of loans payable	(115,331)	(115,332)
Endowment contributions received	100	11,100
Net cash used for financing activities	(114,088)	(103,092)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,736)	(110,486)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,803,857	1,914,343
End of year	\$ 1,695,121	\$ 1,803,857
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH USED FOR OPERATING ACTIVITIES		
Change in net assets	\$ 153,193	\$ (366,522)
Adjustments		
Endowment contributions	(100)	(11,100)
Donated equipment	(20,935)	(10,991)
Depreciation and amortization	670,090	723,566
Loss on sale of property and equipment	-	21,795
Net realized and unrealized gains on investments	(536,727)	(741,632)
Change in assets and liabilities		
U.S. Government contributions receivable	501,533	(26,272)
Other contributions receivable	(781,617)	16,913
Prepaid expenses and other receivables	(45,344)	302,584
Accounts payable, net of amounts for property and equipment	(90,252)	164,877
Accrued expenses	(5,624)	(173,866)
Liability under charitable gift annuities	(3,741)	(2,326)
Refundable advances	(7,471)	(35,463)
Net cash used for operating activities	\$ (166,995)	\$ (138,437)

See accompanying notes to financial statements.

THE WOODS HOLE RESEARCH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with FASB Accounting Standards Codification 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Center 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.

Cash and Cash Equivalents - Cash consists of monies held in demand deposit and money market accounts, unless designated for long-term purposes. Cash equivalents are all highly liquid, short-term investments with initial maturities of three months or less when purchased, which are stated at cost which approximates market value.

Investments - Investments consist of amounts held in money market accounts and short-term investment funds and amounts invested in fixed income, equities and mutual funds which are carried at fair value, as determined by published market prices. Income earned is derived from interest, dividends and changes in fair value. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. The Center's investments are pooled and the allocation of income is tracked on a unitized basis. The Center distributes a proportional amount of investment income based on a total return policy.

Property and Equipment - Property and equipment are recorded at cost. Property and equipment with a cost of \$3,000 or greater and having an expected useful life of two years or longer are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the respective capitalized lease agreements, whichever are shorter. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income.

Revenue and Support - Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a 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. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered to be conditional promises to give.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 those estimates.

NOTE 2. ORGANIZATION AND TAX STATUS

Founded in 1985, The Woods Hole Research Center addresses global environmental problems generated by the expansion of human enterprise over a finite earth. Both privately and publicly financed, the Center offers independent scientific and policy analyses of this new realm of global environmental issues.

The Center (a Massachusetts nonprofit corporation) is exempt from federal and Massachusetts income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Code of the Commonwealth of Massachusetts, respectively, as a publicly supported organization. The organization is, however, subject to tax on net profits generated by activities defined as unrelated business activities under applicable tax law. To date, the Center has not engaged in such activities. The Center's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2012 through 2014 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Unconditional promises receivable as of June 30, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Due in less than one year	\$ 1,482,818	\$ 1,888,489
Due in one to five years	<u>460,000</u>	<u>70,286</u>
	1,942,818	1,958,775
Less: allowance for uncollectibles	-	(306,000)
Less: discount to net present value	<u>(11,180)</u>	<u>(1,221)</u>
	<u>\$ 1,931,638</u>	<u>\$ 1,651,554</u>

Conditional promises receivable as of June 30, 2015 total \$5,009,358, consisting of unexpended U.S. Government grant awards.

NOTE 4. INVESTMENTS

Investments consist of amounts held in cash equivalents, equities and fixed income securities. The original cost and fair values of investments are as follows:

	<u>2015</u>	<u>2014</u>
Cost	\$ 5,228,614	\$ 5,076,082
Accumulated unrealized gain	<u>1,011,690</u>	<u>837,382</u>
	<u>\$ 6,240,304</u>	<u>\$ 5,913,464</u>

Investments are held in endowment, quasi-endowment or other categories as described below.

	<u>2015</u>	<u>2014</u>
Board-designated quasi-endowment	\$ 532,488	\$ 532,488
Unappropriated earnings on permanent endowments	1,043,839	796,086
Donor-restricted permanent endowments	<u>3,687,879</u>	<u>3,687,779</u>
	5,264,206	5,016,353
Net other investments	<u>976,098</u>	<u>897,111</u>
Total investments	<u>\$ 6,240,304</u>	<u>\$ 5,913,464</u>

Included in investment income for the years ended June 30, 2015 and 2014 is net appreciation in the fair value of investments of \$536,727 and \$741,632 respectively.

