

A PROPOSAL FOR PROFESSIONAL SERVICES FOR:

Harbor Branch Oceanographic Institute Foundation, Inc.

December 2014



Greg Nuttall, Principal
gnuttall@hbkcpa.com

Christopher Marrie, Principal
cmarrie@hbkcpa.com

Genevieve George, Manager
ggeorge@hbkcpa.com

772-287-4480
www.hbkcpa.com
1000 SE Monterey Commons Blvd, Suite 101
Stuart, Florida 34996

WORKING TOGETHER SETS US APART

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December 5, 2014

VIA EMAIL: kkissman@hboifoundation.org

Katha Kissman, President & CEO
Harbor Branch Oceanographic Institute Foundation, Inc.
5600 US 1 North
Fort Pierce, FL 34946

Hill, Barth & King LLC (HBK) is pleased to present our proposal to provide professional services to Harbor Branch Oceanographic Institute Foundation, Inc. (the Organization or HBOIF). We are confident in our firm's capabilities and the responsive, quality service which sets us apart from other firms.

The Organization will best be served by professional advisors who provide a fresh look at your goals and challenges, with careful consideration of the evolving complexity of corresponding regulations, as well as many other related and pertinent business issues. We are excited about the opportunity to provide these services to HBOIF and we look forward to establishing a long-term and mutually-beneficial relationship.

We realize the Organization's non-profit status creates many specified challenges; it is part of the reason we welcome any opportunity to work together. Our commitment to HBOIF is a priority and we will be available to you on short notice. In addition, we hope to be utilized as a resource not only for auditing matters, but also for those of general business interest as situations present themselves.

Our audit team is comprised of non-profit specialists dedicated to providing accurate, timely services. We will work closely with your team to exceed your expectations for the following:

- **A smooth transition from the current audit team to HBK.** We will do all in our power to ensure the simplest, most effectual and fluid manner of transition possible. We'll make sure the baton is passed swiftly and correctly from the outset and that it is carried quickly and well through to completion.
- **Cost-efficient and attentive response. Timeliness is a key objective for us. Our close proximity to your office is a clear advantage.** We do understand how frustrating it is to be made to wait for the information you need. We'll keep you in the loop of communication without overburdening you with the detail-oriented process we have mastered.

- **Professionalism and a detailed understanding of your mission and vision.** Your work at HBOIF is commendable, respected and invaluable. We acknowledge all that you do for the community and share your passion.
- **Diverse technical ability.** We are happy to assist your staff by acclimating them to the applicable programs and software involved in the audit, as well as helping them with data-gathering in any other way they may require.
- **Value-added relationships and support.** We are here for you and your staff. We have been providing these services to non-profit organizations for a very long time and know the pitfalls to avoid and areas of concern to anticipate. We commit to becoming an extended part of your team.

We appreciate your task of selecting the most qualified firm, which is best suited to serve HBOIF Institute and we are confident our people, experience and commitment distinguish our unique value and our vast depth and breadth of service.

As you review the information contained in our proposal, we hope you share our enthusiasm about the compelling reasons why you should appoint HBK as HBOIF's auditor and advisor:

- HBK, based on total firm staff size, is a Top-100 accounting firm with significant industry experience among the assigned members of the engagement team;
- HBK provides the depth of resources of a large regional firm yet with personal client attention through our local office conveniently located to serve your location;
- HBK has access to the national firm-quality resources and educational materials of BDO Alliance USA, as a member of the entity;
- HBK has a dedicated quality control department which is highly unique among local regional accounting firms; this offers an added component of compliance assessment;
- HBK provides a high level of hands-on involvement by partners and senior members of the engagement team.

HBOIF will be a significant, important and tremendously-valued client to our firm. As such, our commitment to HBOIF is a priority and we are available for phone calls and meetings at your convenience on short notice. We hope to be utilized as a resource not only for accounting matters, but for other matters of general business interest.

In summary, HBK is expressly qualified to deliver the responsive service HBOIF seeks. We are confident the following proposal will demonstrate an unmatched capability and commitment to meet your audit, tax and other reporting needs in a timely manner and that we will serve as a key resource in any areas in which you may request additional support.

Thank you for the opportunity to present our proposal to serve Harbor Branch Oceanographic Institute Foundation, Inc. We would be happy to meet with you to discuss our proposal.

Sincerely,



Greg Nuttall, CPA
Principal



Genevieve George, CPA
Manager

RESPONSES TO YOUR SPECIFIC REQUESTS

1. Detail your firm's experience in providing auditing and tax services to organizations in the not-for-profit sector, as well as associations of a comparable size and scope of HBOIF.

Please see "Industry Experience" on page 29 for a description of specific experience and a listing of similar clients.

2. Provide information on whether you provide services to any related industry associations or groups.

Please see "Industry Experience" on page 29 for a description of specific experience and a listing of similar clients.

