

Report on the

Marine Environmental Sciences Consortium

Dauphin Island, Alabama

October 1, 2013 through September 30, 2014

Filed: June 26, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Marine Environmental Sciences Consortium for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 4th day of June, 20 15.

Patricia M. Buxton
Notary Public
COMMISSION EXPIRES:
February 26, 2019

Sworn to and subscribed before me this
the 5th day of June, 20 15.

Alison Adams
Notary Public

Respectfully submitted,

JoNesia S. Turner
JoNesia S. Turner
Examiner of Public Accounts

Phillipe J. Walker
Phillipe J. Walker
Examiner of Public Accounts

rb.

My commission expires 4/13/19

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| Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Consortium introducing the basic financial statements and providing an analytical overview of the Consortium's financial activities for the year. This information has not been audited, and no opinion is provided about the information. | |
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| Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Consortium's financial position and results of operations in accordance with GAAP. | |
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| Exhibit #5 Board Members and Officials – a listing of the Consortium Board members and officials. | 33 |
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| Exhibit #7 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Consortium complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program. | 38 |
| Exhibit #8 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133. | 41 |



Department of
Examiners of Public Accounts

SUMMARY

**Marine Environmental Sciences Consortium
October 1, 2013 through September 30, 2014**

Marine Environmental Sciences Consortium (the "Consortium"), also known as Dauphin Island Sea Lab (DISL) provides educational programs in Marine Sciences on both the undergraduate and graduate levels. As a marine laboratory, the DISL's mission encompasses marine science education, marine science research, coastal zone management policy and educating the general public through the Estuarium, DISL's public aquarium. The DISL primarily serves the 22 four-year colleges and universities of Alabama through its college summer courses and graduate programs of University Programs (UP). The Consortium's educational mission also includes Discovery Hall Programs (DHP) which encompasses K-12 field programs, teacher-training, and public outreach. DHP also includes the Estuarium which focuses solely on the Mobile-Tensaw Estuary System. The research programs of the DISL range from biogeochemistry to oceanography to paleoecology. The Coastal Policy Center offers local government, industry and agency decision makers a range of coastal zone management services. One of the area's major players in coastal zone management is the Mobile Bay National Estuary Program, which falls within the DISL's numerous programs.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Consortium complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the basic financial statements, which means the Consortium's financial statements present fairly, in all material respects, the financial position and the results of operations for the fiscal year ending September 30, 2014.

There were no findings in the prior audit.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. John Valentine, Executive Director, and David England, Associate Director of Administrative Services. The following individual attended the exit conference: David England, Associate Director of Administrative Services. Representing the Department of Examiners of Public Accounts was: JoNesia Turner, Examiner.



Department of
Examiners of Public Accounts

COMMENTS

**Marine Environmental Sciences Consortium
October 1, 2013 through September 30, 2014**

The Marine Environmental Sciences Consortium (the "Consortium"), also known as Dauphin Island Sea Lab ("DISL"), was formally established by Act Number 2432, Acts of Alabama 1971, page 3890. The purposes of the Consortium are to provide educational programs in Marine Sciences on both the undergraduate and graduate levels; to promote and encourage pure and applied research in Marine Sciences and related areas; to promote and encourage communication and dialog among those interested in marine sciences; and to do and perform all other acts and things which may be necessary or appropriate for the carrying out and accomplishment of any and all foregoing objects. On May 18, 1972, the Consortium acquired a former U. S. Air Force radar base with seven permanent and five temporary buildings. This facility was named the Dauphin Island Sea Lab to distinguish it from the Point Aux Pins Estuarine Lab. The management of the latter was turned over to the Consortium by the University of Alabama System as part of a cooperative effort. The Consortium is located on 36 acres on the eastern end of Dauphin Island, a barrier island approximately three miles from the mainland and 40 miles south of Mobile, Alabama.

The Consortium is recognized regionally and nationally as a marine science institution of growing academic and research distinction. The management of the Consortium is vested in its Board of Directors which is composed of the Chief Executive Officers of the Consortium institutions. The members of the Consortium are: Alabama State University; Athens State University; Auburn University; Auburn University at Montgomery; Birmingham Southern College; Huntingdon College; Jacksonville State University; Judson College; Samford University; Springhill College; Talladega College; Troy University; Tuskegee University; University of Alabama in Birmingham; University of Alabama in Huntsville; The University of Alabama in Tuscaloosa; University of Mobile; University of Montevallo; University of North Alabama, University of South Alabama; University of West Alabama; and Alabama A&M University.

The teaching facilities include four classroom/laboratory buildings. The graduate and research programs are housed in the Weise Marine Science Hall, which contains 24,000 square feet of research labs and office space. The library is equipped with holdings that include more than 7,400 book titles and many periodicals dealing with marine sciences. The research vessels available for class and research activities include a 65-foot diesel-powered steel hull vessel, a 42-foot fiberglass hull vessel, and several outboard (14 to 23 feet) vessels.

The Estuarium/Public aquarium is a 10,000 square foot exhibit hall and living marsh boardwalk highlighting the four key habitats of coastal Alabama.

Independent Auditor's Report

Independent Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Marine Environmental Sciences Consortium, as of and for the year ended September 30, 2014, as listed in the table of contents as Exhibits 1 through 3.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Marine Environmental Sciences Consortium, as of September 30, 2014, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2014 the Marine Environmental Sciences Consortium adopted Government Accounting Standards Board (GASB) Statement Number 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) be presented to *supplement* the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

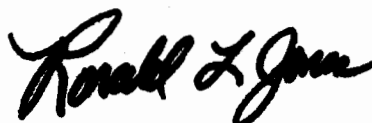
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Marine Environmental Sciences Consortium, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 4) is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. This 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 Schedule of Expenditures of Federal Awards 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 May 15, 2015, on our consideration of the Marine Environmental Sciences Consortium'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 the 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 Marine Environmental Sciences Consortium's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 15, 2015

*Management's Discussion and Analysis
(Required Supplementary Information)*

Management's Discussion and Analysis

For the Year Ended September 30, 2014

Introduction

The following discussion presents an overview of the financial position and financial activities of the Marine Environmental Sciences Consortium (MESC) for the year ended September 30, 2014. This discussion was prepared by MESC's management and should be read in conjunction with the financial statements and notes thereto, which follow.

MESC's financial report consists of the following statements:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These statements are intended to present the financial position, operating activities and cash flows of MESC. The Notes to the Financial Statements provide additional information that is needed to fully understand the financial statements.

Analysis of Financial Position and Results of Operations

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of MESC as of the fiscal year ended September 30, 2014. The net position is displayed in three parts: restricted, unrestricted and net investment in capital assets. Restricted net resources may either be expendable or non-expendable and are those resources that are restricted by law or by an external donor. Unrestricted resources, while they are generally designated for specific purposes, are available for use by MESC to meet current expenses for any purpose. The statement of net position, along with all of MESC's basic financial statements, is prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to MESC, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the resources available to continue the operations of MESC. They are also able to determine how much MESC owes to vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditures by MESC.

