

KEY BISCAYNE COMMUNITY FOUNDATION, INC

Financial Statements

For the Year Ended December 31, 2020

KEY BISCAYNE COMMUNITY FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2020

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Independent Auditors' Report

To the Board of Directors
Key Biscayne Community Foundation, Inc.
Miami, Florida

We have audited the accompanying financial statements of Key Biscayne Community Foundation, Inc. (a Florida nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements as of December 31, 2019 were audited by other auditors whose report dated November 2, 2020, expressed an unqualified opinion before the restatement.

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.

To the Board of Directors
Key Biscayne Community Foundation, Inc.

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, 2020, 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 - Restatement

As discussed in Note 11, the Foundation's beginning net assets without donor restrictions and net assets with donor restrictions have been restated to reflect the proper classification of donor-imposed restrictions as well as to recognize scholarship payable and accurately reflect program receivables as of December 31, 2019.

Lancaster & Reed

October 26, 2021
Key Biscayne, FL

KEY BISCAYNE COMMUNITY FOUNDATION, INC
STATEMENT OF FINANCIAL POSITION
December 31, 2020

	2020
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,690,670
Contributions receivable, net	426,646
Interest receivable - London mortgage note	26,542
Program service receivables	93,570
Prepaid expenses	3,000
Investments	5,730,443
Mortgage note receivable	2,275,000
Property and equipment, net of accumulated depreciation	3,128
TOTAL ASSETS	\$ 10,248,999
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Accounts payable, accrued expenses and other current liabilities	\$ 160,863
Scholarship payables	219,610
Paycheck Protection Program Loan	43,700
SBA Economic Injury Disaster Loan	150,000
Total Liabilities	574,173
Net Assets-	
Without donor restrictions	1,320,375
With donor restrictions	8,354,451
Total Net Assets	9,674,826
TOTAL LIABILITIES AND NET ASSETS	\$ 10,248,999

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

KEY BISCAYNE COMMUNITY FOUNDATION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 822,989	\$ 2,715,503	\$ 3,538,492
Federal grant	94,575		94,575
Program services	772,915		772,915
In-kind contributions	7,393		7,393
Special event income	65,598		65,598
Less: direct benefit to donors	(46,616)		(46,616)
Net special event income	<u>18,982</u>		<u>18,982</u>
Investment returns, net	223,343	651,716	875,059
Net assets released from restrictions - Satisfaction of program restrictions	<u>2,794,634</u>	<u>(2,794,634)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,734,831</u>	<u>572,585</u>	<u>5,307,416</u>
<u>EXPENSES</u>			
Program services - Grants and services to beneficiaries	3,857,685		3,857,685
Supporting services - Management and general	178,373		178,373
Fundraising	<u>111,706</u>		<u>111,706</u>
TOTAL EXPENSES	<u>4,147,764</u>	<u>-</u>	<u>4,147,764</u>
CHANGES IN NET ASSETS	<u>587,067</u>	<u>572,585</u>	<u>1,159,652</u>
Beginning net assets, as originally reported	1,869,429	6,710,929	8,580,358
Restatement (See Note 11):			
Proper classification of donor-imposed restrictions	(1,070,937)	1,070,937	
Scholarships payable and program receivables	<u>(65,184)</u>		
Beginning net assets, as restated	<u>733,308</u>	<u>7,781,866</u>	<u>8,515,174</u>
NET ASSETS - END OF YEAR	<u>\$ 1,320,375</u>	<u>\$ 8,354,451</u>	<u>\$ 9,674,826</u>

