

**AUDIT AND FINANCE COMMITTEE**  
Tuesday, February 24, 2015

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION, INC. FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013.**

---

**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 periods ending June 30, 2014 and 2013 were presented to the HBOIF Board of Directors on November 13, 2014.

**IMPLEMENTATION PLAN/DATE**

Not applicable.

**FISCAL IMPLICATIONS**

Not applicable.

---

**Supporting Documentation:** HBOIF Consolidated Financial Statements for the Fiscal Years Ended June 30, 2014 and 2013.

**Presented by:**

Ms. Dorothy Russell, Vice President for Financial Affairs and CFO  
Dr. Megan Davis, Interim Executive Director, HBOIF

**Phone:** 561-297-3267

**Phone:** 772-242-2298

**HARBOR BRANCH OCEANOGRAPHIC  
INSTITUTE FOUNDATION, INC.**

**ANNUAL FINANCIAL REPORTS**

June 30, 2014 and 2013

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

**Annual Financial Report**

Fiscal Years Ended June 30, 2014 and 2013

**TABLE OF CONTENTS**

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7-19
COMPLIANCE SECTION	
Schedule of State Projects	20
Notes to Schedule of State Projects	21
Schedule of Findings and Questioned Costs	22-23
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major State Project and on Internal Control Over Compliance in Accordance with the State of Florida's Chapter 10.650, Rules of the Auditor General	26-28



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

**Report of Independent Auditors**

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

***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation), a nonprofit Foundation, as of June 30, 2014 and 2013 and the related statements of activities, cash flows and functional expenses for the years then ended.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Fort Pierce / Stuart



To the Board of Directors  
Harbor Branch Oceanographic Institute Foundation, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harbor Branch Oceanographic Institute Foundation, Inc. as of June 30, 2014 and 2013, and the activities, cash flows, and functional expenses for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Foundation's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of state projects is presented for purposes of additional analysis as required by the State of Florida, Chapter 10.650, Rules of the Auditor General, and is not a required part of the financial statements. The schedule of expenditures of state awards 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, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of the Foundation's internal control over financial reporting and our tests of its' compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

October 7, 2014

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 299,855	\$ 457,279
Investments	67,049,497	59,384,093
Receivables	85,149	232,267
Inventory	10,294	10,000
Prepaid expenses and other assets	32,910	39,964
Land held for sale	1,891,228	1,891,228
Land, buildings and equipment, net	<u>713,544</u>	<u>719,197</u>
 Total Assets	 <u>\$ 70,082,477</u>	 <u>\$ 62,734,028</u>
 <b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 101,842</u>	<u>\$ 273,183</u>
 <b>Net assets</b>		
Unrestricted	2,931,138	3,076,752
Temporarily restricted	<u>67,049,497</u>	<u>59,384,093</u>
Total Net Assets	<u>69,980,635</u>	<u>62,460,845</u>
 Total Liabilities and Net Assets	 <u>\$ 70,082,477</u>	 <u>\$ 62,734,028</u>