NOTE 5. FAIR VALUE

U.S. generally accepted accounting principles related to Fair Value Measurements establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing the Center's assets or liabilities based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Center are traded.

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

NOTE 5. FAIR VALUE (CONTINUED)

Level 3- Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use in estimating fair value.

All of the Center's financial investments were measured at fair value on a recurring basis as of June 30, 2015 and 2014 using Level 1 inputs, except for investments in fixed-income securities, for which the fair values were measured using Level 2 inputs. The Center's liability under charitable gift annuities was measured at fair value on a recurring basis as of June 30, 2015 and 2014 using Level 2 inputs.

Inputs used to determine the fair values of investments measured on a recurring basis at June 30, 2015 and 2014, by investment class, are as follows:

	Total at 6/30/2015	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 35,915	\$ 35,915	\$ -	\$ -
Equities and ETFs				
Materials	160,622	160,622	-	-
Industrial goods	574,673	574,673	-	-
Consumer discretionary	581,827	581,827	-	-
Consumer staples	342,463	342,463	-	-
Health care	664,893	664,893	-	-
Financial services	862,245	862,245	-	-
Technology	983,668	983,668	-	-
Telecommunications	60,589	60,589	-	-
Utilities	83,630	83,630	-	-
Fixed income				
Corporate debt securities	1,689,581	-	1,689,581	-
Government agency securities	200,198	-	200,198	-
	<u>\$ 6,240,304</u>	<u>\$ 4,350,525</u>	<u>\$ 1,889,779</u>	<u>\$ -</u>

NOTE 5. FAIR VALUE (CONTINUED)

	Total at 6/30/2014	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 59,588	\$ 59,588	\$ -	\$ -
Equities and ETFs				
Materials	151,715	151,715	-	-
Industrial goods	548,490	548,490	-	-
Consumer discretionary	531,826	531,826	-	-
Consumer staples	383,143	383,143	-	-
Health care	651,559	651,559	-	-
Financial services	784,493	784,493	-	-
Technology	913,902	913,902	-	-
Telecommunications	113,290	113,290	-	-
Utilities	83,977	83,977	-	-
Fixed income				
Corporate debt securities	1,291,181	-	1,291,181	-
Bond mutual fund	400,300	400,300	-	-
	<u>\$ 5,913,464</u>	<u>\$ 4,622,283</u>	<u>\$ 1,291,181</u>	<u>\$ -</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014, consists of the following:

	2015	2014
Land	\$ 517,571	\$ 517,571
Building and improvements	11,079,609	11,067,399
Furniture and equipment	<u>1,834,928</u>	<u>1,815,470</u>
	13,432,108	13,400,440
Less: accumulated depreciation and amortization	<u>(7,261,771)</u>	<u>(6,618,488)</u>
Net property and equipment	<u>\$ 6,170,337</u>	<u>\$ 6,781,952</u>

NOTE 7. BENEFICIAL INTEREST IN REAL ESTATE TRUST ASSETS

The Center entered into a joint venture agreement with an unrelated third party through which a small portion of land acquired in connection with the Ordway Campus was contributed by the Center and a similar parcel of land was contributed by the joint venturer. The property was placed in trust, after which the joint venturer gifted his entire interest in the property to the Center. The carrying value of the Center's interest in the Trust was \$212,651 at both June 30, 2015 and 2014.

NOTE 8. LOANS PAYABLE

Financing of Headquarters Building - During the year ended June 30, 2003, the Center completed construction of and placed into service a new headquarters building (the Ordway Campus) in Woods Hole, Massachusetts. To finance the construction, the Center raised restricted contributions from the general public, designated a portion of unrestricted net assets to be used for the campaign, and entered into a loan agreement with the Massachusetts Health and Educational Facilities Authority (MHEFA) for a total loan amount of \$2,795,000. That loan agreement was amended during the year ended June 30, 2010, and the Center borrowed an additional \$603,900 from MHEFA to help finance improvements made to an adjacent building (the Carriage House).

