

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Organization

Harbor Branch Oceanographic Institute Foundation, Inc. (the Foundation) is a nonprofit corporation organized and operated for the benefit of Harbor Branch Oceanographic Institute (HBOI) at Florida Atlantic University (FAU), which is a component unit of the state of Florida. The Foundation functions as a direct-support organization of FAU and is a component unit (for accounting purposes only) of FAU.

Effective December 31, 2007, in connection with the transfer of its operations and certain assets to FAU under a Memorandum of Understanding (MOU), the Foundation changed its name to Harbor Branch Oceanographic Institution Foundation, Inc. and on August 30, 2010 to Harbor Branch Oceanographic Institute Foundation, Inc. The Foundation retained certain parcels of real property, its endowment fund (see Note 4), and certain other assets and remains a separate tax-exempt charitable organization. The operations and assets were transferred to FAU to provide for the creation of a research institute to be known as Harbor Branch Oceanographic Institute at FAU (HBOI at FAU).

Basis of Accounting

The financial statements of the Foundation are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Foundation considers cash and all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are recorded on the date the invoices are received. The Foundation considers whether amounts are fully collectible and records an allowance for doubtful accounts as deemed necessary. Amounts becoming uncollectible will be charged to operations if and when that determination is made. Amounts to be received in future periods greater than one year are generally discounted to their net present value in the year the

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

invoice was received. As of June 30, 2024 and 2023, contributions receivable was \$14,067 and \$45,085, respectively, and the entire balance is considered fully collectible.

Investments and Investment Income

Investments are recorded at their estimated fair value. Donated investments, if any, are recorded at fair value on the date of donation. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the accompanying statements of activities and is shown net of investment management fees.

The Foundation's investment objective is to earn the highest possible total return (capital appreciation and income return) consistent with prudent levels of risk. In terms of relative risk, the volatility of the portfolio should be in line with general market conditions. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund an annual spending policy of up to 4.5% based on a three-year rolling average of the market value.

Based on the Foundation's return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted. The Foundation recognizes the strategic importance of asset allocation and style diversification in the investment performance of the assets over long periods of time. Mutual funds in the form of domestic and international equities, both large and small capitalization, and fixed income as well as alternative investments in the form of hedge funds have been determined to be acceptable vehicles for investments. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Donated property and equipment is recorded at fair value at the date of donation. When assets are retired or otherwise disposed of, the asset's cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided for property and equipment using the straight-line method based on estimated useful lives.

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets, such as property and equipment and land held for investment (included in investments), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the discounted cash flows. There was no impairment of long-lived assets during the years ended June 30, 2024 or 2023.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Due to HBOI at FAU and Grant Expense

Amounts due to HBOI at FAU include discretionary and research funding grants payable to HBOI at FAU for expenditures that met certain conditions during the year. Discretionary grants are approved by the Foundation's Board of Directors to help fund certain new faculty, provide faculty incentives, salary support, research projects, fellowships, and certain operational supports. Amounts due to HBOI at FAU related to discretionary grants at June 30, 2024 and 2023 were \$541,853 and \$420,209, respectively.

HBOI at FAU is the primary research grantee of the specialty license plate program (SLP). As of June 30, 2024 and 2023, amounts due to HBOI at FAU related to this program were \$999,074 and \$1,255,801, respectively.

Unconditional grants are expensed when they are approved by the Foundation's Board of Directors. Conditional grants are expensed as conditions of the grant are satisfied by the grantee. Grant expense amounted to \$5,630,041 and \$5,565,446 for the years ended June 30, 2024 and 2023, respectively.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions represents funds that are available without restriction for carrying out the Foundation's objectives and funds that have been designated by the Foundation's Board of Directors.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. If a restricted contribution is fulfilled in the same year in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Amounts received that are to be maintained by the Foundation in perpetuity are reported as contributions with donor restrictions.