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

KEY BISCAWAYNE COMMUNITY FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Grants and Services to beneficiaries	Management and General	Fundraising	Total
Salaries	\$ 277,455	\$ 60,062	\$ 52,461	\$ 389,979
Employee benefits	7,845	1,698	1,483	11,026
Payroll taxes	21,913	4,744	4,143	30,800
Payroll processing	3,014	652	570	4,236
Total personnel expenses	310,226	67,157	58,658	436,041
Audit and accounting services		39,052		39,052
Legal fees		8,616		8,616
Banking fees	4,733	11,421	333	16,486
Rent	24,170	5,232	4,570	33,973
Computer software: Donor database		23,956		23,956
Office supplies	7,381	1,598	1,396	10,374
Postage and shipping		2,520		2,520
Dues and subscriptions		5,851		5,851
Other office expenses		4,532		4,532
Marketing & promotions	32,868	1,739	33,207	67,814
Insurance	5,719	1,238	1,081	8,038
Utilities	1,032	223	195	1,451
Licenses & fees		787		787
Grants	864,467			864,467
Scholarships	483,584			483,584
Administrative fees	400	4,417		4,817
Voter registration - campaign, postcards, interns	298,556			298,556
Covid testing and protective equipment	398,376			398,376
Food securities and food bags	229,154			229,154
Other program expenses	363,838			363,838
Ipads for soldiers	119,040			119,040
Survey - data collection	131,013			131,013
STEM Lab and programming	157,384			157,384
Museum expenses	11,468			11,468
Instructors	13,248			13,248
Supplies	8,272			8,272
Contract labor	17,705			17,705
Public transportation:Freebee on Demand	197,500			197,500
Park and beach maintenance	176,043			176,043
Event expense	779		12,245	13,024
Total before depreciation	3,856,957	178,339	111,685	4,146,982
Depreciation	727	34	21	782
TOTAL FUNCTIONAL EXPENSES	\$ 3,857,685	\$ 178,373	\$ 111,706	\$ 4,147,764

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

KEY BISCAVNE COMMUNITY FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 1,159,652
Adjustments to reconcile changes in net assets to net cash provided/(used) by operating activities:	
Depreciation	782
Unrealized losses/ (gains) on investments	(407,146)
Changes in operating assets and liabilities:	
Contributions receivable	86,271
Interest receivable - London mortgage note	(26,542)
Other receivable	(8,754)
Prepaid expenses and deposits	9,745
Accounts payable and accrued compensation	81,939
Scholarship payables	69,610
NET CASH PROVIDED BY OPERATING ACTIVITIES	965,556
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(3,909)
Purchase of investments	(635,006)
Proceeds from sale of investments	506,967
NET CASH USED BY INVESTING ACTIVITIES	(131,949)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Paycheck Protection Program Loan	43,700
SBA Economic Injury Disaster Loan	150,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	193,700
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,027,307
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	663,363
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,690,670

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

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - ORGANIZATION

Key Biscayne Community Foundation, Inc. (the "Foundation") was incorporated in 2004. The Foundation's mission is to enable, facilitate, and empower residents to make a positive difference in the local, greater, and global community through programs, grant making, fiscal scholarship, scholarships, and community leadership. The Foundation accomplishes this through the administration of a variety of donor funds.

The Foundation also offers grants to support charitable organizations on and off the island. They believe that they are a community within a community, so the Foundation looks to improve the quality of life for both residents of Key Biscayne and the greater Miami-Dade County area. In order to meet this goal, the Foundation partner with local organizations to facilitate change, build community support, and create long-term sustainability for communities, individuals, and families in need. This collective approach increases their impact and collaboration.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Management 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.

Concentrations

The majority of the Foundation's donors are located in South Florida. A decrease in the contributions from these donors could have a significant impact on the Foundation's financial statements.

Cash and Cash Equivalents

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

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

Program Service Receivable

Program service receivable consists of arrangements with third-party to be reimbursed for direct and indirect costs incurred in providing program services for the community.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, net of investment fees, in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in net assets with and without donor restrictions. The Foundation policy is to allocate all income gains and losses to each donor advised funds, field of interest fund, fiscal sponsorship fund, scholarship fund and other funds based on the percentage of each fund to the total funds held at the Foundation.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at the estimated market value at date of receipt if acquired by donation. Fixed assets with a value in excess of \$1,000 and with a useful life in excess of one year are capitalized. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Computers	3 years
Office Furniture and Equipment	10 years

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in their different programs, but these services do not meet the criteria for recognition as contributed services.

Revenue Recognition - Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Foundation fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances. The Foundation did not receive conditional contributions during the year ended 2020.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

The Foundation receives donations from several sources including private foundations and other donors. Donations are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP.