The Center obtained a \$2.6 million direct pay letter of credit to provide security for the MHEFA loans, for which it pays an annual fee equal to 1.25% of the total amounts outstanding on the MHEFA loans. The loans require level annual principal payments and interest on the unpaid principal accrues and is payable monthly at a variable rate, 0.12% and 0.08% as of June 30, 2015 and 2014, respectively. The intention is to keep the fair market value of the loan equal to its outstanding principal balance. Substantially, all business assets of the Center have been pledged as collateral in connection with the loan agreements. The Center is scheduled to make total remaining principal payments of \$1,827,072 in annual installments of \$114,192 through June 2031. The remaining outstanding principal of \$15,231 will be retired through annual draws against the debt service reserve funds held in trust. Interest expense totaled \$1,034 and \$1,302 for the years ended June 30, 2015 and 2014, respectively.

Loan Payable to Related Party - On December 13, 2012, the Center entered into an agreement to borrow \$1,000,000 from a Trust established by certain members of its Board of Directors. The note is secured by a mortgage on the Center's real property located at 149 Woods Hole Road as well as its beneficial interest in the Quissett Circle real estate trust assets (both subordinated to the Center's bond financing described in Note 7). Interest accrues at the annual rate of .95%. Interest only of \$9,500 is due on October 31, 2013 and 2014. Principal and accrued interest totaling \$309,500 is due on October 31, 2015; principal and accrued interest totaling \$356,650 is due on October 31, 2016, and all remaining principal and accrued interest is due on October 31, 2017.

As of June 30, 2015, principal repayments on these loans are due by fiscal year as follows:

	MHEFA Loan	Related Party Loan	Total
Year ending June 30, 2016	\$ 114,192	\$ 300,000	\$ 414,192
2017	114,192	350,000	464,192
2018	114,192	350,000	464,192
2019	114,192	-	114,192
2020	114,192	-	114,192
Thereafter	<u>1,271,343</u>	<u>-</u>	<u>1,271,343</u>
	<u>\$ 1,842,303</u>	<u>\$ 1,000,000</u>	<u>\$ 2,842,303</u>

NOTE 9. NET ASSETS

Unrestricted Net Assets - Unrestricted net assets are not subject to donor restrictions. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Board Designated Fund

As each of June 30, 2015 and 2014, the Board designated quasi-endowment fund balance was \$532,488.

Net Investment in Property and Equipment

The Center has unrestricted net assets which are invested in property and equipment owned by the Center. The net investment in property and equipment consists of:

	<u>2015</u>	<u>2014</u>
Net property and equipment	\$ 6,170,337	\$ 6,781,952
Bond proceeds held in trust for debt retirement	18,277	19,420
Loans payable - current portion	(414,192)	(114,192)
Loans payable - long-term portion	<u>(2,428,111)</u>	<u>(2,843,442)</u>
	<u>\$ 3,346,311</u>	<u>\$ 3,843,738</u>

Temporary Restrictions - Temporarily restricted net assets as of June 30, 2015 and 2014, consist principally of research grants from private foundations and contributions for long-term purposes. Temporarily restricted net assets result from gifts of cash or other assets with donor imposed restrictions that require that such resources be used in a later period or after a specified date or that the resources be used for a specified purpose. The net assets will be released when spent for the appropriate purpose or upon expiration of time restriction, in compliance with donor restrictions. Temporarily restricted net assets as of June 30, 2015 and 2014 were subject to restriction as follows:

	<u>2015</u>	<u>2014</u>
Research grants from foundations and others	\$ 725,707	\$ 1,598,295
Other purpose restrictions	-	9,080
Unappropriated earnings on permanent endowments	1,043,839	796,086
Time restrictions only	<u>863,820</u>	<u>10,000</u>
	<u>\$ 2,633,366</u>	<u>\$ 2,413,461</u>

NOTE 9. NET ASSETS (CONTINUED)

The following are the net assets released from donor-imposed restrictions during the years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Research grants		
U.S. Government	\$ 4,759,371	\$ 4,984,373
Foundations and International	1,706,849	1,516,747
Other activities	51,580	6,020
Appropriated earnings on permanent endowments	194,921	175,593
Other general support	10,000	7,100
	<u>\$ 6,722,721</u>	<u>\$ 6,689,833</u>

