

Harbor Branch Oceanographic Institute Foundation
 DRAFT FY18 PROJECTED OPERATING BUDGET
 recommended by Finance Committee as of April 14, 2

	Year Budget Revision (adopted 1.25.17)	Proposed FY18 Budget	Description
Ordinary Income/Expense			
Income			
40000 - Donations & Gifts	0.00	0.00	FY18: while we sometimes receive unsolicited donations, we do not budget for this
45000 - Love Your Lagoon (Gross)			
45100 - Sponsorships	175,000.00	175,000.00	FY18: this will again be a stretch goal; last year 147,500 actual
45200 - Ticket Sales	25,000.00	25,000.00	FY18: this will again be a stretch goal; last year 19,000 actual
45250 - Auction	50,000.00	20,000.00	FY18: based on last year 18,700 actual
45300 - Donations - LYL	500.00	3,750.00	FY18: based on last year actual
Total 45000 - Love Your Lagoon (Gross)	250,500.00	223,750.00	
54000 - Other Revenue			
54005 - HBOIF - admin (SLP)	80,724.09	80,724.09	FY18: see SLP (TAB A)
54010 - Rent & Lease Revenue	55,579.23	63,097.64	FY18: 2,130 Billboard income; 60,967.64 ORA lease
54023 - Sales Tax Collection Allowance	0.00	0.00	
Total 54000 - Other Revenue	136,303.23	143,821.73	
60000 - In-kind Contributions	0.00	0.00	23,052 audit required tracking of inkind contribution of rent/utilities (estimated by HBOI) but we do not budget for this; see corresponding expenses
Total Income	386,803.23	367,571.73	
Gross Profit	386,803.23	367,571.73	
Expense			
72000 - Payroll Expenses			
72010 - Salaries & Wages			
72011 - President & CEO	173,885.00	181,351.12	FY18: FY17 base was 165,119; 1.3% COLA and 3% merit increase for a total of 172,219.12; 9,132 health/grossed up for taxes (625 per month) FY18: FY17 base was 60,000; realignment to 67,594 base salary plus 1.3% COLA of 780 for a total of 68,374; plus 9,132 health/grossed up for taxes (625 per month)
72012 - Director of Operations	68,766.00	77,506	
72013 - Administrative Assistant	29,824.00	31,279	FY18: FY17 base was 25,441; 1.3% COLA and 3.7% merit increase for a total of 26,713; plus 4,566 health/grossed up for taxes (312.50 per month)
Total 72010 - Salaries & Wages	272,475.00	290,136.12	
72015 - Payroll Taxes	20,774.34	22,195.41	FY18: 7.65%
72060 - 401K	10,000.00	12,000.00	FY18: up to 3% match of employee voluntary contributions; additionally adjusted for required Paycheck distributions
Total 72000 - Payroll Expenses	303,249.34	324,331.53	
75000 - Contract Professional Services			
75020 - Accounting Fees			
75021 - Audit	34,800.00	34,800.00	FY17: additional serves provided due to FAU request to present audit at BOT meeting; lawsuit
75022 - Tax Reporting	2,500.00	2,500.00	
75023 - Accounting Oversight	46,000.00	46,000.00	
Total 75020 - Accounting Fees	83,300.00	83,300.00	
75025 - Professional Services	35,600.00	10,000.00	FY17: Calleen Brennan; Bascom Communications
Total 75000 - Contract Professional Services	118,900.00	93,300.00	
75500 - Legal Fees			
75510 - General Legal Fees	50,000.00	400,000.00	FY18: additional services engaged due to lawsuit
75512 - Legal Other	40,000.00	40,000.00	
75500 - Legal Fees - Other	0.00	0.00	
Total 75500 - Legal Fees	90,000.00	440,000.00	
80000 - Rent (In-Kind)	0.00	0.00	17,052 audit required tracking of inkind expenses (estimated by HBOI) but we do not budget for this
80001 - Utilities (In-Kind)	0.00	0.00	6,000 audit required tracking of inkind expenses (estimated by HBOI) but we do not budget for this
81000 - Operations			
81010 - Supplies	4,000.00	4,000.00	
81015 - Telephone	4,200.00	4,200.00	
81020 - Postage & Shipping	1,500.00	1,500.00	
81025 - Printing & Copying	5,000.00	5,000.00	
