



Item: AC: I-3a

**AUDIT AND COMPLIANCE COMMITTEE**

**Tuesday, February 1, 2022**

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2021.**

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**PROPOSED COMMITTEE ACTION**

Information only.

**BACKGROUND INFORMATION**

The audited financial statements of the Harbor Branch Oceanographic Institute Foundation (HBOIF) are presented to keep the Board of Trustees informed about the financial status of the Foundation. The audited financial statements for the period ending June 30, 2021 were presented to the HBOIF Board of Directors on October 29, 2021.

**IMPLEMENTATION PLAN/DATE**

Not applicable.

**FISCAL IMPLICATIONS**

Not applicable.

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**Supporting Documentation:** HBOIF Financial Statements for the Fiscal Year Ended June 30, 2021.

**Presented by:** Greg DuBois, VP Financial Affairs and CFO

**Phone:** 561-297-3267



# Harbor Branch Oceanographic Institute Foundation, Inc.

Financial Statements  
and Supplementary Information  
Years Ended June 30, 2021 and 2020

**Harbor Branch Oceanographic Institute Foundation, Inc.**

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Financial Statements and Supplementary Information  
Years Ended June 30, 2021 and 2020

# Harbor Branch Oceanographic Institute Foundation, Inc.

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## Independent Auditor's Report

The Board of Directors  
Harbor Branch Oceanographic Institute Foundation, Inc.  
Fort Pierce, Florida

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Foundation's Management's Discussion and Analysis, which is presented to highlight certain information in the Foundation's financial statements, and the schedule of specialty license plate revenue and expenses, are presented for purposes of additional analysis and are not required parts of the financial statements. The supplementary information and accompanying schedule of expenditures of state financial awards, as required by the State of Florida,



Chapter 10.650, *Rules of the Auditor General*, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and to 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 to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*BDO USA LLP*

Certified Public Accountants  
October 22, 2021

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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The Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) offers this Management's Discussion and Analysis to help readers further understand the Foundation's financial activities during the fiscal year from July 1, 2020 to June 30, 2021 (2021 fiscal year or FY21). The discussion and analysis should be read in conjunction with the 2021 financial statements and the report of the independent auditors included herein.

### ***What is the Harbor Branch Oceanographic Institute Foundation?***

The Foundation was founded in 1971 by J. Seward Johnson, Sr. to fulfill his vision of preserving the environment through a deep, scientific understanding of the ocean. Famed Inventor Edwin A. Link furthered the founder's vision with his passion for sea exploration and engineering expertise. Together, Johnson and Link produced countless innovations through partnerships with many of the world's most talented scientists. That work, and the intellectual curiosity of Johnson and Link, propelled Harbor Branch Oceanographic Institute to become one of the world's foremost leaders in oceanographic research. Today, Johnson's legacy is carried on by the Foundation, a 501(c)(3) nonprofit organization, through its grant-making to the Harbor Branch Oceanographic Institute (Institute), a research institute at Florida Atlantic University (HBOI at FAU).

The Institute had existed independently as a nonprofit since its inception, with its Board of Directors overseeing research operations, a unique campus boasting the largest privately owned deep-water channel in Florida and a substantial endowment. The State of Florida funded the purchase of appraised wetlands from the Institute at approximately \$24 million. The Institute also conveyed the Institute's campus property to the State of Florida for use by Florida Atlantic University (FAU) for no consideration. The Institute gifted tangible and intangible personal property booked by FAU as \$92.2 million of assets as of December 31, 2007. The Board of Directors turned its attention away from governing the Institute, became the renamed Harbor Branch Oceanographic Institute Foundation, Inc. and pledged to continue to leverage its considerable assets to support HBOI at FAU.

### ***Our Mission Today***

The mission of the Foundation is to support HBOI at FAU. The Foundation provides funding and support for research and education in marine sciences and ocean engineering. Our goal is to support HBOI at FAU as it increases understanding of oceans and coastal areas through exploration and scientific investigation.

### ***Our Investment Approach***

The Foundation's Investment Policy has an objective to earn the highest possible total return (capital appreciation and income return) consistent with prudent levels of risk. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund an annual spending policy of up to 4.5%, based on a three-year rolling average of the market value. Therefore, the desired minimum rate of return is equal to the Consumer Price Index (CPI) plus 450 basis points (4.5%) on an annualized basis. In light of this return requirement, the portfolio should be constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.



# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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The spending policy reflects the fundamental objective of preserving and enhancing the resources of the Foundation, both at present and in the future. Current spending and the long-term objectives of preserving and enhancing the endowment assets are balanced by considerations given to reasonable expectations of investment returns, gift contributions, operating expenses, and inflation. The spending policy rate is up to 4.5% effective April 30, 2020 and 5% prior to that date, of the endowment assets, calculated on a rolling three-year average of the market value.

### ***Grant-Making***

The Foundation has been diligent in fulfilling its mission with a long history of providing grants and other funding totaling over \$45,000,000 since 2007 to HBOI at FAU.

In FY15, the Grants Committee, confirmed by the Board of Directors, determined to focus its funding to HBOI as follows:

- To support the goals of a Harbor Branch Oceanographic Institute Strategic Plan.
- To fund high-impact projects or initiatives.
- To provide maximum visibility and raise the profile of HBOI at FAU.
- To be used to maximize or leverage Discretionary Fund grant dollars to HBOI at FAU to obtain funds from other funding sources.
- To fund projects that may not meet the criteria or have the opportunity for timely funding from other funding sources, including FAU.

In FY18, the Grants Committee confirmed a preference away from multi-year grants. Instead, future grants became one-year only; in certain cases, these may have the intention of being rolling, with any subsequent "renewal" based on evaluation and available spendable.

The Foundation's Board of Directors retains sole discretion over grant-making to HBOI at FAU. This ensures that the Foundation retains the necessary oversight over the distribution of funds, which are to be used to further its mission of supporting meaningful oceanographic research at HBOI at FAU. Through an established grant-making process and timeline, the Foundation invites grant proposals from HBOI at FAU for Discretionary Grants and Specialty License Plate grants. These proposals are reviewed by staff for completeness and compliance and then forwarded to the Grants Committee for their consideration and any recommendation to the full Board.

The Foundation's grant awards are conditional, which means they are made based on HBOI at FAU and FAU's agreement to, and fulfillment of, specific conditions relating to the use of the funds and for the purpose for which they are granted as codified in Funding Letters.

Discretionary grants are made subject to an annual available spendable amount, as calculated by the Foundation's Investment Policy and less previously made multi-year grant commitments expected to be paid out in any given year and projected operational expenses.