Permanent Restrictions - The Center has received several contributions establishing permanent endowments. During 2002, the Center received a total of \$2.5 million from a single contributor that provides for a \$2 million endowment to fund the Sara Shallenberger Brown Chair of Environmental Policy. The primary focus of the Chair is to connect science, conservation, and human affairs nationally and internationally and to incorporate the findings of science into the decisions of governments. The remaining \$500,000 is to support the Center's general endowment, the earnings on which are available for general support. The Center has also received contributions to fund the George Woodwell Chair of Conservation and other smaller endowments. The Center may appropriate annually for operating purposes earnings on general endowment investments related to these gifts. Total permanently restricted net assets are as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Sara Shallenberger Brown Chair and Endowment	\$ 2,500,000	\$ 2,500,000
George Woodwell Chair of Conservation	1,024,979	1,024,879
General support	162,900	162,900
	<u>\$ 3,687,879</u>	<u>\$ 3,687,779</u>

Interpretation of Relevant Law

In accordance with U. S. Generally Accepted Accounting Principles, formerly Financial Accounting Standards Board (FASB) Staff Position (FSP) 117-1, *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 (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, the Center treats all donor-restricted endowment funds as permanently restricted net assets. These endowment funds are invested in a pool with all other investments of the Center. The returns on the endowment fund investments have been included in temporarily restricted investment income in the statement of activities.

NOTE 9. NET ASSETS (CONTINUED)

Change in Endowment Net Assets

The following table represents the changes in endowment net assets for the years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	\$ 532,488	\$ 357,924	\$ 3,676,679	\$ 4,567,091
Contributions	-	-	11,100	11,100
Investment income	80,940	613,755	-	694,695
Appropriations	(80,940)	(175,593)	-	(256,533)
Endowment net assets, June 30, 2014	532,488	796,086	3,687,779	5,016,353
Contributions	-	-	100	100
Investment income	52,570	442,674	-	495,244
Appropriations	(52,570)	(194,921)	-	(247,491)
Endowment net assets, June 30, 2015	<u>\$ 532,488</u>	<u>\$ 1,043,839</u>	<u>\$ 3,687,879</u>	<u>\$ 5,264,206</u>

Return Objectives and Risk Parameters

The Center has adopted an asset allocation policy, monitored through its Investment Policy, that is a moderate balance of equities, fixed income and cash with a target of 60-70% equities and 30-40% fixed income. These change slightly as risk is monitored and the fund manager is given a target and 5% latitude for market impact and manager decisions. The equity investment style is an "All Cap Strategy" which is benchmarked to the S&P 1500. Equity performance, if applicable, is measured against the benchmark index over market cycle (typically 3-5 years).

The equity portion of the portfolio uses a growth-at-a-reasonable-price discipline. The fixed income allocation may hold taxable government agency bonds and socially screened corporate bonds. Fixed income performance is benchmarked to the Barclay's Gov/Credit Interim Bond Index. Allocation percentages are meant to be soft guidelines rather than absolute portfolio mandates as described above. Investment goals are primarily capital appreciation and secondarily income generation at this time.

Spending Policies of the Endowments

Sara Shallenberger Brown Chair and Endowment - The donor requested that the investment income generated by the Chair and the endowment each year be used for general operations. During March of 2003, the Organization's Board of Directors approved a motion to appropriate, annually for operating purposes, total earned income up to 5% of the principal balance for the Sara Shallenberger Brown Chair and Endowment. For the years ended June 30, 2015 and 2014, the Board of Directors appropriated for expenditure \$132,203 and \$119,402, respectively, of accumulated earnings.

NOTE 9. NET ASSETS (CONTINUED)

George Woodwell Chair of Conservation - The donors requested that the investment income generated by the Chair each year be used for general operations once the Chair reached a certain monetary level. For the years ended June 30, 2015 and 2014, the Board of Directors appropriated for expenditure \$54,139 and \$48,654, respectively.

General Support Endowments - Investment income or loss are reported as changes in temporarily restricted net assets until appropriated by the Board of Directors. For the years ended June 30, 2015 and 2014, the Board of Directors appropriated for expenditure \$8,579 and \$7,537, respectively.