Management's Discussion and Analysis

For the Year Ended September 30, 2014

The total net position of MESC for FY 14 is \$14.6 million. The decrease in liabilities is mostly due to a \$1.26 million grant from Alabama Department of Conservation & Natural Resources which was reported as unearned revenue, a liability, in FY 13. The building funded by this grant began construction during FY 14, and a significant portion of the funds were expended.

| Statement of Net Position | | |
|----------------------------------|---------------|---------------|
| | 2014 | 2013 |
| Assets | | |
| Current assets | \$ 3,627,454 | \$ 4,853,040 |
| Non-current assets | 12,895,902 | 12,030,809 |
| Total Assets | 16,523,356 | 16,883,849 |
| Liabilities | | |
| Current liabilities | 1,459,617 | 1,863,198 |
| Noncurrent liabilities | 456,649 | 429,067 |
| Total liabilities | 1,916,266 | 2,292,265 |
| Net Position | | |
| Net Investment in Capital Assets | 12,104,825 | 12,002,691 |
| Restricted - expendable | 477,317 | 817,571 |
| Unrestricted | 2,024,948 | 1,771,322 |
| Total Net Position | \$ 14,607,090 | \$ 14,591,584 |

The consumption of assets follows MESC's philosophy to use available resources to acquire and improve all areas of MESC to better serve its students and the public.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total MESC net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by MESC, both operating and non-operating, and the expenses paid by MESC, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by MESC.

Management's Discussion and Analysis

For the Year Ended September 30, 2014

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of MESC. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the MESC. Non-operating revenues are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as non-operating.

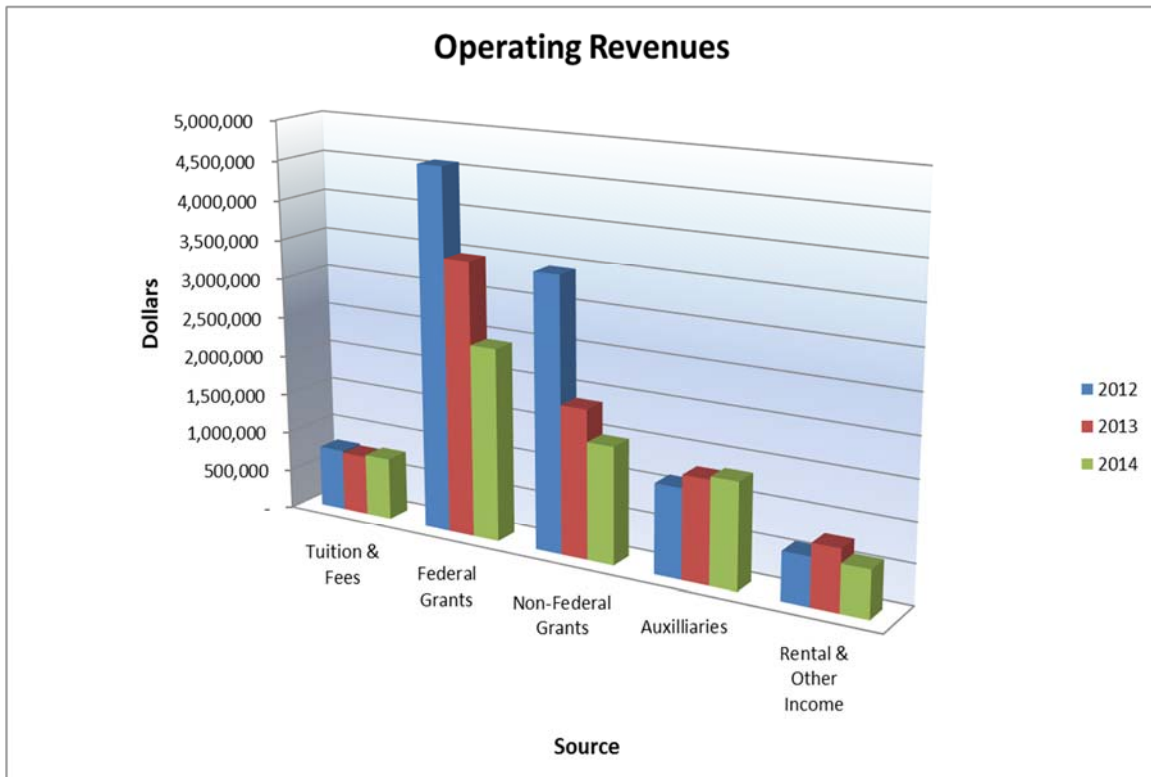
| Statement of Revenues, Expenses and Changes in Net Position | | |
|--|----------------------|----------------------|
| | 2014 | 2013 |
| Operating revenues | \$ 6,612,413 | \$ 8,148,287 |
| Operating expenses | 11,165,153 | 11,795,430 |
| Operating loss | (4,552,740) | (3,647,143) |
| Nonoperating revenues & expenses | 4,568,246 | 3,636,689 |
| Changes in Net Position | 15,506 | (10,454) |
| Total Net Position - Beg. of Year | 14,591,584 | 14,602,038 |
| Total Net Position - End of Year | <u>\$ 14,607,090</u> | <u>\$ 14,591,584</u> |

The Statement of Revenues, Expenses, and Changes in Net Position reflect operating revenues of \$6.6 million, a decrease of \$1.5 million from the prior year. The decrease is the result of substantial completion of a research program conducted regarding the Deepwater Horizon Oilspill (DWHO) and sponsored by many agencies including BP. Also included in operating revenues are the revenues related to our summer programs. These revenues increased during the last fiscal year but are overshadowed by the reduction in revenues related to the DWHO. The reduction in operating expenses is also a reflection of the completion of the initial efforts by our scientists to study the effects of the DWHO.

