



Harbor Branch Oceanographic Institute Foundation, Inc.

Financial Statements and
Supplementary Information
Years Ended June 30, 2020 and 2019

Harbor Branch Oceanographic Institute Foundation, Inc.

Financial Statements and Supplementary Information
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Harbor Branch Oceanographic Institute Foundation, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Harbor Branch Oceanographic Institute Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 on pages 5 through 10, which is presented to highlight certain information in the Foundation's financial statements, and the accompanying schedule of expenditures of state financial assistance, 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 a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 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 26, 2020

Harbor Branch Oceanographic Institute Foundation, Inc.

Management's Discussion and Analysis

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, 2019 to June 30, 2020 (our 2020 fiscal year or FY20). The discussion and analysis should be read in conjunction with the 2020 consolidated financial statements and the report of the independent auditors included herein.

What is the Harbor Branch Oceanographic Institute Foundation?

The Harbor Branch Oceanographic Institute ("Institute") 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, 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 Institution 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 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

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.

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
- To be used to maximize or leverage Discretionary Fund grant dollars to HBOI 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. This ensures 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. Through an established grant-making process and timeline, the Foundation invites grant proposals from HBOI 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 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

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 percent of the seafood consumed in the US 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 FY20 Numbers

Discretionary and Specialty License Plate Grants for HBOI totaled payouts of \$3,758,067 for the year ended June 30, 2020 as follows:

Discretionary Grants

	FY20 Expenses	Original Total Award
New Faculty Hiring	\$ 230,010	\$ 5,481,051
Rewarding Faculty Excellence (Incentives)	—	1,465,000
Florida Center for Coastal and Human Health	620,926	850,000
Promoting Faculty Recruitment, Retention and Research Excellence (Salary Support)	507,906	520,000
Marilyn Link Memorial Scholarship	2,710	5,000
IRLON Expansion/Enhancement, Phase 1	492,204	500,000
2019 IRL Fellowship	95,745	109,500
2020 IRL Fellowship	9,241	101,600
2020 IRL Symposium	8,968	10,000
Special Award	6,531	—
	\$ 1,974,241	\$ 9,042,151

Harbor Branch Oceanographic Institute Foundation, Inc.

Management's Discussion and Analysis

Specialty License Plate Grants

Payments from the Foundation for *Save Our Seas* for FY20 were made as follows.

Indian River Lagoon Observatory (IRLO): Ecosystem Function of a Nationally Important Estuary in Transition Principal Investigator Dennis Hanisak, Ph.D.	\$ 185,258
Differential Gene and Protein Expression on Triple Negative Breast Cancer Cells Treated with a Marine Natural Compound Principal Investigator Esther Guzman, Ph.D.	458
Determining new sediment metrics for seagrass restoration monitoring Principal Investigator Dennis Hanisak, Ph.D.	7,614
Water quality and biological responses of Florida Bay to freshwater discharges from Everglades Principal Investigator Mingshun Jiang, Ph.D.	1,703
Characterizing polyaromatic hydrocarbons in the Indian River Lagoon Principal Investigator Amy Wright, Ph.D.	5,605
Differential Gene and Protein Expression on Triple Negative Breast Cancer Cells Treated with a Marine Natural Compound Principal Investigator Esther Guzman, Ph.D.	15,742
The Indian River Lagoon Observatory (IRLO) Principal Investigator Dennis Hanisak, Ph.D.	346,254
Implementing Metabolomics Methodologies to Rapidly Assess Specialized Metabolites of Florida Marine Biodiversity Principal Investigator Amy Wright, Ph.D.	27,816
Development of a novel method to determine oceanic particle composition Principal Investigator Mike Twardowski	14,018
Improving Methods of Phytoplankton and Harmful Algal Bloom Monitoring in the Southern Indian River Lagoon Principal Investigator Malcolm McFarland	49,115
Comparative Metagenomics of Florida Sponge Populations with Biosynthetic Potential Principal Investigator Guojun Wang	14,856
Understanding the Production and Regulation of the Neurotoxin Saxitoxin in <i>Pyrodinium Bahamense</i> Isolated From IRL Principal Investigator Guojun Wang	20,936
	<hr/> \$ 689,375 <hr/>

Harbor Branch Oceanographic Institute Foundation, Inc.