81030 - Books, Subscriptions, Reference	1,500.00	1,500.00	
81032 - Memberships & External Events	7,500.00	7,500.00	
81035 - Computer & Website	12,000.00	12,000.00	
81040 - Gifts & Appreciation	2,000.00	2,000.00	
81045 - Promotion & Advertising	13,200.00	13,200.00	
Total 81000 - Operations	50,900.00	50,900.00	
82000 - Facilities & Equipment			
82005 - Utilities	600.00	600.00	5527 Old Dixie Meter (Montessori)
82000 - Facilities & Equipment - Other	10,000.00	10,000.00	
Total 82000 - Facilities & Equipment	10,600.00	10,600.00	
82030 - Real estate taxes	4,013.14	4,013.00	5527 Old Dixie (Montessori)
82035 - Depreciation Expense	2,575.00	2,575.00	
82500 - Sale of Land Expense	49,331.11	10,500.00	FY18: projected fees for updated appraisals on all of Foundation properties; Possible sale on 5527 Old Dixie (Montessori) -- mid year budget adjustment?
83000 - Travel & Meetings	5,000.00	5,000.00	
83010 - Board Travel & Meetings	17,000.00	17,000.00	
84000 - Insurance Expense	33,000.00	56,400.00	FY17: increased D & O pro-rated; FY18: increased D & O
84100 - Bank Service Expense	1,000.00	2,000.00	FY18: PNC fees have gone up
84300 - Investment Management Fees	80,000.00	80,000.00	
85000 - Donor Related	12,000.00	20,000.00	FY18: HBOIF reduced to 10,000; additional 10,000 recommended to provide flexible discretionary support to HBOI ED (Foundation credit card)
85500 - Love Your Lagoon			
85501 - Food & Beverage	38,000.00	35,000.00	FY18: reduced based on 2017 actuals
85502 - Equipment Rental	59,000.00	59,000.00	FY18: based on 2017 actuals
85503 - Printing & Design	6,500.00	6,200.00	FY18: reduced based on 2017 actuals
85504 - Photography	450.00	600.00	FY18: increased based on 2017 actuals
85506 - Awards & Favors	1,700.00	1,700.00	
85507 - Supplies	500.00	500.00	
85508 - Advertising & Promotion	2,500.00	2,000.00	FY18: reduced based on 2017 actuals
85509 - Contract Labor	800.00	800.00	
85510 - Miscellaneous	250.00	100.00	
85511 - Postage	3,500.00	3,500.00	
85513 - Valet Parking	1,800.00	2,800.00	FY18: increased based on 2017 actuals
85514 - Fees - Square/NFG	0.00	1,000.00	FY18: did not budget last year; #s of online payments of sponsorships, ticket sales, and donations for LYL have increased which have resulted in these fees
Total 85500 - Love Your Lagoon	115,000.00	113,200.00	
85700 - Love Your Lagoon Proceeds	111,350.00	89,626.00	FY18: actual 2017 Love Your Lagoon net proceeds to be paid out in FY18
86000 - Business Expense	500.00	500.00	
87000 - Miscellaneous Expenses	1,500.00	1,500.00	
870 - Federal Tax Deposit Penalty	0.00	0.00	
87167 - Indian River Lagoon Symposium	10,000.00	10,000.00	
Total Expense	1,015,918.59	1,331,645.53	
Net Ordinary Income	-629,115.36	-964,073.80	
Other Income/Expense			
Other Income			
90000 - Other Income			
53019 - Investment Interest & Dividends	0.00	0.00	*
53500 - Realized Gains/Losses	0.00	0.00	*
53600 - Unrealized Gains/Losses	0.00	0.00	*
54200 - Contributions to Endowment	0.00	0.00	
Total 90000 - Other Income	0.00	0.00	
Total Other Income	0.00	0.00	
Other Expense			
90500 - Other Expenses			
87100 - Special Initiatives			
87160 - HBOI Development Staff Support	30,963.69	0.00	FY17: final payment on closed grant
87165 - HBOI New Faculty			
87165-5 - HBOI New Faculty-Year 5	1,303,300.00	0.00	
87165-6 - HBOI New Faculty-Year 6		806,676.00	FY18: per Patrick Boles 3/13/17
Total 87165 - HBOI New Faculty	1,303,300.00	806,676.00	
87166 - HBOI Faculty Incentives			
87166-5 - HBOI Faculty Incentives-Year 5	200,000.00	0.00	
87166-6 - HBOI Faculty Incentives-Year 6		220,000.00	