Management's Discussion and Analysis

For the Year Ended September 30, 2014

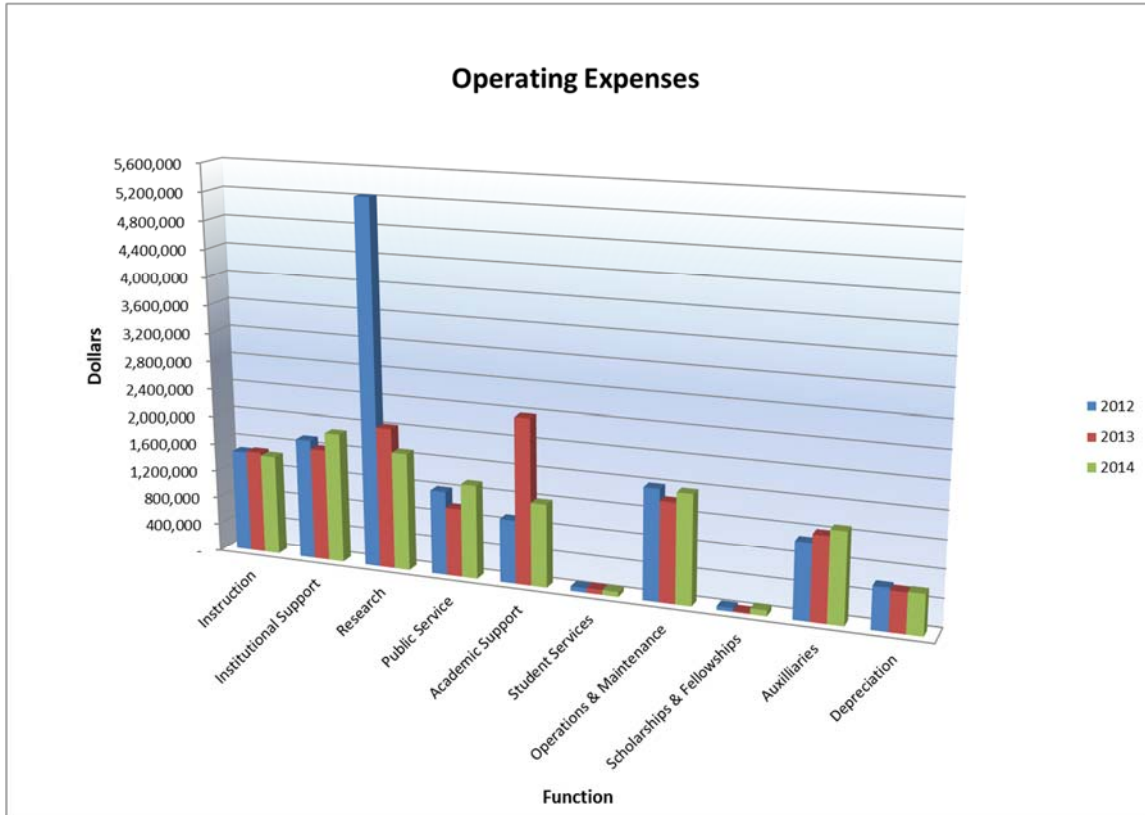
The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. Federal Grants and Contracts represent the largest source of Operating Revenues. The largest source of non-operating revenues is the State Appropriation. MESC annually receives a State Appropriation as a separate line item in the State of Alabama Education Trust Fund budget. The State Appropriation for fiscal year 2014 totaled \$3,729,174. Of this, \$76,088 was earmarked for Mobile Bay National Estuary Program, a division of MESC/Dauphin Island Sea Lab, and \$76,088 was earmarked for the Mississippi-Alabama Sea Grant Consortium, making the net appropriation available to MESC \$3,653,086.



Management's Discussion and Analysis

For the Year Ended September 30, 2014

The operating expenses by function are displayed in the following exhibit:



The chart above allows the reader to visualize each functional expenditure category and how each functional category of expenditures compares to the other over the last three years.

Management's Discussion and Analysis

For the Year Ended September 30, 2014

Statement of Cash Flows

The final statement presented by MESC is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of MESC. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

| Statement of Cash Flows | |
|--|---------------------|
| | 2014 |
| Cash provided (used) by: | |
| Operating activities | \$ (3,448,198) |
| Noncapital financing activities | 3,370,735 |
| Capital and related financing activities | (680,748) |
| Investing activities | <u>1,484</u> |
| Net change in Cash | (756,727) |
| Cash, beginning of year | 2,829,764 |
| Cash, end of year | <u>\$ 2,073,037</u> |

Management's Discussion and Analysis

For the Year Ended September 30, 2014

Economic Outlook

MESC has followed a conservative fiscal policy during these times of uncertain level of state and federal support, rising fuel and energy costs. We are currently reviewing our operations and undergoing an outside evaluation to identify areas in which efficiencies can be gained and costs reduced. This is combined with an effort to identify alternative sources of funding, upgrade and invest in new infrastructure so we can continue to offer the same level of service to our constituents and give our researchers the resources needed to continue to be at the forefront of Marine research. The Consortium continues to be an active participant in the BP sponsored Gulf Research Initiative to study the effects of the DWHO.

MESC anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain MESC's ability to react to unknown internal and external issues and continue to be wise stewards of all funds awarded to us.

Basic Financial Statements

Statement of Net Position
September 30, 2014

ASSETS

Current Assets

| | | |
|----------------------|----|------------------|
| Cash | \$ | 2,073,037 |
| Accounts Receivable | | 1,435,271 |
| Inventories | | 119,146 |
| Total Current Assets | | <u>3,627,454</u> |

Noncurrent Assets

| | | |
|---|--|--------------------|
| Funds Held By Others | | 780,405 |
| Capital Assets: | | |
| Land | | 658,757 |
| Improvements Other Than Buildings | | 391,481 |
| Buildings | | 13,618,496 |
| Equipment | | 2,724,644 |
| Vessels | | 1,075,392 |
| Library Holdings | | 842,322 |
| Construction in Progress | | 306,921 |
| Less: Accumulated Depreciation | | <u>(7,502,516)</u> |
| Total Capital Assets, Net of Depreciation | | <u>12,115,497</u> |
| Total Noncurrent Assets | | <u>12,895,902</u> |
| Total Assets | | <u>16,523,356</u> |

LIABILITIES

Current Liabilities

| | | |
|---------------------------|--|------------------|
| Accounts Payable | | 51,150 |
| Leases Payable | | 10,672 |
| Compensated Absences | | 29,148 |
| Unearned Revenue | | 1,217,773 |
| Deposits Held for Others | | 150,874 |
| Total Current Liabilities | | <u>1,459,617</u> |

Noncurrent Liabilities

| | | |
|------------------------------|----|------------------|
| Compensated Absences | | <u>456,649</u> |
| Total Noncurrent Liabilities | | <u>456,649</u> |
| Total Liabilities | \$ | <u>1,916,266</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

NET POSITION

| | | |
|----------------------------------|----|--------------------------|
| Net Investment in Capital Assets | \$ | 12,104,825 |
| Restricted for: | | |
| Expendable: | | |
| Scholarships and Fellowships | | 69,349 |
| Research and Public Outreach | | 379,634 |
| Capital Projects | | 28,334 |
| Unrestricted | | <u>2,024,948</u> |
| Total Net Position | \$ | <u><u>14,607,090</u></u> |

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2014

OPERATING REVENUES

| | |
|---|------------------|
| Student Tuition and Fees | \$ 783,208 |
| Federal Grants and Contracts | 2,430,590 |
| State and Local Grants and Contracts | 492,689 |
| Private Grants and Contracts | 983,746 |
| Sales and Services of Educational Departments | 169,361 |
| Auxiliary Enterprises: | |
| Estuarium | 480,746 |
| Giftshop | 420,538 |
| Food Services | 426,405 |
| Other | 3,839 |
| Rental Income | 403,560 |
| Other Operating Revenues | 17,731 |
| Total Operating Revenues | <u>6,612,413</u> |

