



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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March 11, 2014

Katha Kissman, Interim Executive Director
Harbor Branch Oceanographic Institute Foundation, Inc.
5600 US 1 North
Fort Pierce, FL 34946

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Harbor Branch Oceanographic Institute Foundation, Inc., (the "Organization"), which comprise the balance sheet as of June 30, 2014 and the related statements of support and revenues, expenses and changes in net assets, and changes in cash for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of expressing an opinion on the financial statements.

The Responsibility of the Auditor

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amount 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. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

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In making our risk assessments, we consider internal control relevant to the Organization'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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the board of directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility for (1) the preparation and fair presentations of Harbor Branch Oceanographic Institute Foundation, Inc. financial statements in accordance with accounting principles generally accepted in the United States of America, (2) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, (3) providing us with access to all information of which management is aware that is relevant to the preparation and fair presentation of financial statements such as records, documentation, and providing additional information that we may request from management for the purpose of the audit, and (4) providing us with unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit, we will request certain written confirmation from management concerning representations made to us in connection with the audit including among other items (a) that management has fulfilled its responsibilities as set out in the terms of this letter and (b) that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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Management is responsible for identifying and ensuring that the Organization complies with the laws and regulation applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

The Board of Directors is responsible for informing us of its views about the risks of fraud within the Organization, and its knowledge of any fraud or suspected fraud affecting the Organization.

Because Berger, Toombs, Elam, Gaines & Frank will rely on Harbor Branch Oceanographic Institute Foundation, Inc. and its management and board of directors to discharge the foregoing responsibilities, Harbor Branch Oceanographic Institute Foundation, Inc. holds harmless and releases Berger, Toombs, Elam, Gaines & Frank, its partners, and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of Harbor Branch Oceanographic Institute Foundation, Inc.'s management, which has caused, in any respect, Berger, Toombs, Elam, Gaines & Frank's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Entity's Records and Assistance

If circumstances arise relating to the condition of the Organization's records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. The Organization will determine that all such data, if necessary, will be so reflected. Accordingly, the Organization will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Harbor Branch Oceanographic Institute Foundation, Inc.'s personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with management. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.



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If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement and will not exceed \$21,000. Our fee estimate and completion of our work is based upon (a) anticipated cooperation from the organization's personnel, (b) timely responses to our inquiries, (c) timely completion and delivery of client assistance requests, (d) timely communication of all significant accounting and financial reporting matters, and (e) the assumption that unexpected circumstances will not be encountered during the engagement.

We will also prepare Form 990, Return of an Organization Exempt From Income Tax, for a fee not to exceed \$1,750.

In the event we are requested or authorized by Harbor Branch Oceanographic Institute Foundation, Inc. or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Harbor Branch Oceanographic Institute Foundation, Inc., Harbor Branch Oceanographic Institute Foundation, Inc. will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Claim Resolution

Harbor Branch Oceanographic Institute Foundation, Inc. and Berger, Toombs, Elam, Gaines and Frank agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Berger, Toombs, Elam, Gaines and Frank or the date of this arrangement letter if no report has been issued. Harbor Branch Oceanographic Institute Foundation, Inc. waives any claim for punitive damages by Berger, Toombs, Elam, Gaines and Frank's liability for all claims, damages and costs of the organization arising from this engagement is limited to the amount of fees paid by Harbor Branch Oceanographic Institute Foundation, Inc. to Berger, Toombs, Elam, Gaines and Frank for the services rendered under this arrangement letter.

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Reporting

We will issue a written report upon completion of our audit of Harbor Branch Oceanographic Institute Foundation, Inc.'s financial statements. Our report will be addressed to the board of directors of the organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, and an emphasis-of-matter or other-matter paragraph(s), or withdraw for the engagement.

This letter constitutes the complete and exclusive statement of agreement between Berger, Toombs, Elam, Gaines & Frank and Harbor Branch Oceanographic Institute Foundation, Inc., superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
J. W. GAINES, CPA

Confirmed on behalf of the addressee:

