GULF OF MAINE RESEARCH INSTITUTE AND ITS AFFILIATE
Consolidating Financial Statements

December 31, 2010
(with comparative consolidated total for December 31, 2009)

Gulf of Maine Research Institute

Science. Education. Community.

Runyon Kersteen Ouellette

Certified Public Accountants and Business Consultant

Independent Auditor's Report

To the Board of Directors
of Gulf of Maine Research Institute
and its affiliate

We have audited the accompanying consolidated statement of financial position of the Gulf of Maine Research Institute (a nonprofit organization) and its affiliate, Gulf of Maine Properties, Inc. (collectively referred to as the Institute), as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2009 financial statements and, in our report dated June 25, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of Gulf of Maine Research Institute and its affiliate, as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated September 29, 2011 on our consideration of the Institute'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* and should be considered in assessing the results of our audit.

Runyon Kersteen Ouellette

September 29, 2011
South Portland, Maine

Consolidated Statement of Financial Position
December 31, 2010
(with comparative consolidated totals at December 31, 2009)

		2010				2009
		Gulf of Maine Research Institute	Gulf of Maine Properties, Inc.	Eliminations	Consolidated Totals	Consolidated Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$	328,843	132,417	-	461,260	1,109,467
Investments		1,426,044	-	-	1,426,044	373,077
Accrued interest and dividend receivable		11,544	281	-	11,825	20,077
Pledges receivable, current		572,751	-	-	572,751	943,136
Accounts receivable		594,259	600	-	594,859	461,950
Intercompany receivable (payable)		53,305	(53,305)	-	-	-
Prepaid expenses		53,510	-	(27,144)	26,366	34,760
Total current assets		3,040,256	79,993	(27,144)	3,093,105	2,942,467
Property and equipment:						
Property and equipment		2,091,322	14,233,775	-	16,325,097	16,259,025
Less accumulated depreciation		(1,133,424)	(1,886,494)	-	(3,019,918)	(2,422,839)
Net property and equipment		957,898	12,347,281	-	13,305,179	13,836,186
Other non-current assets:						
Development and site acquisition costs		3,905,445	-	-	3,905,445	357,130
Escrows		-	200,000	-	200,000	200,000
Long-term investments:						
Designated for capital and operations		1,497,469	324,285	-	1,821,754	1,809,037
Restricted for endowment		1,336,654	-	-	1,336,654	1,246,388
Pledges receivable, non-current, net of amortized discount		422,288	-	-	422,288	262,485
Beneficial interest in charitable remainder trust		74,614	-	-	74,614	61,912
Total other non-current assets		7,236,470	524,285	-	7,760,755	3,936,952
Total assets	**$**	**11,234,624**	**12,951,559**	**(27,144)**	**24,159,039**	**20,715,605**
LIABILITIES AND NET ASSETS						
Current liabilities:						
Bank lines of credit		567,772	-	-	567,772	413,227
Current portion of long-term debt		1,618	7,336	-	8,954	9,899
Accounts payable		712,883	30,582	-	743,465	158,376
Accrued vacation		33,799	-	-	33,799	35,211
Accrued payroll liabilities		131,639	-	-	131,639	120,593
Deferred revenue		2,133	31,079	(27,144)	6,068	3,723
Total current liabilities		1,449,844	68,997	(27,144)	1,491,697	741,029
Long-term liabilities:						
Long-term debt, net of current portion		-	3,702,882	-	3,702,882	3,712,344
Security deposit payable		-	22,987	-	22,987	16,552
Total long-term liabilities		-	3,725,869	-	3,725,869	3,728,896
Total liabilities		1,449,844	3,794,866	(27,144)	5,217,566	4,469,925
Net assets:						
Unrestricted:						
Undesignated		(29,985)	5,631	-	(24,354)	(25,438)
Board-designated		3,070,034	314,000	-	3,384,034	3,333,603
Investment in property, equipment and site acquisition cost		4,769,643	8,837,062	-	13,606,705	10,681,030
Total unrestricted net assets		7,809,692	9,156,693	-	16,966,385	13,989,195
Temporarily restricted:						
Program and support		1,971,575	-	-	1,971,575	2,248,912
Capital		3,513	-	-	3,513	7,573
Total temporarily restricted net assets		1,975,088	-	-	1,975,088	2,256,485
Permanently restricted		-	-	-	-	-
Total net assets		9,784,780	9,156,693	-	18,941,473	16,245,680
Total liabilities and net assets	**$**	**11,234,624**	**12,951,559**	**(27,144)**	**24,159,039**	**20,715,605**

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

Consolidated Statement of Activities
Year Ended December 31, 2010
(with comparative consolidated totals for year ended December 31, 2009)