OPERATING EXPENSES

| | |
|------------------------------|-----------------------|
| Instruction | 1,444,107 |
| Institutional Support | 1,875,304 |
| Public Service | 1,350,582 |
| Academic Support | 1,196,834 |
| Student Services | 69,785 |
| Research | 1,696,587 |
| Operation and Maintenance | 1,574,317 |
| Scholarships and Fellowships | 81,526 |
| Depreciation | 577,398 |
| Auxiliary Enterprises: | |
| Estuarium | 435,926 |
| Giftshop | 400,447 |
| Food Services | 462,249 |
| Other | 91 |
| Total Operating Expenses | <u>11,165,153</u> |
| Operating Income (Loss) | <u>\$ (4,552,740)</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

NONOPERATING REVENUES (EXPENSES)

| | | |
|--|----|--------------------------|
| State Appropriations | \$ | 3,729,174 |
| Investment Income | | 1,484 |
| Private Gifts | | 54,134 |
| Interest on Capital Asset Related Debt | | (1,217) |
| Other Nonoperating Revenues (Expenses) | | 784,671 |
| Net Nonoperating Revenues | | <u>4,568,246</u> |
| Changes in Net Position | | 15,506 |
| Total Net Position - Beginning of Year | | 14,591,584 |
| Total Net Position - End of Year | \$ | <u><u>14,607,090</u></u> |

Statement of Cash Flows
For the Year Ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Tuition and Fees | \$ 803,574 |
| Grants and Contracts | 4,343,516 |
| Payments to Suppliers | (3,126,210) |
| Payments to Utilities | (566,758) |
| Payments to Employees | (5,214,222) |
| Payments to Benefits | (1,557,730) |
| Payments to Scholarships and Fellowships | (68,302) |
| Auxiliary Enterprise Charges: | |
| Estuarium | 480,737 |
| Giftshop | 424,757 |
| Food Services | 437,949 |
| Other | 3,839 |
| Sales and Services of Educational Departments | 169,361 |
| Other Receipts (Payments) | 421,291 |
| Net Cash Provided (Used) by Operating Activities | <u>(3,448,198)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|------------------|
| State Appropriations | 3,729,174 |
| Private Grants and Gifts | 54,134 |
| Other | (412,573) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>3,370,735</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|------------------|
| Purchases of Capital Assets | (662,085) |
| Principal Paid on Capital Debt and Leases | (17,446) |
| Interest Paid on Capital Debt and Leases | (1,217) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(680,748)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|---------------------|
| Interest on Investments | 1,484 |
| Net Cash Provided (Used) by Investing Activities | <u>1,484</u> |
| Net Increase (Decrease) in Cash | (756,727) |
| Cash and Cash Equivalents - Beginning of Year | 2,829,764 |
| Cash and Cash Equivalents - End of Year | <u>\$ 2,073,037</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (4,552,740)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense 577,398
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables 469,301
(Increase)/Decrease in Inventories (470)
Increase/(Decrease) in Accounts Payable 17,619
Increase/(Decrease) in Compensated Absences 40,694

Net Cash Provided (Used) by Operating Activities \$ (3,448,198)

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Marine Environmental Sciences Consortium (the “Consortium”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Consortium are described below.

A. Reporting Entity

The Marine Environmental Sciences Consortium is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Consortium receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on this criterion, the Consortium is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Consortium have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the Consortium to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the Consortium. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Consortium’s principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

Notes to the Financial Statements
For the Year Ended September 30, 2014

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Deposits and Investments

The Consortium has defined cash to include currency on hand and demand deposits with financial institutions.

2. Receivables

Accounts receivable relate to amounts due from federal grants, state appropriations and third party tuition.

3. Inventories

The inventories are comprised of consumable supplies, items held for resale, and any other significant inventories. Inventories are valued at the lower of cost or market. The inventories are valued using the first in/first out (FIFO) method.

4. Capital Assets

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

Notes to the Financial Statements
For the Year Ended September 30, 2014

The method of depreciation and useful lives of the capital assets are as follows:

| Assets | Depreciation Method | Useful Lives |
|-----------------------------------|---------------------|---------------|
| Buildings | Straight-Line | 40 – 50 years |
| Betterments | Straight-Line | 7 – 20 years |
| Improvements Other Than Buildings | Composite | 15 – 30 years |
| Equipment | Composite | 5 – 10 years |
| Vessels | Straight-Line | 20 years |
| Library Holdings | Composite | 15 years |

5. Deferred Outflows of Resources

Deferred outflow of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

6. Long-Term Obligations

Long-term debt obligations are reported as lease obligations in the Statement of Net Position.

7. Compensated Absences

The Board of Directors determines annual, sick, and compensatory leave policies for the Consortium's employees. The annual, sick, and compensatory leave policies adopted by the Consortium are as follows:

No liability is recorded for sick leave. As of September 30, 2014, substantially all employees of the Consortium earn 12 days of sick leave each year. There is no limit on the amount of sick leave an employee may accrue. However, a separating employee will not be paid for unused sick leave.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Permanent employees employed to work more than 20 hours per week earn annual leave according to the schedule below:

| Continuous Service | Annual Accrual Rate |
|--------------------|---------------------|
| 1 month to 3 years | 96 hours |
| 3 to 5 years | 120 hours |
| 5 to 10 years | 144 hours |
| Over 10 years | 176 hours |

Employees resigning, retiring, or leaving the Consortium for any reason will be paid for compensatory time earned. Compensatory time may accrue to a maximum of 240 hours.

Payment is made to employees for unused leave at termination or retirement. The accrued liability recorded for accumulated unpaid leave is listed as compensated absences liability in the accompanying financial statements.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

9. Net Position

Net Position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

Notes to the Financial Statements
For the Year Ended September 30, 2014

◆ **Restricted:**

✓ **Expendable** – Net Position whose use by the Consortium is subject to externally imposed stipulations that can be fulfilled by actions of the Consortium pursuant to those stipulations or that expire by the passage of time.

◆ **Unrestricted** – Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Directors.

10. Federal Financial Assistance Programs

The Consortium participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, ***Audits of States, Local Governments and Non-Profit Organizations***, and the Office of Management and Budget (OMB) Compliance Supplement.