In addition, the Foundation's specialty license plate program focuses on four key areas to further oceanographic research and preserve the environment. User fees from the purchase of these plates are used to fund vetted projects along with some grants to others, a marketing budget to promote each plate, and certain administration fees, all allowed by legislative statute.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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The four plates include:

- *Save our Seas Specialty License Plate* - Enacted in 2007, research conducted as a result of funding from the *Save our Seas* specialty license plate has primarily focused on links between water quality and its impacts on coral reef health and understanding how that affects the environment's resources - both for recreational and commercial use.
- *Aquaculture Specialty License Plate* - Enacted in 2004, funding generated by the *Aquaculture* specialty license plate goes toward promoting research of aquaculture and advancing technology for use by Florida farmers to challenge the current 91% of the seafood consumed in the U.S. originating abroad.
- *Protect Wild Dolphins Specialty License Plate* - Enacted in 1998, the *Protect Wild Dolphins* specialty license plate allows researchers to study the wild dolphins in the Indian River Lagoon, which, for 20 years, has provided invaluable insight into the ecosystem. Florida is part of the Southeastern region stranding network and these programs are critical in helping Florida wild dolphins.
- *Protect Florida Whales Specialty License Plate* - Enacted in 2002, proceeds generated by the *Protect Florida Whales* specialty license plate go toward a stranding response team and educational efforts. Florida is part of the Southeastern region stranding network and these programs are critical in helping Florida whales.

### *The Fiscal Year 2021 (FY21) Numbers*

Discretionary and Specialty License Plate Grants for HBOI at FAU totaled payouts of \$3,589,125 for the year ended June 30, 2021, as follows:

#### *Discretionary Grants*

*June 30, 2021*

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	Expenses	Original Total Award
Florida Center for Coastal and Human Health	\$ 503,866	\$ 738,797
Promoting Faculty Recruitment, Retention, and Research Excellence (Salary Support)	219,823	240,500
Marilyn Link Memorial Scholarship	-	5,000
IRLON Expansion/Enhancement, Phase 1	7,796	-
IRLON Expansion/Enhancement, Phase 2	736,565	865,788
Linking the Harbor Branch Oceanographic Museum to the IRL Species Inventory	6,788	40,000
2020 IRL Fellowship	88,108	101,600
2020 IRL Symposium	-	10,000
Special Award	4,059	-
	<hr/>	<hr/>
	\$ 1,567,005	\$ 2,001,685

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# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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### *Specialty License Plate Grants*

Payments from the Foundation for Save Our Seas for FY21 were made as follows.

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Indian River Lagoon Observatory (IRLO): Ecosystem Function of a Nationally Important Estuary in Transition Principal Investigator Dennis Hanisak, Ph.D.	\$ 551,492
Biodiversity of Sponges in the Indian River Lagoon Principal Investigator Shirley Pomponi, Ph.D.	99,543
Deploying Florida's Marine Biodiversity to Win the War Against Drug Resistant Pathogens Principal Investigator Amy Wright, Ph.D.	91,492
Implementing Metabolomics Methodologies to Rapidly Assess Specialized Metabolites of Florida Marine Biodiversity Principal Investigator Amy Wright, Ph.D.	11,157
Development of a novel method to determine oceanic particle composition Principal Investigator Mike Twardowski	20,807
Improving Methods of Phytoplankton and Harmful Algal Bloom Monitoring in the Southern Indian River Lagoon Principal Investigator Malcolm McFarland	6,894
Comparative Metagenomics of Florida Sponge Populations with Biosynthetic Potential Principal Investigator Guojun Wang	20,049
Understanding the Production and Regulation of the Neurotoxin Saxitoxin in Pyrodinium Bahamense Isolated from IRL Principal Investigator Guojun Wang	13,970
	\$ 815,404

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Payments from the Foundation for Protect Wild Dolphins for FY21 were made as follows:

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HBOI's Florida Dolphins Stranding and Population Assessment Program Principal Investigator Steve Burton, MS	\$ 452,669
HBOI's Florida Dolphins Marine Mammal Pathology, Tissue Archives, and Database Principal Investigator Annie Page-Karjian, DVM, Ph.D.	60,015
Observation and Modeling of Mercury Distributions in the Indian River Lagoon for Understanding the Impacts on Wild Dolphins Principal Investigator Mingshun Jiang, Ph.D.	50,512
	\$ 563,196

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# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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Payments from the Foundation for Protect Florida Whales for FY21 were made as follows:

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HBOI's Florida Whales Stranding and Population Assessment Program Principal Investigator Steve Burtons, MS	\$ 111,634
HBOI's Florida Whales Marine Mammal Pathology, Tissue Archives, and Database Program Principal Investigator Annie Page-Karjian, DVM, Ph.D.	20,013
Using emerging technologies for population and behavioral ecology assessment of Florida whales Principal Investigator Laurent Cherubin, Ph.D.	149,570
	\$ 281,217

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Payments from the Foundation for Aquaculture for FY21 were made as follows.

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Comparative Genomics of Trachinotus Genus: Tools to Enhance Food Fish Farming of Florida Pompano Principal Investigator Paul Wills, Ph.D.	\$ 5,939
Advancement of Land-based integrated Multitrophic Aquaculture Principal Investigator Paul Wills, Ph.D.	80,336
New Species and Technology Development for a Land-Based IMTA System Principal Investigator Paul Wills, Ph.D.	42,916
Advanced Technology for System Management Invertebrate Health and Integration of Additional New Species for a Land-Based IMTA System Principal Investigator Paul Wills, Ph.D.	141,353
Understanding interactions between on-bottom bivalve culture and suspected large mobile predators Principal Investigator Matt Ajemian, Ph. D.	47,912
	\$ 318,456

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# Harbor Branch Oceanographic Institute Foundation, Inc.

## Management's Discussion and Analysis

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### *State License Plates Standing Groups*

The Foundation released a request for proposal to Florida Stranding groups for the 2021 fiscal year. Payments from the Foundation for Protect Florida Whales and Protect Wild Dolphins to Stranding Networks for FY21 were made as follows:

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Support for stranding response along 40% of Florida's east coast: An area of increased human interaction and repeated Unusual Mortality Events Principal Investigator Wendy Noke-Durden	\$ 9,998
Minimizing risk of respiratory illness in wild cetaceans through use of shell substrate at an outdoor rehabilitation facility in Tarpon Springs, Florida Principal Investigator Mike Hurst	10,000
UF Marine Animal Rescue part-time biologist to collect, analyze, archive and distribute scientific data regarding Florida dolphin and whale populations Principal Investigator Michael Walsh, DVM	5,149
Gulf World Marine Institute - New Life for Carcass Retrieval Principal Investigator Secret Holmes	8,900
Enhanced Assessment and Response Activities for Injured and Entangled Marine Mammals along the Central Florida Atlantic Coast Principal Investigator Jamison Smith	9,800
	\$ 43,847

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It is the Foundation's current practice to expend SLP funds only when actually needed. This management mirrors the manner in which the Foundation's Discretionary Grants had been and are paid out, e.g., invoicing for reimbursement as funds are expended rather than forwarding monies as they are received for the plate.