Management's Discussion and Analysis

Payments from the Foundation for *Protect Wild Dolphins* for FY20 were made as follows:

Real-time assessment and management of the risk of infectious disease in Florida Wild Dolphins Principal Investigator Greg O'Corry-Crowe, Ph.D.	\$ 105,656
Photo-identification - Update and Expansion of Publications and Scientific Data Dissemination Principal Investigator Marilyn Mazzoil	146,785
Protect Wild Dolphins Stranding Response Principal Investigator Steve Burton, MS	108,372
Dolphins as Sentinels for Harmful Algal Bloom Toxins in the Indian River Lagoon: An Interdisciplinary Study Principal Investigator Jim Sullivan, Ph.D.	88,425
Joseph Sleeman - Sub-contract	3,600
HBOI's Florida Dolphins Stranding and Population Assessment Program Principal Investigator Steve Burton, MS	113,300
HBOI's Florida Dolphins Marine Mammal Pathology, Tissue Archives, and Database Principal Investigator Annie Page-Karjian, DVM, Ph.D.	23,775
	<hr/> \$ 589,913 <hr/>

Payments from the Foundation for *Protect Florida Whales* for FY20 were made as follows:

Using Emerging Technologies for Population and Behavioral Ecology Assessment of Florida Whales Principal Investigator Greg O'Corry-Crowe, Ph.D.	\$ 91,154
Exploring Florida Whale Health in a Rapidly Changing Environment Principal Investigator Annie Page-Karjian, DVM, Ph.D.	107,299
HBOI's Florida Whales Stranding and Population Assessment Program Principal Investigator Steve Burtons, MS	59,342
HBOI's Florida Whales Marine Mammal Pathology, Tissue Archives, and Database Program Principal Investigator Annie Page-Karjian, DVM, Ph.D.	7,944
Joseph Sleeman - Sub-contract	1,200
	<hr/> \$ 266,939 <hr/>

Harbor Branch Oceanographic Institute Foundation, Inc.

Management's Discussion and Analysis

Payments from the Foundation for *Aquaculture for FY20* were made as follows.

Comparative Genomics of Trachinotus Genus: Tools to Enhance Food Fish Farming of Florida Pompano Principal Investigator Paul Wills, Ph.D.	\$ 38,492
Advancement of Land-based integrated Multitrophic Aquaculture Principal Investigator Paul Wills, Ph.D.	83,694
New Species and Technology Development for a Land-Based IMTA System Principal Investigator Paul Wills, Ph.D.	115,413
	<hr/> \$ 237,599 <hr/>

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 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.

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,

Barbra Kavanaugh, Interim Executive Director

Staci Barney Rosalia, Grants Coordinator

Financial Statements

Harbor Branch Oceanographic Institute Foundation, Inc.

Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 6,162,475	\$ 5,469,233
Contributions receivable	113,510	86,375
Prepaid expenses and other assets	53,431	53,028
Investments	75,238,417	76,511,494
Property and equipment, net	74,696	43,573
Total Assets	\$ 81,642,529	\$ 82,163,703
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,755	\$ 169,798
Due to Florida Atlantic University	1,240,739	1,433,027
Loan payable - SBA Paycheck Protection Program	41,500	—
Total liabilities	1,386,994	1,602,825
Commitments and contingencies (Note 8)		
Net assets without donor restrictions:		
Undesignated	48,828	48,828
Board designated endowment	69,762,799	—
Total net assets without donor restrictions	69,811,627	48,828
Net assets with donor restrictions	10,443,908	80,512,050
Total net assets	80,255,535	80,560,878
Total Liabilities and Net Assets	\$ 81,642,529	\$ 82,163,703

See accompanying notes to financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Statements of Activities