Note 2 – Deposits

The Consortium's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification cash includes all readily available cash such as petty cash and demand deposits.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 3 – Receivables

Receivables are summarized as follows:

| | |
|----------------------------------|--------------------|
| Accounts Receivable: | |
| Federal | \$ 981,881 |
| Third Party Tuition and Fees | 441,503 |
| Auxiliary | 11,887 |
| Total Accounts Receivable | \$1,435,271 |

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

| | Beginning Balance | Additions | Deductions | Reclassifications/ Adjustments | Ending Balance |
|---------------------------------------|----------------------|------------------|----------------|-----------------------------------|---------------------|
| Land | \$ 658,757 | \$ | \$ | \$ | \$ 658,757 |
| Improvements Other Than Buildings | 391,481 | | | | 391,481 |
| Buildings | 13,702,716 | | 84,220 | | 13,618,496 |
| Equipment | 2,376,530 | 399,030 | 50,916 | | 2,724,644 |
| Vessels | 1,075,392 | | | | 1,075,392 |
| Library Holdings | 842,322 | | | | 842,322 |
| Construction in Progress | 43,866 | 263,055 | | | 306,921 |
| Total | 19,091,064 | 662,085 | 135,136 | | 19,618,013 |
| Less: Accumulated Depreciation | | | | | |
| Improvements Other Than Buildings | 129,405 | 23,505 | | | 152,910 |
| Buildings | 4,180,746 | 273,022 | 84,220 | | 4,369,548 |
| Equipment | 1,784,402 | 187,580 | 50,916 | | 1,921,066 |
| Vessels | 305,120 | 53,770 | | | 358,890 |
| Library Holdings | 660,582 | 39,520 | | | 700,102 |
| Total Accumulated Depreciation | 7,060,255 | 577,397 | 135,136 | | 7,502,516 |
| Capital Assets, Net | \$12,030,809 | \$ 84,688 | \$ | \$ | \$12,115,497 |

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Consortium contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Full-time employees of the Consortium are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of Marine Environmental Sciences Consortium. Benefits vest after 10 years of creditable service. Tier 1 employees (those hired prior to January 2013) may retire at any age after 25 years of service or at age 60 with 10 years of service. Tier 2 employees (those hired beginning January 2013 and after) may retire at age 62 with 10 or more years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method Tier 1 retirees are allowed 2.0125% of their average final salary for each year of service. Tier 1 employees' average final salary is determined by the best three out of their final ten years of service. Tier 2 retirees are allowed 1.65% of their average final salary for each year of service. Tier 2 employees' average final salary is determined by the best five out of the last ten years of service. Retirees may also elect to receive a reduced retirement allowance (Special Privileges at Retirement) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2014

B. Funding Policy

Tier 1 employees, with the exception of full-time law enforcement officers, are required by statute to contribute 7-1/2 percent of their salary to the Teachers' Retirement System. Tier 1 full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, page 1335) are required by statute to contribute 8-1/2 percent of their salary to the Teachers' Retirement System. Tier 2 employees, with the exception of full-time law enforcement officers, are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. Tier 2 full-time law enforcement officers are required by statute to contribute 7 percent of their salary to the Teachers' Retirement System. Marine Environmental Sciences Consortium is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by Marine Environmental Sciences Consortium and its employees equal the required contributions for each year as follows:

| Fiscal Year Ended September 30, | 2014 Tier 1 | 2014 Tier 2 | 2013 Tier 1 | 2013 Tier 2 | 2012 |
|--|----------------|----------------|----------------|----------------|-----------|
| Total Percentage of Covered Payroll | 19.21% | 17.08% | 17.58% | 15.44% | 17.25% |
| Contributions: | | | | | |
| Percentage Contributed by the Consortium | 11.71% | 11.08% | 10.08% | 9.44% | 10.00% |
| Percentage Contributed by the Employees | 7.50% | 6.00% | 7.50% | 6.00% | 7.25% |
| Contributed by the Consortium | \$455,271 | \$33,101 | \$405,768 | \$5,196 | \$427,063 |
| Contributed by the Employees | 291,823 | 17,924 | 306,352 | 3,232 | 313,002 |
| Total Contributions | \$747,094 | \$51,025 | \$712,120 | \$8,428 | \$740,065 |

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Consortium contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25-A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/index.php/members/peehip> under the Trust Fund Financials tab. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

| | Fiscal Year 2014 |
|---|---------------------|
| Individual Coverage – Non-Medicare Eligible | \$151.00 |
| Individual Coverage – Medicare Eligible | \$ 10.00 |
| Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) | \$391.00 |
| Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible | \$250.00 |
| Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) | \$250.00 |
| Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible | \$109.00 |
| Surviving Spouse – Non-Medicare Eligible | \$679.00 |
| Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible | \$870.00 |
| Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible | \$839.00 |
| Surviving Spouse – Medicare Eligible | \$318.00 |
| Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible | \$516.00 |
| Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible | \$485.00 |

Notes to the Financial Statements

For the Year Ended September 30, 2014

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members who use tobacco products.

The Consortium is required to contribute at a rate specified by the State for each active employee. The Consortium's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

| Fiscal Year Ended September 30, | Active Health Insurance Premiums Paid By Consortium | Amount of Premium Attributable to Retirees | Percentage of Active Employee Premiums Attributable to Retirees | Total Amount Paid Attributable to Retirees | Percentage of Required Amount Contributed |
|------------------------------------|---|---|---|---|--|
| 2014 | \$714.00 | \$220.09 | 30.83% | \$204,717.37 | 100% |
| 2013 | \$714.00 | \$216.90 | 30.38% | \$207,062.79 | 100% |
| 2012 | \$714.00 | \$228.85 | 32.05% | \$268,983.41 | 100% |

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – Significant Commitments

As of September 30, 2014, the Consortium had been awarded approximately \$2,519,000 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 8 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2014, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|------------------------------------|----------------------|-----------------|-----------------|-------------------|--------------------|
| Capital Lease Payable | \$ 28,118 | \$ | \$17,446 | \$ 10,672 | \$10,672 |
| Other Liabilities: | | | | | |
| Compensated Absences | 445,102 | 40,695 | | 485,797 | 29,148 |
| Total Long-Term Liabilities | \$473,220 | \$40,695 | \$17,446 | \$496,469 | \$39,820 |

Capital Lease Payable

The Consortium entered into a capital lease agreement for a telephone system in fiscal year 2009-2010.

Principal and interest maturity requirements on the capital lease debt are as follows:

| Fiscal Year | Telephone System | | Total |
|--------------|------------------|--------------|-----------------|
| | Principal | Interest | |
| 2014-2015 | \$10,672 | \$215 | \$10,887 |
| Total | \$10,672 | \$215 | \$10,887 |

Note 9 – Risk Management

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium purchases commercial insurance for its automobile coverage and general liability. In addition, the Consortium has fidelity bonds on the Consortium's personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Consortium contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Settled claims resulting from these risks have not exceeded the Consortium's coverage in any of the past three fiscal years.

Note 10 – Related Parties

Community Foundation of South Alabama

The Marine Environmental Sciences Consortium has entered into an agreement to become an Endowment Partner with the Community Foundation of South Alabama. The principal purposes of the Community Foundation of South Alabama are to receive and administer funds as endowment for various charitable and educational purposes and organizations in South Alabama. Funds have been deposited with the Community Foundation of South Alabama to establish a fund to be known as the Dauphin Island Sea Lab Endowment Fund.

Dauphin Island Sea Lab Foundation, Inc.

The Dauphin Island Sea Lab Foundation, Inc., was organized as a 501(C) (3) organization as defined by the Internal Revenue Service Code of 1954. The Foundation has been established to support the Consortium in its mission to provide wise stewardship of the marine environment through education and research.

This report contains no financial statements of the Community Foundation of South Alabama, or the Dauphin Island Sea Lab Foundation, Inc.