3. Discuss the firm's independence with respect to the HBOI and to FAU's Harbor Branch Oceanographic Institute.

HBK performs a complete engagement acceptance process prior to accepting a new engagement. Part of this process will be evaluating our firm's independence as it relates to HBOIF, as well as a review of HBOIF's prior audit working papers prepared by your previous audit firm. To the best of our current knowledge, based on review of the Board and employee listing, we believe HBK is independent with respect to both HBOI and FAU's Harbor Branch Oceanographic Institute.

4. Discuss commitments you will make to staff continuity, including staff turnover experience in the last three years.

Please see "Commitment to Continuity" on page 27.

5. Identify the five largest clients your firm (or office) has lost in the past three years and the reasons. Also discuss, in stances where loss of the client was due to an unresolved auditing or accounting matter, the process of attempting to resolve the issue(s).

Please see page 30 for this information. No clients were lost related to unresolved auditing or accounting matters.

RESPONSES TO YOUR SPECIFIC REQUESTS (Continued)

6. Identify the partner, manager, and in-charge accountant who will be assigned to our job if you are successful in your bid, and provide biographies. Indicate any complaints against them that have been leveled by the state board of accountancy or other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to these people.

Please see individual bios for the planned engagement team beginning on page 21. For all of the individuals listed, no complaints have been leveled against them by the state board of accountancy or other regulatory authorities.

7. Describe how your firm will approach the audit of the organization, including the use of any association or affiliate member firm personnel and the areas that will receive primary emphasis. Also discuss the firm's use of technology in the audit. And finally, discuss the communication process used by the firm to discuss issues with management and finance committee of the board.

Approach to audit – Please see “Audit Approach” beginning on page 15.

Use of technology – Please see “Use of Technology” on page 14.

Communication – Indicated throughout the proposal, including sections “Audit Philosophy” on page 12, “Audit Approach” on page 15, “Planning and Transition” on page 16, “Communications with Governance” on page 20 and “Schedule” on page 27.

8. Furnish standard billing rates for classes of professional personnel for each of the last three years.

Please see “Professional Fees” on page 28.

9. Provide the names and contact information for other, similarly sized clients or the partner and manager that will be assigned to our organization for reference purposes.

Please see “References” on page 31.

10. Describe how and why your firm is different from other firms being considered, and why our selection of your firm as our independent accountants is the best decision we could make.

Please see Introductory Letter on page 3.

RESPONSES TO YOUR SPECIFIC REQUESTS (Continued)

11. Include a copy of your firm's most recent peer review report, the related letter of comments, and the firm's response to the letter of comments.

Please see "Peer Review Report" on page 32. No letter of comments was issued.

OVERVIEW

We believe that a successful client/professional service firm relationship is based on mutual respect and understanding, frequent contact and open communications. Simply stated, you and your CPA firm need to work effectively together to accomplish a common goal. To us, this means suggesting practical ideas for management consideration and providing advice and counsel on important business, financial and reporting matters, extending our services far beyond the audit of your financial statements.

FIRM PROFILE

HBK CPAs & Consultants (HBK) is one of the leading regional accounting and consulting firms in the United States. The firm serves more than 10,000 clients ranging from government and not-for-profit entities to small business and multimillion-dollar corporations across the United States through a network of offices throughout Florida, Ohio, Pennsylvania, and New Jersey. In the most recent issue of Accounting Today listing the top accounting firms, HBK was ranked as the **67th largest CPA firm** in the United States.

The firm that was to eventually grow into HBK was founded in 1949 by two principals. Today, HBK employs more than 300 individuals firm-wide and our management team consists of 53 principals and many senior managers and managers. To provide our clients with the highest quality service, our firm allocates specific groups devoted exclusively to auditing, tax, business valuation and other consulting services. The firm has **many years of experience auditing** companies and organizations such as state and local governments, **not-for-profit entities**, manufacturers, wholesalers, financial institutions, retail stores, real estate and land developers, employee benefit plans, importers and exporters and construction contractors. We take a comprehensive approach to our client relationships to ensure that we are in a position to address the business and financial needs of our clients as they arise.

NATURE AND SCOPE OF OPERATIONS

HBK is engaged in the general practice of public accounting. We serve clients in three broad areas: accounting and auditing, taxation and management consulting. For **more than 65 years**, HBK has built a clientele of businesses representing virtually every type of industry.

NATURE AND SCOPE OF OPERATIONS (CONTINUED)

Each of our **12 offices** serves the geographical area it knows best and yet is tied into the resources, services and skills of the other offices. We maintain offices in the following locations:

<u>OHIO</u>	<u>PENNSYLVANIA</u>	<u>FLORIDA</u>	<u>NEW JERSEY</u>
Alliance	Erie	Fort Myers	Lawrenceville
Youngstown	Hermitage	Fort Peirce	
	Meadville	Naples	
	Pittsburgh	Sarasota	
		Stuart	

As noted in the key personnel biographies on pages 21-26, we plan on utilizing individuals from our Stuart and Naples, Florida offices to lead the HBOIF engagement due to their strong industry experience. We do, however, intend to utilize staff from some of our other offices on the engagement as resources and quality control reviewers.