In FY18, the Foundation required that funds from the FAU Plate Holding Accounts be transferred to the respective awards already made by the Foundation for the four plates, zeroing each out. At the end of FY19, only the Protect Florida Whales (PFW) Stranding project was still working off remaining funds from the FAU PFW Holding Account. This project ended December 31, 2019, and \$132,763 in unspent funds was returned and deposited into HBOIF's dedicated PFW funds and used to fund future PFW awards.

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We would like to thank the Foundation's Board of Directors for their strategic leadership and commitment to the mission of the Foundation. Their volunteer service is reflected in the growth and strength of the Foundation and its assets and the impact the Foundation has made for HBOI. The Foundation's professional staff implements the policies and strategy established by the Board and we are grateful for their dedication.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Barbra O. Kavanaugh". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Barbra Kavanaugh, Interim Executive Director

A handwritten signature in black ink, appearing to read "Staci Barney Rosalia". The signature is in a cursive style with a distinct loop at the end.

Staci Barney Rosalia, Grants Coordinator

## Financial Statements

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# Harbor Branch Oceanographic Institute Foundation, Inc.

## Statements of Financial Position

<i>June 30,</i>	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 6,477,304	\$ 6,162,475
Contributions receivable	-	113,510
Prepaid expenses and other assets	57,224	53,431
Investments	96,219,111	75,238,417
Property and equipment, net	68,329	74,696
<b>Total Assets</b>	<b>\$ 102,821,968</b>	<b>\$ 81,642,529</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 110,253	\$ 104,755
Due to Harbor Branch Oceanographic Institute at Florida Atlantic University (HBOI at FAU)	807,272	1,240,739
Loan payable - SBA Paycheck Protection Program	-	41,500
<b>Total Liabilities</b>	<b>917,525</b>	<b>1,386,994</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Net Assets Without Donor Restrictions</b>		
Undesignated	48,828	48,828
Board-designated endowment	89,670,784	69,762,799
<b>Total Net Assets Without Donor Restrictions</b>	<b>89,719,612</b>	<b>69,811,627</b>
<b>Net Assets with Donor Restrictions</b>	<b>12,184,831</b>	<b>10,443,908</b>
<b>Total Net Assets</b>	<b>101,904,443</b>	<b>80,255,535</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 102,821,968</b>	<b>\$ 81,642,529</b>

*See accompanying notes to financial statements.*



# Harbor Branch Oceanographic Institute Foundation, Inc.

## Statements of Activities

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, Gains, and Other Revenues</b>						
Specialty license plate contributions	\$ 2,479,213	\$ 282,737	\$ 2,761,950	\$ 2,227,129	\$ 469,453	\$ 2,696,582
Investment income, net	22,337,127	1,537,692	23,874,819	-	1,973,916	1,973,916
Fundraising, net of \$8,437 and \$14,335 direct expenses, respectively	-	82,888	82,888	-	101,618	101,618
Contributions	16,762	581	17,343	21,410	-	21,410
Other income	109,399	-	109,399	71,452	151,161	222,613
Net assets released from restrictions	162,975	(162,975)	-	72,764,290	(72,764,290)	-
<b>Total Support, Gains, and Other Revenues</b>	<b>25,105,476</b>	<b>1,740,923</b>	<b>26,846,399</b>	<b>75,084,281</b>	<b>(70,068,142)</b>	<b>5,016,139</b>
<b>Expenses</b>						
Program services:						
Marine and ocean research science	4,219,640	-	4,219,640	4,428,614	-	4,428,614
Supporting services:						
General administration	968,183	-	968,183	858,226	-	858,226
Fundraising	9,668	-	9,668	34,642	-	34,642
<b>Total Supporting Services</b>	<b>977,851</b>	<b>-</b>	<b>977,851</b>	<b>892,868</b>	<b>-</b>	<b>892,868</b>
<b>Total Expenses</b>	<b>5,197,491</b>	<b>-</b>	<b>5,197,491</b>	<b>5,321,482</b>	<b>-</b>	<b>5,321,482</b>
<b>Change in Net Assets</b>	<b>19,907,985</b>	<b>1,740,923</b>	<b>21,648,908</b>	<b>69,762,799</b>	<b>(70,068,142)</b>	<b>(305,343)</b>
Net Assets, beginning of year	69,811,627	10,443,908	80,255,535	48,828	80,512,050	80,560,878
<b>Net Assets, end of year</b>	<b>\$ 89,719,612</b>	<b>\$ 12,184,831</b>	<b>\$ 101,904,443</b>	<b>\$ 69,811,627</b>	<b>\$ 10,443,908</b>	<b>\$ 80,255,535</b>

See accompanying notes to financial statements.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Statements of Cash Flows

<i>Year ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating activities</b>		
Change in net assets	\$ 21,648,908	\$ (305,343)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	9,514	8,568
Net unrealized and realized loss (gain) on investments	(21,152,328)	363,861
SBA Paycheck Protection Program loan forgiveness	(41,500)	-
Cash provided by (used in):		
Contributions receivable	113,510	(26,806)
Prepaid expenses and other assets	(3,793)	(403)
Accounts payable and accrued expenses	5,498	(65,372)
Due to HBOI at FAU	(433,467)	(192,288)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>146,342</b>	<b>(217,783)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	19,759,263	36,286,723
Purchases of investments	(19,587,629)	(35,377,507)
Purchase of property and equipment	(3,147)	(39,691)
<b>Net Cash Provided by Investing Activities</b>	<b>168,487</b>	<b>869,525</b>
<b>Cash Flows from Financing activities</b>		
Borrowings - SBA Paycheck Protection Program Loan	-	41,500
<b>Net Increase in Cash and Cash Equivalents</b>	<b>314,829</b>	<b>693,242</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>6,162,475</b>	<b>5,469,233</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 6,477,304</b>	<b>\$ 6,162,475</b>

*See accompanying notes to financial statements.*

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Statement of Functional Expenses**

*Year ended June 30, 2021*

	Program Services				Supporting Services			Total
	Research	Marine and Ocean Science	Administration	General	Fundraising	Supporting Services	Total	
Discretionary grants to HBOI at FAU	\$ 1,567,005	\$ -	\$ -	\$ -	\$ -	-	-	\$ 1,567,005
Specialty license plate grants to HBOI at FAU	1,978,273	-	-	-	-	-	-	1,978,273
Specialty license plate distributions to others	43,847	-	-	-	-	-	-	43,847
Administrative fee to HBOI at FAU	92,419	-	-	-	-	-	-	92,419
Professional services	65,959	-	817,071	-	-	817,071	-	883,030
Salaries and related expenses	49,241	-	51,484	-	1,666	53,150	-	102,391
Marketing	276,194	-	-	-	-	-	-	276,194
Insurance	39,398	-	41,193	-	1,333	42,526	-	81,924
Promotion and printing	53,696	-	375	-	1,126	1,501	-	55,197
Travel	2,355	-	1,884	-	475	2,359	-	4,714
Equipment	266	-	2,130	-	266	2,396	-	2,662
Taxes	-	-	3,497	-	-	3,497	-	3,497
Materials and supplies	280	-	2,240	-	280	2,520	-	2,800
Computer and website	7,631	-	1,090	-	2,180	3,270	-	10,901
Dues and subscriptions	-	-	475	-	119	594	-	594
Rent and utilities	37,953	-	39,682	-	1,284	40,966	-	78,919
Depreciation	4,575	-	4,784	-	155	4,939	-	9,514
Miscellaneous	548	-	2,060	-	274	2,334	-	2,882
Postage and freight	-	-	218	-	510	728	-	728
<b>Total</b>	<b>\$ 4,219,640</b>	<b>\$ -</b>	<b>\$ 968,183</b>	<b>\$ -</b>	<b>\$ 9,668</b>	<b>\$ 977,851</b>	<b>\$ -</b>	<b>\$ 5,197,491</b>