Note 11 – Subsequent Events

The Marine Environmental Sciences Consortium (Consortium) and the Community Foundation of South Alabama are parties to a 2002 contract, the Kresge Fund Agreement, which established the Dauphin Island Sea Lab Endowment Fund, now known as the Crozier Endowment. The Crozier Endowment was established for the purpose of supporting the Dauphin Island Sea Lab. The Dauphin Island Sea Lab Foundation (Foundation) was formed on August 22, 2002 for the purpose of supporting the Dauphin Island Sea Lab and made significant contributions to the Crozier Endowment in the furtherance of such purposes. In January 2015, the Executive Committee of the Consortium and the Foundation executed an Assignment and Assumption Agreement to assign all rights and obligations of the Consortium related to the Kresge Fund Agreement and the Crozier Endowment to the Foundation. As of September 30, 2014, the Crozier Endowment had a balance of \$780,405.22.

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| <u>Research and Development Cluster</u> | | |
| <u>U. S. Department of Commerce</u> | | |
| <u>Direct Program</u> | | |
| Habitat Conservation | 11.463 | |
| <u>Passed Through Texas A&M University</u> | | |
| Sea Grant Support | 11.417 | USM-GR04114-R/ESV-02 |
| <u>Passed Through University of South Alabama</u> | | |
| Sea Grant Support | 11.417 | R/SFA-03 |
| <u>Passed Through University of Southern Mississippi</u> | | |
| Sea Grant Support | 11.417 | USM-GR05007-R/SFA-01 |
| Sea Grant Support | 11.417 | USM-GR03924/ OMNIBUS-DISL-E/O-79 |
| Sub-Total Sea Grant Support | | |
| <u>Passed Through Alabama Department of Conservation and Natural Resources</u> | | |
| Coastal Zone Management Administration Awards | 11.419 | DISL-CZM-306-14-1 |
| <u>Passed Through University of New Hampshire</u> | | |
| Coastal Zone Management Administration Awards | 11.419 | 11-038/NA09NOS4190153 |
| Sub-Total Coastal Zone Management Administration Awards | | |
| <u>Passed Through Mississippi State University</u> | | |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02/TO 007 |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02/TO 006 |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02/TO 005 |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02/TO 004 |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02/TO 003 |
| Sub-Total National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | | |
| <u>Passed Through University of South Alabama</u> | | |
| Marine Fisheries Initiative | 11.433 | NA13NMF4330169 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|--------------|
| | Total | Federal Share | | |
| 01/01/2014-12/31/2014 | \$ 94,400.00 | \$ 94,400.00 | \$ 67,219.68 | \$ 67,219.68 |
| 02/01/2012-01/31/2015 | 64,690.00 | 31,240.00 | 10,413.00 | 10,413.00 |
| 02/01/2014-01/31/2016 | 36,560.00 | 36,560.00 | 22,985.35 | 22,985.35 |
| 02/01/2014-01/31/2015 | 107,676.00 | 71,361.00 | 47,210.13 | 47,210.13 |
| 02/01/2010-01/31/2014 | 254,013.00 | 159,738.00 | 22,790.53 | 22,790.53 |
| | | | 103,399.01 | 103,399.01 |
| 10/01/2013-09/30/2014 | 30,000.00 | 15,000.00 | 15,000.00 | 15,000.00 |
| 09/15/2010-08/31/2014 | 354,750.00 | 354,750.00 | 48,396.28 | 48,396.28 |
| | | | 63,396.28 | 63,396.28 |
| 06/01/2014-05/31/2015 | 83,425.00 | 83,425.00 | 21,821.89 | 21,821.89 |
| 08/01/2014-07/31/2016 | 44,082.00 | 44,082.00 | 1,873.00 | 1,873.00 |
| 07/01/2013-06/30/2014 | 2,940.00 | 2,940.00 | 2,940.00 | 2,940.00 |
| 06/01/2013-05/31/2014 | 68,623.00 | 68,623.00 | 45,325.30 | 45,325.30 |
| 04/01/2012-09/30/2016 | 197,810.00 | 197,810.00 | 73,348.84 | 73,348.84 |
| | | | 145,309.03 | 145,309.03 |
| 09/01/2013-08/31/2015 | \$ 209,250.00 | \$ 209,250.00 | \$ 81,300.75 | \$ 81,300.75 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| <u>U. S. Department of Defense</u> <u>Passed Through Florida Atlantic University</u> Basic and Applied Scientific Research | 12.300 | D01-W9126G-14-2-0028 |
| <u>U. S. Department of the Interior</u> <u>Direct Program</u> Coastal Program | 15.630 | |
| <u>Passed Through Alabama Department of Conservation and Natural Resources</u> Cooperative Endangered Species Conservation Fund | 15.615 | ALDWFF-USFWS |
| <u>Passed Through University of Southern Mississippi</u> Assistance to State Water Resources Research Institutes | 15.805 | USM-GR05064-002 |
| <u>National Science Foundation</u> <u>Direct Programs</u> Biological Sciences | 47.074 | |
| Geosciences | 47.050 | |
| <u>Passed Through University of California Santa Barbara</u> Geosciences | 47.050 | KK1333 |
| <u>Passed Through Bermuda Institute of Ocean Sciences</u> Geosciences | 47.050 | 102315 OCE 1030149 |
| <u>Passed Through University of South Alabama</u> Geosciences Sub-Total Geosciences | 47.050 | OCE-1342699 |
| <u>Passed Through University of Alabama in Huntsville</u> Office of Experimental Program to Stimulate Competitive Research | 47.081 | SUB2011-043 |
| <u>U. S. Department of Health and Human Services</u> <u>Direct Program</u> Food and Drug Administration - Research | 93.103 | |
| Total Research and Development Cluster (M) | | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|-----------------|
| | Total | Federal Share | | |
| 08/15/2014-01/31/2016 | \$ 116,753.00 | \$ 116,753.00 | \$ 2,182.20 | \$ 2,182.20 |
| 09/01/2011-12/31/2015 | 97,067.35 | 97,067.35 | 33,481.63 | 33,481.63 |
| 10/01/2013-09/30/2014 | 60,504.00 | 42,429.00 | 42,429.00 | 42,429.00 |
| 03/01/2014-02/28/2015 | 8,010.00 | 3,996.00 | 2,395.38 | 2,395.38 |
| 08/01/2013-07/31/2014 | 314,725.00 | 314,725.00 | 312,703.80 | 312,703.80 |
| 04/09/2013-12/31/2014 | 189,308.00 | 189,308.00 | 50,257.42 | 50,257.42 |
| 04/01/2013-03/31/2015 | 119,374.00 | 119,374.00 | 45,088.93 | 45,088.93 |
| 10/01/2010-09/30/2013 | 151,708.00 | 151,708.00 | 13,605.00 | 13,605.00 |
| 01/01/2014-12/31/2018 | 110,826.00 | 110,826.00 | 6,863.56 | 6,863.56 |
| | | | 115,814.91 | 115,814.91 |
| 10/01/2010-02/28/2014 | 239,283.00 | 239,283.00 | 8,244.90 | 8,244.90 |
| 09/21/2011-08/31/2016 | \$ 790,000.00 | \$ 790,000.00 | 106,029.36 | 106,029.36 |
| | | | \$ 1,083,905.93 | \$ 1,083,905.93 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|------------------------------------|--|