	Gulf of Maine Research Institute						Gulf of Maine Properties, Inc.						
	Unrestricted			Temporarily restricted			Unrestricted					2010	2009
	Programs & support	Property & equipment	Board designated	Program & support	Capital	Total	Operations	Property & equipment	Board designated	Total	Eliminations	Consolidated totals	Consolidated Totals
Support and revenue:													
Federal and state income	$ 2,790,498	3,147,982	-	30,172	-	5,968,652	-	-	-	-	-	5,968,652	1,295,667
Contributions	1,977,496	310,242	13,845	1,014,006	-	3,315,589	-	-	-	-	-	3,315,589	2,861,328
Investment income	50,150	-	125,058	-	-	175,208	1,389	-	3,652	5,041	-	180,249	237,209
In-kind income	7,079	-	-	-	-	7,079	3,040	-	-	3,040	-	10,119	105,414
Contract income	601,328	15,502	-	95,602	-	712,432	-	-	-	-	-	712,432	508,522
Rental income	-	-	-	-	-	-	609,456	-	-	609,456	(486,185)	123,271	292,466
Property management fee	82,600	-	-	-	-	82,600	-	-	-	-	(82,600)	-	-
Consulting income	73,955	-	-	-	-	73,955	-	-	-	-	-	73,955	20,250
Other income	(41,474)	(3,249)	40,330	-	-	(4,393)	-	(2,885)	-	(2,885)	-	(7,278)	5,214
Net assets released from restrictions	1,527,219	46,207	(152,249)	(1,417,117)	(4,060)	-	28,176	-	(28,176)	-	-	-	-
Total support and revenue	7,068,851	3,516,684	26,984	(277,337)	(4,060)	10,331,122	642,061	(2,885)	(24,524)	614,652	(568,785)	10,376,989	5,326,070
Expenses:													
Program expenses - research	2,930,895	-	-	-	-	2,930,895	-	-	-	-	-	2,930,895	2,196,276
Program expenses - education	1,437,304	-	-	-	-	1,437,304	-	-	-	-	-	1,437,304	1,538,990
Program expenses - community	2,140,715	-	-	-	-	2,140,715	-	-	-	-	-	2,140,715	1,028,391
Support services - development	686,019	-	-	-	-	686,019	-	-	-	-	-	686,019	567,899
Support services - management, general & facilities	(146,475)	263,850	-	-	-	117,375	589,906	347,767	-	937,673	(568,785)	486,263	603,729
Total expenses	7,048,458	263,850	-	-	-	7,312,308	589,906	347,767	-	937,673	(568,785)	7,681,196	5,935,285
Change in net assets before effect of merger and transfers	20,393	3,252,834	26,984	(277,337)	(4,060)	3,018,814	52,155	(350,652)	(24,524)	(323,021)	-	2,695,793	(609,215)
Effect of intracompany merger with Gulf of Maine Ocean Observing System	-	-	-	-	-	-	-	-	-	-	-	-	1,105,390
Other transfer	(19,093)	6,122	12,971	-	-	-	(52,371)	17,371	35,000	-	-	-	-
Effect of merger and transfers	(19,093)	6,122	12,971	-	-	-	(52,371)	17,371	35,000	-	-	-	1,105,390
Change in net assets	1,300	3,258,956	39,955	(277,337)	(4,060)	3,018,814	(216)	(333,281)	10,476	(323,021)	-	2,695,793	496,175
Net assets, beginning of year	(31,285)	1,510,687	3,030,079	2,248,912	7,573	6,765,966	5,847	9,170,343	303,524	9,479,714	-	16,245,680	15,749,505
Net assets, end of year	**$ (29,985)**	**4,769,643**	**3,070,034**	**1,971,575**	**3,513**	**9,784,780**	**5,631**	**8,837,062**	**314,000**	**9,156,693**	**-**	**18,941,473**	**16,245,680**

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

Consolidated Statement of Cash Flows
Year Ended December 31, 2010
(with comparative consolidated totals for year ended December 31, 2009)