Federal grant

Federal grant is recognized as revenue as the conditions have been met. For the year ended December 31, 2020, the Foundation received and used \$94,575 from the disaster relief program which was used for the COVID testing program.

Fundraising and Other Revenue

Fundraising and other revenue is recognized in the period the event occurs.

Variance Power

Pursuant to the Foundation's By-laws, the Board of Directors of the Foundation ("Board") has the ability known as variance power; however, the Board would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment.

The Foundation's financial statements classify the fiscal sponsorships, scholarships, field of interest funds as well as other restricted funds as net assets with donor restrictions as these are received with specific restrictions as to use. Net assets encumbered by a time stipulation are classified as net assets with donor restrictions and released to net assets without donor restrictions when the time restriction expires. Due to the variance power over its Donor Advised funds, the Foundation classifies these as net assets without donor restrictions.

Revenue Recognition - Exchange Transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation's revenue from exchange transactions was approximately \$270,000 for the year ended December 31, 2020, and is included in the statements of activities as part of the Program services.

Administration Services

The Foundation operates as a fiscal agent for its fiscal sponsorship, field of interest and scholarship funds by providing fiscal expenditure responsibility services for the donor making the contribution. Revenue under these arrangements is recognized quarterly based on the fund's total fund balance to the balance in all funds in the investment pool.

The Foundation's revenue from administration services was approximately \$333,000 for the year ended December 31, 2020, and is included in the statements of activities as Administration fees. There was no deferred revenue related to administration services as of December 31, 2020.

The Foundation also provides back-office administrative services for its donors, which provide an economy of scale and efficiency in reaching each charitable project goal. Given the nature of fiscal sponsorships and scholarships with multiple sources of revenue and expenses, there is more of an administrative burden. Thus, their administrative fee (generally 4%) is higher than other types of funds, such as donor advised funds (2%). The other determinant in administrative fees is fund size.

Grants and Services to Beneficiaries

Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed and the grants are approved by the Foundation's staff or Board Committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund. Services to beneficiaries represent expenses associated with fiscal sponsorships, field of interest funds and scholarships and are recognized when the service is performed or the commitment is made.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred were \$50,655 for the year ended December 31, 2020, in the statements of functional expenses.

Income Taxes

The Foundation is exempt from 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 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.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses 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.

Adopted Accounting Pronouncement

Fair Value Measurement

In August 2018, the FASB issued an accounting standard update that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The adoption of this update did not have a material effect on the Foundation's financial statements.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Foundation is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will not have a material effect on the Foundation's financial condition. The Foundation does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Foundation's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The Foundation is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standard update which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Foundation is currently evaluating the effect the update will have on its financial statements.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 – LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Foundation maintains an internal policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation engages qualified third-party investment advisors to invest excess cash net of working capital in instruments as stipulated under the investment policy. The policy is reviewed quarterly by the Investment Committee. Market performance is monitored continuously including review of quarterly reports and watch list of invested funds. Furthermore, the Executive Committee as well as the Board review the statements of financial position and of activities results periodically.

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures as of December 31, 2020 are as follows:

	2020
Cash and cash equivalents	\$ 1,690,670
Contribution receivables and others	549,758
Investments	5,730,443
Mortgage note receivable	2,275,000
Total Financial assets at year-end	10,245,871
Less: Board designated funds	-
Available financial assets	10,245,871
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for Fiscal sponsorship	1,106,082
Donor-restricted for Scholarships	6,777,746
Donor-restricted for future periods	248,645
Donor-restricted for Programs	221,978
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,891,419

In managing its liquidity needs and in accordance with policies established by the Board, the Foundation's investment managers invest largely in mutual funds which are considered highly liquid as there are no preventative lockups or restrictions and can be readily liquidated to cover operating needs.

NOTE 4 – PROMISE TO GIVE – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give consists of contributions to a donor advised fund and an unconditional donation all of which are due in less than one year.

NOTE 5 – INVESTMENTS AND CONCENTRATION OF CREDIT RISK

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

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 – INVESTMENTS AND CONCENTRATION OF CREDIT RISK (Continued)

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 80% equity / 20% fixed income strategy, as well as a 60% equity / 40% fixed income strategy. The Foundation manages the allocation across the two funds as an efficient way to control the market risk.