HBK is a **charter member** of the AICPA Division for CPA Firms of the American Institute of Certified Public Accountants, which was founded in 1977. HBK is a member of the AICPA's Private Companies' Practice Section, the Center for Public Company Audit Firms, the Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. HBK is also a member of the Public Company Accounting Oversight Board. As a member, we comply with **exacting quality control standards** in the conduct of our practice and submit to triennial peer reviews. Enclosed is a copy of our most recent **peer review** report. HBK received an **unqualified opinion** with no letter of comments.

As a member of the AICPA's Governmental Audit Quality Center, our Firm remains more closely focused on the issues and practices in this complex area. This affiliation provides HBK a greater depth of resources and idea sharing with our governmental audits, for the benefit of our audit services and our clients' businesses.

HBK complies with Government Auditing Standards, issued by the Comptroller General of the United States, including applicable continuing education standards.

NATURE AND SCOPE OF OPERATIONS (CONTINUED)

HBK's compliance with these standards was tested during our last peer review without exception.

HBK is properly registered and licensed to practice as a certified public accounting firm in Florida as well as in the other states where the firm practices. In addition, all principals and all applicable staff are properly licensed to practice as certified public accountants.

HBK has a **centralized quality control department** that operates as a **resource group** providing technical guidance on new accounting and auditing standards and various specialized industry developments including the not for profit area and Government Auditing Standards. The group is also responsible for coordinating the firm's peer review and monitoring compliance with the firm's quality control policies and procedures.

A FULL SERVICE FIRM

In addition to the often requested audit, review and tax preparation services which HBK provides to numerous clients, we also provide many other services to them. These services range from: forecasts and projections, agreed-upon procedure engagements, financial reporting software implementation, 401(k) and 403(b) audits, Form 5500 preparation, and general consulting services, such as: IT, payroll, software and human resources.

BDO ALLIANCE USA



Additionally, HBK is a member of the **BDO Alliance USA**. BDO is the world's 7th largest accounting firm with more than 2,000 clients in the state and local government and not-for-profit sector. The alliance is a nationwide association of independently owned local and regional accounting and consulting firms. This alliance allows us access to a **vast array of national specialty resources and services**. The alliance provides assistance, when appropriate, in dealing with unusually complex accounting and auditing, tax or general consulting issues. Membership in the Alliance provides access to **educational materials of national firm quality**, including their quarterly newsletter, *Nonprofit Standard*, which is published by the BDO Institute of Nonprofit.

BDO ALLIANCE USA (Continued)

HBK staff is also provided access to attend BDO **industry-specific training and webcasts**. HBOIF's acceptance of HBK as its auditor would provide its staff **complimentary access** to these materials, in addition to other general resources such as the BDO *Effective Audit Committees for Nonprofit Organizations* guide. We have included the most recent BDO *Nonprofit Standard* for your perusal.

PRINCIPAL AUTHORITY

Our philosophy is to provide our audit service principals with the authority to make decisions in serving their clients. In today's complicated business and accounting environment, we recognize the need to provide numerous resources to our audit service principals to assist them in arriving at the proper decisions and providing timely and accurate client service. By **vesting the decision-making process** with the audit service principals and by providing the necessary and available resources, we have created an environment which promotes **quality and responsive client service**. HBK will strive to avoid differences of opinion with the client; it is extremely rare when differing views cannot be reconciled. As part of our risk assessment and analytical review procedures, we will identify potential areas of estimation and judgment early on during the engagement to allow sufficient discussion among the engagement team, experts and specialists, client management, and governance to assure agreement on accounting treatment and financial statement presentation.

AUDIT PHILOSOPHY

We understand that organizations such as HBOIF view an audit as a great deal more than rendering an opinion on financial statements. Our knowledge of auditing will permit us to tailor our auditing procedures to fit the circumstances which will improve our effectiveness and efficiency, minimize audit time and enable us to provide counsel and advice on an ongoing basis, as requested. Our audit process and approach, therefore, have been designed to meet your expectations through achieving these specific objectives:

- **Audit Effectiveness** - the audit must:
 - Be thorough in meeting professional standards.
 - Ensure effective, two-way communication from its initial stages through reporting of its results.

AUDIT PHILOSOPHY (Continued)

- **Audit Efficiency** - the audit must:
 - Be performed in a timely manner.
 - Give emphasis to significant areas with higher risk of financial reporting error and less emphasis on insignificant areas with less risk.
 - Minimize disruption of client personnel.