		2010				2009
		Gulf of Maine Research Institute	Gulf of Maine Properties, Inc.	Eliminations	Consolidated totals	Consolidated Totals
Cash flows from operating activities:						
Change in net assets	$	3,018,814	(323,021)	-	2,695,793	496,175
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:						
Depreciation		263,850	347,767	-	611,617	603,834
Loss on disposal of fixed assets		7,326	2,884	-	10,210	-
Realized/unrealized gain on investments		(95,216)	(1,915)	-	(97,131)	(134,135)
Non-cash contributions		(206,486)	-	-	(206,486)	(226,554)
Interest in charitable remainder trust		(12,702)	-	-	(12,702)	(138)
(Increase) decrease in assets:						
Net pledges receivable		210,582	-	-	210,582	100,811
Accounts receivable		(142,992)	(20,378)	30,462	(132,908)	(177,368)
Intercompany receivable (payable)		(23,118)	28,633	(5,515)	-	-
Prepaid expenses		(18,750)	-	27,144	8,394	(2,378)
Accrued interest and dividend receivable		9,511	(1,259)	-	8,252	3,531
Increase (decrease) in liabilities:						
Accounts payable		607,072	8,479	(30,462)	585,089	(67,576)
Accrued vacation		(1,412)	-	-	(1,412)	7,709
Accrued payroll liabilities		11,046	-	-	11,046	(32,607)
Deferred revenue		(1,590)	31,079	(27,144)	2,345	(15,554)
Security deposits		-	920	5,515	6,435	(5,515)
Net cash and cash equivalents provided by operating activities		3,625,935	73,189	-	3,699,124	550,235
Cash flows from investing activities:						
Development and site acquisition costs		(3,548,315)	-	-	(3,548,315)	(66,974)
Purchase of fixed assets		(68,779)	(22,041)	-	(90,820)	(134,874)
Purchase of investments		(5,271,123)	(234,794)	-	(5,505,917)	(3,391,821)
Proceeds from sale of investments		4,450,656	202,927	-	4,653,583	4,059,296
Net cash and cash equivalents provided by (used in) investing activities		(4,437,561)	(53,908)	-	(4,491,469)	465,627
Cash flows from financing activities:						
Proceeds from (repayments of) lines of credit, net		154,545	-	-	154,545	(778,900)
Repayments of long-term debt		(10,407)	-	-	(10,407)	(68,652)
Net cash and cash equivalents provided by (used in) financing activities		144,138	-	-	144,138	(847,552)
Net change in cash and cash equivalents		(667,488)	19,281	-	(648,207)	168,310
Cash and cash equivalents, beginning of year		996,331	113,136	-	1,109,467	941,157
Cash and cash equivalents, end of year	**$**	**328,843**	**132,417**	**-**	**461,260**	**1,109,467**
Supplemental disclosures of cash flow information:						
Cash paid during the year for interest	**$**	**19,336**	**112,852**	**-**	**132,188**	**126,736**

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

Notes to Consolidated Financial Statements

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Gulf of Maine Research Institute (GMRI) was incorporated in 1994 under the laws of the State of Maine as a not-for-profit corporation committed to (i) educate the public about the Gulf of Maine and its watershed, (ii) facilitating and conducting marine research; and (iii) undertaking the financing, siting, design, and construction of facilities to support its education and research interests. In 2004, Gulf of Maine Properties, Inc. (GMPInc) was incorporated as a not-for-profit corporation and a wholly owned subsidiary of GMRI under the laws of the State of Maine to acquire, hold, manage, maintain, develop, or dispose of real property for the benefit of and in connection with GMRI.

Basis of Accounting - The financial statements of GMRI and GMPInc have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - Financial statement presentation follows the provisions of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. GMRI and GMPInc are required to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

- Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met either by specific actions and/or the passage of time.

- Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of the assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes. For the years ended December 31, 2010 and 2009, none of the Institute's net assets were permanently restricted.

All inter-entity balances and activities have been eliminated in presenting the consolidated financial statement amounts. The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or individual organization in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements for the year ended December 31, 2009, from which the summarized information is derived.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All pledges and accounts receivable are deemed fully collectible; thus no allowance has been established.

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

All 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 re-classified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Income Taxes - GMRI and GMPInc have been determined to be exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and have both been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code. GMRI and GMPInc have adopted the provisions of the *Income Taxes – Overall* topic of the FASB Accounting Standards Codification; this adoption has had no material effect on the financial statements of GMRI and GMPInc.

GMRI and GMPInc follow the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. The implementation of these provisions in 2009 had no material impact on GMRI and GMPInc's financial statements. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There has been no cumulative effect on GMRI and GMPInc's financial statements related to these provisions, and no interest or penalties related to uncertain tax positions were accrued. GMRI and GMPInc are currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for years ended December 31, 2007 through 2010.

Cash and Cash Equivalents - For financial statement purposes, both GMRI and GMPInc consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, other than cash and cash equivalents classified and held as investments. Cash equivalents are carried at cost, which approximates fair value.

Investments - Under the *Not-for-Profit Entities: Investments – Debt and Equity Securities* topic of the FASB Accounting Standards Codification, investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at their fair market values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. GMRI and GMPInc have adopted the provisions of the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification and have provided the necessary disclosures regarding fair value measurements elsewhere in these footnotes.

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Notes to Consolidated Financial Statements, Continued

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Development and Site Acquisition Costs - Fixed assets purchased but not yet in service are capitalized as development and site acquisition costs. Development costs represent costs incurred in the development of research laboratory facilities, which will be amortized over their useful life, once put in service. Site acquisition costs represent costs incurred to acquire the land.