*See accompanying notes to financial statements.*

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Statement of Functional Expenses**

Year ended June 30, 2020

	Program Services				Supporting Services			Total
	Research	Marine and Ocean Science	Administration	General	Fundraising	Supporting Services	Total	
Discretionary grants to HBOI at FAU	\$ 1,974,241	\$ -	\$ -	\$ -	\$ -	-	-	1,974,241
Specialty license plate grants to HBOI at FAU	1,783,826	-	-	-	-	-	-	1,783,826
Specialty license plate distributions to others	5,000	-	-	-	-	-	-	5,000
Administrative fee to HBOI at FAU	92,705	-	-	-	-	-	-	92,705
Professional services	56,721	-	569,914	-	-	569,914	-	626,635
Salaries and related expenses	172,140	-	187,381	-	14,130	201,511	-	373,651
Marketing	259,303	-	-	-	-	-	-	259,303
Insurance	31,479	-	34,268	-	2,584	36,852	-	68,331
Promotion and printing	2,047	-	2,047	-	6,142	8,189	-	10,236
Travel	5,665	-	4,532	-	1,133	5,665	-	11,330
Equipment	356	-	2,844	-	356	3,200	-	3,556
Taxes	-	-	4,851	-	-	4,851	-	4,851
Materials and supplies	664	-	5,313	-	664	5,977	-	6,641
Computer and website	9,959	-	1,423	-	2,845	4,268	-	14,227
Dues and subscriptions	-	-	4,361	-	1,090	5,451	-	5,451
Rent and utilities	29,443	-	32,050	-	2,417	34,467	-	63,910
Depreciation	3,947	-	4,297	-	324	4,621	-	8,568
Miscellaneous	1,118	-	3,917	-	559	4,476	-	5,594
Other expenses	-	-	1,028	-	2,398	3,426	-	3,426
<b>Total</b>	<b>\$ 4,428,614</b>	<b>\$ -</b>	<b>\$ 858,226</b>	<b>\$ -</b>	<b>\$ 34,642</b>	<b>\$ 892,868</b>	<b>\$ -</b>	<b>\$ 5,321,482</b>

See accompanying notes to financial statements.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### 1. Nature of Organization and Summary of Significant Accounting Policies

#### *Organization*

Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) is a nonprofit corporation organized and operated for the benefit of Harbor Branch Oceanographic Institute (HBOI) at Florida Atlantic University (FAU), which is a component unit of the State of Florida. The Foundation functions as a direct-support organization of FAU and is a component unit (for accounting purposes only) of FAU.

Effective December 31, 2007, in connection with the transfer of its operations and certain assets to FAU under a Memorandum of Understanding (MOU), the Foundation changed its name to Harbor Branch Oceanographic Institution Foundation, Inc. and on August 30, 2010 to Harbor Branch Oceanographic Institute Foundation, Inc. The Foundation retained certain parcels of real property, its endowment fund (see Note 4), and certain other assets and remains a separate tax-exempt charitable organization. The operations and assets were transferred to FAU to provide for the creation of a research institute to be known as Harbor Branch Oceanographic Institute at FAU (HBOI at FAU).

#### *Basis of Accounting*

The financial statements of the Foundation are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Liquidity*

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

#### *Cash and Cash Equivalents*

The Foundation considers cash and all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

#### *Contributions Receivable*

Contributions receivable represent unconditional promises to give and are recorded on the date the contribution is received. The Foundation considers these amounts to be fully collectible and therefore has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged to operations if and when that determination is made. Contributions to be received

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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in future periods greater than one year are generally discounted to their net present value in the year the contribution is made. There are no such contributions as of June 30, 2021 and 2020.

### *Investments and Investment Income*

Investments are recorded at their estimated fair value. Donated investments are recorded at fair value on the date of donation. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the accompanying statements of activities and is shown net of investment management fees.

The Foundation's investment objective is to earn the highest possible total return (capital appreciation and income return) consistent with prudent levels of risk. In terms of relative risk, the volatility of the portfolio should be in line with general market conditions. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund an annual spending policy of up to 4.5% effective April 30, 2020 and 5% prior to that date, based on a three-year rolling average of the market value.

Based on the Foundation's return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted. The Foundation recognizes the strategic importance of asset allocation and style diversification in the investment performance of the assets over long periods of time. Mutual funds in the form of domestic and international equities both large and small capitalization, and fixed income as well as alternative investments in the form of hedge funds have been determined to be acceptable vehicles for investments. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

### *Property and Equipment, Net*

Property and equipment are stated at cost less accumulated depreciation. Donated property and equipment is recorded at fair value at the date of donation. When assets are retired or otherwise disposed of, the asset's cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided for property and equipment using the straight-line method based on estimated useful lives.

### *Impairment of Long-Lived Assets*

The Foundation reviews its long-lived assets, such as property and equipment and land held for investment (included in investments), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the discounted cash flows. There was no impairment of long-lived assets during the years ended June 30, 2021 or 2020.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### *Accounting Pronouncement Adopted*

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). The standard assisted in the determination of the nature of contributions made by resource providers and governs the expense recognition methodology and timing of when the expenditure should be recognized. ASU 2018-08 was effective for contributions made by the Foundation beginning on July 1, 2020 and was adopted using the prospective approach. Under previous guidance, grants made to third parties were recorded as expense when paid. Under the clarified guidance, such transactions must be examined to determine whether the transactions qualify as unconditional or conditional contributions made. For grants made that are considered unconditional in nature, the Foundation records the grant expense when it notifies the grantee of the contribution. Grants made to the grantee that are conditional in nature are not recorded as expenses until the related conditions are satisfied. There was no material change to grant expense recognition as a result of the adoption of ASU 2018-08.

### *Due to HBOI at FAU*

Amount due to HBOI at FAU includes discretionary and research funding grants payable to HBOI at FAU for expenditures that met certain conditions during the year. Discretionary grants are approved by the Foundation's Board of Directors to help fund certain new faculty, provide faculty incentives, salary support, research projects, fellowships, and certain operational supports. Amounts due to HBOI at FAU related to discretionary grants at June 30, 2021 and 2020 were \$306,589 and \$762,544, respectively.