Contribution Revenue

The Foundation recognizes contributions when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Foundation did not have any conditional contributions as of June 30, 2024 or 2023.

Contributions of assets other than cash are recorded at fair market value at the date of donation. All contributions are available for unrestricted use unless specifically restricted by the donor.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Functional Allocation of Expenses

The accompanying financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of each employee's time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

Income Taxes

The Foundation is exempt from State income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. The Foundation did not realize or report any unrelated business income that would be subject to State or state income taxes.

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statements of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Foundation's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Fair Value of Financial Instruments

The Foundation reports its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - This level consists of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - This level consists of inputs other than quoted prices included within Level 2 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - This level consists of inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts payable and accrued expenses, and due to HBOI at FAU.

The Foundation's Level 1 financial assets consist of investments as identified in Note 2 and are valued based on quoted market prices. These investments are valued on a daily basis in an active market.

There are no Level 2 or Level 3 financial instruments.

Leases

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or financing at inception.

The Foundation elected to combine lease and non-lease components in calculating ROU assets and lease obligations.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs and lease incentives. The Foundation uses a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Foundation has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

As of June 30, 2024 and 2023, the Foundation was not party to any leases resulting in a material right-of-use asset or lease liability.

The remainder of this page intentionally left blank.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

2. Investments

Investments is comprised of the following:

<i>June 30,</i>	2024	2023
Cash equivalents	\$ 1,365,315	\$ 3,010,295
Land held for investment	591,553	591,553
Level 1 investments:		
Fixed-income mutual funds:		
Short-term	9,912,269	9,856,025
Equity mutual funds:		
Domestic large-cap	99,809,403	80,362,873
Total Level 1 Investments	109,721,672	90,218,898
Total Investments	\$ 111,678,540	\$ 93,820,746

Investment income, net is comprised of the following:

<i>Year ended June 30,</i>	2024	2023
Interest and dividends	\$ 2,358,862	\$ 2,222,792
Net realized/unrealized gain	17,996,067	11,716,695
Investment fees	(98,835)	(68,596)
	\$ 20,256,094	\$ 13,870,891

Cash equivalents refer to cash holdings in the Investment Portfolio, per the investment policy. Cash equivalents held in the investment account represent investments in a Bank Deposit Program account. The funds held in the Bank Deposit Program represents proceeds from investment sales that have not been reinvested. The investment policy allows for investments in highly liquid securities as part of its investment objectives. The cash equivalents held in the investment account will not be used for operations and are presented separately from cash and cash equivalents in the accompanying statements of financial position.

Cash and cash equivalents presented in the accompanying statement of financial position as of June 30, 2024 refer to cash on hand held in SLP Money Market Accounts per specialty license plate (Protect Wild Dolphins - \$1,573,968; Protect Florida Whales - \$691,787; Aquaculture - \$608,806; Save Our Seas - \$1,318,878) and in bank accounts (PNC-Operating - \$137,461; Wells Fargo-SLP - \$140,831; Merrill Lynch - \$109,547) and petty cash of \$500.

Cash and cash equivalents presented in the accompanying statement of financial position as of June 30, 2023 refer to cash on hand held in SLP Money Market Accounts per specialty license plate (Protect Wild Dolphins - \$1,929,577; Protect Florida Whales - \$758,845; Aquaculture - \$657,730; Save Our Seas - \$1,546,337) and in bank accounts (PNC-Operating - \$509,112; Wells Fargo-SLP - \$717,988; Merrill Lynch - \$104,433 and petty cash of \$500.