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

Expense Allocation - The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses which cannot be specifically identified to programs (indirect costs) are allocated on the basis of total direct costs for each program. Management distributes these costs based on a cost allocation plan using a federally negotiated indirect cost rate. Expenses which have been allocated using this method include, but are not limited to: administrative salaries and wages, occupancy, supplies, telephone, and accounting.

Accounts Receivable - Accounts receivable consist of amounts due from funders under various grants and contracts. No reserve for uncollectable amounts is deemed necessary as management views all such balances, which are primarily from governmental entities, to be fully collectible.

Reclassification - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. None of these reclassifications had any effect on the results of operations as previously reported.

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Cash balances were held in various checking and money market accounts in one financial institution at December 31, 2010 and 2009, respectively. These accounts are all considered cash and cash equivalents for determining the change in cash in the accompanying consolidated statement of cash flows. Interest bearing accounts at the institution were insured up to $250,000, while non-interest bearing accounts were fully insured at December 31, 2010. For 2009, the accounts at the institution were insured up to $250,000. At December 31, 2010 and 2009, GMRI's uninsured cash balances totaled $0 and $668,439, respectively. At both December 31, 2010 and 2009, GMPInc had no uninsured cash balances.

Notes to Consolidated Financial Statements, Continued

INVESTMENTS

Following is a summary of GMRI's and GMPInc's investment securities at December 31, 2010:

	GMRI		GMPInc	
	Cost	Market value	Cost	Market value
U.S. Treasury and government agencies	$ 923,908	926,205	290,675	291,932
Equity	951,780	988,538	-	-
Non-government fixed income	741,615	739,653	5,216	5,376
Foreign fixed income	75,594	76,442	-	-
Cash and cash equivalents	1,529,329	1,529,329	226,976	226,977
Totals	**$ 4,222,226**	**4,260,167**	**522,867**	**524,285**

Following is a summary of GMRI's and GMPInc's investment securities at December 31, 2009:

	GMRI		GMPInc	
	Cost	Market value	Cost	Market value
U.S. Treasury and government agencies	$ 753,511	778,723	90,405	91,440
Equity	1,044,957	952,101	-	-
Non-government fixed income	861,402	875,525	5,216	5,195
Foreign fixed income	62,221	63,414	-	-
Cash and cash equivalents	469,372	469,372	392,732	392,732
Totals	**$ 3,191,463**	**3,139,135**	**488,353**	**489,367**

GMRI's investment returns for fiscal years 2010 and 2009 include investment earnings (dividend and interest) of $79,992 and $100,244, respectively, and realized and unrealized gains of $95,216 and $132,508, respectively. GMPInc's investment returns for fiscal years 2010 and 2009 include investment earnings (dividend and interest) of $3,126 and $2,830, respectively, and realized and unrealized gains of $1,915 and $1,627, respectively.

Notes to Consolidated Financial Statements, Continued

PLEDGES RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Pledges receivable, net of unamortized discount, are summarized as follows at December 31. The U.S. Treasury one-year note rate at year end is used to discount the future payments of each respective year's pledges.

	2010	2009
Pledges receivable expected to be collected in:		
Less than one year	$ 572,751	943,136
One year to five years:		
Restricted for investment in property and equipment	280,000	80,000
Restricted for future program expenses	32,500	125,000
Restricted for endowments	500	3,000
Unrestricted	120,972	69,627
Total one to five years	433,972	277,627
Over five years:		
Unrestricted	-	-
Less unamortized discount (with discount rates ranging from 0.40% to 4.99%)	(11,684)	(15,142)
Pledges receivable, non-current, net of amortized discount	422,288	262,485
Totals	**$ 995,039**	**1,205,621**

Management has deemed all pledges receivable to be collectible; therefore the Gulf of Maine Research Institute and its affiliate have no allowance for uncollectible accounts.

In addition, at December 31, 2010 GMRI holds several conditional pledges receivable totaling $1,136,625 which have not been reflected in these financial statements. They are due to be received from the donors in future years upon the satisfaction of certain conditions.

Notes to Consolidated Financial Statements, Continued

PROPERTY AND EQUIPMENT

Property and equipment is carried at cost if purchased or fair market value if donated. GMRI and GMPInc depreciate property and equipment using the straight-line method over the following estimated useful lives of the respective assets:

Land	N/A
Artwork	N/A
Building	40 years
Site improvements	15 years
Leasehold improvements	15 years
Exhibits (permanent)	10 years
Equipment, furniture, and fixtures	5 to 7 years
Vehicles	5 years
Computer hardware and software	3 years

The Institute uses the following thresholds in determining the capitalization of assets. An individual purchase of equipment, furniture and fixtures, greater than or equal to $5,000, will be capitalized and depreciated. A purchase of such that is less than $5,000 will be expensed. If a purchase is funded by a project and not in the Institute's care and control, then regardless of the cost, the purchase will be expensed. Soft costs of design consulting, software development, and content development for educational programs will be expensed. Given market valuation uncertainties and unknown future value of the educational content, this policy takes the most conservative approach by assigning no future value to these assets.

