

**KEY BISCAYNE
COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS'
REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position.	3
Statement of Activities.	4
Statement of Cash Flows.	5
Notes to Financial Statements	6-9



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Key Biscayne Community Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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. In making those risk assessments, the auditor considers internal control relevant to the entity'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. Accordingly, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Key Biscayne Community Foundation, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Verónica De Armas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
May 7, 2015

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 468,291
Grants receivable	31,000
Investments (\$426,922 temporarily restricted)	1,343,338
Total current assets	<u>1,842,629</u>

PROPERTY AND EQUIPMENT

Property and equipment	<u>1,892</u>
------------------------	--------------

OTHER ASSETS

<u>3,000</u>

TOTAL ASSETS

<u>\$ 1,847,521</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accrued expenses	\$ 17,406
Accounts payable	44,853
TOTAL LIABILITIES, ALL CURRENT	<u>62,259</u>

Net Assets:

Unrestricted	1,358,340
Temporarily restricted	426,922
TOTAL NET ASSETS	<u>1,785,262</u>

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 1,847,521</u>

The accompanying notes are an integral part of these financial statements

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	\$ 490,572	\$ -	\$ 490,572
Scholarships	-	32,694	32,694
Special events	85,250	-	85,250
Interest and dividends	33,603	15,012	48,615
Realized and unrealized gains	29,685	-	29,685
Other income	107,692	-	107,692
Program income	236,399	-	236,399
Fiscal sponsorship	428,737	-	428,737
Net assets released from restrictions	80,755	(80,755)	-
Total revenue and other support	<u>1,492,693</u>	<u>(33,049)</u>	<u>1,459,644</u>
Expenses:			
Program services	1,253,020	-	1,253,020
General and administrative	223,594	-	223,594
Fundraising	50,103	-	50,103
Total expenses	<u>1,526,717</u>	<u>-</u>	<u>1,526,717</u>
Change in net assets	(34,024)	(33,049)	(67,073)
Net assets as of beginning of year	<u>1,392,364</u>	<u>459,971</u>	<u>1,852,335</u>
Net assets as of end of year	<u>\$ 1,358,340</u>	<u>\$ 426,922</u>	<u>\$ 1,785,262</u>

The accompanying notes are an integral part of these financial statements

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (67,073)
Adjustments to reconcile change in net assets to net cash, used in operating activities:	
Net realized and unrealized gains on investments	(29,685)
Decrease in accounts receivables	36,692
Decrease in other assets	2,678
Increase in accrued expenses	289
Increase in accounts payable	44,853
Net cash used in operating activities	<u>(12,246)</u>
Cash flows from investing activities:	
Net proceeds of investments	167,699
Purchase of equipment	<u>(1,892)</u>
Net cash provided by investing activities	<u>165,807</u>
Net increase in cash and cash equivalents	153,561
Cash and cash equivalents at beginning of year	<u>314,730</u>
Cash and cash equivalents at end of year	<u>\$ 468,291</u>

The accompanying notes are an integral part of these financial statements

KEY BISCAZYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Key Biscayne Community Foundation, Inc. (the “Foundation”) was incorporated in 2004. The 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 \$426,922 in temporarily restricted net assets as of December 31, 2014.

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, 2014.

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, 2014. Tax years that are open under the statute of limitations remain subject to examination by the Internal Revenue Service.

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statement 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.

Grants Receivable

Grants receivable consist primarily of amounts due from grantors under the Foundation's grant agreements. Grants receivable are stated at estimated net realizable value. No allowance for doubtful accounts was recorded as of December 31, 2014.

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 grant-making 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 BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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.” Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted.

Subsequent Events

The Foundation has evaluated subsequent events through May 7, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable as of December 31, 2014 consists of the following:

Diageo	\$	30,000
Freeman Foundation		1,000
	\$	<u>31,000</u>

NOTE 3 – INVESTMENTS

Investments at December 31, 2014, include the following:

Equities	\$	729,317
Fixed income		109,177
Alternative Investments		128,743
Mutual funds		376,101
	\$	<u>1,343,338</u>

Net realized and unrealized gains were \$29,685 for the year ended December 31, 2014. The Foundation earned \$48,615 in interest and dividends through its investments for the year ended December 31, 2014.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Foundation classifies its investments as of December 31, 2014 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.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

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.

Fair value of assets measured on a recurring basis at December 31, 2014 are as follows:

Fair Value Measurements Using:

Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Equities	\$ 729,317	\$ 729,317	\$ -	\$ -
Fixed income	109,177	109,177	-	-
Alternative Investments	128,743	128,743	-	-
Mutual funds	376,101	352,322	23,779	-
	\$ 1,343,338	\$ 1,319,559	\$ 23,779	\$ -

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 5 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation’s temporarily restricted net assets were \$426,922 at December 31, 2014 and consist of investment accounts restricted for the purpose of granting scholarships to eligible high school seniors going to a college or university.