| <u>Other Federal Awards</u> | | |
| <u>U. S. Department of Commerce</u> | | |
| <u>Direct Programs</u> | | |
| Habitat Conservation | 11.463 | |
| Congressionally Identified Awards and Projects | 11.469 | |
| <u>Passed Through Texas A&M Research Foundation</u> | | |
| Integrated Ocean Observing System (IOOS) | 11.012 | S120009 |
| <u>Passed Through Alabama Department of Conservation and Natural Resources</u> | | |
| Coastal Zone Management Estuarine Research Reserves | 11.420 | DISL-WB-315-12-1 |
| Coastal Zone Management Administration Awards | 11.419 | DISL-CZM-306a-14-1 |
| Coastal Zone Management Administration Awards | 11.419 | MBNEP-CZM-309-14-1 |
| Coastal Zone Management Administration Awards | 11.419 | MBNEP-CZM-306-14-1 |
| Coastal Zone Management Administration Awards | 11.419 | MBNEP-CZM-306-13-2 |
| Coastal Zone Management Administration Awards | 11.419 | MBNEP-CZM-309-13-1 |
| <u>Passed Through Weeks Bay Foundation, Inc.</u> | | |
| Coastal Zone Management Administration Awards | 11.419 | 2012 SciCol-001 |
| Sub-Total Coastal Zone Management Administration Awards | | |
| <u>Passed Through Mississippi State University</u> | | |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | 191001-363405-02 |
| <u>Passed Through The Gulf of Mexico Alliance</u> | | |
| Habitat Conservation | 11.463 | GOMA 121110 |
| Coastal Services Center | 11.473 | GOMA 121131 |
| Coastal Services Center | 11.473 | GOMA 121122 |
| Sub-Total Coastal Services Center | | |
| <u>Passed Through Florida Aquarium</u> | | |
| Congressionally Identified Awards and Projects | 11.469 | NA09SEC4690037 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|--------------|
| | Total | Federal Share | | |
| 08/01/2013-12/31/2014 | \$ 201,729.00 | \$ 99,766.00 | \$ 65,922.66 | \$ 65,922.66 |
| 10/01/2009-09/30/2015 | 377,264.00 | 295,246.00 | 82,134.05 | 82,134.05 |
| 06/01/2011-05/31/2015 | 107,519.00 | 107,519.00 | 15,325.38 | 15,325.38 |
| 04/01/2013-03/31/2014 | 22,000.00 | 22,000.00 | 7,702.31 | 7,702.31 |
| 10/17/2013-12/31/2014 | 42,320.00 | 21,160.00 | 15,953.43 | 15,953.43 |
| 10/01/2013-03/31/2015 | 82,000.00 | 82,000.00 | 7,588.38 | 7,588.38 |
| 10/01/2013-09/30/2014 | 6,300.00 | 3,150.00 | 3,150.00 | 3,150.00 |
| 10/01/2012-09/30/2014 | 105,000.00 | 52,500.00 | 3,855.00 | 3,855.00 |
| 10/01/2012-06/30/2014 | 88,000.00 | 88,000.00 | 32,365.34 | 32,365.34 |
| 09/01/2012-08/31/2014 | 105,884.00 | 105,884.00 | 23,710.61 | 23,710.61 |
| | | | 86,622.76 | 86,622.76 |
| 07/01/2012-05/31/2015 | 17,097.00 | 17,097.00 | 9,160.98 | 9,160.98 |
| 01/06/2012-12/31/2013 | 79,745.00 | 79,745.00 | 55,957.96 | 55,957.96 |
| 01/01/2014-09/30/2015 | 31,970.00 | 31,970.00 | 6,366.39 | 6,366.39 |
| 01/01/2013-12/31/2013 | 36,000.00 | 36,000.00 | 5,083.97 | 5,083.97 |
| | | | 11,450.36 | 11,450.36 |
| 07/20/2010-12/31/2014 | \$ 122,580.00 | \$ 76,407.00 | \$ 915.17 | \$ 915.17 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|------------------------------------|--|
| <u>U. S. Department of the Interior</u> | | |
| <u>Direct Programs</u> | | |
| Coastal Program | 15.630 | |
| Cooperative Research and Training Programs – Resources of the National Park System | 15.945 | |
| Cooperative Research and Training Programs – Resources of the National Park System | 15.945 | |
| Sub-Total Cooperative Research and Training Programs – Resources of the National Park System | | |
| <u>Passed Through Baldwin County Commission</u> | | |
| Coastal Impact Assistance Program | 15.668 | BC-15-F12AF00814 |
| Coastal Impact Assistance Program | 15.668 | M10AF20164 |
| Coastal Impact Assistance Program | 15.668 | M10AF20140 |
| <u>Passed Through Alabama Department of Conservation and Natural Resources</u> | | |
| Coastal Impact Assistance Program | 15.668 | AL-29-F12AF01186 |
| Sub-Total Coastal Impact Assistance Program (M) | | |
| <u>National Science Foundation</u> | | |
| <u>Direct Program</u> | | |
| Education and Human Resources | 47.076 | |
| <u>Environmental Protection Agency</u> | | |
| <u>Direct Programs</u> | | |
| National Estuary Program | 66.456 | |
| National Estuary Program | 66.456 | |
| Sub-Total National Estuary Program | | |
| Gulf of Mexico Program | 66.475 | |
| <u>Passed Through University of Southern Mississippi</u> | | |
| Gulf of Mexico Program | 66.475 | MX-95453310-0 |
| Sub-Total Gulf of Mexico Program | | |
| <u>Passed Through Alabama Department of Environmental Management</u> | | |
| Performance Partnership Grants | 66.605 | C20596090 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|-----------------|------------------|-----------------------|--------------|
| | Total | Federal Share | | |
| 08/01/2012-09/30/2016 | \$ 39,550.00 | \$ 39,550.00 | \$ 13,873.31 | \$ 13,873.31 |
| 08/16/2013-02/01/2014 | 12,517.00 | 12,517.00 | 12,139.84 | 12,139.84 |
| 08/31/2011-12/31/2014 | 81,781.95 | 81,781.95 | 6,241.79 | 6,241.79 |
| | | | 18,381.63 | 18,381.63 |
| 06/01/2012-05/31/2015 | 200,000.00 | 200,000.00 | 62,382.01 | 62,382.01 |
| 09/20/2010-12/31/2013 | 250,000.00 | 250,000.00 | 14,188.69 | 14,188.69 |
| 08/24/2010-02/28/2014 | 200,000.00 | 200,000.00 | 35,272.43 | 35,272.43 |
| 09/01/2012-09/30/2015 | 395,000.00 | 395,000.00 | 65,448.47 | 65,448.47 |
| | | | 177,291.60 | 177,291.60 |
| 09/15/2013-08/31/2016 | 44,652.00 | 44,652.00 | 1,658.56 | 1,658.56 |
| 10/01/2010-03/31/2015 | 4,136,934.00 | 2,068,467.00 | 276,447.89 | 276,447.89 |
| 10/01/2013-09/30/2016 | 1,024,000.00 | 512,000.00 | 344,464.21 | 344,464.21 |
| | | | 620,912.10 | 620,912.10 |
| 05/01/2010-04/30/2014 | 319,797.00 | 239,925.00 | 61,526.94 | 61,526.94 |
| 07/01/2010-06/30/2015 | 414,413.00 | 414,413.00 | 16,266.98 | 16,266.98 |
| | | | 77,793.92 | 77,793.92 |
| 03/01/2012-09/30/2015 | \$ 1,283,925.00 | \$ 710,563.00 | \$ 16,616.00 | \$ 16,616.00 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|---------------------------|-------------------------------------|
| <u>General Services Administration Passed Through Alabama Department of Economic and Community Affairs</u> | | |
| Donation of Federal Surplus Personal Property (N) | 39.003 | N.A. |
| Total Federal Awards | | |