USE OF TECHNOLOGY

Throughout the audit we will use various computer applications which include:

- Audit engagement software used to enhance the audit process by utilizing workpapers that are interactively linked to create efficiency and accuracy and allow the auditors more time to perform qualitative analyses. Such software can link directly to the financial statements allowing quicker turnaround of draft financial statements for management review upon exit of fieldwork.
- **Automated workpapers** developed by HBK for all areas of the audit including planning, substantive audit procedures and reporting.
- Use of **industry benchmarking software** to provide management and governance summaries of how HBOIF's financial results and positions compare to other like-sized governments.
- Use of **data extraction and analysis software** to automate certain previously manually intensive procedures such as journal entry analysis, sampling, and other transactional testing.
- Use of **HBK's Secure File Exchange** which provides a method of securely transferring confidential and sensitive information between parties.
- Our **networked electronic audit and tax platforms** significantly reduce HBK's carbon footprint by reducing workpaper storage costs. Our systems also allow for multi-location team members to **collaborate in real time** while maintaining our high standards of security and confidentiality of your data.
- HBK operates in a **paperless environment** and has invested greatly in computer hardware, software and training in the use of automation in the audit process. We prefer the use of electronic data in the gathering of any information from our clients and have numerous means for reading and converting electronic data so that it can be used more efficiently and more effectively in servicing our clients. We believe our significant use of electronic information along with the extensive training we provide for our staff are additional reasons we are able to service new clients with less burden on their staff.
- HBK utilizes **social media**, particularly Twitter and blogging, for delivery of relevant accounting updates to the general public.



<http://www.hbkcpa.com/news/blog.html>

AUDIT APPROACH

We will use a **time-phased approach** to perform the audit. The phases of the audit process, which begin well in advance of our fieldwork, include planning and transition, interim audit activities, final audit activities and review and reporting of results. Controlled by the aforementioned time requirements in the request for proposal, this phased approach enhances audit effectiveness and efficiency by:

- Providing frequent, on-site or electronic contact and communications between your personnel and our auditors.
- Spreading workloads for your personnel and our auditors to avoid potential crisis situations.
- Permitting us to maximize our understanding of your operations.
- Minimizing the time required to perform the audit.

There are a number of key elements throughout our audit process and approach that are designed to result in increased effectiveness and efficiency for your personnel. They are as follows:

- A comprehensive planning process designed to develop the general framework for the audit. This planning process will include contacting the predecessor auditor and performing a review of their prior year workpapers.
- Interim audit work, including a thorough evaluation of engagement risk and the internal control structure, performed prior to fieldwork.
- Substantive audit procedures which reflect our understanding of the audit process as it relates to not-for-profits and thorough compliance and internal control testing.
- Reporting, including review of draft financial statements.
- Meaningful and substantive internal control letters.
- Presentation to management and oversight bodies.

AUDIT APPROACH (Continued)

Our audit approach is geared toward us focusing on what, in our professional judgment, are the more critical or higher risk areas and, in turn, requiring your staff to spend less time preparing data in lower risk areas we don't spend as much time auditing. However, we also vary our approach to mitigate predictability.

Consistent among all phases of the audit will be the **active involvement** of our engagement and quality control **principals**. Your assigned audit principals have considerable business and audit experience, and **HBK believes the engagement principal should be actively involved through the audit process** in a hands-on manner. Our audit methodology has been specifically designed to facilitate the level of principal involvement.

PLANNING AND TRANSITION

Our comprehensive planning process serves as the cornerstone for our effective audit approach. After being appointed as your auditors, we will initiate meetings with your previous auditor and management to discuss our overall audit plan, discuss ways to maximize the use of internal accounting staff and develop a schedule in order to minimize disruptions to your daily operations while still achieving your reporting deadlines. In addition, during this planning phase, we will request your staff to provide us with copies of agreements and certain other information relating to your policies and procedures. This request should be similar to the information you provided in prior year audits. We will gain an understanding of your overall operations and make a preliminary review of your accounting records, policies and procedures and identify any potential accounting or auditing problems. We will also request your staff to prepare all confirmations. The planning process will also serve to refine time frames and activities for:

- Scheduling of interim and final portions of our on-site work.
- Reviewing internal control systems.
- Selection criteria and timing of confirmation procedures.
- Agreeing on client-prepared schedules and analyses.
- Communication and review of "draft" audited financial statements and footnotes and management letter.
- Completion, presentation to management and the governing board and distribution of final audited financial statements and management letter.

PLANNING AND TRANSITION (Continued)

In developing the initial audit approach we will discuss areas where we anticipate use of HBOIF's staff. These staff members, in many cases, are the sources for the information we need to perform our audit procedures and are best suited to gather, organize and find an acceptable method for delivering the information – whether it be electronically or in paper format. We believe that the key to making the information gathering process less burdensome, especially in a transitional year, will be in the communication process between our representatives and your staff.

We will develop a tailored list of initial engagement organizational documentation that we need from you in advance of our engagement procedures, allowing you proper time to gather the information without creating unnecessary timing issues. We will use this information in advance of our engagement procedures so, as mentioned above, we can tailor our audit procedures to address our audit objectives and yours.

INTERIM AUDIT ACTIVITIES

The second phase of our engagement includes the interim audit activities which emphasize the refinement of a tailored audit approach and completion of a number of audit procedures aimed specifically at eliminating potential year end workload crises. We will coordinate specific dates with you upon being selected as your outside accounting firm. Planning and risk assessment will be performed at an interim date. Major phases of the interim audit work include the following:

Risk Assessment and Analytical Review. Central to our tailored audit approach is an assessment of engagement risk beginning with an entity's financial statements and the risk that they may contain errors. Through careful consideration of the inherent, control and detection risk aspects of overall audit risk and their interrelationships, we will document our risk assessments and tailor our audit programs accordingly.