<i>Year Ended June 30,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, gains and other revenues:						
Specialty license plate contributions	\$ 2,227,129	\$ 469,453	\$ 2,696,582	\$ 1,633,478	\$ 1,030,128	\$ 2,663,606
Investment income, net	—	1,973,916	1,973,916	—	2,478,412	2,478,412
Fundraising, net of \$14,335 and \$28,078 direct expenses, respectively	—	101,618	101,618	—	109,777	109,777
Contributions	21,410	—	21,410	23,624	2,500	26,124
Other income	71,452	151,161	222,613	69,487	162,043	231,530
Net assets released from restrictions	72,764,290	(72,764,290)	—	2,919,785	(2,919,785)	—
Total support, gains and other revenues	75,084,281	(70,068,142)	5,016,139	4,646,374	863,075	5,509,449
Expenses						
Program services:						
Marine and ocean research science	4,428,614	—	4,428,614	3,887,188	—	3,887,188
Supporting services:						
General administration	858,226	—	858,226	638,039	—	638,039
Fundraising	34,642	—	34,642	46,870	—	46,870
Total supporting services	892,868	—	892,868	684,909	—	684,909
Total expenses	5,321,482	—	5,321,482	4,572,097	—	4,572,097
Change in net assets	69,762,799	(70,068,142)	(305,343)	74,277	863,075	937,352
Net assets (deficit), beginning of year	48,828	80,512,050	80,560,878	(25,449)	79,648,975	79,623,526
Net assets, end of year	\$ 69,811,627	\$ 10,443,908	\$ 80,255,535	\$ 48,828	\$ 80,512,050	\$ 80,560,878

See accompanying notes to financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Statements of Cash Flows

Year Ended June 30,	2020	2019
Operating activities:		
Change in net assets	\$ (305,343)	\$ 937,352
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation expense	8,568	2,657
Net unrealized and realized loss (gain) on investments	363,861	(507,264)
Cash provided by (used for):		
Contributions receivable	(26,806)	(3,280)
Prepaid expenses and other assets	(403)	(20,401)
Accounts payable and accrued expenses	(65,372)	82,834
Due to Florida Atlantic University	(192,288)	614,477
Net cash (used for) provided by operating activities	(217,783)	1,106,375
Investing activities:		
Proceeds from sale of investments	36,286,723	17,841,044
Purchases of investments	(35,377,507)	(17,434,885)
Purchase of property and equipment	(39,691)	(30,898)
Net cash provided by investing activities	869,525	375,261
Financing activities:		
Borrowings - SBA Paycheck Protection Program	41,500	—
Net increase in cash and cash equivalents	693,242	1,481,636
Cash and cash equivalents, beginning of year	5,469,233	3,987,597
Cash and cash equivalents, end of year	\$ 6,162,475	\$ 5,469,233

See accompanying notes to financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	Program Services	Supporting Services			Total
	Marine and Ocean Research Science	General Administration	Fundraising	Total Supporting Services	
Discretionary grants to FAU	\$ 1,974,241	\$ —	\$ —	\$ —	\$ 1,974,241
Specialty license plate grants to FAU	1,783,826	—	—	—	1,783,826
Specialty license plate distributions to others	5,000	—	—	—	5,000
Administrative fee to 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
Postage and freight	—	1,028	2,398	3,426	3,426
Total	\$ 4,428,614	\$ 858,226	\$ 34,642	\$ 892,868	\$ 5,321,482

See accompanying notes to financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program Services	Supporting Services			Total
	Marine and Ocean Research Science	General Administration	Fundraising	Total Supporting Services	
Discretionary grants to FAU	\$ 2,052,862	\$ —	\$ —	\$ —	\$ 2,052,862
Specialty license plate grants to FAU	1,249,978	—	—	—	1,249,978
Specialty license plate distributions to others	5,000	—	—	—	5,000
Administrative fee to FAU	91,580	—	—	—	91,580
Professional services	49,824	313,374	—	313,374	363,198
Salaries and related expenses	162,286	185,968	14,511	200,479	362,765
Marketing	201,741	—	—	—	201,741
Insurance	28,176	32,287	2,519	34,806	62,982
Promotion and printing	4,255	4,255	12,766	17,021	21,276
Travel	7,185	5,748	1,437	7,185	14,370
Equipment	7,370	58,957	7,370	66,327	73,697
Taxes	—	3,857	—	3,857	3,857
Materials and supplies	879	7,035	879	7,914	8,793
Computer and website	12,142	1,736	3,469	5,205	17,347
Dues and subscriptions	—	6,394	1,596	7,990	7,990
Rent and utilities	11,791	13,512	1,054	14,566	26,357
Depreciation	1,189	1,362	106	1,468	2,657
Other expenses	930	3,554	1,163	4,717	5,647
Total	\$ 3,887,188	\$ 638,039	\$ 46,870	\$ 684,909	\$ 4,572,097

See accompanying notes to financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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, 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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, 2020 and 2019.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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 restricted by donors and is included in the accompanying statements of activities as increases or decreases in net assets with donor restrictions 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 percent effective April 30, 2020 and 5 percent 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 2020 or 2019.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Due to FAU

Amount due to FAU includes discretionary and research funding grants payable to FAU Harbor Branch 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 FAU related to discretionary grants at June 30, 2020 and 2019 were \$744,911 and \$931,308, respectively.

