

**KEY BISCAYNE
COMMUNITY FOUNDATION, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Key Biscayne Community Foundation, Inc.
Key Biscayne, Florida

We have reviewed the accompanying statement of financial position of the Key Biscayne Community Foundation, Inc. (a nonprofit organization) (the "Foundation") as of December 31, 2011, and the related statement of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Foundation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 15, 2012

KEY BISCAVNE COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Current Assets:

Cash and cash equivalents	\$ 133,828
Investments	1,261,227
Total current assets	<u>1,395,055</u>

TOTAL ASSETS	<u>\$ 1,395,055</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accrued expenses	\$ 5,989
Total current liabilities	<u>5,989</u>

Net Assets:

Unrestricted	1,173,149
Temporarily restricted	215,917
Total net assets	<u>1,389,066</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,395,055</u>
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Read accompanying notes and
accountant's review report.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	\$ 734,723	\$ 227,515	\$ 962,238
Program service fees	53,669	-	53,669
Special events	132,253	-	132,253
Interest and dividends	26,067	-	26,067
Unrealized losses	(37,393)	-	(37,393)
Other income	7,077	-	7,077
Net assets released from restrictions	11,598	(11,598)	-
Total revenue and other support	<u>927,994</u>	<u>215,917</u>	<u>1,143,911</u>
Expenses:			
Program services	307,156	-	307,156
General and administrative	118,832	-	118,832
Fundraising	45,939	-	45,939
Total expenses	<u>471,927</u>	<u>-</u>	<u>471,927</u>
Change in net assets	456,067	215,917	671,984
Net assets as of beginning of year	<u>717,082</u>	<u>-</u>	<u>717,082</u>
Net assets as of end of year	<u>\$ 1,173,149</u>	<u>\$ 215,917</u>	<u>\$ 1,389,066</u>

Read accompanying notes and
accountant's review report.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ 671,984
Adjustments to reconcile change in net assets to net cash, provided by operating activities:	
Net unrealized losses on investments	37,393
Decrease in contribution receivable	46,750
Increase in accrued expenses	4,943
Net cash provided by operating activities	<u>761,070</u>
Cash flows from investing activities:	
Net purchase of investments	<u>(786,144)</u>
Net cash used in investing activities	<u>(786,144)</u>
Net decrease in cash and cash equivalents	(25,074)
Cash and cash equivalents at beginning of year	<u>158,902</u>
Cash and cash equivalents at end of year	<u>\$ 133,828</u>

Read accompanying notes and
accountant's review report.

KEY BISCAZYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Key Biscayne Community Foundation, Inc. (the “Foundation”) was incorporated in 2004. The nonprofit Foundation was formed to serve as a philanthropic adviser to all residents of Key Biscayne, to enable and guide anyone on the Key Biscayne to be an active member in their community; and to fundraise in order to support grants for charitable activities vital to the local community.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958-205 *Not-For-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets

These are funds which management or the governing board has discretionary control to use in carrying on the mission of the Foundation.

Temporarily Restricted Net Assets

These include funds which are available for future periods as well as funds which are currently available for use but expendable only for grant making purposes specified by the grantor or donor. There were \$215,917 in temporarily restricted net assets as of December 31, 2011.

Permanently Restricted Net Assets

These are funds that contain a donor-imposed stipulation that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation. There were no permanently restricted net assets as of December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Foundation’s financial information is included in the Form 990. The Foundation qualifies for the exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

~~There are no reserves held for uncertain tax positions at December 31, 2011. Tax years that are open under the statute of limitations remain subject to examination by the Internal Revenue Service.~~

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Foundation maintains cash balances at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011 the Foundation's cash balance did not exceed the limit.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The primary goal is the careful management of the Foundation's assets and a policy to ensure a total return necessary to preserve and enhance the principal of the funds and at the same time, provide a dependable source of support for the Foundation's operations and programs. Asset choice will be carefully considered by the Foundation's Investment Committee in accordance with a systematic allocation process derived from the consultation with the investment advisors and with the primary objective to have a total allocation of 60% to equity-like assets with an expected real rate of return of 4-5% annually.

The target for the actual assets mix will be reviewed by the investment committee annually or more frequently as necessary. No investment manager may invest more than 10% of the fund in the securities of any one issuer, with the exception of the U.S. Government or its agencies or market index fund. The following categories of investments are not permitted for investment without the Board of Director's prior written approval: (i) unregistered or restricted stock; (ii) commodities – including gold, precious gems or currency futures; (iii) private placement debt; (iv) tax-exempt securities – either state or federal; (v) conditional sales contracts; (vi) uncovered options; (vii) short sales or margin purchases; (viii) transferable certificates of participation in business trusts and limited partnerships; (ix) securities of the investment managers or their respective parents, subsidiaries or affiliates; (x) investments in companies doing business not in accordance with the policy statements of the investment committee; and (xi) securities in violation of Florida law.

The annual cash payout of all endowed funds, except those funds containing illiquid assets (such as certain real estate or other property) will be 4.5% of the average market value, using a 20-quarter or 5-year trailing average and net of financial management fees. For funds less than 5 years old, the market value will be the average of all quarterly market values to date. This payout will be used to meet both grantmaking and administrative needs per schedule. The payout rate will be established by the Board of Directors annually, and may be adjusted to reflect special funding needs and/or financial market conditions.

The Foundation does not have a required administrative fee but rather a suggested community growth donation to be distributed among general operating funds and endowed funds. The exact donation amount is to be determined by agreement between the Foundation and the donor. The recommended administrative fee will be 10% of the total market value of the fund annually.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with FASB ASC 958, Not-for-Profit Entities, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions.”

Subsequent Events

The Foundation has evaluated subsequent events through August 15, 2012 which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31, 2011, include the following:

Equities	\$	334,173
Fixed income		431,002
Real Assets		158,180
Alternative investments		224,829
Mutual funds		113,043
	\$	<u>1,261,227</u>

Net unrealized losses were \$37,393 for the year ended December 31, 2011. The Foundation earned \$25,041 in interest and dividends through its investments for the year ended December 31, 2011.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation classifies its investments as of December 31, 2011 based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

KEY BISCAWAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis at December 31, 2011 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Equities	\$ 334,173	\$ 334,173
Fixed income	431,002	431,002
Real Assets	158,180	158,180
Alternative investments	224,829	224,829
Mutual funds	<u>113,043</u>	<u>113,043</u>
Total	<u>\$ 1,261,227</u>	<u>\$ 1,261,227</u>

Fair values for the Foundation's equities, fixed income, real assets alternative investments and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions and has been classified as Level 1 within the fair value hierarchy.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation's temporarily restricted net assets were \$215,917 at December 31, 2011 and are restricted for the purpose of granting scholarships to eligible high school seniors going to a college or university.