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

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2014 and 2013**

	<u>2014</u>			<u>2013</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues, gains, and other support:				
Support				
Specialty license plate contributions	\$ -	\$ 2,614,305	\$ 2,614,305	\$ 2,672,125
Fundraising, net of \$78,553 and \$46,888 direct expenses	92,386	-	92,386	59,795
Contributions	19,167	-	19,167	50,000
Total Support	<u>111,553</u>	<u>2,614,305</u>	<u>2,725,858</u>	<u>2,781,920</u>
Revenues				
Sales	11,991	-	11,991	11,987
Miscellaneous income	74,214	-	74,214	161,463
Investment income	-	9,647,015	9,647,015	7,291,218
Gain on sale of assets	1,600	-	1,600	-
Net assets released from restrictions	4,595,916	(4,595,916)	-	-
Total Revenues	<u>4,683,721</u>	<u>5,051,099</u>	<u>9,734,820</u>	<u>7,464,668</u>
Total Support and Revenues	<u>4,795,274</u>	<u>7,665,404</u>	<u>12,460,678</u>	<u>10,246,588</u>
Expenses				
Program Services				
Marine and ocean research science	4,678,993	-	4,678,993	7,099,758
Total Program Services	<u>4,678,993</u>	<u>-</u>	<u>4,678,993</u>	<u>7,099,758</u>
Supporting Services				
General administration	230,000	-	230,000	242,534
Fundraising	31,895	-	31,895	157,838
Total Supporting Services	<u>261,895</u>	<u>-</u>	<u>261,895</u>	<u>400,372</u>
Other Non-operating Expenses				
Bad debts	-	-	-	136,000
Total Expenses	<u>4,940,888</u>	<u>-</u>	<u>4,940,888</u>	<u>7,636,130</u>
Change in Net Assets	(145,614)	7,665,404	7,519,790	2,610,458
Net Assets - Beginning	<u>3,076,752</u>	<u>59,384,093</u>	<u>62,460,845</u>	<u>59,850,387</u>
Net Assets - Ending	<u>\$ 2,931,138</u>	<u>\$ 67,049,497</u>	<u>\$ 69,980,635</u>	<u>\$ 62,460,845</u>

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

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 7,519,790	\$ 2,610,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,653	4,936
Net unrealized and realized loss/(gains) on investments	(6,733,283)	(7,291,218)
Deferred tax expense (benefit)	-	165,534
Decrease (Increase) in assets:		
Receivables	147,118	94,135
Grant advances	-	4,202,450
Inventories	(294)	-
Other assets	7,054	365,470
Increase (Decrease) in liabilities:		
Accounts payable	(171,341)	102,977
Net Cash Provided by Operating Activities	<u>774,697</u>	<u>254,742</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	14,328,834	20,087,318
Purchases of investments	(15,260,955)	(20,076,240)
Net Cash Provided (Used) by Investing Activities	<u>(932,121)</u>	<u>11,078</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(157,424)	265,820
Cash and Cash Equivalents - Beginning of year	<u>457,279</u>	<u>191,459</u>
Cash and Cash Equivalents - End of year	<u>\$ 299,855</u>	<u>\$ 457,279</u>
Supplemental disclosures of cash flow information		
Cash payments for interest	<u>\$ -</u>	<u>\$ 471</u>

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



**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014 and 2013**

	Program Services		Supporting Services			June 30, 2013 Total
	Marine and Ocean Research Science	General Administration	Fundraising	Total Supporting Services	June 30, 2014 Total	
Grants to others	\$ 4,059,534	\$ -	\$ -	\$ -	\$ 4,059,534	\$ 6,807,611
Professional services	477,299	53,033	-	53,033	530,332	284,137
Marketing	134,111	-	1,355	1,355	135,466	135,183
Salaries and related expenses	-	87,621	9,736	97,357	97,357	181,443
Insurance	-	29,345	296	29,641	29,641	26,554
Materials and supplies	-	15,585	1,732	17,317	17,317	2,184
Travel	-	13,801	-	13,801	13,801	10,786
Computer and website	8,049	1,342	4,025	5,367	13,416	570
Promotion and printing	-	3,881	9,057	12,938	12,938	8,671
Taxes	-	9,109	-	9,109	9,109	8,441
Utilities	-	6,828	-	6,828	6,828	6,396
Equipment	-	-	5,694	5,694	5,694	2,761
Depreciation	-	5,653	-	5,653	5,653	4,936
Miscellaneous	-	3,294	-	3,294	3,294	19,725
Postage and freight	-	405	-	405	405	732
Dues and subscriptions	-	103	-	103	103	-
Total	\$ 4,678,993	\$ 230,000	\$ 31,895	\$ 261,895	\$ 4,940,888	\$ 7,500,130

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

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Operation

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

Effective December 31, 2007, in connection with the transfer of its operations and certain assets to FAU, the Foundation changed its name to Harbor Branch Oceanographic Institution Foundation and on August 30, 2010 to Harbor Branch Oceanographic Institute Foundation, Inc. The Foundation retained certain parcels of real property, its endowment funds (see Note 8) and certain other assets and remains a 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

The financial statements are presented following the requirements of Accounting Standard Codification (ASC). Under ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the previous year ended from which such information was derived.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 checking accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

The Foundation has significant investments in stocks, equity and fixed income mutual funds, foreign exempted limited liability companies and hedge funds which 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. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Other Receivables

Other receivables due to the Foundation are specialty license plate monies due from the State of Florida.