HBOI at FAU is the primary research grantee of the specialty license plate program ("SLP"). As of June 30, 2020 and 2019, amounts due to FAU related to this program were \$490,775 and \$412,427, respectively.

In addition, during 2018, the Foundation received \$109,422 of a pass-through grant in which the donor specified HBOI 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 and 2019, certain of the conditions of the grant had been met and the Foundation remitted \$84,240 and \$20,130, respectively, to FAU Harbor Branch. As of June 30, 2020 and 2019, \$5,053 and \$89,292, respectively, is 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.

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 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 or 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 receive any conditional contributions as of June 30, 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.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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 which 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).

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.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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 FAU. The Foundation's loan payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

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.

Accounting Pronouncements Adopted

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The ASU also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation reviewed the provisions of ASU 2014-09, along with all subsequent amendments (collectively, "ASC 606") and determined that its revenue streams do not fall under the scope of Accounting Standards Codification ("ASC") 606 and instead will be accounted for under 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") as discussed below.

In June 2018, the FASB issued ASU 2018-08. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e. ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Foundation adopted ASU 2018-08 on a modified prospective basis as of July 1, 2019. There was no material change to contribution revenue recognition as a result of the adoption of ASU 2018-08 and there was no cumulative impact of adopting ASU 2018-08 to the financial statements, thus no adjustment to the opening balance of net assets was recorded.

Recent Accounting Pronouncements Not Yet Adopted

Contributions Made

ASU 2018-08 will also assist in the determination of the nature of contributions made by resource providers, which will govern the expense recognition methodology and timing of when the expenditure should be recognized. ASU 2018-08 is effective for contributions made by the Foundation in the period beginning after December 15, 2019. The Foundation is currently evaluating the impact of ASU 2018-08 on the Foundation's contributions made (i.e. grant expense) in the financial statements.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021. 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 which 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. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Reclassifications

Certain items have been reclassified in the 2019 financial statements to conform to the 2020 presentation. These reclassifications had no impact on the 2019 change in net assets.

2. Investments

The fair value of investments includes the following:

<i>June 30,</i>	2020	2019
Cash equivalents	\$ 502,731	\$ 90,001
Land held for investment	691,553	691,553
Level 1 investments:		
Fixed income mutual funds:		
Short term	3,697,240	16,999,733
Long term	15,914,428	9,017,400
Equity mutual funds:		
Domestic large cap	54,432,465	29,668,711
Domestic small cap	—	10,506,354
International	—	9,537,742
Total Level 1 investments	74,044,133	75,729,940
Total investments	\$ 75,238,417	\$ 76,511,494

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Investment income, net is comprised of the following:

<i>Year Ended June 30,</i>	2020	2019
Interest and dividends	\$ 2,411,972	\$ 2,045,425
Net realized/unrealized (loss) gain	(363,861)	507,264
Investment fees	(74,195)	(74,277)
	\$ 1,973,916	\$ 2,478,412

“Cash equivalents” refer to cash holdings in the Investment Portfolio, per the investment policy. “Cash equivalents” held in the investment account represent investment in the 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 the 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, 2020 refer to cash on hand held 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.

“Cash and cash equivalents” presented in the accompanying statement of financial position as of June 30, 2019 refer to cash on hand held in Specialty License Plate (“SLP”) Money Market Accounts per specialty license plate (*Protect Wild Dolphins* - \$2,032,551; *Protect Florida Whales* - \$792,860; *Aquaculture* - \$648,094; *Save Our Seas* - \$1,575,654) and in bank accounts (PNC-Operating - \$206,771; Wells Fargo-SLP - \$212,803) and petty cash of \$500.