We will concentrate on the areas or activities that involve the greatest risk and avoid applying unnecessary procedures to low-risk areas. Analytical review of financial, statistical data and budgets to actual is performed to identify trends or relationships requiring further analysis.

INTERIM AUDIT ACTIVITIES (Continued)

Evaluation of Internal Control Structure. In conjunction with the assessment of engagement risk, the engagement team will gain an understanding of HBOIF's internal control structure in order to provide a basis for designing the timing and extent of substantive audit procedures. The evaluation of the internal control structure, which will include our review of available Organization prepared documentation, will be performed through the use of walkthroughs of your systems, questionnaires, flowcharts and memoranda as considered appropriate based on the significance of the transaction cycle and the planned audit approach. Our evaluation will focus both on controls in place and those controls that may be missing.

Interim Testing: Based upon our analysis of engagement risk and the internal control structure, we will assess control risk for the significant transaction cycles and we may perform substantive audit procedures as of an interim date in order to reduce substantive procedures which would otherwise be performed during normal fieldwork after year end.

Sampling and Sample Sizes: We anticipate that our sampling will consist of substantive tests of account balances using nonstatistical sampling. Our sample items will be selected from transactions from the entire period under audit using a computer generated random number selection method or haphazard selection for a non-numbered population.

FINAL AUDIT ACTIVITIES

Completion of the planning and interim stages of the audit will identify areas as significant audit areas. The procedures applied to these areas will include analytical procedures, confirmation from external sources of account balances and testing of all significant assets, liabilities, net assets and revenue and expense accounts. All procedures will be designed to provide appropriate audit coverage in order to render our opinion.

We will request our documentation needs **in advance** of when we expect to perform our procedures so as to not create a burden on your personnel. We will be **specific** regarding what information we need and the dates or time periods for which we need the information. We will make our documentation requests **in writing** and attempt to be **clear and concise** to assist your staff in understanding our needs.

FINAL AUDIT ACTIVITIES (Continued)

As a part of an initial audit, we would work closely with your personnel to work out the expectations of how this information could be gathered, formatted and delivered for the benefit of both parties.

As with any audit, when we perform our procedures, we will investigate items and will require assistance and make inquiries of your staff. We believe our audit process benefits our clients most greatly in this aspect of their assistance. We focus on the identified risk areas and expend our resources inquiring and investigating in these areas. Accordingly, we require fewer resources on behalf of our clients.

QUALITY CONTROL

HBK maintains a **full-time accounting and auditing quality control department**, which consists of five principals. These individuals provide technical guidance to the firm on accounting and auditing matters and participate in the audit planning and risk identification process. They also perform a detailed second principal pre-issuance review of all audit working papers and financial statements. **HBK's commitment to quality through a dedicated quality control department is rare among regional accounting firms.** The audit file for HBOIF will be reviewed in detail to ensure compliance with the applicable financial reporting and auditing standards and, moreover, to ensure that we have performed the right procedures in the appropriately identified areas and soundly documented those procedures. Additionally, as a part of this review, we perform an independent review aimed at ensuring our clients' financial information is presented in a qualitative and beneficial manner. We believe **our quality control review is more extensive** than the review conducted by most other firms who only perform a review of selected workpapers. Any matters involving increased complexity or judgment will be communicated to the quality control department during the course of audit activities to ensure timely conclusions are reached and the issuance of your financial statements is not delayed.

REVIEW AND REPORTING

The final stage of the engagement is primarily to follow up on any items noted during review and completion of the reporting phase of the engagement. We will have an **exit conference** with HBOIF representatives to discuss the results of the audit.

COMMUNICATIONS WITH GOVERNANCE

Auditing standards require we communicate certain audit matters (AU-C 260 letter) and internal control deficiencies (AU-C 265 letter) to those charged with governance. These letters to governance **encourage compliance with policies and procedures and address opportunities to improve internal controls**, but also communicate current accounting and regulatory matters of importance and identify opportunities to enhance financial and operational performance.

Our observations are discussed with appropriate management representatives to assure factual accuracy prior to formulating recommendations. If requested, we will prioritize and segregate our comments into those areas which require top management attention and those which require administrative action.

PRESENTATION TO MANAGEMENT & OVERSIGHT BODIES

At the conclusion of our engagement, we prefer to make a presentation to HBOIF management and oversight bodies of the audited financial statements and letters to governance. Our presentation will include:

- A review of audit results.
- Comments on significant items and accounts within the audited financial statements.
- A review of the governance letters.
- A discussion of significant current accounting and auditing issues which affect Harbor Branch Oceanographic Institute

We feel this meeting is critical and a valued part of the audit process. It provides valuable opportunities to share ideas and discuss future directions for HBOIF.

CHRISTOPHER MARRIE, CPA

Principal



Responsibilities:

Chris will serve as the overall Engagement Principal. He will be responsible for coordinating the audit team to ensure all technical aspects of the audits are met, provide supervision over the entire team and be the Principal ultimately responsible for the engagement.