HBOI at FAU is the primary research grantee of the specialty license plate program (SLP). As of June 30, 2021 and 2020, amounts due to HBOI at FAU related to this program were \$495,631 and \$490,775, respectively.

In addition, during 2018, the Foundation received \$109,422 of a pass-through grant in which the donor specified HBOI at FAU as the beneficiary. The Foundation accounts for this as an agency transaction and is, therefore, not reflected as revenue or expense in the accompanying statements of activities. The grant is conditional upon the quarterly submission of required deliverables. During 2020, certain of the conditions of the grant had been met and the Foundation remitted \$84,240 to HBOI at FAU. No funds were remitted during 2021 as no conditions of the grant were met. As of both June 30, 2021 and 2020, \$5,052 was included in the amount due to FAU.

### *Net Assets*

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions represents funds that are available without restriction for carrying out the Foundation's objectives and funds that have been designated by the Board.

#### *Net Assets with Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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as net assets released from restrictions. If a restricted contribution is fulfilled in the same year in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Amounts received that are to be maintained by the Foundation in perpetuity are reported as contributions with donor restrictions.

### ***Contribution Revenue***

The Foundation recognizes contributions when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give—that is those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. The Foundation did not have any conditional contributions as of June 30, 2021 or 2020.

Contributions of assets other than cash are recorded at fair market value at the date of donation. All contributions are available for unrestricted use unless specifically restricted by the donor.

### ***Functional Allocation of Expenses***

The accompanying financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of each employee's time spent relative to each function. All other costs are allocated based on total payroll allocations.

### ***Income Taxes***

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. The Foundation did not realize or report any unrelated business income that would be subject to federal or state income taxes.

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statements of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Foundation's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

### ***Fair Value of Financial Instruments***

The Foundation reports its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).



# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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The three levels of the fair value hierarchy are described below:

*Level 1* - This level consists of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2* - This level consists of inputs other than quoted prices included within Level 2 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* - This level consists of inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, contributions receivable, accounts payable and accrued expenses, and due to HBOI at FAU.

The Foundation's Level 1 financial assets consist of investments as identified in Note 2 and are valued based on quoted market prices. These investments are valued on a daily basis in an active market.

There are no Level 2 or 3 financial instruments.

### ***Recent Accounting Pronouncements Not Yet Adopted***

#### *Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)*, and *Leases (Topic 842)*:

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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*Effective Dates for Certain Entities* to elect to postpone adoption until fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

### *Credit Losses*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as pledges, trade, and certain other receivables, as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, and loans and receivables between entities under common control. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption may be selected for fiscal years beginning after December 15, 2018. The Foundation must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is currently evaluating the impact of this ASU on its financial statements.

### *Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends guidance for nonprofit entities that receive contributed nonfinancial assets. The update requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. Management is currently evaluating the effect the update will have on its financial statements.

## 2. Investments

Investments is comprised of the following:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Cash equivalents	\$ 31,671	\$ 502,731
Land held for investment	691,553	691,553
<b>Level 1 Investments</b>		
Fixed-income mutual funds:		
Short-term	15,077,067	3,697,240
Long-term	1,853,737	15,914,428
Equity mutual funds:		
Domestic large-cap	75,320,541	54,432,465
International	3,244,542	-
<b>Total Level 1 Investments</b>	<b>95,495,887</b>	<b>74,044,133</b>
<b>Total Investments</b>	<b>\$ 96,219,111</b>	<b>\$ 75,238,417</b>

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

Investment income, net is comprised of the following:

<i>Year ended June 30,</i>	2021	2020
Interest and dividends	\$ 2,801,491	\$ 2,411,972
Net realized/unrealized gain (loss)	21,152,328	(363,861)
Investment fees	(79,000)	(74,195)
	<b>\$ 23,874,819</b>	<b>\$ 1,973,916</b>

Cash equivalents refer to cash holdings in the Investment Portfolio, per the investment policy. Cash equivalents held in the investment account represent investments in a Bank Deposit Program account. The funds held in the Bank Deposit Program represents proceeds from investment sales that have not been reinvested. The investment policy allows for investments in highly liquid securities as part of its investment objectives. The cash equivalents held in the investment account will not be used for operations and are presented separately from cash and cash equivalents in the accompanying statements of financial position.

Cash and cash equivalents presented in the accompanying statement of financial position as of June 30, 2021 refer to cash on handheld in SLP Money Market Accounts per specialty license plate (Protect Wild Dolphins - \$2,306,055; Protect Florida Whales - \$879,766; Aquaculture - \$758,142; Save Our Seas - \$1,876,073) and in bank accounts (PNC-Operating - \$87,663; Wells Fargo-SLP - \$468,225; Merrill Lynch - \$100,880) and petty cash of \$500.

Cash and cash equivalents presented in the accompanying statement of financial position as of June 30, 2020 refer to cash on handheld in SLP Money Market Accounts per specialty license plate (Protect Wild Dolphins - \$2,230,845; Protect Florida Whales - \$879,810; Aquaculture - \$755,041; Save Our Seas - \$1,862,486) and in bank accounts (PNC-Operating - \$150,859; Wells Fargo-SLP - \$182,105; Merrill Lynch - \$100,829) and petty cash of \$500.

### 3. Property and Equipment

Property and equipment are comprised of the following:

<i>June 30,</i>	2021	2020	Useful Life (Years)
Buildings and building improvements	\$ 50,375	\$ 50,375	10-40
Furniture and equipment	50,736	47,589	7
Software	23,699	23,699	15
Land improvements	250,445	250,445	5-50
	<b>375,255</b>	<b>372,108</b>	
Less: accumulated depreciation	<b>(306,926)</b>	<b>(297,412)</b>	
<b>Property and Equipment, Net</b>	<b>\$ 68,329</b>	<b>\$ 74,696</b>	

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### 4. Net Assets with Donor Restrictions and Releases from Restrictions

Net assets with donor restrictions are available as follows:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Seward Johnson Trust Fund for Oceanography	\$ 6,160,275	\$ 4,785,558
Specialty License Plate Program	5,712,368	5,429,050
2019 Indian River Lagoon Graduate Research Fellows Program	312,188	229,300
	<b>\$ 12,184,831</b>	<b>\$ 10,443,908</b>

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Net assets were released from restrictions from the following sources:

<i>Year ended June 30,</i>	<b>2021</b>	<b>2020</b>
J. Seward Johnson, Sr. Charitable Trust termination releases	\$ -	\$ 69,762,799
J. Seward Johnson, Sr. Charitable Trust Endowment Fund	-	2,878,245
Seward Johnson Trust Fund for Oceanography	162,975	123,246
	<b>\$ 162,975</b>	<b>\$ 72,764,290</b>

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#### *Seward Johnson Funds*

The J. Seward Johnson, Sr. Charitable Trust Endowment Fund (the Fund) was a donor-restricted term endowment fund established in 1994. The primary objective of the Fund was to provide a long-term flow of income to the Foundation. Accordingly, contributions to the Fund were recorded as with donor restrictions. The Foundation's annual expenditures from the Fund were limited to 5% of the annual average fair market value of the Fund and recorded as net assets released from restrictions in the accompanying statements of activities. The investment income, including gains, losses, dividends, and interest earned on the balance of the Fund, was included in the accompanying statements of activities as with donor restrictions. The Fund terminated on June 30, 2020, at which time it converted to a board-designated endowment fund held by the Foundation for its exclusive long-term use, benefit, or purposes. Accordingly, the remaining balance in the Fund, after activity recorded during fiscal 2020, was recorded as net assets released from restrictions in the accompanying statements of activities.