NOTE 10. PENSION PLAN

The Center has a contributory defined contribution pension plan covering substantially all full-time employees. Plan contributions are made on behalf of eligible employees through individual annuities with the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The contributions are made on a semi-monthly basis at 10% of eligible compensation. Pension expense for the years ended June 30, 2015 and 2014 was \$334,876 and \$346,120, respectively.

NOTE 11. OPERATING LEASES

The Center leases certain office equipment under operating leases for which future minimum rental payments are due as follows:

Year ending June 30, 2016	\$	11,242
2017		10,932
2018		10,932
2019		10,932
2020		<u>5,466</u>
Total	\$	<u>49,504</u>

Rental expense for office equipment for the years ended June 30, 2015 and 2014 totaled \$13,000 and \$13,788, respectively.

NOTE 12. SIGNIFICANT CONCENTRATIONS

Cash Balances - The Center maintains its operating cash at three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2015, the Center's cash balances in excess of FDIC insurance coverage totaled approximately \$1,104,000. Included in other assets as bond proceeds held for debt retirement was an amount of \$18,277 which is not federally insured. In addition, at June 30, 2015, the Center had cash balances on deposit in an uninsured foreign account in the amount of \$30,578.

NOTE 12. SIGNIFICANT CONCENTRATIONS (CONTINUED)

Major Contributors - The Center receives revenue from U.S. Government funded grants and cooperative agreements, all of which are subject to audit by government agencies. The ultimate determination of amounts received is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amounts received in excess of allowed costs.

During the years ended June 30, 2015 and 2014, the Center received approximately 52% and 56% of its total support and revenue from the U.S. Government.

Foreign Operations - The Center conducts substantial research activities in foreign countries. During the years ended June 30, 2015 and 2014, 6% and 6%, respectively, of the Center's total expenses were incurred in support of foreign activities and, as of June 30, 2015 and 2014, the Center has assets in foreign countries totaling \$135,000 and \$386,000, respectively.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2015, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

ADDITIONAL INFORMATION

THE WOODS HOLE RESEARCH CENTER, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			Total
	Research Programs	General and Administrative	Development and Fundraising	
Salaries, wages and benefits	\$ 3,281,124	\$ 1,589,787	\$ 512,772	\$ 5,383,683
Professional fees and other wages	252,565	248,918	40,970	542,453
Travel	430,968	29,883	34,130	494,981
Materials and supplies	204,801	154,689	82,102	441,592
Equipment	20,935	-	-	20,935
Communication	195,353	123,428	6,908	325,689
Facilities	3,922	267,346	-	271,268
Depreciation and amortization	-	670,090	-	670,090
Subcontracts	856,853	-	-	856,853
	<u>5,246,521</u>	<u>3,084,141</u>	<u>676,882</u>	<u>9,007,544</u>
Allocation of common costs	<u>665,762</u>	<u>(751,655)</u>	<u>85,893</u>	<u>-</u>
Total expenses	<u>\$ 5,912,283</u>	<u>\$ 2,332,486</u>	<u>\$ 762,775</u>	<u>\$ 9,007,544</u>

	2014			Total
	Research Programs	General and Administrative	Development and Fundraising	
Salaries, wages and benefits	\$ 3,322,506	\$ 1,715,206	\$ 411,899	\$ 5,449,611
Professional fees and other wages	293,019	234,439	40,633	568,091
Travel	414,807	21,306	26,431	462,544
Materials and supplies	235,889	144,862	37,734	418,485
Equipment	72,026	3,433	-	75,459
Communication	321,624	131,825	7,840	461,289
Facilities	-	197,075	-	197,075
Depreciation and amortization	-	723,566	-	723,566
Subcontracts	991,211	-	-	991,211
	<u>5,651,082</u>	<u>3,171,712</u>	<u>524,537</u>	<u>9,347,331</u>
Allocation of common costs	<u>635,256</u>	<u>(694,221)</u>	<u>58,965</u>	<u>-</u>
Total expenses	<u>\$ 6,286,338</u>	<u>\$ 2,477,491</u>	<u>\$ 583,502</u>	<u>\$ 9,347,331</u>

THE WOODS HOLE RESEARCH CENTER, INC.