Background:

Chris is a Principal in the Naples office and has been with the firm since 1998. He has extensive experience in auditing and business consulting. Chris provides a variety of accounting and assurance services to clients including individuals, businesses and non-profits. He is a certified public accountant licensed in Florida and is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants and numerous other community organizations. Chris has satisfied the “Yellow Book” requirement of having at least eighty hours of continuing professional education every two years, of which twenty-four must directly relate to the government environment and to government auditing.

Chris holds the following professional appointments and memberships:

- The Florida Institute of Certified Public Accountants (FICPA)
- The American Institute of Certified Public Accountants (AICPA)
- Past President of Naples Gulfshore Rotary
- Auditsense instructor

Education:

- Youngstown State University, Youngstown, Ohio with a Bachelor Degree in Accounting and Business Administration

GREGORY NUTTALL, CPA

Principal



Responsibilities:

Greg will serve as the client principal and relationship manager. He will be the principal contact for the staff of the Organization and will participate in audit planning and any complex engagement issues that may arise. He is available throughout the year to ensure proactive issue identification and service delivery.

Background:

Greg joined HBK in 1985. He has extensive experience in providing accounting, tax and business advisory services for businesses and individuals. His accounting and tax experience covers several industries including non-profit organizations, closely-held corporations, doctors and dentists, construction contractors, manufacturing firms, common interest realty associations and many others.

Greg holds the following professional appointments and memberships:

- The Florida Institute of Certified Public Accountants (FICPA)
- The Pennsylvania Society of CPAs (PSCPA)
- The American Institute of Certified Public Accountants (AICPA)
- Past President and current member, Kiwanis Club of Stuart
- Past Board member, Helping People Succeed, Inc. Operating Board
- Treasurer, Leadership Martin County Alumni, Inc.
- Past Audit Committee Chair, American Red Cross, Martin County Chapter
- Past Board Member, 19th Judicial Circuit Grievance Committee
- Leadership Martin County Alumni, Class 7

Education:

- Thiel College, Greenville, Pennsylvania with a Bachelor Degree in Accounting and Business Administration

CRAIG STEINHOFF, CPA, CITP

Audit Quality Control Principal



Responsibilities:

Craig will serve as the Quality Control Principal and will be responsible for the second principle review of audited financial statements. He will also participate in the audit planning meeting and complex engagement issues. He is available throughout the year to ensure proactive issue identification and service delivery.

Background:

Craig joined HBK in 2007 after nine years with mid-sized accounting firms in Columbus, Ohio. He provides accounting, audit and financial reporting services to a wide range of industries, including: manufacturing, wholesale distribution, not-for-profit, governmental and retail. Craig has experience in auditing entities involved in HUD's Section 202 Programs. He also has experience with entities that are financed with U.S. Department of Agriculture, Rural Development Authority loans. Craig is a Certified Public Accountant with licenses in Ohio and Pennsylvania. He is a member of the American Institute of Certified Public Accountants and an Executive Board Member of the Ohio Society of Certified Public Accountants. He also participated in the AICPA Inaugural Leadership Academy.

Craig holds the following professional appointments and memberships:

- The Ohio Society of CPAs (OSCPA)
- The American Institute of Certified Public Accountants (AICPA)
- Leadership Academy, AICPA, 2009
- Financial Literacy Commission, AICPA, 2010-2012
- Board of Directors, OSCP, 2008-2009
- Investment Committee, OSCP, 2011-Present

Education:

- Capital University, Bexley, Ohio with a Bachelor Degree in Accounting

JIM ROSA, CPA, PFS

Tax Principal



Responsibilities:

Jim will serve as a Tax Principal in charge of business consulting and tax planning matters on the engagement. Jim is a Principal in the Youngstown, Ohio office of HBK.

Background:

Jim joined HBK in 1986 after ten years with the international accounting firm, KPMG where he provided tax services to public and privately owned businesses. He has extensive experience in not-for-profit tax exempt organizations, personal and estate planning, entity planning including corporate mergers and acquisitions, S corporations, Limited Liability Company and partnership taxation, entity structuring, and individual tax and financial planning. Jim also has considerable experience in tax policies, procedures and resources which HBK uses in their tax practices and provides expert research and counsel to high-net worth individuals. He is also the Chair of the Tax Committee for HBK.

Jim holds the following professional appointments and memberships:

- The Ohio Society of Certified Public Accountants (OSCPA)
- The American Institute of Certified Public Accountants (AICPA), including the Tax Division and Personal Financial Planning Division
- Board Chair and Finance Committee Chair, Lumen Christi Catholic Schools
- Board Member, Diocese of Youngstown Foundation
- Board Member and Past President, Mahoning Valley Economic Development Corporation
- Board Member and Past President, Boardman Community Foundation, Inc.
- Board Member and Past Chair, Talk is Cheap, Inc.
- Past Chair, Boardman Township Business Advisory Committee
- St. Charles Church: Member of Finance Committee, Building Committee and Endowment Committee and Chair of “Enhancing Our Ministry” Fundraising Campaign

Education:

- University of Toledo with a B.S. degree in Business Administration

GENEVIEVE GEORGE, CPA

Manager

**Responsibilities:**

Gen will serve as the Manager responsible for supervision and review of staff on the engagement. She will assist in the planning, reviewing, evaluating and executing fieldwork. She will consult with the client and the audit team on progress of fieldwork and any issues that may occur.