3. Property and Equipment

Property and equipment are comprised of the following:

<i>June 30,</i>	Useful Life	2020	2019
Buildings and building improvements	10-40 years	\$ 50,375	\$ 30,898
Furniture and equipment	7 years	47,589	27,375
Software	15 years	23,699	23,699
Land improvements	5-50 years	250,445	250,445
		372,108	332,417
Less accumulated depreciation		(297,412)	(288,844)
		\$ 74,696	\$ 43,573

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

4. Net Assets With Donor Restrictions and Releases from Restrictions

Net assets with donor restrictions are available as follows:

<i>June 30,</i>	2020	2019
J. Seward Johnson, Sr. Charitable Trust Endowment Fund	\$ —	\$ 70,724,410
Seward Johnson Trust Fund for Oceanography	4,785,558	4,851,522
Specialty License Plate Program	5,429,050	4,808,436
2019 Indian River Lagoon Graduate Research Fellows Program	229,300	127,682
	\$ 10,443,908	\$ 80,512,050

Net assets were released from restrictions from the following sources:

<i>Year Ended June 30,</i>	2020	2019
J. Seward Johnson, Sr. Charitable Trust termination releases	\$ 69,762,799	\$ 2,651,624
J. Seward Johnson, Sr. Charitable Trust Endowment Fund	2,878,245	
Seward Johnson Trust Fund for Oceanography	123,246	181,509
2019 Indian River Lagoon Graduate Research Fellows Program	—	86,652
	\$ 72,764,290	\$ 2,919,785

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 five percent 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, is 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.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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

Changes in the Foundation's endowment funds for the years ended June 30, 2020 and 2019 are as follows:

	Board Designated Endowment Fund	J. Seward Johnson, Sr. Charitable Trust Endowment Fund
Endowment net assets at June 30, 2018	\$ —	\$ 71,058,645
Interest and dividends	—	1,840,270
Net realized gain on investments	—	4,701,943
Net unrealized loss on investments	—	(4,227,513)
Distributions	—	(2,648,935)
Endowment net assets at June 30, 2019	—	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)
Endowment net assets at June 30, 2020	\$ 69,762,799	\$ —

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.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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

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 percent dollar for dollar match on employee contributions and 100 percent vesting on employer matching contributions after three years of service. Total employer contributions to the Plan for the years ended June 30, 2020 and 2019, were \$15,266 and \$16,344, 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, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

<i>June 30,</i>	2020	2019
Cash and cash equivalents	\$ 733,425	\$ 660,797
Investments	3,346,721	3,627,862
Contributions receivable	113,510	86,375
Total financial assets available to management for general expenditure within one year	\$ 4,193,656	\$ 4,375,034

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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 percent effective April 30, 2020 and five percent 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. 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 checking 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 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 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 the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

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.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

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 Memorandum of Understanding (“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 of 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 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 HBOIF’s budget as a matter of law. Litigation continues and HBOIF intends to vigorously pursue its claim. The parties are engaging in the discovery process. No trial date has been set. 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.

Litigation continues, and the parties are engaging in the discovery process. No trial date has been set.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Environmental Contingencies

In 1997, the then Harbor Branch Oceanographic Institution organized with other potentially responsible parties (the “Group”) in a Florida Petroleum Reprocessors Superfund Site PRP 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, while the Foundation may be subject to claims and legal proceedings which arise in the ordinary course of business, 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 EPA, the Group is required to conduct groundwater sampling, both on and off site, every three years. The last groundwater sampling for the FPR site was reported in July 2018. The next round of groundwater sampling is scheduled to occur in 2021.

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 1.7% of a possible \$1,000,000.

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.

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 at HBOI at FAU. The total expected commitment at June 30, 2020 is \$2,112,888. This research funding is conditional upon the recipient performing specified services. 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, 2020 and 2019 were \$59,367 and \$42,723, respectively.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

10. COVID-19 & CARES Act

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The Foundation’s operations are dependent on income from investments, state license plate fees and public donations from individuals, foundations, and corporations. Additionally, access to grants and contracts from state, and local governments may decrease or may not be available depending on appropriations. While the Foundation closely monitors its investments, the outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global, national or regional economic slowdowns. As of the date of this report, the Foundation’s investment values have not been adversely impacted due to the outbreak. This situation may also result in lower revenue from donations or state license plate income depending on economic conditions, during fiscal year 2021. While the Foundation has effectively managed the challenges so far, the extent to which the coronavirus impacts the Foundation’s operations will depend on future developments, which are highly uncertain and cannot be predicted with certainty at this time. As such, the Foundation’s financial condition and ability to advance its mission may be negatively impacted for the fiscal year 2021.