(M) = Major Program
 (N) = Non-Monetary Federal Assistance
 N.A. = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------|------------------|-----------------------|-----------------|
| | Total | Federal Share | | |
| 10/01/2013-09/30/2014 | \$ | \$ | \$ 2,448.34 | \$ 2,448.34 |
| | | | \$ 2,348,073.02 | \$ 2,348,073.02 |

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2014***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Marine Environmental Sciences Consortium 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 basic financial statements.

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, the Marine Environmental Sciences Consortium provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|---|------------------------|-------------------------------------|
| Coastal Zone Management Administration Awards | 11.419 | \$ 11,690.98 |
| Habitat Conservation | 11.463 | \$ 63,004.00 |
| Geosciences | 47.050 | \$ 13,170.08 |
| National Estuary Program | 66.456 | \$262,905.92 |
| Performance Partnership Grants | 66.605 | \$ 9,878.60 |

Additional Information

Board Members and Officials
October 1, 2013 through September 30, 2014

| Board Members | | Term Expires |
|--|---|---------------------|
| Dr. Tony G. Waldrop, Chairman Beginning April 1, 2014 | President, University of South Alabama | Indefinite |
| Dr. John W. Smith | Interim President, University of South Alabama | April 1, 2014 |
| Dr. Gwendolyn Boyd | President, Alabama State University | Indefinite |
| Dr. William H. Harris | President, Alabama State University | February 1, 2014 |
| Dr. Robert Glenn | President, Athens State University | Indefinite |
| Dr. Jay Gogue | President, Auburn University | Indefinite |
| Dr. John G. Veres | Chancellor, Auburn University at Montgomery | Indefinite |
| General Charles C. Krulak | President, Birmingham Southern College | Indefinite |
| Rev. John Cameron West | President, Huntingdon College | Indefinite |
| Dr. William A. Meehan | President, Jacksonville State University | Indefinite |
| Dr. David E. Potts | President, Judson College | Indefinite |
| Dr. Andrew Westmoreland | President, Samford University | Indefinite |
| Dr. Andrew Hugine, Jr. | President, Alabama A & M University | Indefinite |
| Rev. Gregory F. Lucey, S.J. | President, Spring Hill College | Indefinite |
| Rev. Richard Salmi, S.J. | President, Spring Hill College | December 13, 2013 |

Board Members and Officials
October 1, 2013 through September 30, 2014

| Board Members | | Term Expires |
|--------------------------|--|---------------------|
| Dr. Billy C. Hawkins | President, Talladega College | Indefinite |
| Dr. Jack Hawkins, Jr. | Chancellor, Troy University | Indefinite |
| Dr. Brian L. Johnson | President, Tuskegee University | Indefinite |
| Dr. Matthew Jenkins | Acting President, Tuskegee University | June 15, 2014 |
| Dr. Gilbert L. Rochon | President, Tuskegee University | October 19, 2013 |
| Dr. Judy Bonner | President, University of Alabama | Indefinite |
| Dr. Ray Watts | President, University of Alabama at Birmingham | Indefinite |
| Dr. Robert Altenkirch | President, University of Alabama at Huntsville | Indefinite |
| Dr. Mark Foley | President, University of Mobile | Indefinite |
| Dr. John W. Stewart, III | President, University of Montevallo | Indefinite |
| Dr. John G. Thornell | Interim President, University of North Alabama | Indefinite |
| Dr. William G. Cale, Jr. | President, University of North Alabama | July 1, 2014 |
| Mr. John G. Blackwell | Interim President, University of West Alabama | Indefinite |
| Dr. Richard Holland | President, University of West Alabama | June 1, 2014 |

Board Members and Officials
October 1, 2013 through September 30, 2014

Officials

Dr. John F. Valentine,
Board Secretary

Executive Director

Mr. David England

Associate Director of
Administrative Services

***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 Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

We have audited 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, the financial statements of the Marine Environmental Sciences Consortium as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the Marine Environmental Sciences Consortium's basic financial statements and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marine Environmental Sciences Consortium'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 Marine Environmental Sciences Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marine Environmental Sciences Consortium's internal control over financial reporting.

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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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***

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 15, 2015

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by OMB Circular A-133***

Independent Auditor's Report

To: Dr. John F. Valentine, Executive Director – Marine Environmental Sciences Consortium

Report on Compliance for Each Major Federal Program

We have audited the Marine Environmental Sciences Consortium'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 Marine Environmental Sciences Consortium's major federal programs for the year ended September 30, 2014. The Marine Environmental Sciences Consortium's major federal programs are identified in the Summary of Examiner'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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Marine Environmental Sciences Consortium'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 also includes examining, on a test basis, evidence about the Marine Environmental Sciences Consortium'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 on the Marine Environmental Sciences Consortium's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

In our opinion, the Marine Environmental Sciences Consortium complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Marine Environmental Sciences Consortium 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 Marine Environmental Sciences Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major 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 Marine Environmental Sciences Consortium'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 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 the 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.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by OMB Circular A-133***

Purpose of the Report

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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 15, 2015

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--|------------------------------------|
| 11.417, 11.419, 11.432, 11.433, 11.463, 12.300, 15.615, 15.630, 15.805, 47.050, 47.074, 47.081, 93.103 | Research and Development Cluster |
| 15.668 | Coastal Impact Assistance Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00
 Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section II – Financial Statement Findings (GAGAS)

| Ref. No. | Type of Finding | Finding/Noncompliance | Questioned Costs |
|-------------|--------------------|-----------------------------|---------------------|
| | | No matters were reportable. | |

Section III – Federal Awards Findings and Questioned Costs

| Ref. No. | CFDA No. | Program | Finding/Noncompliance | Questioned Costs |
|-------------|-------------|---------|-----------------------------|---------------------|
| | | | No matters were reportable. | |