

**KEY BISCAVNE
COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S 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, 2019, the related statements of activities, functional expenses 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 the Foundation as of December 31, 2019, 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
November 2, 2020

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	663,363
Contributions receivable (including \$175,000 donor restricted)		512,917
Investments (including \$4,260,929 donor restricted)		<u>5,195,257</u>
TOTAL CURRENT ASSETS		6,371,537
Mortgage note receivable, long term, donor restricted		2,275,000
Other assets		<u>12,745</u>
TOTAL ASSETS	\$	<u><u>8,659,282</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	<u>78,924</u>
TOTAL LIABILITIES, ALL CURRENT		<u>78,924</u>
NET ASSETS		
Without donor restrictions		1,869,429
With donor restrictions		<u>6,710,929</u>
TOTAL NET ASSETS		<u>8,580,358</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>8,659,282</u></u>

The accompanying notes are an integral part of these financial statements.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 487,188	\$ -	\$ 487,188
Grants	19,042	-	19,042
Special events	83,522	-	83,522
Administrative fees	318,554	-	318,554
Investment gain, net	299,278	792,539	1,091,817
Program income	398,644	-	398,644
Fiscal sponsorship	1,266,693	41,361	1,308,054
Net assets released from restrictions	345,444	(345,444)	-
Total revenue and other support	<u>3,218,365</u>	<u>488,456</u>	<u>3,706,821</u>
EXPENSES:			
Program services	2,846,725	-	2,846,725
General and administrative	130,257	-	130,257
Fundraising	67,090	-	67,090
Total expenses	<u>3,044,072</u>	<u>-</u>	<u>3,044,072</u>
CHANGE IN NET ASSETS	174,293	488,456	662,749
NET ASSETS AS OF BEGINNING OF YEAR	<u>1,695,136</u>	<u>6,222,473</u>	<u>7,917,609</u>
NET ASSETS AS OF END OF YEAR	<u>\$ 1,869,429</u>	<u>\$ 6,710,929</u>	<u>\$ 8,580,358</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, 2019

Cash flows from operating activities:	
Change in net assets	\$ 662,749
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized gain on investments	(792,539)
Increase in contributions receivable	(218,871)
Increase in prepaid expenses	(9,745)
Increase in accounts payable and accrued expenses	73,904
Net cash used in operating activities	<u>(284,502)</u>
Cash flows from investing activities:	
Net proceeds of investments	<u>683,724</u>
Net cash provided by investing activities	<u>683,724</u>
Net increase in cash and cash equivalents	399,222
Cash and cash equivalents at beginning of year	<u>264,141</u>
Cash and cash equivalents at end of year	<u>\$ 663,363</u>

The accompanying notes are an integral part of these financial statements.

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 721,582	\$ -	\$ -	\$ 721,582
Salaries, taxes & benefits □	108,208	43,283	64,925	216,416
Professional fees	-	35,745	-	35,745
Advertising & promotion	9,449	8,071	2,165	19,685
Office	-	12,692	-	12,692
Technology	-	3,680	-	3,680
Occupancy	-	9,480	-	9,480
Insurance	1,680	5,040	-	6,720
Fiscal sponsorship	125,799	-	-	125,799
Program events	1,768,023	-	-	1,768,023
Licenses and memberships	-	5,551	-	5,551
Dues & subscriptions	-	3,144	-	3,144
Utilities	-	2,299	-	2,299
Postage & shipping	-	1,272	-	1,272
Special events	69,167	-	-	69,167
Other expenses	42,817	-	-	42,817
TOTALS	<u>\$ 2,846,725</u>	<u>\$ 130,257</u>	<u>\$ 67,090</u>	<u>\$ 3,044,072</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, 2019

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

Resources are classified for accounting and reporting purposes into two classes of net assets, according to externally imposed restrictions.

Net assets without donor restrictions: The portion of the net assets of the Foundation that can be used subject to the broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Foundation in the normal course of business. The Foundation has the greatest ability to choose when using these resources. Net assets without donor restrictions generally result from contributions that are not subject to donor-imposed restrictions. As of December 31, 2019, the Foundation had \$1,869,429 in net assets without donor restrictions.