Land Held for Sale

The Foundation holds certain parcels of land for sale which are valued at cost.

Inventories

Inventories consist of novelties sold within the campus gift shop. The cost of inventory is valued at lower of cost or market using the first-in, first-out method (FIFO).

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost less accumulated depreciation. Donated property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contribution is recorded as restricted. In the absence of such stipulations, contributions are recorded as unrestricted. 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 in the period. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided for property, plant 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, plant and equipment, 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 fair value of the asset.

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increase those net asset classes. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction. It is the Foundation's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted net assets.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

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 a spending policy of up to five percent (5%) annually.

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. Domestic and international equities both large and small capitalization, fixed income, cash equivalent securities and alternative investments in the form of hedge funds have been determined to be acceptable vehicles for assets. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

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 Income Tax Code.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

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

Fair Value of Financial Measurements

The Foundation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as required by ASC. 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).

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

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – 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 – 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 as of June 30, 2014. 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, receivables, accounts payable and accrued expenses and amounts due to FAU. The fair values of the Foundation's notes receivable and payable are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value of Financial Measurements (Continued)

The Foundation's Level 1 financial assets consist of cash equivalents and investments as identified in Note 3 and are valued based on quoted market prices. These investments are valued on a daily basis in an active market.

The fair value of the Foundation's Level 2 and Level 3 investments is estimated using information provided to the Foundation by the investment managers, given the absence of market quotations. The values are based on estimates that require varying degrees of judgment and are determined based on net asset values ("NAV") of the investment as supplied by the investment managers of the underlying funds.

Reclassifications

Certain reclassifications have been made to the prior years' comparative financial statement totals to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

As of June 30, 2014, the Foundation had \$299,855 on deposit, of which, \$49,855 was not insured by the Federal Deposit Insurance Corporation. As of June 30, 2013, the Foundation had \$457,279 on deposit, of which, \$167,900 was not insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 3 – INVESTMENTS**

The fair value of investments includes the following:

June 30,	2014	2013
Level 1 Investments:		
Equities	\$ 8,693,193	\$ 7,352,038
Equity mutual funds	49,375,474	41,278,378
Cash management accounts	1,073,804	2,366,047
Total Level 1 Investments	59,142,471	50,996,463
Level 2 Investments:		
Limited liability offshore mutual fund ( a )	2,023,674	1,770,395
Multi-strategy hedge fund of funds ( b )	4,023,401	3,654,007
Commodity focused hedge fund ( c )	-	1,199,509
Total Level 2 Investments	6,047,075	6,623,911
Level 3 Investments		
Diversified offshore fund ( d )	1,859,951	1,763,719
Total Investments	\$ 67,049,497	\$ 59,384,093

- (a) This fund was formed primarily with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various fund managers that, as a group, employ a variety of investment techniques and strategies. The fund currently offers liquidity on a quarterly basis and redemptions require 90 days advance notice.
- (b) This fund focuses on building and managing low volatility, multi-manager portfolios that have low correlation to the broader debt and equity indices. The fund currently offers liquidity on a quarterly basis and redemptions require 95 days advance notice.
- (c) The purpose of this fund is to deliver high risk adjusted returns over a longer time horizon by actively allocating between more long-biased commodity strategies or more defensive strategies, depending on the investment manager's medium-term macroeconomic outlook. Generally, original shares may be redeemed, in whole or in part, as of the first business day in each calendar quarter or such other business day as the Directors may from time to time determine and notify to the Shareholders (the "Redemption Date"). Shareholders must provide 45 days prior written notice (subject to the discretion of the Directors to waive or reduce such notice), or at such other times with the consent of, and upon such terms of payment as may be approved by, the Directors, in its sole discretion.



**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 3 – INVESTMENTS (CONTINUED)**

(d) The investment objective of this fund is to minimize risk through diversification and maximize total return through manager selection. The fund seeks to achieve this objective by employing a multi-manager approach, maintaining investments with a broadly diversified group of investment managers specializing in alternative investment strategies. The fund offers quarterly redemptions after the subscriber has been invested in the fund for 2 years, and with 75 days notice. Full liquidation could take anywhere from one month to three years.

Activity for Level 3 investments is summarized as follows:

<u>Year ended June 30,</u>	<u>2014</u>	<u>2013</u>
Fair value, beginning	\$ 1,763,719	\$ 1,837,674
Purchases (sales), net	-	1,117,972
Unrealized gain (loss)	<u>96,232</u>	<u>(1,191,927)</u>
Fair Value, Ending	<u>\$ 1,859,951</u>	<u>\$ 1,763,719</u>

Investment income (loss) is comprised of the following:

<u>Year ended June 30,</u>	<u>2014</u>	<u>2013</u>
Dividends and interest	\$ 1,077,531	\$ 1,477,437
Net realized gain/(loss) on sale of investments	1,836,201	815,782
Net unrealized gain (loss)	<u>6,733,283</u>	<u>4,997,999</u>
	<u>\$ 9,647,015</u>	<u>\$ 7,291,218</u>

Investment management fees totaled \$143,336 and \$105,455 for the years ended June 30, 2014 and 2013, respectively and are included in professional services expense in the accompanying consolidated statements of functional expenses.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 – RECEIVABLES**

Receivables are all due within one year and are comprised of the following:

<u>June 30,</u>	<u>2014</u>	<u>2013</u>
Contributions receivable	\$ 79,810	\$ 202,283
Trade receivables	<u>5,339</u>	<u>29,984</u>
 Total Receivables	 <u>\$ 85,149</u>	 <u>\$ 232,267</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets are comprised of the following:

<u>June 30,</u>	<u>Useful Life</u>	<u>2014</u>	<u>2013</u>
Buildings and building improvements	10-40 years	\$ 27,375	\$ 27,375
Equipment	5-18 years	8,336	324,044
Software	15 years	20,000	20,000
Land	n/a	691,553	691,553
Land improvements	5-50 years	<u>250,445</u>	<u>250,445</u>
 Total Depreciable Assets		 997,709	 1,313,417
Less accumulated depreciation		<u>(284,165)</u>	<u>(594,220)</u>
		 <u>\$ 713,544</u>	 <u>\$ 719,197</u>

During the year ended June 30, 2014, equipment with a historical cost of \$315,708 and a net book value of zero, was disposed of or sold resulting in a \$1,600 gain.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

<u>June 30,</u>	<u>2014</u>	<u>2013</u>
J. Seward Johnson, Sr. Charitable Trust		
Endowment Fund	\$ 62,753,587	\$ 55,579,338
Seward Johnson Trust Fund for Oceanography	<u>4,295,910</u>	<u>3,804,755</u>
	<u>\$ 67,049,497</u>	<u>\$ 59,384,093</u>

Temporarily restricted net assets were released from restrictions for the following purposes:

<u>Year ended June 30,</u>	<u>2014</u>	<u>2013</u>
J. Seward Johnson, Sr. Charitable Trust		
Endowment Fund	\$ 1,854,679	\$ 5,637,812
Seward Johnson Trust Fund for Oceanography	126,932	6,180
Specialty License Plate Programs	<u>2,614,305</u>	<u>6,784,575</u>
	<u>\$ 4,595,916</u>	<u>\$ 12,428,567</u>

Seward Johnson Funds

The J. Seward Johnson, Sr. Charitable Trust Endowment Fund (the "Fund") is a donor-restricted endowment fund established in 1994. The primary objective of the Fund is to provide a long-term flow of income to the Foundation. The Fund shall terminate on June 30, 2020, at which time the fund shall convert to a fund held by the Foundation for its exclusive long-term use, benefit or purposes. Accordingly, contributions to the Fund were recorded as temporarily restricted. The Foundation's annual expenditures from the Fund are limited to 5% of the annual average fair market value of the Fund and are recorded as net assets released from restrictions in the consolidated statements of activities. On March 31, 2004, J. Seward Johnson, Jr. resigned from the Board of Directors and terminated contributions to the Fund effective January 1, 2005. The investment income, including gains, losses, dividends and interest earned on the balance of the Fund, is included in the consolidated statements of activities as temporarily restricted.

The Seward Johnson Trust Fund for Oceanography (the "SJ Fund") is a donor-restricted 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 consolidated statements of activities as temporarily restricted.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Seward Johnson Funds (Continued)

Under certain circumstances, the principal of the SJ Fund may be used at the discretion of the Foundation.

Changes in the Foundation's temporarily restricted endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	J. Seward Johnson, Sr. Charitable Trust Endowment Fund	Seward Johnson Trust Fund for Oceanography	Total
Endowment net assets at July 1, 2012	\$ 54,353,230	\$ 3,383,637	\$ 57,736,867
Interest and dividends	1,390,853	86,584	1,477,437
Net realized gain on investments	767,974	47,808	815,782
Net unrealized gain on investments	4,799,471	292,905	5,092,376
Loan repayment and investment fees	<u>(5,732,190)</u>	<u>(6,179)</u>	<u>(5,738,369)</u>
Endowment net assets at June 30, 2013	55,579,338	3,804,755	59,384,093
Interest and dividends	1,008,493	69,038	1,077,531
Net realized gain on investments	1,718,555	117,646	1,836,201
Net unrealized gain on investments	6,301,880	431,403	6,733,283
Distributions and investment fees	<u>(1,854,679)</u>	<u>(126,932)</u>	<u>(1,981,611)</u>
Endowment net assets at June 30, 2014	<u>\$ 62,753,587</u>	<u>\$ 4,295,910</u>	<u>\$ 67,049,497</u>

The investment policies for endowment funds are consistent with those as disclosed in Note 2, "Investments and Investment Income."

**NOTE 7 – INCOME TAXES**

The Foundation has adopted accounting guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's income tax returns for 2012, 2011 and 2010 remain open to examination by the Internal Revenue Service. In evaluating the Foundation's tax provisions and accrual, management believes that the estimates are appropriate based on current facts and circumstances.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 8 – PENSION PLAN**

Prior to the transfer of net assets to FAU as described in Note 1, Harbor Branch Oceanographic Institution, Inc, (“HBOI”) had an active defined contribution pension plan, the Harbor Branch Oceanographic Institution, Inc. Pension Plan (the “Plan”), covering substantially all full-time employees. HBOI would make a “safe harbor” contribution equal to three percent of an employee’s Plan compensation, as defined in the plan. HBOI also would make non-elective contributions based on the date of hire and current year compensation of each participant. For an employee hired before April 1, 1980, HBOI would make a contribution equal to 10 percent of an employee’s Plan compensation as defined in the plan, up to the Social Security Integration Level plus seven percent of Plan compensation in excess of such level. For an employee hired on or after April 1, 1980, HBOI would make a contribution equal to four percent of the employee’s Plan compensation for the contribution period.

In connection with the transfer of net assets to FAU as described in Note 1, the Plan was amended on November 5, 2007, whereby future contributions to the Plan were ceased and the Plan was frozen as of December 31, 2007. The Foundation is currently in the process of terminating the Plan, and therefore, there were no contributions made to the plan for the year ended June 30, 2014 and June 30, 2013.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Grant Audits

The Foundation is subject to state audit examination to determine compliance with grant 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, if any, that would be disallowed, would not have a material adverse impact on the Foundation.

Environmental Contingencies

The Foundation is involved in claims relating to possible contamination of soil and groundwater. This contamination is primarily the result of the storage of oil tanks. 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 operations or cash flows of the Foundation.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Research

The Foundation has committed to help fund the addition of certain new faculty and faculty incentives. The total expected commitment remaining at June 30, 2014 is as follows.

