

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

October 13, 2016

Mr. Patrick Beauvoir
Assistant Controller
Florida Atlantic University
777 Glades Road, Adm 10/158
Boca Raton, FL 33431

Stacey Semmel
Associate Vice President for Financial Affairs and University Budget Director Financial Affairs
Florida Atlantic University
777 Glades Road, Adm 10/383E
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Dear Patrick & Stacey:

The Harbor Branch Oceanographic Institute Foundation is pleased to submit its FY16 audited financial statements prepared by our audit firm, BDO, and approved by our Audit Committee at its October 11, 2016 meeting. As previously noted, the Audit Committee will present the FY16 audit to our full board at its November 10, 2016 meeting.

BDO has presented an unmodified opinion on the Foundation's FY16 financial statements. This year's audit included explanations of re-alignments and clarifications of specific items in the financial statements from FY15 to FY16. We wanted to point out a few key changes:

- The Foundation entered into a Letter of Intent for the sale of the "Peacock Road" property for the total amount of \$514,800. Prior to the sale, the property was reflected on the Foundation's records at amount of \$1,891,228, indicating a significant difference between the cost basis and fair value of \$514,800 (per appraisal and subsequent offer to purchase). The significant difference results in an impairment of \$1,376,428 for the land held for sale. This impairment was recorded for fiscal year 2016 and appropriately presented in the financial statements. A subsequent event was also noted as this property closed last week.
- Because funds had been raised through the 2016 **Love Your Lagoon** event in FY16 but not expected to be paid out until FY17, the Finance Committee agreed to a change in process for the payment of this grant. Therefore, there was also a restriction of the funds for one grant to FAU Harbor Branch (2016 Indian River Lagoon Graduate Research Fellows Program -- \$111,869).
- Upon verification of historic documentation, the word "endowment" associated with the SJ Fund was updated as presented in the prior year audit. The SJ Fund is not an endowment.
- The decrease in investments as of June 30, 2016 was due to market fluctuation and timing; please note the current value of Endowment has recovered with the market and as of October 10, 2016 is **\$64,863,623.33**.
- BDO recommended the Foundation discuss with FAU the advisability of providing SLP funds in advance to FAU, noting a large pool of funds being consistently held in advance of use by the FAU Division of Research. It is recommended these funds remain in the Foundation's account restricted for the specialty license plates in the Foundation's Endowment to earn interest until actually needed by FAU Harbor Branch and managed in the same way current discretionary grant funds are being managed.

Please let me know if you have any questions. Otherwise, Debbie Dutton, our Director of Operations and I look forward to attending the FAU BOT Audit and Finance meeting on November 15, 2016.

Sincerely,



Katha Kissman
President & CEO

cc: Michael D. Minton, Chair, Harbor Branch Oceanographic Institute Foundation
John Papa, Audit Committee Chair, Harbor Branch Oceanographic Institute Foundation