Net asset with donor restrictions: The portions of net assets of the Foundation that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Foundation’s choices when using these resources because the Foundation has a fiduciary responsibility to its donors to follow the donors’ instructions. Net assets with donor restrictions generally result from donor-restricted contributions. As of December 31, 2019, the Foundation had \$6,710,929 in net assets with donor restrictions.

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, 2019. Tax years that are open under the statute of limitations remain subject to examination by the Internal Revenue Service.

KEY BISCAVNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contribution Receivable

Contributions receivable consists of contributions promised from corporate and private donors. Receivables are stated at estimated net realizable value. No allowance for doubtful accounts was recorded as of December 31, 2019.

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 BISCAVAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 November 2, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – MORTGAGE NOTE RECEIVABLE

The Foundation received notice in February 2015 that they were a beneficiary of an irrevocable trust. The Foundation was assigned a mortgage receivable for the sale of the donor’s home in the amount of \$2,275,000. This mortgage, and the accompanying note and other documents were assigned to the Foundation as part of the distribution of assets to the Foundation as a beneficiary. Additionally, in June 2016, the Foundation received \$3,800,000 in cash as part of the estate. The amounts received by the Foundation are for The Victoria London Scholarship for Graduate Students in Business or Engineering and are included as donor restricted funds (See Note 5).

In February 2020, the mortgage receivable of \$2,275,000 was amended to extend the maturity date. It remains an interest-only note maturing February 2021 in which the entire principal balance is due. The Foundation received \$172,047 in mortgage interest payments for the year ended December 31, 2019.

Future amounts to be received:

2021	\$ 2,275,000
	<u>\$ 2,275,000</u>

NOTE 3 – INVESTMENTS

Investments at December 31, 2019, include the following:

Equities	\$ 3,458,047
Bonds	974,417
Short-term reserves	281,782
Mutual funds	481,011
	<u>\$ 5,195,257</u>

Net realized and unrealized gains were \$792,539 for the year ended December 31, 2019. The Foundation earned \$122,024 in interest and dividends through its investments for the year ended December 31, 2019.

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 – FAIR VALUE MEASUREMENTS

The Foundation classifies its investments as of December 31, 2019 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, 2019 are as follows:

Assets	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 3,458,047	\$ 3,458,047	\$ -	\$ -
Bonds	974,417	974,417	-	-
Short-term reserves	281,782	281,782	-	-
Mutual funds	481,011	1,239	479,772	-
	<u>\$ 5,195,257</u>	<u>\$ 4,715,485</u>	<u>\$ 479,772</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 5 – NET ASSETS WITH RESTRICTIONS

The Foundation’s net assets with restrictions were \$6,710,929 at December 31, 2019 and consist of amounts included in investment, mortgage and contributions receivable restricted for the purpose of granting scholarships to eligible high school seniors going to a college or university.

KEY BISCAIYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation monitors its liquidity in the efforts to meet its operating needs and other contractual commitments while maximizing the investment of any excess operating cash. The Foundation has \$5,644,629 of financial assets at year end, consisting of cash of \$663,363 accounts receivable, and investments of \$512,917, and \$5,195,257, respectively. The Foundation has \$4,435,929 of financial assets that are subject to donor restrictions. The Foundation has \$1,935,608 of financial assets available to meet cash needs for general expenditures within one year.

	<u>December 31, 2019</u>
Financial assets:	
Cash and cash equivalents	\$ 663,363
Contributions receivable	512,917
Investments	<u>5,195,257</u>
Financial assets, at year-end	<u>6,371,537</u>
Less those unavailable for general expenditure within one year due to:	
Donor imposed time or purpose restrictions	<u>4,435,929</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,935,608</u>

NOTE 7 – SUBSEQUENT EVENTS

In March 2020, the novel coronavirus (COVID-19) was declared a pandemic. The effect of the virus has been felt worldwide and has caused economic disruption. While the disruption caused by the virus is expected to be temporary, there is considerable uncertainty as to the duration. Therefore, it is too early to predict or reasonably estimate the financial impact of possible operational, funding and contribution changes or delays as a result of the virus.

In April 2020, the Foundation received loan proceeds in the amount of \$43,700. The loan and accrued interest are forgivable after eight weeks or at twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week period. The Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.