Background:

Gen is a Manager in the Stuart, Florida office of Hill, Barth & King LLC and has been with the firm since 2010. She has over eight years of professional experience with an emphasis in providing audit and assurance services. She has worked with clients in a number of industries, including not-for-profit organizations, governmental entities, common interest realty associations, construction, and manufacturing.

Gen holds the following professional appointments and memberships:

- The Florida Institute of Certified Public Accountants (FICPA)
- The American Institute of Certified Public Accountants (AICPA)
- The Association of Certified Fraud Examiners (ACFE)
- Treasurer, Martin County Interagency Coalition
- Treasurer, Treasure Coast Autism Project
- Leadership Martin County Alumni, Class 23

Education:

- University of Central Florida with a Bachelor of Science in Business Administration in Accounting
- Walden University with a Masters of Science in Accounting

JOSEPH GRASSO, CPA

Manager



Responsibilities:

Joe will serve as the Manager responsible for supervision and review of staff on the engagement. He will assist in the planning, reviewing, evaluating and executing fieldwork. He will consult with the client and the audit team on progress of fieldwork and any issues that may occur.

Background:

Joe joined HBK in 2014 and has 10 years of experience in public accounting with a concentration in audit. He has worked with clients in a number of industries, including not-for-profit organizations, governmental, healthcare, real estate, technology, and manufacturing companies. Joe is a Certified Public Accountant with a license in Massachusetts.

Joe holds the following professional memberships:

- The Massachusetts Society of CPAs (MSCPA)
- The American Institute of Certified Public Accountants (AICPA)

Education:

- University of Central Florida with a Bachelor of Science in Business Administration in Accounting.

COMMITMENT TO CONTINUITY

We commit to utilize the key personnel included in this proposal to serve HBOIF. Our **staff turnover is comparable** to the national average for the top 100 CPA firms and has ranged from 14-17% over the past three years. If any necessary changes in engagement personnel are warranted, we will discuss them in advance with you before assigning any new individuals to the engagements.

SCHEDULE

As mentioned earlier, we strive to remain **proactive in our communication process** with our clients to eliminate as many misunderstandings as possible and provide clear expectations between both parties. Accordingly, beyond our initial procedures required as a part of an initial audit, which we would anticipate sending our audit information request package in November. This request package will list in detail all of our informational needs for the entire audit process. This will include items we need for planning and interim work, as well as the documents we anticipate needing as a part of year end fieldwork and review.

We strive to be onsite at a client's location as much as possible during fieldwork in order to maintain a **personal relationship and efficient communications**. As a part of our planning and interim procedures, we will ask your staff to provide us with a short list of information such as interim trial balances, certain sub-ledger reports for the purposes of preparing confirmations and other information in less critical testing areas.

We anticipate our year end fieldwork will take place in early to mid-August, in accordance with the schedule you laid out in the request for proposal. However, planning will take place well before that period. At this point, we would have our staff in your offices performing their procedures and working with your staff, to the extent needed, in the analysis of data. If this schedule is followed, it provides us ample time to deliver final audit reports and communications to governance by your stated due dates.

PROFESSIONAL FEES

Our fees for the scope of services requested are based on hourly rates for the individuals performing the work and the complexity of the engagement. Based upon our review of prior year financial statements for HBOIF and our familiarity with similar organizations, we undertake to provide the services set forth in this letter for a maximum all inclusive fixed-fee not-to-exceed the amount listed below including all associated out-of-pocket and travel costs for the years ending June 30:

	June 30, 2015	June 30, 2016	June 30, 2017
Audit	\$ 33,000	\$ 34,250	\$ 35,200
990 Tax Prep	\$ 2,000	\$ 2,150	\$ 2,300
	\$ 35,000	\$ 36,400	\$ 37,500

Our standard billing rates for professional personnel for each of the last three years are as follows:

	2014	2013	2012
Principal	\$ 315	\$ 300	\$ 300
Manager	\$ 170	\$ 165	\$ 165
Staff Accountant	\$ 110	\$ 105	\$ 105

We expect that you will have general questions and inquiries throughout the year, and to the extent that these do not require that we devote substantial time to respond, we consider these fees as part of the engagement; therefore, you will not be billed for these services. The aforementioned fees do not include consulting services such as research and advice in connection with proposed transactions and other matters where a significant amount of time or resources are expended. We would, of course, be pleased to provide such services at your request. Once we have defined the scope of any additional work required, we will prepare an estimate of the fees in writing and will send you an engagement letter or other communication for approval prior to commencing on that work.