87186-9 - HBOI Faculty Incentives		314,369.00	
Total 87186 - HBOI Faculty Incentives	200,000.00	534,369.00	
87170 - HBOI Faculty Salary Support	500,033.00	536,095.97	
87175 - HBOI Discretionary Fund Awards	85,000.00	0.00	
87176 - HBOI Special Award	20,000.00	0.00	
Total 87100 - Special Initiatives	2,139,296.69	1,877,140.97	
87199 - Refunds - Special Initiatives	0.00		
Total 90500 - Other Expenses	2,139,296.69	1,877,140.97	
Total Other Expense	2,139,296.69	1,877,140.97	
Net Other Income	-2,139,296.69	-1,877,140.97	
Net Income	-2,768,412.05	-2,841,214.77	

FY18: incentive grant contingency, available over the life of the grant only if incentive rewards exceed the yearly budgeted amount; has not been the practice to date

FY18: per Greg Morgan 3/21/17

FY18: no amount dedicated in this budget; will review again at Mid-Year Budget Revision

FY17: this was an approved award for 3 specific purposes in FY17; further amended to include 2 additional purposes.

FY17: HBOI owes the Foundation 38,710.96 in unspent funds from FY16; deducted from 3 Qtr grant invoices payments in FY17

BALANCE OF FY18 SPENDABLE/CONTINGENCY 418,478

CURRENT BALANCE OF FY17 SPENDABLE/CONTINGENCY or 388,279 available against spendable (if HBOI does not use any or all of the "floating" Faculty Incentive)

*Lines 53019, 53500, 53600: Beginning in the FY17 Budget, the Finance Committee decided not to budget for Realized/Unrealized Gains and Losses. Past budgeting had been an arbitrary exercise due to the volatility of the market. These will be tracked in real time in our accounting system.

GENERAL NOTE

As typical of most giving foundations, fundraising is not done to raise operational income; it comes out of the Endowment spendable; in addition, do not include anticipated drawdowns from the Endowment corpus to cover operational expenses and HBOIF draws down only upon invoice from FAU Harbor Branch to provide grant funds anticipated in advance of each quarter.

This is why when we have not included a "Draw from Endowment" as a line item on our HBOIF Operational Budget it had appeared to be a deficit budget. However, it is only a "deficit budget" due to the limitations of our QuickBooks accounting software. We have income from the Endowment to support operations - it just isn't classified as Revenue nor does it flow through QuickBooks. Therefore it does not appear on Operating Budgets in the Regular Revenue/Expense categories. For the FY17 Budget, the Finance Committee is discussing whether or not to include any budget for Realized/Unrealized Gains/Losses as the projection cannot be predicted to do market volatility.

In addition to grantmaking to HBOI, HBOIF uses funds from the Endowment to support its general operations. Private foundations fund themselves operationally in this way (i.e., they do not fundraise for their operational expenses). With private foundations, part of the required 5% annual distribution may be used for "qualified distributions," with one definition of such being to support legitimate operational expenses to support mission fulfillment. At the very least, it would be a very hard sell to fundraise for Foundation operations when we have a corpus of over \$60 million.

HBOIF is a public charity rather than a private foundation. As a 501(c)(3) that is not a private foundation, we are not required to conform to the IRS rules governing private foundations (i.e., a required payout of 5% of the investment return). Because we are a de facto giving foundation, when the original Investment Policy was devised we set our spendable policy of "up to 5%" in an effort to "mirror" other foundations. Currently, the bulk of our Endowment corpus resides in the J. Seward Johnson, Sr. Charitable Trust Endowment Fund and it states that expenditures are restricted to no more than 5% annually until the termination date of June 2020.