The Seward Johnson Trust Fund for Oceanography (the SJ Fund) is a donor-restricted fund and is not an endowment fund. The primary objective of the SJ Fund is to operate and maintain the Johnson-Sea-Link submersibles. The secondary objective of the SJ Fund is to support underwater oceanography and for other oceanographic purposes. The investment income, including gains, losses, dividends, and interest, earned on the balance of the SJ Fund is included in the accompanying statements of activities as with donor restrictions. Under certain circumstances, the principal of the SJ Fund may be used at the discretion of the Foundation.

The Foundation has an annual spending policy of up to 4.5%, effective April 30, 2020, and 5% prior to that date based on a three-year rolling average of the market value of the endowment funds, including the board-designated endowment fund.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

Changes in the Foundation's endowment funds are as follows:

	Board-Designated Endowment Fund	J. Seward Johnson, Sr. Charitable Trust Endowment Fund
<b>Endowment Net Assets, June 30, 2019</b>	\$ -	\$ 70,724,410
Interest and dividends	-	2,257,138
Net realized loss on investments	-	(844,050)
Net unrealized gain on investments	-	503,546
Distributions	-	(2,878,245)
Released upon termination of the Fund	69,762,799	(69,762,799)
<b>Endowment Net Assets, June 30, 2020</b>	69,762,799	-
Interest and dividends	2,621,652	-
Net realized gain on investments	3,508,691	-
Net unrealized gain on investments	16,285,784	-
Distributions	(2,508,142)	-
<b>Endowment Net Assets, June 30, 2021</b>	\$ 89,670,784	\$ -

The Foundation follows the State of Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA), which establishes law for the management and investment of board-designated and donor-restricted endowment funds. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of any subsequent gifts to donor-restricted endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund.

UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Foundation must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policy of the Foundation.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### 5. Retirement Plan

The Foundation established a 401(k) Profit Sharing Plan and Trust (the Plan), effective January 1, 2012. During fiscal year 2019, the Plan was changed to a Safe Harbor 401(k) plan. Employees must be 21 years of age to participate and become eligible immediately upon employment. The Plan provides for up to a 4% dollar for dollar match on employee contributions and 100% vesting on employer matching contributions after three years of service. Total employer contributions to the Plan for the years ended June 30, 2021 and 2020, were \$6,968 and \$15,266, respectively, and are included in salaries and related expenses in the accompanying statements of functional expenses.

### 6. Financial Assets and Liquidity Resources

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

<i>June 30,</i>	2021	2020
Cash and cash equivalents	\$ 48,828	\$ 48,828
Investments	3,525,952	3,346,721
Contributions receivable	-	113,510
<b>Total Financial Assets Available to Management for General Expenditure Within One Year</b>	<b>\$ 3,574,780</b>	<b>\$ 3,509,059</b>

The assets of the Foundation's investment portfolio are invested according to the Foundation's adopted investment policies and using the services of an outside investment consultant. The Foundation's investment policy statement has an annual spending rate from its investments of up to 4.5%, effective April 30, 2020, and 5.0% prior to that of the prior three year rolling average market value. This annual spending rate was approved by the Foundation's Board of Directors and can be modified as considered necessary through a board resolution. The estimated annual spend amount is shown as investments available for general expenditure. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements through the asset allocation within the investment portfolio.

### 7. Concentrations of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include accounts placed with federally insured financial institutions. While such accounts may at times exceed federally insured limits, the Foundation has policies in place to move excess as soon as possible and has not experienced any losses on such accounts.

The Foundation has significant investments in mutual funds that are also subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored for the Foundation by an investment consultant with input by the Foundation's Finance Committee. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### 8. Commitments and Contingencies

#### *Specialty License Plates*

Under Florida statute, the purpose of the specialty license plate program is to raise funds for a particular cause and on behalf of a legislatively dictated organization. Each specialty license plate requires an annual use fee which is a volunteer purchase. The specialty license plates administered by the Foundation are: Aquaculture, Protect Wild Dolphins, Protect Florida Whales, and Save Our Seas. HBOI at FAU is the primary research sub-recipient of the Foundation. The Foundation also stewards a state-allowed marketing budget and directly oversees marketing responsibilities for the plates.

The Foundation is subject to audit examination by the State of Florida to determine compliance with requirements in connection with the specialty license plate funds. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that expenditures that would be disallowed, if any, would not have a material adverse impact on the Foundation.

#### *Litigation - The Foundation v. FAU*

At a special board meeting held March 30, 2017, the Board of Directors of the Foundation resolved that its officers were authorized to direct independent legal counsel to file a complaint for declaratory relief seeking assistance from the court to determine that certain actions and demands by FAU were an inappropriate exercise of its rights under the December 2007 MOU between the two parties and that FAU had anticipatorily breached its contractual obligations to the Foundation. Following the adoption of Resolution 2017-1 at that meeting, a complaint was filed by the Foundation in the Circuit Court of the Nineteenth Judicial Circuit in and for St. Lucie County, Florida.

In September 2017, the original judge assigned to the case recused himself due to possible conflicts of interest. In-person mediation was held December 20, 2017, followed by continued negotiations between the parties through the mediator. The case did not settle, and the mediator declared an impasse.

In September 2018, FAU filed a motion for partial summary judgment, in which FAU requests a legal ruling in advance of trial that FAU has the right to control the Foundation's budget. The Foundation opposed FAU's motion, arguing that FAU had no such right under the terms of the MOU. The Court scheduled a hearing on FAU's motion for summary judgment for December 6, 2018. At that hearing, the second assigned judge recused himself due to possible conflicts of interest.

In April 2019, the Foundation was notified the assigned judge was being appointed Chief Judge, and therefore rotating off the case, effective July 1, 2019.

In May 2019, the Foundation broadened the initial complaint to add Count II to include a claim that FAU had committed an anticipatory breach of its obligations under the MOU entered into in December 2007.

In June 2019, FAU filed a motion to dismiss Count II of the Foundation's Amended Complaint. The hearing regarding FAU's motion to dismiss was held on September 25, 2019. The Court denied the motion with respect to FAU's argument that the Foundation failed to state a claim for breach of the

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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MOU as a matter of law. The Court granted the motion, in part, to require the Foundation to provide additional factual allegations to support its claim.

