

**KEY BISCAYNE
COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS'
REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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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, 2015, 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, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Verdepin DeArmas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
May 25, 2016

KEY BISCAVNE COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 418,145
Grants receivable	100,000
Contribution receivable, current, temporarily restricted	3,800,000
Other receivables	50,452
Investments (\$424,058 temporarily restricted)	<u>1,372,434</u>
TOTAL CURRENT ASSETS	<u>5,741,031</u>

CONTRIBUTION RECEIVABLE, long-term, temporarily restricted	2,275,000
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OTHER ASSETS	3,000
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PROPERTY AND EQUIPMENT	<u>1,892</u>
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TOTAL ASSETS	<u><u>\$ 8,020,923</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	\$ 4,061
Accounts payable	<u>7,688</u>
TOTAL LIABILITIES, ALL CURRENT	<u>11,749</u>

NET ASSETS

Unrestricted	1,510,116
Temporarily restricted	<u>6,499,058</u>
TOTAL NET ASSETS	<u>8,009,174</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,020,923</u></u>
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The accompanying notes are an integral part of these financial statements

KEY BISCAWAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	\$ 1,238,456	\$ 4,925	\$ 1,243,381
Scholarships	-	6,118,806	6,118,806
Special events	47,005	-	47,005
Interest and dividends	42,370	7,747	50,117
Realized and unrealized losses	(13,542)	-	(13,542)
Other income	40,441	-	40,441
Program income	117,804	-	117,804
Fiscal sponsorship	508,817	-	508,817
Net assets released from restrictions	59,342	(59,342)	-
Total revenue and other support	<u>2,040,693</u>	<u>6,072,136</u>	<u>8,112,829</u>
Expenses:			
Program services	1,663,005	-	1,663,005
General and administrative	127,561	-	127,561
Fundraising	98,351	-	98,351
Total expenses	<u>1,888,917</u>	<u>-</u>	<u>1,888,917</u>
Change in net assets	151,776	6,072,136	6,223,912
Net assets as of beginning of year	<u>1,358,340</u>	<u>426,922</u>	<u>1,785,262</u>
Net assets as of end of year	<u>\$ 1,510,116</u>	<u>\$ 6,499,058</u>	<u>\$ 8,009,174</u>

The accompanying notes are an integral part of these financial statements

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 6,223,912
Adjustments to reconcile change in net assets to net cash, used in operating activities:	
Net realized and unrealized losses on investments	13,542
Increase in accounts receivable	(119,452)
Increase in contributions receivable	(6,075,000)
Decrease in accrued expenses	(13,345)
Decrease in accounts payable	(37,165)
Net cash used in operating activities	<u>(7,508)</u>
Cash flows from investing activities:	
Net purchases of investments	<u>(42,638)</u>
Net cash used in investing activities	<u>(42,638)</u>
Net decrease in cash and cash equivalents	(50,146)
Cash and cash equivalents at beginning of year	<u>468,291</u>
Cash and cash equivalents at end of year	<u>\$ 418,145</u>

The accompanying notes are an integral part of these financial statements

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 in 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 \$6,499,058 in temporarily restricted net assets as of December 31, 2015.

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, 2015.

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, 2015. 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, 2015

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, 2015.

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, 2015

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 25, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable as of December 31, 2015 consists of the following:

Himan Brown Charitable Trust	\$ 100,000
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NOTE 3 – CONTRIBUTION RECEIVABLE

The Foundation received notice in February 2015, that they were a beneficiary of an irrevocable trust. As of December 31, 2015, the Foundation was notified that they were to receive \$3,800,000 in cash and assigned a mortgage receivable for the sale of the donor’s home in the amount of \$2,275,000. The amounts to be received by the Foundation are for The Victoria London Scholarship For Graduate Students in Business or Engineering and are included as temporarily restricted funds (See Note 6).

The total contribution for the year ended December 31, 2015 from this trust was \$6,075,000 and is included in scholarship revenue on the statement of activities and as contribution receivable on the statement of financial position. The mortgage receivable of \$2,275,000 is an interest-only note maturing March 2019 in which the entire principal balance is due. Subsequent to year end, the Foundation collected \$3,800,000.

Future amounts to be received:

2016	\$ 3,800,000
2017-2019	2,275,000
	\$ 6,075,000

NOTE 4 – INVESTMENTS

Investments at December 31, 2015, include the following:

Equities	\$ 735,179
Bonds	614,259
Mutual funds	22,996
	\$ 1,372,434

Net realized and unrealized losses were \$13,542 for the year ended December 31, 2015. The Foundation earned \$50,117 in interest and dividends through its investments for the year ended December 31, 2015.

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 – FAIR VALUE MEASUREMENTS

The Foundation classifies its investments as of December 31, 2015 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.

Fair value of assets measured on a recurring basis at December 31, 2015 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	\$ 735,179	\$ 735,179	\$ -	\$ -
Bonds	614,259	614,259	-	-
Mutual funds	22,996	-	22,996	-
	<u>\$ 1,372,434</u>	<u>\$ 1,349,438</u>	<u>\$ 22,996</u>	<u>\$ -</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 6 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation’s temporarily restricted net assets were \$6,499,058 at December 31, 2015 and consist of investment accounts and contributions receivable restricted for the purpose of granting scholarships to eligible high school seniors going to a college or university.

SUPPLEMENTAL INFORMATION

KEY BISCAWAYNE COMMUNITY FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 979,925	\$ -	\$ -	\$ 979,925
Salaries, taxes & benefits	56,283	22,513	33,770	112,566
Professional fees	-	32,812	-	32,812
Advertising & promotion	14,288	12,204	3,274	29,766
Office	-	3,784	-	3,784
Technology	-	1,336	-	1,336
Occupancy	-	35,874	-	35,874
Insurance	2,080	7,011	-	9,091
Fiscal sponsorship	137,554	-	-	137,554
Program events	435,440	-	61,307	496,747
Administrative fees	33,324	-	-	33,324
Licenses and memberships	-	6,607	-	6,607
Dues & subscriptions	-	1,714	-	1,714
Postage & shipping	-	2,850	-	2,850
Miscellaneous expenses	4,111	856	-	4,967
TOTALS	<u>\$ 1,663,005</u>	<u>\$ 127,561</u>	<u>\$ 98,351</u>	<u>\$ 1,888,917</u>