2015	\$ 2,154,494
2016	2,352,630
2017	2,270,450
2018	1,184,196
2019	693,856
2020	129,423
2021	<u>14,096</u>
Total Commitment	<u>\$ 8,799,145</u>

**NOTE 10 – SPECIALTY LICENSE PLATES**

During the year end June 30, 2013, the Foundation and FAU changed the accounting procedures for state specialty license plate revenues. Monies are no longer held by the FAU Foundation and instead are forwarded directly to FAU. All monies held by the FAU Foundation were forwarded to FAU. The Foundation now expenses specialty license plate monies when they are sent to FAU.

**NOTE 11 – RELATED PARTIES**

The law firm of a non-voting board member provides legal services to the Foundation. Payments to the law firm for the years ended June 30, 2014 and 2013 totaled \$37,533 and \$47,797, respectively.

**NOTE 12 – COMPARATIVE AMOUNTS**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**NOTE 13 – DATE OF MANAGEMENT REVIEW**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 7, 2014, the date that the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**SCHEDULE OF STATE PROJECTS**  
**June 30, 2014**

Year ended June 30, 2014	State CSFA Number	Grant Period	Expenditures
<b>STATE AGENCY/STATE PROJECT</b>			
<b>FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES</b>			
Protect Wild Dolphins License Plate Project	76.011	7/1/13-6/30/14	\$ 1,123,380
Protect Florida Whales License Plate Project	76.072	7/1/13-6/30/14	375,101
Florida Aquaculture License Plate Project	76.080	7/1/13-6/30/14	346,621
Save Our Seas License Plate Project	76.085	7/1/13-6/30/14	<u>769,205</u>
<b>TOTAL FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES</b>			
			<u>\$ 2,614,307</u>

This schedule of expenditures of state financial assistance includes the state project activity of Harbor Branch Oceanographic Institute Foundation, Inc. and is presented on the accrual basis of accounting. The information in this 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.



**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**NOTES TO SCHEDULE OF STATE PROJECTS**  
**June 30, 2014 and 2013**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards 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.

**NOTE 2 – CONTINGENCIES**

Amounts received, or receivable, from state agencies are subject to audit and adjustment by state agencies. If any expenditure is disallowed as a result of these audits the claims for reimbursement to the state agency would become a liability of the Foundation. In the opinion of Management, any such adjustment would not be significant.

**Harbor Branch Oceanographic Institute Foundation, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor's report issued: 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 Awards

Internal Control over major programs:

Material weakness(es) identified?                     Yes     No

Significant deficiency(ies) identified?             Yes     None Reported

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

Any audit findings disclosed that were required to be reported in accordance with Section 10.656(3)(e)?                     Yes     No

Identification of major programs

<u>CSFA Number</u>	<u>State Project</u>
	Florida Department of Highway Safety and Motor Vehicles:
76.011	Protect Wild Dolphins License Plate Project
76.072	Protect Florida Whales License Plate Project
76.080	Florida Aquaculture License Plate Project
76.085	Save Our Seas License Plate Project

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?                     Yes     No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported in the prior year or in the current year.

**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no audit findings related to state programs required to be reported by the Comptroller General of the United States, and State of Florida, Chapter 10.650, Rules of the Auditor General.

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

**SECTION IV – OTHER ISSUES**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Acts.



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

**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 of America, the financial statements of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) which comprise the statement of financial position as of June 30, 2014 and 2013 and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to financial statements and have issued our report thereon dated October 7, 2014.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Fort Pierce / Stuart



Board of Directors  
Harbor Branch Oceanographic Institute Foundation, Inc.

### Compliance and Other Matters

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

### Purpose of this Report

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

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

October 7, 2014



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH THE STATE OF FLORIDA'S CHAPTER 10.650, RULES  
OF THE AUDITOR GENERAL**

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

**Report on Compliance for Each Major State Project**

We have audited the compliance of Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) with the types of compliance requirements described in the *Florida Department of Financial Services, State Projects Compliance Supplement* that are applicable to each of the Foundation's major state programs for the year ended June 30, 2014. The Foundation's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foundation's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and State of Florida, Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Florida Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Fort Pierce / Stuart



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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Foundation's compliance.

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

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 programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with State of Florida, Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

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

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 State of Florida, Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

October 7, 2014