During the year ended June 30, 2023, the Foundation sold a parcel of its land held for investment for its cost basis of \$100,000.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

3. Property and Equipment

Property and equipment are comprised of the following:

June 30,

	2024	2023	Useful Life (Years)
Buildings and building improvements	\$ 58,760	\$ 58,760	10-40
Software	23,699	23,699	15
Land improvements	250,445	250,445	5-50
Furniture and equipment	50,736	50,736	7
	383,640	383,640	
Less: accumulated depreciation	(336,880)	(327,314)	
Property and Equipment, Net	\$ 46,760	\$ 56,326	

4. Net Assets with Donor Restrictions and Releases from Restrictions

Net assets with donor restrictions are available as follows:

June 30,

	2024	2023
Seward Johnson Trust Fund for Oceanography	\$ 7,440,696	\$ 6,205,333
Specialty License Plate Program	3,870,455	4,635,749
Indian River Lagoon Graduate Research Fellows Program	156,986	156,986
	\$ 11,468,137	\$ 10,998,068

Net assets were released from restrictions from the following sources:

Year ended June 30,

	2024	2023
Seward Johnson Trust Fund for Oceanography	\$ 118,214	\$ 69,160
Specialty License Plate Program	997,288	1,309,137
Indian River Lagoon Graduate Research Fellows Program	-	78,525
	\$ 1,115,502	\$ 1,456,822

Seward Johnson Funds

The J. Seward Johnson, Sr. Charitable Trust Endowment Fund (the Fund) was a donor-restricted term endowment fund established in 1994. The primary objective of the Fund was to provide a long-term flow of income to the Foundation. Accordingly, contributions to the Fund were recorded as with donor restrictions. The Foundation's annual expenditures from the Fund were limited to 5% of the annual average fair market value of the Fund and recorded as net assets released from restrictions in the accompanying statements of activities. The investment income, including gains, losses, dividends, and interest earned on the balance of the Fund, was included in the accompanying statements of activities as with donor restrictions. The Fund terminated on June 30, 2020, at which time it converted to a board-designated endowment fund held by the Foundation for its exclusive long-term use, benefit, or purposes and all remaining funds were released from restrictions.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

The Seward Johnson Trust Fund for Oceanography (the SJ Fund) is a donor-restricted fund and is not an endowment fund. The primary objective of the SJ Fund is to operate and maintain the Johnson-Sea-Link submersibles. The secondary objective of the SJ Fund is to support underwater oceanography and for other oceanographic purposes. The investment income, including gains, losses, dividends, and interest, earned on the balance of the SJ Fund is included in the accompanying statements of activities as with donor restrictions. Under certain circumstances, the principal of the SJ Fund may be used at the discretion of the Foundation.

The Foundation has an annual spending policy of up to 4.5% based on a three-year rolling average of the market value of the endowment funds, including the board-designated endowment fund.

Changes in the Foundation's endowment fund is as follows:

	Board-Designated Endowment Fund
Endowment Net Assets, June 30, 2022	\$ 76,653,407
Interest and dividends	2,077,445
Net realized loss on investments	(1,614,524)
Net unrealized gain on investments	12,565,072
Distributions	(2,547,012)
Endowment Net Assets, June 30, 2023	87,134,388
Interest and dividends	2,201,685
Net realized gain on investments	67,707
Net unrealized gain on investments	16,731,960
Distributions	(3,147,259)
Endowment Net Assets, June 30, 2024	\$ 102,988,481

The Foundation follows the state of Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA), which establishes law for the management and investment of board-designated and donor-restricted endowment funds. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of any subsequent gifts to donor-restricted endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund.

UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Foundation must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policy of the Foundation.

5. Retirement Plan

The Foundation established a 401(k) Profit Sharing Plan and Trust (the Plan), effective January 1, 2012. During fiscal year 2019, the Plan was changed to a Safe Harbor 401(k) plan. Employees must be 21 years of age to participate and become eligible immediately upon employment. The Plan provides for up to a 4% dollar for dollar match on employee contributions and 100% vesting on employer matching contributions after three years of service. Total employer contributions to the Plan for the years ended June 30, 2024 and 2023, were \$10,757 and \$7,171, respectively, and are included in salaries and related expenses in the accompanying statements of functional expenses.

6. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

<i>June 30,</i>		2024		2023
Cash and cash equivalents	\$	261,347	\$	261,347
Investments		4,249,381		3,983,925
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	4,510,728	\$	4,245,272

The assets of the Foundation's investment portfolio are invested according to the Foundation's adopted investment policies and using the services of an outside investment consultant. The Foundation's investment policy statement has an annual spending rate from its investments of up to 4.5% of the prior three year rolling average market value. This annual spending rate was approved by the Foundation's Board of Directors and can be modified as considered necessary through a board resolution. The estimated annual spend amount is shown as investments available for general expenditure. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements through the asset allocation within the investment portfolio.

7. Concentrations of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include accounts placed with Stately insured financial institutions. While such accounts may at times exceed Stately insured limits, the Foundation has policies in place to move excess as soon as possible and has not experienced any losses on such accounts.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

The Foundation has significant investments in mutual funds that are also subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored for the Foundation by an investment consultant with input by the Foundation's Finance Committee. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

8. Commitments and Contingencies

Specialty License Plates

Under Florida statute, the purpose of the specialty license plate program is to raise funds for a particular cause and on behalf of a legislatively dictated organization. Each specialty license plate requires an annual use fee which is a volunteer purchase. The specialty license plates administered by the Foundation are: Aquaculture, Protect Wild Dolphins, Protect Florida Whales, and Save Our Seas. HBOI at FAU is the primary research sub-recipient of the Foundation. The Foundation also stewards a state-allowed marketing budget and directly oversees marketing responsibilities for the plates.

The Foundation is subject to audit examination by the state of Florida to determine compliance with requirements in connection with the specialty license plate funds. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that expenditures that would be disallowed, if any, would not have a material adverse impact on the Foundation.

Litigation - The Foundation v. FAU

At a special board meeting held March 30, 2017, the Board of Directors of the Foundation resolved that its officers were authorized to direct independent legal counsel to file a complaint for declaratory relief seeking assistance from the court to determine that certain actions and demands by FAU were an inappropriate exercise of its rights under the December 2007 MOU between the two parties and that FAU had anticipatorily breached its contractual obligations to the Foundation. Following the adoption of Resolution 2017-1 at that meeting, a complaint was filed by the Foundation in the Circuit Court of the Nineteenth Judicial Circuit in and for St. Lucie County, Florida.

In September 2017, the original judge assigned to the case recused himself due to possible conflicts of interest. In-person mediation was held December 20, 2017, followed by continued negotiations between the parties through the mediator. The case did not settle, and the mediator declared an impasse.

In September 2018, FAU filed a motion for partial summary judgment, in which FAU requests a legal ruling in advance of trial that FAU has the right to control the Foundation's budget. The Foundation opposed FAU's motion, arguing that FAU had no such right under the terms of the MOU. The Court scheduled a hearing on FAU's motion for summary judgment for December 6, 2018. At that hearing, the second assigned judge recused himself due to possible conflicts of interest.

In April 2019, the Foundation was notified the assigned judge was being appointed Chief Judge, and therefore rotating off the case, effective July 1, 2019.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

In May 2019, the Foundation broadened the initial complaint to add Count II to include a claim that FAU had committed an anticipatory breach of its obligations under the MOU entered into in December 2007.

In June 2019, FAU filed a motion to dismiss Count II of the Foundation's Amended Complaint. The hearing regarding FAU's motion to dismiss was held on September 25, 2019. The Court denied the motion with respect to FAU's argument that the Foundation failed to state a claim for breach of the MOU as a matter of law. The Court granted the motion, in part, to require the Foundation to provide additional factual allegations to support its claim.

On August 22, 2020, the Court denied FAU's motion for partial summary judgment on its counterclaim. More specifically, the Court declined to hold that FAU has the power to control Foundation's budget as a matter of law. On June 10, 2021, the Court held a hearing on the parties' multiple cross-motions for summary judgment.