THE POWER OF RESOURCES

By selecting HBK, HBOIF will choose a firm with “client-centered” qualifications. These credentials include not only teams assigned to the various phases of the engagement with extensive nonprofit experience, but also a network of professionals who will share with management their insight on evolving industry issues. This section summarizes our qualifications to serve you and describes how we can provide the information and guidance you need to make decisions affecting HBOIF.

INDUSTRY EXPERIENCE

HBK’s specialized industry knowledge permits us to tailor audit procedures to fit the needs of each client. This practice improves efficiency and minimizes the time required to complete the audit and provides a depth of resources which benefits client personnel as well as our assigned team.

This commitment to the local government and nonprofit industry enables us to provide you with full-service capabilities. In addition, HBK’s membership in the BDO Alliance USA enables us to utilize the national resources including those in the local government field at BDO Alliance USA, LLC.

A sample of HBK’s not-for-profit audit clients, some of which are government agencies or not-for-profits audits performed in accordance with OMB Circular A-133, are as follows:

- **ARC of Martin County** (Not-For-Profit Audit)
- **Ave Maria University** (Not-For-Profit Audit Under Government Auditing Standards)
- **Behavior Basics, Inc.** (For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Catholic Charities Regional Agency** (Not-For-Profit Audit Under Government Auditing Standards)
- **Columbiana County School Employees Insurance Consortium** (Not-For-Profit Audit Under Government Auditing Standards)
- **Covenant Fellowship Baptist Church, Inc.** (Not-For-Profit Audit)
- **District XI Area Agency on Aging, Inc.** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Easter Seals Society of Mahoning, Trumbull and Columbiana Counties** (Not-For-Profit Audit)
- **Farrell Area School District** (Governmental Audit Under Government Auditing Standards and OMB Circular A-133)

INDUSTRY EXPERIENCE (CONTINUED)

- **Haiti Partners, Inc.** (Not-For-Profit Audit)
- **Historical Society of Martin County, Inc. dba The Elliott Museum** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Hope for Haiti, Inc.** (Not-For-Profit Audit)
- **Indiantown NonProfit Housing, Inc.** (Not-For-Profit accounting and audit preparation)
- **Keystone Adolescent Center** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Mahoning County School Employees Insurance Consortium** (Not-For-Profit Audit Under Government Auditing Standards)
- **Martin County Industrial Development Authority** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Northern Palm Beach County Chamber of Commerce, Inc.** (Not-For-Profit Review)
- **Palm City Chamber of Commerce, Inc.** (Accounting work and tax preparation)
- **Primary Health Network** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Raymond John Wean Foundation** (Not-For-Profit Audit)
- **Realtor Association of Martin County, Inc.** (Not-For-Profit Audit)
- **Safespace** (Not-For-Profit Audit)
- **Shenango Valley Urban League** (Not-For-Profit Audit Under Government Auditing Standards and OMB Circular A-133)
- **Shepherd of the Valley Lutheran Retirement Center** (Not-for-Profit Senior Care Audit)
- **Stuart Martin County Chamber of Commerce, Inc.** (Not-For-Profit Review)
- **The Bair Foundation** (Not-For-Profit Audit)
- **The Youngstown Foundation** (Not-For-Profit Audit)
- **Visiting Nurses Association of Youngstown** (Not-for-Profit Home Health Audit)

The five largest clients our firm has lost in the past three years and their reasons for leaving are as follows:

United Plate Glass Col, Inc. – No explanation provided

UCT Coatings, Inc. – Lost competitive bidding

ICG Solutions, Inc. – Business closed

Bauer Excavating, Inc. – Fees

RoData, Inc. - Fees

REFERENCES

Ave Maria University

Mr. Robert E. Farnham, Vice President of Finance and Administration
5050 Ave Maria Boulevard
Ave Maria, Florida 34142
(239) 280-1674

Haiti Partners, Inc.

Ms. Deb Appel, Finance Coordinator
P.O. Box 2865
Vero Beach, FL 32961
(772) 539-8521

Historical Society of Martin County, Inc.

Ms. Amy Martin, Finance Director
825 NE Ocean Blvd
Stuart, Florida 34996
(772) 225-1961

Indiantown Non-Profit Housing, Inc.

Ms. Donna Carmen, Executive Director
P.O. Box 456
Indiantown, Florida 34956
(772) 597-3667

Martin County Industrial Development Authority

Ms. Jill Marasa
1002 SE Monterey Commons Blvd, Suite 203
Stuart, Florida 34996
(772) 221-1380

PEER REVIEW REPORT



System Review Report

To the Principals of Hill, Barth & King LLC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Hill, Barth & King LLC (the firm) applicable to non-SEC issuers in effect for the year ended August 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, and examinations of service organizations [Service Organizations Control (SOC) 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Hill, Barth & King LLC applicable to non-SEC issuers in effect for the year ended August 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Hill, Barth & King LLC has received a peer review rating of *pass*.

A handwritten signature in black ink that reads 'Cherry Bekaert LLP'.

Cherry Bekaert LLP
December 6, 2013