Property and equipment consisted of the following at December 31:

	2010		2009	
	GMRI	GMPInc	GMRI	GMPInc
Land	$ -	2,384,426	-	2,384,426
Building	-	11,130,721	-	11,130,721
Site improvements	-	377,124	-	377,124
Artwork	-	6,345	-	6,345
Leasehold improvements	288,107	46,736	271,497	36,735
Furniture and fixtures	165,810	120,928	161,734	120,928
Computer hardware and software	102,973	-	94,674	-
Equipment and vehicles	698,147	167,495	668,856	165,552
Exhibits	836,285	-	840,433	-
Totals	**$ 2,091,322**	**14,233,775**	**2,037,194**	**14,221,831**

Notes to Consolidated Financial Statements, Continued

BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

During the year ended December 31, 2008, GMRI was notified that it had been named a remainderman of a charitable remainder trust established by a particular donor who passed away during that year. Under the terms of this trust, a specified life tenant is to receive an annual distribution equal to 6% of the fair market value of the trust assets, as measured annually. Upon the death of this life tenant, the remaining trust assets are then to be distributed to various charitable beneficiaries; GMRI’s share is to be one-third of such assets. At December 31, 2010 the fair value of GMRI’s interest in this trust was estimated to be $74,614, and in accordance with generally accepted accounting principles is recorded as an asset within the consolidated statement of financial position. This fair value estimate is based on the readily-determinable market value of the underlying trust assets as of December 31, 2010, an assumed remaining life expectancy of the life tenant of 18.5 years from that date, assumed annualized rates of return for the trust assets ranging from 4.3% to 5.5%, and a discount rate of 4.13%. The current year’s change in the value of GMRI’s interest in this trust is included in contributions, in the amount of $12,702.

BOARD-DESIGNATED ENDOWMENT

As noted elsewhere in the financial statements, at December 31, 2010 and 2009, the Board of Directors had designated $1,327,047 and $1,243,623, respectively, of GMRI's unrestricted net assets for long-term investment purposes. The purpose of these assets is to serve as a board designated endowment, the income from which is to be used to help meet the operating costs of GMRI and, if necessary, the balance of which is to provide a last-resort source of funds in the case of serious financial need.

GMRI has adopted the provisions of the *Not-for-Profit Entities: Reporting Endowment Funds* topic of the FASB Accounting Standards Codification. Under this guidance, GMRI is required to provide the following disclosures relating to its endowment activities.

Relevant Law - GMRI maintains offices and conducts its activities primarily in Portland, Maine, and accordingly considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of Maine's legislature. Under that statute, GMRI's board designated investments described above are not considered to constitute an endowment from a legal perspective under UPMIFA, though they do constitute a board designated endowment from a financial accounting and reporting perspective under the FASB Codification topic noted above. For the years ended December 31, 2010 and 2009, GMRI did not hold any donor restricted endowments subject to UPMIFA.

Board Designated Endowment Spending Policy - The Board of Directors has approved an annual distribution of 5% of the trailing 12-quarter average value of the endowment fund to support current operations. No other withdrawals, expenditures or transfers from the board designated endowment may be made without prior approval by the Board of Directors.

Board Designated Endowment Investment Policy - GMRI has adopted a policy under which its board designated endowment fund investments shall be comprised of 40-80% equities, 20-50% debt securities, and 0-10% cash and cash equivalents with a strategic target asset allocation of 70% equities and 30% debt securities. The fund is to be managed to achieve a moderate degree of risk, neither seeking the highest possible returns nor avoiding all risk of loss, managing volatility in endowment asset value through an

Notes to Consolidated Financial Statements, Continued

BOARD-DESIGNATED ENDOWMENT, CONTINUED

investment portfolio diversified by market geography, investment style, and asset class. GMRI believes that these parameters serve to appropriately guide the management of this fund to achieve the purposes stated earlier.

The Institute's endowment balances were comprised of the following as of December 31, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated endowment funds	$ 1,327,047	-	-	1,327,047
Totals	**$ 1,327,047**	**-**	**-**	**1,327,047**

The changes in the Institute's endowment balances for the year ending December 31, 2010 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 1,243,623	-	-	1,243,623
Contributions	11,391	-	-	11,391
Investment return:				
Investment income, net of fees	29,655	-	-	29,655
Net appreciation	107,981	-	-	107,981
Total investment return	137,636	-	-	137,636
Amounts appropriated for expenditure	(65,603)	-	-	(65,603)
Endowment net assets, end of year	**$ 1,327,047**	**-**	**-**	**1,327,047**