In November 2021, the Court entered a series of three orders that denied FAU's motions for summary judgment and ruled in favor of the Foundation on some of the legal issues raised in the Foundation's motions. There was a four-day non-jury trial that began on November 8, 2021 and a final judgment was issued by the trial court on December 3, 2021. In January 2022, both parties appealed the judgment.

On September 20, 2023, the Fourth District Court of Appeals rendered a decision affirming the trial court's judgment in its entirety. FAU filed a notice of appeal to the Florida Supreme Court and the Foundation filed a notice of cross appeal. As of the date of this report, the parties are awaiting an opinion from the Florida Supreme Court. No evaluation of probability of an unfavorable outcome or estimation of the range of possible loss, if any, can be made at this time. No damages are sought by either party.

Legal expenses incurred during the years ended June 30, 2024 and 2023 relating to this litigation amounted to \$566,364 and \$520,233, respectively, which are included in professional services on the accompanying statements of functional expenses.

Environmental Contingencies

In 1997, the then Harbor Branch Oceanographic Institution, along with other potentially responsible parties, organized a Florida Petroleum Reprocessors (FPR) Superfund Site PRP Group (the Group) for the purpose of addressing environmental response costs in connection with a used oil recycling facility located in Broward County, Florida. The Group agreed to share expenses on a pro-rata basis associated with resolving alleged liability and to fund remedial design/remedial action as may be needed. The Foundation's pro-rata share of future costs is currently expected to be around 1.7% of clean-up costs, including, without limitation, fees and costs incurred. In 2016, the Group projected it has raised enough funds to pay for implementation of remedy. When FAU obtained Harbor Branch Oceanographic Institute assets in 2007, the Foundation agreed to retain responsibility for participation in the Group. To date, the Foundation has satisfied its financial obligations to the Group for work already completed or underway at the site. Management does not believe that the outcome of such claims and any related legal action will have a material adverse effect on the financial position, results of activities or cash flows of the Foundation.

Harbor Branch Oceanographic Institute Foundation, Inc.

Notes to Financial Statements

The Group received the last status report in August 2020. Periodic sampling of groundwater is the main component of the monitored natural attenuation remedy for the FPR site. Under the approved protocol with the United States Environmental Protection Agency (EPA), the Group is required to conduct groundwater sampling, both on and off site, every three years. Sampling was done in August 2024 and the Group is awaiting the results as of the date of this report.

In the status report, \$490,000 was reported in the Group's escrow account; there are unknown FPR oversight costs for which EPA will bill at some point, but it was reported that these appeared to be adequate funds for the foreseeable future. The Foundation estimates its potential additional liability at \$17,000 (1.7% of a possible \$1,000,000 for the Group), which is not reflected in the accompanying financial statements as it is not considered material and the final amount is unknown at the date of this report.

General Legal

The Foundation may be subject to claims and legal proceedings which arise in the ordinary course of business. Management does not believe that the outcome of such claims and any related legal action will have a material adverse effect on the financial position, results of activities, or cash flows of the Foundation.

Research

The Foundation has committed finite grants subject to specified terms to help fund the addition of certain new faculty, provide faculty incentives, provide salary support, research projects, fellowships, and certain operational support to HBOI at FAU. The total expected commitment as of June 30, 2024 and 2023 was \$1,564,023 and \$899,370, respectively. This funding is conditional upon the recipient performing specified activities. These grant commitments have not been reflected in the accompanying financial statements since the conditions for performance have not been met.

9. Related Party Transactions

The law firm of a non-voting board member of the Foundation provides legal services to the Foundation. Payments to the law firm for the years ended June 30, 2024 and 2023 were \$27,200 and \$42,720, respectively.

10. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2024 as of December 6, 2024, the date the financial statements were available to be issued. Subsequent events occurring after December 6, 2024 have not been evaluated by management. No material events have occurred since June 30, 2024.