SCHEDULES OF RESEARCH PROGRAM EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015					
	Center Funded Science	Forests	Soils	Air	Water	Total
Salaries, wages and benefits	\$ 543,289	\$ 2,128,246	\$ 172,430	\$ 87,201	\$ 349,958	\$ 3,281,124
Professional fees and other wages	55,703	153,047	11,335	-	32,480	252,565
Travel	45,114	310,709	19,032	12,669	43,444	430,968
Materials and supplies	38,185	111,802	17,914	-	36,900	204,801
Equipment	-	6,968	13,967	-	-	20,935
Communication	31,371	79,969	15,475	-	68,538	195,353
Facilities	3,922	-	-	-	-	3,922
Depreciation and amortization	-	-	-	-	-	-
Subcontracts	<u>30,776</u>	<u>605,366</u>	<u>1,000</u>	<u>40,299</u>	<u>179,412</u>	<u>856,853</u>
	748,360	3,396,107	251,153	140,169	710,732	5,246,521
Allocation of common costs	<u>94,964</u>	<u>430,952</u>	<u>31,870</u>	<u>17,787</u>	<u>90,189</u>	<u>665,762</u>
	<u>\$ 843,324</u>	<u>\$ 3,827,059</u>	<u>\$ 283,023</u>	<u>\$ 157,956</u>	<u>\$ 800,921</u>	<u>\$ 5,912,283</u>
	2014					
	Center Funded Science	Forests	Soils	Air	Water	Total
Salaries, wages and benefits	\$ 540,302	\$ 2,108,927	\$ 216,026	\$ 63,898	\$ 393,353	\$ 3,322,506
Professional fees and other wages	97,290	117,270	358	14,384	63,717	293,019
Travel	26,251	268,218	19,335	16,279	84,724	414,807
Materials and supplies	24,392	124,748	16,052	103	70,594	235,889
Equipment	32,767	26,085	-	-	13,174	72,026
Communication	28,188	72,286	24,547	250	196,353	321,624
Facilities	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-
Subcontracts	<u>-</u>	<u>582,357</u>	<u>59,362</u>	<u>93,252</u>	<u>256,240</u>	<u>991,211</u>
	749,190	3,299,891	335,680	188,166	1,078,155	5,651,082
Allocation of common costs	<u>84,219</u>	<u>370,951</u>	<u>37,735</u>	<u>21,152</u>	<u>121,199</u>	<u>635,256</u>
	<u>\$ 833,409</u>	<u>\$ 3,670,842</u>	<u>\$ 373,415</u>	<u>\$ 209,318</u>	<u>\$ 1,199,354</u>	<u>\$ 6,286,338</u>



**REPORT OF INDEPENDENT AUDITORS ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
The Woods Hole Research Center, Inc.

Our report on our audit of the financial statements of The Woods Hole Research Center, Inc. as of June 30, 2015 appears on pages 1-2. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Center's 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.

Calibre CPA Group, PLLC

Bethesda, MD
October 20, 2015

THE WOODS HOLE RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
<u>U.S. Agency for International Development</u>			
USAID Foreign Assistance for Programs Overseas	98.001		
Pass-through programs			
University of Florida		UF12004	\$ 52,910
The Nature Conservancy		SUBNOMEX-091611	517,413
			<u>570,323</u>
USAID Development Partnerships for University Cooperation and Development	98.012		
Pass-through programs			
University of Florida		UFDSP00010170	27,396
University of Richmond		AID-OAA-LA-11-00005	11,270
			<u>38,666</u>
Total U.S. Agency for International Development			<u>608,989</u>
<u>Department of Agriculture</u>			
U.S. Forest Service			
Agriculture and Food Research Initiative (AFRI)	10.310		47,550
Forestry Research	10.652		101,766
International Forestry Programs	10.684		46,386
			<u>195,702</u>
<u>Department of Energy</u>			
Office of Science Financial Assistance Program	81.049		<u>69,902</u>
<u>Department of State</u>			
Environmental and Scientific Partnerships and Programs	19.017		
Pass-through programs from			
Earth Innovation Institute		01210BR-0114	35,469
Earth Innovation Institute		02210PE-0214	26,232
			<u>61,701</u>
<u>National Aeronautics and Space Administration</u>			
Science Programs	43.001		
Direct programs			1,577,684
Pass-through programs			
The Regents of the University of California, Santa Barbara		KK1248	\$ 58,916
Virginia Polytechnic Institute & State University		426670-19802	193,604
University of Maryland		Z668501	47,190
University of Maryland		Z6901001	6,147
University of Maryland		X6927001	5,167
The Research Foundation of State University of New York		60020	137,340
			<u>448,364</u>
			2,026,048
Cross Agency Support - pass-through programs	43.009		
Montana State University		G152-12-W3746	82,915
Total National Aeronautics and Space Administration			<u>2,108,963</u>
<u>National Science Foundation</u>			
Geosciences	47.050		
Direct programs			125,335
Pass-through programs			
The Florida State University		1500169	51,764
Woods Hole Oceanographic Institution		85101500	6,000
			<u>57,764</u>
			183,099
Biological Sciences	47.074		365,926
Polar Programs	47.078		1,038,210
Arctic Research Opportunities	N/A	PLR-1304007	126,879
Total National Science Foundation			<u>1,714,114</u>
Total Research and Development Cluster			<u>\$ 4,759,371</u>