Notes to Consolidated Financial Statements, Continued

BOARD-DESIGNATED ENDOWMENT, CONTINUED

The Institute's endowment balances were comprised of the following as of December 31, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated endowment funds	$ 1,243,623	-	-	1,243,623
Totals	**$ 1,243,623**	**-**	**-**	**1,243,623**

The changes in the Institute's endowment balances for the year ending December 31, 2009 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 1,019,512	-	-	1,019,512
Contributions	216,966	-	-	216,966
Investment return:				
Investment income, net of fees	44,108	-	-	44,108
Net depreciation	(36,963)	-	-	(36,963)
Total investment return	7,145	-	-	7,145
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	**$ 1,243,623**	**-**	**-**	**1,243,623**

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification, the Institute is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Notes to Consolidated Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date. All assets of the Institute presented at fair value were measured using Level 1 inputs (i.e., readily available prices for actively and publicly traded securities), except for the charitable remainder trust beneficial interest, which has been valued using the information described earlier, and is thus characterized as based on Level 3 inputs. This information is summarized as follows:

		Fair value measurements at reporting date using:			
		Quoted prices in active markets for identical assets		Significant other observable inputs	Significant unobservable inputs
	12/31/10 Totals	GMRI (Level 1)	GMPInc (Level1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies					
Short-term	$ 291,932	-	291,932	-	-
Medium-term	926,205	926,205	-	-	-
Domestic equities	1,001,713	1,001,713	-	-	-
Non-government fixed income					
Short-term	189,761	184,385	5,376	-	-
Medium-term	524,634	524,634	-	-	-
Foreign fixed income	107,076	107,076	-	-	-
Cash and cash equivalents	1,743,131	1,516,154	226,977	-	-
Charitable remainder trust	74,614	-	-	-	74,614
Totals	**$ 4,859,066**	**4,260,167**	**524,285**	**-**	**74,614**

		Fair value measurements at reporting date using:			
		Quoted prices in active markets for identical assets		Significant other observable inputs	Significant unobservable inputs
	12/31/09 Totals	GMRI (Level 1)	GMPInc (Level1)	(Level 2)	(Level 3)
U.S. Treasury and government agencies	$ 870,163	778,723	91,440	-	-
Equity	952,101	952,101	-	-	-
Non-government fixed income	880,720	875,525	5,195	-	-
Foreign fixed income	63,414	63,414	-	-	-
Cash and cash equivalents	862,104	469,372	392,732	-	-
Charitable remainder trust	61,912	-	-	-	61,912
Totals	**$ 3,690,414**	**3,139,135**	**489,367**	**-**	**61,912**

Notes to Consolidated Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

A reconciliation of fair value measurements using significant unobservable inputs (Level 3) for the year ended December 31, 2010 is provided as follows:

	Charitable remainder trust
Beginning balance, December 31, 2009	$ 61,912
Total gains (realized and unrealized, all included in contributions and changes in net assets within the consolidated statement of activities)	12,702
Purchases, issuances, sales, and settlements	-
Transfers in and/or out of Level 3	-
Ending balance, December 31, 2010	**$ 74,614**
The amount of total gains or losses included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2010:	**$ 12,702**

DEFERRED REVENUE

GMRI recognizes revenue on grant awards and contracts that are exchange transactions when the related services are performed. GMRI's deferred revenue represents unexpended award funds received for exchange transactions and amounted to $2,133 and $3,723 at December 31, 2010 and 2009, respectively. GMPInc's deferred revenue represents prepaid rental payments received. GMPInc had deferred revenue balances of $31,079 and $0 at December 31, 2010 and 2009, respectively, of which $27,144 and $0, respectively, represented intercompany balances.

Notes to Consolidated Financial Statements, Continued

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	2010	2009
Gifts and other unexpended revenues and gains restricted to:		
Lab building fund	$ 3,513	7,573
Future program expenses	1,971,575	2,248,912
Totals	**$ 1,975,088**	**2,256,485**

NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as of December 31 were as follows:

	2010	2009
Aquarium building fund	$ -	1,988
Lab building fund	4,060	4,502
Future program expenses	1,417,117	1,412,305
Totals	**$ 1,421,177**	**1,418,795**

UNRESTRICTED BOARD-DESIGNATED NET ASSETS

This fund is being used for unrestricted gifts received which GMRI reserves for special purposes. The balance of this fund consisted of the following at December 31:

	2010	2009
Waldron reserve fund	$ 1,484,040	1,498,740
Endowment funds	1,327,047	1,243,623
Reserved for research and scientist guarantee surpluses	110,332	128,768
Reserved for capital projects and equipment	74,001	97,036
Beneficial interest in remainder trust	74,614	61,912
Totals	**$ 3,070,034**	**3,030,079**

Additionally, at December 31, 2010 and 2009, respectively, GMPInc held $314,000 and $303,524 in board-designated net assets, set aside for purposes of long-term investment in capital assets and operating reserves.