On August 22, 2020, the Court denied FAU's motion for partial summary judgment on its counterclaim. More specifically, the Court declined to hold that FAU has the power to control Foundation's budget as a matter of law. On June 10, 2021, the Court held a hearing on the parties' multiple cross-motions for summary judgment.

Subsequent to June 30, 2021, the Court entered a series of three orders that denied FAU's motions for summary judgment and ruled in favor of the Foundation on some of the legal issues raised in the Foundation's motions. As such, litigation continues as of the date of this report, and the parties began taking the numerous depositions needed in advance of trial and are engaging in the discovery process. The case is set for a one-week non-jury trial expected to begin on November 8, 2021. At this stage in the proceedings, it is too early to evaluate the probability of an unfavorable outcome or to estimate the range of possible loss, if any.

### ***Environmental Contingencies***

In 1997, the then Harbor Branch Oceanographic Institution, along with other potentially responsible parties, organized a Florida Petroleum Reprocessors (FPR) Superfund Site PRP Group (the Group) for the purpose of addressing environmental response costs in connection with a used oil recycling facility located in Broward County, Florida. The Group agreed to share expenses on a pro-rata basis associated with resolving alleged liability and to fund remedial design/remedial action as may be needed. The Foundation's pro-rata share of future costs is currently expected to be around 1.7% of clean-up costs, including, without limitation, fees and costs incurred. In 2016, the Group projected it has raised enough funds to pay for implementation of remedy. When FAU obtained Harbor Branch Oceanographic Institute assets in 2007, the Foundation agreed to retain responsibility for participation in the Group. To date, the Foundation has satisfied its financial obligations to the Group for work already completed or underway at the site. Management does not believe that the outcome of such claims and any related legal action will have a material adverse effect on the financial position, results of activities or cash flows of the Foundation.

The Group received a status report in August 2020. Periodic sampling of groundwater is the main component of the monitored natural attenuation remedy for the FPR site. Under the approved protocol with the United States Environmental Protection Agency (EPA), the Group is required to conduct groundwater sampling, both on and off site, every three years.

In the status report, \$490,000 was reported in the Group's escrow account; there are unknown FPR oversight costs for which EPA will bill at some point, but it was reported that these appeared to be adequate funds for the foreseeable future. The Foundation estimates its potential additional liability at \$17,000 (1.7% of a possible \$1,000,000 for the Group), which is not reflected in the accompanying financial statements as it is not considered material and the final amount is unknown at the date of this report.

### ***General Legal***

The Foundation may be subject to claims and legal proceedings which arise in the ordinary course of business. Management does not believe that the outcome of such claims and any related legal action will have a material adverse effect on the financial position, results of activities, or cash flows of the Foundation.



# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Financial Statements

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### *Research*

The Foundation has committed finite grants subject to specified terms to help fund the addition of certain new faculty, provide faculty incentives, provide salary support, research projects, fellowships, and certain operational support to HBOI at FAU. The total expected commitment as of June 30, 2021 is \$2,112,888. This funding is conditional upon the recipient performing specified activities. These grant commitments have not been reflected in the accompanying financial statements since the conditions for performance have not been met.

### **9. Related Party Transactions**

The law firm of a non-voting board member of the Foundation provides legal services to the Foundation. Payments to the law firm for the years ended June 30, 2021 and 2020 were \$60,518 and \$59,367, respectively.

### **10. Subsequent Events**

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2021 as of October 22, 2021, the date the financial statements were available to be issued. Subsequent events occurring after October 22, 2021 have not been evaluated by management. No material events have occurred since June 30, 2021, except for the event noted in Note 8.

## Supplementary Information

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**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Schedule of Specialty License Plate Revenue and Expenses**

Year ended June 30, 2021

Plate	Total Revenue by Plate	Expenses						Total Expenses by Plate
		HBOI at FAU Research Grants	Grants to Other Programs	4% HBOI at FAU Admin Fee	3% Foundation Admin Fee	Marketing Expense		
Protect Wild Dolphins	\$ 1,075,525	\$ 563,196	\$ 30,667	\$ 36,379	\$ 32,266	\$ 107,552	\$ 770,060	
Protect Florida Whales	385,328	281,217	8,180	12,812	12,844	38,533	353,586	
Aquaculture	318,552	318,456	5,000	10,534	10,618	31,855	376,463	
Save Our Seas	982,545	815,404	-	32,694	32,752	98,254	979,104	
	\$ 2,761,950	\$ 1,978,273	\$ 43,847	\$ 92,419	\$ 88,480	\$ 276,194	\$ 2,479,213	

See accompanying note to schedule of specialty license plate revenue and expenses.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Note to Schedule of Specialty License Plate Revenue and Expenses

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### 1. Note to Schedule

Under Florida Statute (Title XXIII Motor Vehicles, Chapter 320, Motor Vehicle Licenses) the annual use fees generated by the four specialty license plates shall be distributed to the Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation), to be used as follows:

#### *Protect Wild Dolphins*

- Up to 15% of the funds received by the Foundation, may be expended for administrative costs directly associated with the operations of the institution.
- Up to 10% of the funds distributed may be used by the Foundation, for continuing promotion and marketing of the license plate.
- The remainder of the funds must be used to collect, analyze, and archive scientific data regarding the wild dolphin population in Florida waters; provide care and assistance to stranded wild dolphins; distribute information to the scientific community, federal, state, and local government agencies, educational institutions, and the public for the purpose of protecting and preserving wild dolphins; individually identify wild dolphins through a photographic identification program; and advance the research technology associated with tracking and categorizing wild dolphins.

#### *Protect Florida Whales*

- 10% of the funds shall be distributed to the Wyland Foundation, Inc. and used specifically to conduct educational programs in this state that promote conservation of Florida marine mammals. These distributions were not included in specialty license plate revenues and expenses since the Foundation acts as an agent of the funds and has no discretion over the amount to be distributed.
- Up to 15% of the funds received by the Foundation may be used for administrative costs directly associated with the Harbor Branch Oceanographic Institution's Marine Mammal Research and Conservation program and this specialty license plate funding.
- Up to 10% of the funds may be used by the Foundation for continuing promotion and marketing of the license plate.
- The remainder of the funds shall be used to collect, analyze, and archive scientific data regarding whale populations that inhabit, utilize, or migrate in state waters; provide care and assistance to stranded whales; construct and maintain a Harbor-Branch-based teaching marine mammal hospital; train veterinary students in the rescue, medical and rehabilitation treatment, and release and post-release monitoring of stranded whales; distribute information for the purpose of protecting and preserving whales; identify whale populations; conduct scientific research through genetic, telemetry, bio acoustical, and photographic identification research programs; advance the research technology associated with tracking, monitoring, and categorizing whales; develop methods of monitoring whale movements; and provide for methods of early-warning detection systems and advance notification that will help prevent accidental boat strikes in state waters.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Note to Schedule of Specialty License Plate Revenue and Expenses