This information supports the Foundation's consensus confirmation at the April 2013 retreat led by Susan Decker of BoardSource that the Harbor Branch Oceanographic Institute Foundation continue with an operational structure dedicated to its mission to support Harbor Branch.

http://www.irs.gov/irm/part7/irm_07-027-016.html#d0e394

7.27.16.5 (04-01-1999)

Qualifying Distributions

1. Distributions or expenditures that are creditable against a private foundation's obligation to distribute its distributable amount are referred to as "qualifying distributions". Reg. 53.4942(a)-3(a)(2) defines the term "qualifying distribution" as:

- A. Any amount paid by a private foundation to accomplish one or more purposes described in IRC 170(c)(2)(B), or 170(c)(1). That is to say, amounts paid to accomplish charitable, religious, educational, etc., purposes or amounts contributed to a governmental unit for exclusively public purposes.
- B. Any amount paid to acquire an asset used (or held for use) directly in carrying out one or more purposes described in IRC 170(c)(2)(B) or IRC 170(c)(1).
- C. Any amount set aside which meets the criteria for set-asides.
- D. Included in amounts paid for one or more purposes described in IRC 170(c)(2)(B), or 170(c)(1), are amounts paid for program-related investments, as defined in IRC 4944(c). Also included is that portion of reasonable and necessary expenses, direct and indirect, that a foundation incurs in implementing these purposes. See Reg. 53.4942(a)-3(a)(8), Example (1). Direct expenses, those which can be specifically identified with a particular activity, include, among other things, compensation and travel expenses of employees and officers; the cost of materials and supplies; and fees paid to outside firms and individuals. Indirect (overhead) expenses are not specifically identifiable with a particular activity. They relate to the direct costs incurred in conducting the activity. Examples of indirect expenses are occupying expenses; supervisory and clerical compensation; repair, rental and maintenance of equipment; expenses of other departments, such as accounting, personnel, and payroll that serve the department or function that incurs the direct expenses of conducting an exempt
- E. If a foundation awards scholarships, grants or other payments to individuals as a part of an active program in which the foundation maintains some significant involvement, then such scholarships, grants or other payments and related administrative expenses are considered direct charitable activities. Examples of active programs and a definition of the term "significant involvement" are contained in Reg. 53.4942(b)-1(b)(2). Additional examples are contained in Reg. 53.4942(b)-1(d). Merely reviewing grant applications, interviewing or testing applicants, selecting grantees and performing other related administrative actions do not constitute a significant involvement in an individual grant program.
- F. In determining whether any expenditure is for the direct active conduct of a charitable activity, the definitions and special rules of IRC 4942(j)(3) and the related regulations (which define an operating foundation) generally apply. However, except for expenses related to "significant involvement" grants, grant administrative expenses do not constitute expenditures directly for the active conduct of charitable activities even though they are treated as such for purposes of IRC 4942(j)(3). If a foundation maintains some significant involvement in an individual grant program, both the grants and the related grant administrative expenses (and qualified set-asides for such purposes) are expenses of a direct charitable activity. Direct charitable activities also include all qualifying distributions that consist of amounts paid or set aside to acquire assets used in the conduct of the foundation's charitable activities, including its grant programs whether or not the foundation maintained a significant involvement in such programs.
- G. Examples of expenditures for direct charitable activities include, among others, amounts paid or set aside to acquire or maintain the operating assets of a museum, library, or historic site or to operate any such facility; to provide goods, shelter, or clothing to indigents or disaster victims if the foundation maintains some significant involvement in the activity rather than merely making grants to the recipients; to conduct educational conferences and seminars; to operate a home for the aged or disabled; to conduct scientific, historic, public policy, or other research with significance beyond the foundation's grant program and which does not constitute a proscribed attempt to influence legislation; to publish and disseminate the results of such research, reports of educational conferences, or similar educational material; to support the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces; to provide technical advice or assistance to a governmental body, a governmental committee or subdivision of either in response to a written request by the governmental body, committee or subdivision; and to conduct performance in the performing arts.
- H. Expenses paid in connection with providing direct technical assistance to grantees are also considered direct charitable activities. Such assistance must have significance beyond the purposes of the grants made to those grantees and must not consist merely of monitoring or advising the grantees in their use of the grant funds. Technical assistance involves the furnishing of expert advice and related assistance regarding, for example, compliance with governmental regulations; reducing operating costs or increasing program accomplishments; fundraising methods; and maintaining complete and accurate financial records.
- I. Other qualifying distributions include, for example, expenses attributable to soliciting grants or contributions to the foundation; preparing Form 990-PF; publishing the required newspaper notice to inform the public that the return is available for inspection upon request; making the return available for public inspection or providing copies; and publishing an annual report that is available to the public and for non-operating foundations the IRC 4940 tax on net investment income (or IRC 4948 tax on gross investment income in the case of a foreign operating foundation).
- J. For taxable years beginning after December 31, 1990, grant administrative expenses must be "reasonable and necessary" to count as qualifying distributions.