CARES Act

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Foundation applied for, and received, funds under the Paycheck Protection Program in the amount of \$41,500 on April 9, 2020. The application for these funds requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further requires the Foundation to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Foundation having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

11. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2020 as of October 26, 2020, which is the date the financial statements were available to be issued. Subsequent events occurring after October 26, 2020 have not been evaluated by management. No material events have occurred since June 30, 2020 that require recognition or disclosure in the financial statements.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

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

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

Certified Public Accountants
October 26, 2020

Harbor Branch Oceanographic Institute Foundation, Inc.

Schedule of Specialty License Plate Revenue and Expenses Year Ended June 30, 2020

<i>Plate</i>	Total Revenue by Plate	Expenses					Total Expenses by Plate
		FAU Harbor Branch Research Grants	Florida Aquaculture Association Distribution	4% FAU Admin Fee	3% HBOIF Admin Fee	Marketing Expense	
Protect Wild Dolphins	\$ 1,077,257	\$ 589,913	\$ —	\$ 37,489	\$ 32,318	\$ 99,268	\$ 758,988
Protect Florida Whales	372,718	266,939	—	12,755	12,424	43,062	335,180
Aquaculture	319,708	237,599	5,000	10,741	10,657	33,065	297,062
Save Our Seas	926,899	689,375	—	31,720	30,896	83,908	835,899
	\$ 2,696,582	\$ 1,783,826	\$ 5,000	\$ 92,705	\$ 86,295	\$ 259,303	\$ 2,227,129

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 Year Ended June 30, 2020

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 percent of the funds received by the Foundation, may be expended for administrative costs directly associated with the operations of the institution.
- Up to 10 percent 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:

- Ten percent of the funds shall be distributed to the Wyland Foundation, Inc. and used specifically to conduct educational programs in this state which 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 percent 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 percent 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, bioacoustical, 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 Year Ended June 30, 2020

AQUACULTURE:

- Ten percent 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 percent 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 percent 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:

- Ten percent 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 percent of the funds may be used for administrative costs directly associated with the institution.
- Up to 10 percent 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**



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, 2020, 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 26, 2020.

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 26, 2020



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 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, 2020. 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.

Management’s Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation’s major state projects 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 the audit requirements of State of Florida, Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the 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 project 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major state projects. 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 its major state projects for the year ended June 30, 2020.



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 of the major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major state projects and to test and report on internal control over compliance in accordance with the State of Florida's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 26, 2020

Harbor Branch Oceanographic Institute Foundation, Inc.

Schedule of Expenditures of State Financial Assistance

State Agency/State Project	State CSFA No.	Provided to Legislatively- Required Sub- Recipients and SLP Grantees	Total Expenditures
Florida Department of Highway Safety and Motor Vehicles:			
Protect Wild Dolphins License Plate Project	76.011	\$ 627,402	\$ 758,988
Protect Florida Whales License Plate Project	76.072	321,107	376,593
Florida Aquaculture License Plate Project	76.080	288,863	332,585
Save Our Seas License Plate Project	76.085	824,084	938,888
Total expenditures of state financial assistance		\$ 2,061,456	\$ 2,407,054

See accompanying note to schedule of expenditures of state financial assistance.

Harbor Branch Oceanographic Institute Foundation, Inc.

Note to Schedule of Expenditures of State Financial Assistance

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

SECTION I - 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

Type of auditor's report issued on compliance for major projects Unmodified

Internal control over major projects:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656? Yes No

Identification of major projects:

State Projects:

CSFA Number

Florida Department of Highway Safety and Motor Vehicles:	
Protect Wild Dolphins License Plate Project	76.011
Save Our Seas License Plate Project	76.085

Dollar threshold used to distinguish between Type A and Type B programs: \$722,116

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

There were no findings and questioned costs for the state projects (as defined in Chapter 10.656) that are required to be reported.

SECTION IV - 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.