Notes to Consolidated Financial Statements, Continued

OPERATING LEASES

As of December 31, 2010 GMRI leased 13,893 square feet plus its share in common areas, for a total of 70.72% of the rentable area of the research laboratory from GMPInc. As of January, 2009 GMRI's rent was $26,606 per month plus GMRI's pro-rata share of utilities, telephone system, and internet costs, as defined in the lease. The lease expires February 28, 2015 and may be renewed for up to ten additional five-year periods. Subsequent to the merger with the Gulf of Maine Ocean Observing System ('GoMOOS") as described later in these footnotes, GMRI assumed responsibility for the lease payments previously born by GoMOOS (itself a tenant of GMPInc), which for the period November, 2009 through February, 2010 amounted to $6,208 per month.

Furthermore, effective November 1, 2009 GMRI entered into a sublease agreement with the University of Southern Maine ("USM"), also a tenant of GMPInc, under which GMRI has agreed to lease certain space formerly occupied by USM. The additional rental obligation thus incurred by GMRI amounts to $538 per month. Thus, for the periods from January 1 through December 31, 2010 and 2009, total rent incurred by GMRI was $338,143 and $331,516, respectively, plus $150,542 and $143,866 in utility costs, respectively. Following is a schedule of future base rent payments required under this lease, inclusive of the modifications described above:

Years ending December 31,	
2011	$ 325,728
Thereafter	54,288 plus 36 months at fair market rent
Total	**$ 380,016 plus 36 months at fair market rent**

Additionally, GMRI leases a mailing system and a copier which are under the terms of operating leases expiring at various times through October 26, 2011. Total lease expense for this equipment was $2,415 and $5,032 for the years ended December 31, 2010 and 2009, respectively. Following is a schedule of future minimum lease payments for equipment leases:

Years ending December 31,	
2011	$ 1,802
Total	**$ 1,802**

Notes to Consolidated Financial Statements, Continued

LINES OF CREDIT

GMRI currently holds three revolving credit facilities. The first of these bears a maximum credit limit of $1,300,000 with interest payable monthly at Wall Street Journal prime, subject to a floor of 3.25%. The second facility carries a credit limit of $600,000, with interest payable monthly at Wall Street Journal prime plus 200 basis points, subject to a floor of 5.25%. These lines of credit are payable on demand and are secured by collateral comprised of certain investments whose combined market value as of December 31, 2010 amounted to $1,246,288. Outstanding balances on these facilities at December 31, 2010 and 2009 were $567,772 and $413,227, respectively. Additionally, GMRI also holds a line of credit with a borrowing limit of $350,000. This line is collateralized with a security interest in all assets excluding funds with restricted uses, is payable on demand, and carries interest at Wall Street prime (equal to 3.25% and December 31, 2010 and 2009.) There were no balances outstanding on this credit line at December 31, 2010 and 2009.

LONG-TERM DEBT

GMPInc obtained a $4,000,000 construction loan in September, 2004 under the federal New Markets Tax Credit Program. The lender is CCM Loan Fund I LLC, which has been formed by CEI Capital Management LLC to admit TD Banknorth as an investor to make the loan. The loan has a term of seven years and carries a fixed interest rate of 3%. In the first two years interest only was paid, and then interest and principal payments are payable based on a 26 year amortization schedule for the remainder of the term, with a balloon payment at the end of the seven year term. The building and the portion of the land on which the building is sited have been pledged as collateral, and the loan is guaranteed by GMRI. As of December 31, 2010 and 2009, the balances on this note were $3,710,218 and $3,710,218, respectively. TD Bank holds $200,000 in escrow as a debt service reserve. During 2009, the parties to this borrowing agreed to modify the repayment terms such that all remaining principal payments are deferred until the expiration of the original seven year term of the loan. GMPInc is in the process of refinancing this obligation on terms described more fully later in these notes.

In 2006 GMRI secured a five-year loan for $26,418 at a rate of 8.9% to purchase a pickup truck. The vehicle purchased is pledged as collateral. As of December 31, 2010 and 2009, the balance on this note was $1,618 and $7,740, respectively.

Notes to Consolidated Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

Following is a schedule of future minimum loan payments, based on repayment terms currently in effect and those associated with the expected refinancing of existing debt:

Years ending December 31,	Construction loan	Pick up truck
2011	$ 7,336	1,618
2012	87,879	-
2013	91,505	-
2014	95,281	-
2015	99,212	-
Thereafter	3,329,005	-
Total	**$ 3,710,218**	**1,618**

DONATED GOODS AND SERVICES

For the years ended December 31, 2010 and 2009, certain professional services were donated to GMRI under cost-share agreements in relation to equipment grants from the Maine Research Fund. Other in-kind contributions were for media and promotion services, travel expenses, catering services, accounting and legal fees, photography, acoustical receivers for marine research, and GMRI mugs. GMRI would have had to pay the fair market value of these goods and services had they not been donated. The estimated fair value of these goods and services totaled $10,119 and $105,414 for the years ended December 31, 2010 and 2009, respectively, and has been reflected in the accompanying consolidated financial statements as in-kind income with a corresponding in-kind expense.

