

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

**Minutes of the Audit Committee
October 11, 2016
Held at the Harbor Branch Oceanographic Institute Foundation Offices**

PRESENT: C. Amos Bussmann*; Nancy Higgs*; John Papa, Committee Chair*

ALSO PRESENT: Erick Kepfer, Assurance Director, BDO; Mark Gumula, Audit Senior, BDO; and Tara Miller, Assurance Senior Manager, BDO; Michael Minton, Chair, Katha Kissman, President & CEO; Debbie Dutton, Director of Operations

ABSENT: Sherry Plymale

*participated virtually

Call to Order

The meeting was called to order by Chair Papa at 11:03 am. The purpose of this meeting was to review the draft Audit documents as conducted and presented by Erick Kepfer, Mark Gumula, and Tara Miller, BDO.

Wrap Up Report

Mr. Kepfer discussed the Wrap Up Report (previously provided) with explanations for each section. Overall, he noted they expected to issue an unmodified opinion on the financial statements (known colloquially as a “clean audit.”

Explanations of re-alignments and clarifications of specific items in the financial statement from FY15 to FY16 were noted. In particular was a discussion of the reallocations of certain functional expenses and the impairment of land for sale (p. 4). There was also an additional restriction of the funds for one grant (2016 Indian River Lagoon Graduate Research Fellows Program) which will not be paid out until FY17.

FY16 Financial Statements

This document was provided to Committee members in advance of the meeting. Mr. Kepfer noted that the Financial Statements included standard, unmodified language in accordance with accounting principles generally accepted in the United States of America.

On p. 6, he noted the following:

- The decrease in cash from the prior year was due primarily to timing
- The decrease in land held for sale was due to a necessary re-evaluation of value
- The decrease in investments was due to market fluctuation and timing
- Net assets were reclassified: unrestricted due to changes in grants made; restricted due to market fluctuation, timing and grants made

On p. 7, he noted the change in unrestricted and temporarily restricted in current year reflected reclassification only and produced no net impact.

On p. 9, he noted the addition of a breakdown of grants/payments to include 3 categories rather than 1 (Discretionary Grants, SLP Grants, SLP Other.) Percentage changes from prior year to current year were the result of actual grant payment activity in each year.

Under NOTES, Mr. Kepfer noted changes due to removing information which was no longer relevant to current year, appropriate condensation where necessary, and the addition of a Net Assets note.

P. 16 was restated to match the Foundation's current investments per the Investment Policy. Mr. Kepfer noted the ability and opportunity to rebalance on an annual basis to remain consistent with Investment Policy objectives.

P. 17, upon verification of historic documentation, the word "endowment" associated with the SJ Fund was stricken as presented in the prior year audit. The SJ Fund is not an endowment.

p. 18, Mr. Kepfer encouraged the Board to begin discussions about the termination of the J. Seward Johnson, Sr., Charitable Trust Endowment Fund as of June 30, 2020.

Management provided additional language under several notes. In addition, at management's request, the supplemental information breaking down expenditures for the Specialty License Plates and several other notes were included.

Other observations/recommendations for management included:

- In testing, a sample showed an SLP expense of \$80 recorded twice by FAU Harbor Branch (although not paid twice) during the single audit; this did not rise to the level of a finding as it was determined to be due to the transitions from the Banner System to the Workday System at FAU.
- It was recommended a form be developed to require and document Treasurer approval of all wire transfers.
- It was recommended that the President & CEO and the Treasurer review the Foundation's Vendor List from QuickBooks for verification quarterly.
- Upon recommendation, functional allocations were reviewed and re-aligned during this audit. These allocations will be reviewed at year end going forward for relevancy and, if necessary, change.
- The Auditors will provide a Financial Statement template for the Foundation and staff will prepare this for subsequent audits.
- It was confirmed that funds spent in the same year were deemed to be unrestricted.
- It was recommended that management and the Board discuss the advisability of providing SLP funds in advance to FAU; it was noted that up to \$2,000,000 was being held in a pool. These funds could remain restricted in the Foundation's Endowment to earn interest on behalf until actually needed and managed in the same way current discretionary grants are being managed.

Mr. Kepfer and Mr. Gumula thanked the Foundation's management for their cooperation and professionalism during the audit process.

Form 990

Tara Miller presented the draft Form 990. Documents were provided to Committee members in advance of the meeting.

Of note, the following re-alignments, changes, and/or re-classifications of information from the prior year 990 to the current year 990 included the following:

- On the first page, the fluctuations between line 8 and line 9 were to tie this information to page 10 from 2a in the prior year to 1e in the current year as well as to tie to Schedule A and to support the calculation of the public support test.
- On p. 12, Balance Sheet: Receivables were moved from line 4 to line 3. In addition, the Cash portion of investments was moved out of line 11 to line 2.
- On p. 22, Schedule of Contributors, there was a threshold change that resulted in the necessary reporting of only the SLP funds and a stock donation for Love Your Lagoon sponsorship (p. 23).
- On p. 25, Political Campaign and Lobbying Activities, the prior year 990 had Part II-A completed unnecessarily because the Foundation had not filed a Form 5768. Rather, payments to Metz, Husband & Daughton in FY16 were classified under Other Activities (p. 27) with footnote.
- On p. 29, the prior year 990 did not include Part V Endowment Funds. This information is being provided in the current year with footnote.

At this point, the staff offered to voluntarily leave the room so the Audit Committee could speak with the Auditors privately. The staff returned when requested to do so. Chair Papa reported that nothing of concern was raised or discussed by either the Auditors or the Audit Committee.

Conclusion

During the review the BDO representatives answered questions presented to them to the satisfaction of the Committee members.

Mr. Kepfer, Mr. Gumula and Ms. Miller and BDO were acknowledged and thanked for a smooth audit process. Debbie Dutton was acknowledged for her superb support of the audit process, particularly as she began audit work immediately after being hired in July.

It was moved to notify the Board at its November 10, 2016 of the Committee's approval of the Audit documents as presented to be submitted to FAU by October 14, 2016 per their deadline. Management was charged with submitting a cover letter with the audit submission explaining key changes to the audit this year over last year. It was moved to recommend to the Board at the November meeting to approve the draft Form 990 for filing. The motion passed unanimously.

It was also agreed that the Audit Committee would develop a process and have additional meetings as may be need to follow up on and monitor auditor observations and recommendations.

Adjournment of Meeting

There being no further business, the meeting of the Audit Committee was adjourned at 12:22 pm.