THE WOODS HOLE RESEARCH CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Woods Hole Research Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. SUBRECIPIENTS

The Woods Hole Research Center, Inc. provided federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor Program Title/Award or Subagreement Number</u>	<u>Federal CFDA number</u>	<u>Amount Provided</u>
National Aeronautics and Space Administration	43.001	\$ 246,104
National Science Foundation	47.078	379,918
U.S. Agency for International Development	98.001	<u>57,951</u>
		<u>\$ 683,973</u>

**REPORT OF INDEPENDENT AUDITORS 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***

Board of Directors
The Woods Hole Research Center, 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 The Woods Hole Research Center, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered The Woods Hole Research Center, Inc.'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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 the Center'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 of the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Calibre CPA Group, PLLC

Bethesda, MD
October 20, 2015



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
The Woods Hole Research Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Woods Hole Research Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Woods Hole Research Center, Inc.'s major federal programs for the year ended June 30, 2015. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Center'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 the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, The Woods Hole Research Center, Inc. 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 June 30, 2015.

Report on Internal Control over Compliance

The management of the Center 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 the Center'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 OMB Circular A-133, 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 the Center'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Calibre CPA Group, PLLC

Bethesda, MD
October 20, 2015

THE WOODS HOLE RESEARCH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Woods Hole Research Center, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report of independent auditors 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*.
3. No instances of noncompliance material to the financial statements of The Woods Hole Research Center, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of internal control over major federal award programs are reported in the report of independent auditors on compliance for each major program and on internal control over compliance required by OMB Circular A-133.
5. The auditors' report on compliance for major federal award programs for The Woods Hole Research Center, Inc. expresses an unmodified opinion.
6. There are no findings relative to major federal award programs for The Woods Hole Research Center, Inc. reported in this schedule.
7. The program tested as a major program was Research and Development.
8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Woods Hole Research Center, Inc. did not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

THE WOODS HOLE RESEARCH CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

2014-001 Noncompliance with the *Federal Funding Accountability and Transparency Act*

Condition: The Woods Hole Research Center, Inc. did not comply with the requirements of the *Federal Funding Accountability and Transparency Act* (Transparency Act) that relate to subaward reporting under grants and cooperative agreements received by the Center for which the Center then made subawards to subrecipients.

Criteria: The Transparency Act applies to direct recipients of grants or cooperative agreements who make first-tier subawards. The Act requires recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds. Reporting must be accomplished by the end of the month following the month in which the reportable action occurred. Grant and cooperative agreement recipients are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report required subaward data elements through FSRS.

Cause: The Center did not have adequate internal controls in place to ensure compliance with the first-tier subaward reporting requirements of the Act.

Status: WHRC implemented the following procedures during the past year:

1. All new subawards are evaluated according to the criteria of the Act prior to their issuance.
2. If the Act is applicable, the pertinent information regarding the subaward is collected and recorded on a standard template.
3. The office of the Director of Finance and Administration, which issues subawards, is responsible for reporting the activity through the fsrs.gov website by the end of the month following the month in which the award is counter-signed by the subawardee. This is the point at which WHRC considers the funds to be an obligation of Federal funds and therefore subject to the Act.
4. A copy of the FFRS form is filed electronically in our files, and is logged in our subcontract database.
5. As an internal control, the Accountant responsible for processing subaward payments is notified whenever a new award has been issued, and confirms that the information is entered into the system within required time period.