PENSION PLANS

GMRI sponsors a Section 401(k) plan for its employees. Under the 401(k) plan, particpant eligibility is established upon the completion of one year of employment constituted by at least 1,000 hours of service. Total retirement expense under this plan for the years ended December 31, 2010 and 2009 was $88,092 and $80,389, respectively.

Notes to Consolidated Financial Statements, Continued

DEVELOPMENT AND SITE ACQUISITION COSTS

GMRI owns the title to a 4.17 acre piece of waterfront property in Portland Maine, formerly owned by the U.S. Coast Guard and adjacent to the lot on which the new laboratory has been built. The site has 40 feet of frontage on Commercial Street and 321 feet of straight-line frontage on the Fore River. GMRI's continued ownership of the property is contingent upon the rebuilding of the bulkhead pier by the Coast Guard. Original terms required that the bulkhead be rebuilt, in majority, by the end of 2006; however in 2006 this was extended to December 31, 2009. In 2009, legislation passed the U.S. House of Representatives to further extend this date to December 31, 2011. GMRI will capitalize the costs relating to design, permitting, and rebuilding the bulkhead pier as the cost of the property. As of December 31, 2010 and 2009, $3,905,445 and $357,130, respectively, have been capitalized as part of GMRI's development and site acquisition costs. Subsequent to December 31, 2010 GMRI has completed this rebuilding project.

MANAGEMENT, GENERAL, AND FACILITY EXPENSES

As a Federal contractor, GMRI has a Federally negotiated indirect rate which is used to allocate allowable administrative and facility costs to programs and other departments. Allowable costs include depreciation expense of capital assets which were purchased with non-Federal funding.

GMRI's reports its Management, general and facility expense net of all indirect cost recovery in the Programs and support fund, and this recovery includes a partial recovery of depreciation expense. However, depreciation expense is reported in the Property & equipment fund.

In 2010, GMRI's net Management, general and facility expenses under the Programs & support fund are negative, which reflects indirect costs recovered exceeded costs in that fund. The surplus is more than offset by depreciation expense, resulting in a total GMRI Management, general and facility expense of $117,375, as shown below.

	Unrestricted			Temporarily restricted		
	Programs & support	Property & equipment	Board designated	Programs & support	Capital	GMRI Total
Management, general and facility expenses	$ 1,555,066	263,850	-	-	-	1,818,916
Indirect recovered:						
For administrative and facility expenses	(1,499,103)	-	-	-	-	(1,499,103)
For allowable depreciation expense, net of indirect recovery shortfalls	(202,438)	-	-	-	-	(202,438)
Total expenses	**$ (146,475)**	**263,850**	**-**	**-**	**-**	**117,375**

See Supplemental schedule 1 for the detailed calculation of the 2010 actual indirect rate.

Notes to Consolidated Financial Statements, Continued

MERGER

On November 7, 2009 Gulf of Maine Research Institute completed a merger with another local not-for-profit organization, the Gulf of Maine Ocean Observing System ("GoMOOS"). Under the terms of this merger, GoMOOS transferred to, and GMRI accepted, substantially all of GoMOOS' assets and liabilities as of the effective date of the merger. This transaction has been reflected within GMRI's consolidated financial statements for 2009, with the increase in GMRI's net assets resulting from this transaction, as measured at the carrying value of the net assets as recorded within GoMOOS's financial statements immediately prior to the merger, presented as a separate line item within GMRI's consolidated statement of activities.

SUBSEQUENT EVENTS

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through September 29, 2011 which is the date the financial statements were available to be issued.

As of the date of the issuance of these financial statements, the Institute was in the process of refinancing its existing construction loan described earlier in these notes, and had obtained written terms from People's United Bank for such refinancing. Such terms included repayment of the amount refinanced at a fixed rate of interest anticipated to approximate 4.05%, with monthly payments of principal and interest computed over an amortization schedule of twenty-five years with all outstanding principal and remaining interest due in fall ten years from the date of this refinancing.

These terms also provide for the Institute obtaining three additional credit facilities from People's United Bank. The first of these is a term loan in an amount not to exceed $600,000 with repayment terms similar to those for the refinancing noted above, with a variable interest rate of LIBOR plus 260 basis points. This loan will replace the current $600,000 line of credit described earlier in these notes. The other two facilities anticipated are working capital lines of credit with limits of $1,400,000 and $400,000 and variable rates of interest equal to national prime less twenty-five basis points and national prime, respectively.