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### *Aquaculture*

- 10% of the funds shall be distributed to the Guy Harvey Research Institute of the Nova Southeastern University Oceanographic Center to conduct outreach and education regarding aquaculture in the state. These distributions were not included in specialty license plate revenues and expenses since the Foundation acts as an agent of the funds and has no discretion over the amount to be distributed.
- Up to 15% of the funds may be used for administrative costs directly associated with the Foundation's aquaculture programs and administrative costs associated with the Aquaculture license plate.
- Up to 10% of the funds may be used by the Foundation for continuing promotion and marketing of the license plate.
- The remaining funds shall be used to conduct scientific research on environmentally responsible and sustainable methods of farming freshwater and saltwater organisms, such as fish, shellfish, and crustaceans, for food; biomedical species for pharmaceutical and nutraceutical compounds; and marine ornamentals for the aquarium trade. These funds shall also be used to expand the institution's educational programs that include secondary school field experiences, college degree programs, and intensive courses in order to further the objective of increasing aquaculture's contribution to the state's economy.

### *Save Our Seas*

- 10% of the funds shall be distributed to the Guy Harvey Research Institute of the Nova Southeastern University Oceanographic Center to conduct fisheries and shark research in the state. These distributions were not included in specialty license plate revenues and expenses since the Foundation acts as an agent of the funds and has no discretion over the amount to be distributed.
- Up to 15% of the funds may be used for administrative costs directly associated with the institution.
- Up to 10% of the funds may be used for continuing promotion and marketing of the license plate.
- The remaining funds shall be used to conduct scientific research and education on marine plants and animals and coastal oceanography in state marine waters; to collect and analyze long-term data sets on the state's critical marine habitats; to determine changes in populations and communities of marine organisms and their impacts on the use of the state's marine resources; to maintain reference collections of scientific specimens and photographic archives of the state's marine plants and animals; and to conduct scientific conferences of relevance to the state's marine resources and their management, utilization, and conservation.

**Reports Required by *Government Auditing Standards*  
and Florida Single Audit Act**

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## **Independent Auditor's 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***

The Board of Directors  
Harbor Branch Oceanographic Institute Foundation, Inc.  
Fort Pierce, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2021.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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



### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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

*BDO USA LLP*

Certified Public Accountants  
October 22, 2021





## **Independent Auditor’s Report on Compliance for each of the Major State Projects and Report on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Auditor General**

The Board of Directors  
Harbor Branch Oceanographic Institute Foundation, Inc.  
Fort Pierce, Florida

### **Report on Compliance**

#### ***Opinion on Compliance for Each Major State Project***

We have audited Harbor Branch Oceanographic Institute Foundation, Inc.’s (the Foundation) compliance with the types of compliance requirements described in the State of Florida’s Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the Foundation’s major state projects for the year ended June 30, 2021. The Foundation’s major state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2021.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of State of Florida, Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Foundation’s compliance with the types of compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation’s state projects.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and State of Florida, Chapter 10.650, *Rules of the Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the state projects as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and State of Florida, Chapter 10.650, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Florida, Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with State of Florida, Chapter 10.650, *Rules of the Auditor General* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major state project is not modified with respect to these matters.



*Government Auditing Standards* and State of Florida, Chapter 10.650, *Rules of the Auditor General* require the auditor to perform limited procedures on the Foundation's response, described in the accompanying schedule of findings and questioned costs, to the noncompliance finding identified in our compliance audit. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Foundation is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. The Foundation's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Florida, Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*BDO USA LLP*

Certified Public Accountants  
October 22, 2021

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Schedule of Expenditures of State Financial Assistance

*Year ended June 30, 2021*

State Agency/State Project	State CSFA Number	Total Expenditures	Provided to Legislatively Required Sub-Recipients and SLP Grantees
<b>Florida Department of Highway Safety and Motor Vehicles</b>			
Protect Wild Dolphins License Plate Project	76.011	\$ 773,931	\$ 634,113
Protect Florida Whales License Plate Project	76.072	396,401	345,024
Florida Aquaculture License Plate Project	76.080	411,858	369,385
Save Our Seas License Plate Project	76.085	1,088,276	957,270
<b>Total Expenditures of State Financial Assistance</b>		<b>\$ 2,670,466</b>	<b>\$ 2,305,792</b>

*See accompanying notes to schedule of expenditures of state financial assistance.*

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Notes to Schedule of Expenditures of State Financial Assistance

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### 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state project activity of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Rules of the Florida Department of Financial Services, Chapter 69I-5, Florida Administrative Code. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Section 215.97, *Florida Statutes*, wherein certain types of expenditures are not allowable.

# Harbor Branch Oceanographic Institute Foundation, Inc.

## Schedule of Findings and Questioned Costs - State Financial Assistance

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### Section 1. Summary of Auditor's Results

#### *Financial Statements*

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes       No
- Significant deficiency(ies) identified?  Yes       None reported
- Noncompliance material to financial statements noted?  Yes       No

#### *State Projects*

Internal control over major state programs:

- Material weakness(es) identified?  Yes       No
- Significant deficiency(ies) identified?  Yes       None reported

Type of auditor's report issued on compliance for major state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656?

Yes       No

Identification of major state programs:

Florida Department of Highway Safety and Motor Vehicles:

State CSFA Number	Name of State Program or Cluster
76.011	Protect Wild Dolphins License Plate Project
76.085	Save Our Seas License Plate Project

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes       No

### Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

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**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Schedule of Findings and Questioned Costs - State Financial Assistance**

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**Section 3. Findings and Questioned Costs - Major State Projects**

**Finding Number: 2021-001 Subrecipient Administrative Costs**

*Identification of the State Programs:*

State of Florida Department of Florida Highway Safety and Motor Vehicles  
CSFA Number: 76.011  
CSFA Name: Protect Wild Dolphins

*Criteria:* Administrative costs of subrecipients are unallowable expenses per Sections 320.08056(10)(a) and 320.08058(19)(b) of the 2021 Florida Statutes.

*Condition:* The Foundation reimbursed its subrecipient for certain administrative costs during the year ended June 30, 2021.

*Cause:* Foundation management misinterpreted the Sections 320.08056(10)(a) and 320.08058(19)(b) of the 2021 Florida Statutes and considered administrative costs of its subrecipient to be allowable in nature, as is the case for its other specialty license plate programs.

*Effect:* The Foundation charged unallowable costs to this program, which could result in a request for return of these funds to the funding agency.

*Questioned Costs:* These administrative costs amounted to \$36,379.

*Context:* Based upon testing of expenditures of the Foundation to its subrecipient, it was noted that these administrative costs were reimbursed.

*Recommendation:* The Foundation should no longer reimburse its subrecipient for administrative costs related to this program.

*Views of Responsible Officials:* Management agrees with this finding.

**Section 4. Other Issues**

No management letter is required because there were no findings required to be reported in the management letter.

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.