

# HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

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## FOUNDATION

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### Minutes of the Audit Committee October 6, 2014

PRESENT: Michael Minton, Chair\*; C. Amos Bussmann\*

ALSO PRESENT: Katha Kissman, President & CEO; Colleen Brennan, Director of Operations; J. Gaines of Berger, Toombs, Elam, Gaines & Frank Certified Public Accountants\*

ABSENT: Sherry Plymale

The meeting was called to order by Chair Minton at 4:00 pm.

- J. Gaines provided a review of the Audited Draft Financials. There was discussion about the possible need to review again HBOIF's cash deposits in relation to FDIC insured limits per Note 2 on p. 12. Minton suggested that staff again review the six month average balance to determine if and how frequently the deposits exceed FDIC insurance limits and if HBOIF is regularly exceeding the limit to consider CDAR or alternate deposit mechanisms to make HBOIF less vulnerable. This issue has been previously addressed by the Finance Committee.
- Minton inquired of J. Gaines about the previous note regarding the internal debt to the Temporarily Restricted Net Assets and the Committee was advised that since that internal debt has now been satisfied, the note was deleted.
- J. Gaines provided an overview of the SAS114 Letter noting that the audit was an unmodified opinion, which is the best opinion to get.
- J. Gaines noted in the Management Letter, Under Internal Control, Gaines pointed out the material weakness in segregation of function due to the small size of the organization. He recommends that the Board of Directors remain active in the day to day operations of the organization.
- The committee agreed unanimously to accept the audit and present it to the Board of Directors. The audit will be distributed to the Board.
- J. Gaines reviewed the 2013 990 Draft for FY14. The committee agreed unanimously distribute the 990 to the Board of Directors for their review at the November 13, 2014 Board meeting. Upon approval, staff will ensure the filing of the Form 990 by certified mail to meet the November 15 filing deadline.

J. Gaines was thanked and he left the call.

Berger, Toombs, Elam, Gaines & Frank has served as HBOIF auditor for the 2010, 2011, 2012, 2013 and 2014 audits. Because best practices suggest a regular rotation of auditors, a draft of a Request for Proposals for a new auditor had been circulated to the committee in advance of the meeting. The committee agreed unanimously to circulate the RFP. Chair Minton noted that the incoming Audit Chair should lead the selection process.

Kissman also reported on two other points raised by J. Gaines:

1. His concern over the \$40,000 retainer for lobbyist services. He noted that this was under the IRS threshold and HBOIF was not in jeopardy due to this amount. Chair Minton concurred that this conclusion was consistent with his understanding and further noted that having a lobbyist on retainer was needed to protect our Specialty License Plate program. He also noted that there is a larger issue of HBOIF's role in taking and promoting positions on political topics which may be perceived as political advocacy, which is a topic the Board as a whole should discuss with the assistance of an expert in the field.
2. His concern over the expenditure of \$5,000 for a thank you gift for Dr. Margaret Leinin, HBOI's previous executive director. He stated that there may be a perception that the amount paid for such a gift is excessive for a nonprofit and that HBOIF may wish to develop a policy with regard to future gifts to individuals. It was noted that certain Board members made additional donations to cover much of this expense so the Foundation did not incur this entire amount, but the Board should consider adopting a policy.

### **Adjournment of Meeting**

There being no further business, the meeting of the Audit Committee was adjourned at 4:35 pm.

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