As of December 31, 2020, the investments consist of two mutual funds and two Exchange Traded Funds. The two mutual funds are “allocation funds” which allow investors to own a well-diversified portfolio, with one single holding. These strategies invest in index funds, target a pre-determined allocation to equity and fixed income, and are cost effective.

The two Exchange Traded Funds consists of an S&P 500 index fund and a preferred stock fund.

The target for the actual assets mix is reviewed by the Investment Committee frequently to discuss the allocations and ensure they are consistent with their market view.

The Foundation does not have a required administrative fee but rather a suggested community growth donation to be distributed and the exact donation amount is to be determined by agreement between the Foundation and the donor. The recommended administrative fee ranges from 1% to 5% of the total market value of the fund annually.

Investments consist of the following as of December 31, 2020:

	2020
Money Market fund	\$ 359,765
Mutual Funds	4,353,785
Exchange Traded Funds	620,670
Investments, at fair value	5,334,220
Investments held by MF	396,223
Total Investments	\$ 5,730,443

100% of the Foundation’s mutual funds are invested in only two mutual funds of which 78% represents only one mutual fund.

The investments held by the Miami Foundation, Inc. (MF) are invested in the following investment pools:

The Balanced Pool - This pool is designed to achieve moderate risk adjusted returns with an emphasis on total returns, which is the aggregate return from capital appreciation, dividend and interest income.

The Social Impact Pool - The investment strategy for the Social Impact Pool is similar to the Balanced Pool. The Social Impact concept is intimately linked to responsible investing and is designed to invest in companies that strive to have a positive societal impact, including, but not limited to, mitigating climate change, reducing waste, using clean energy and employing sound corporate governance and labor practices.

Cash and cash equivalents subject to investment management direction are reported as investments rather than cash equivalents. Investments are presented in the financial statements at fair market values.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 – INVESTMENTS AND CONCENTRATION OF CREDIT RISK (Continued)

Investment returns, net of fees, consisted of the following for the year ended December 31, 2020:

	2020
Dividends and interest	\$ 348,692
Capital gain distributions	77,856
Realized gains	41,365
Unrealized gains	407,146
	<u>\$ 875,059</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure 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 as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2020.

Cash equivalents: Valued at cost, which approximates fair value.

Mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Exchange Traded Fund: Valued at the market price at the time of purchase.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Foundation's financial instruments measured at fair value on a recurring basis as of December 31, 2020 for each of the fair value hierarchy levels:

Fair Measurements Using:

Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market fund	\$ 359,765	\$ 359,765	\$	
Mutual Funds	4,353,785	4,353,785		
Exchange Traded Fund	620,670	620,670		
Investments held by MF	<u>396,223</u>	<u>0</u>	<u>396,223</u>	
Total investments	<u>\$ 5,730,443</u>	<u>\$ 5,334,422</u>	<u>\$ 396,223</u>	

NOTE 7 - 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 restricted to The Victoria London Scholarship for Graduate Students in Business or Engineering and are included as donor restricted funds.

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 \$163,042 in mortgage interest payments for the year ended December 31, 2020.

NOTE 8 - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2020 are summarized as follows:

Furniture and equipment	\$ 5,801
	5,801
Less: accumulated depreciation and amortization	(2674)
	\$ 3,128

Depreciation expense for the year ended December 31, 2020 totaled \$782.

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NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the Foundation applied for and received funds under the Paycheck Protection Program ("PPP") in the amount of \$43,700. The application for these funds requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further requires the Foundation to take into account its current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Foundation having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

The Small Business Administration ("SBA") has stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While the Foundation believes the loan was properly obtained, there can be no assurance regarding the outcome of an SBA review.

The loan begins accruing interest at a rate of 1.00% on the effective date. For any portion of the loan not forgiven, principal payments are due in equal monthly installments of \$1,840 commencing seven months after covered period until the maturity date. The loan matures on April 21, 2022, at which time all unpaid principal and accrued interest is due. The outstanding balance on the loan as of December 31, 2020 is \$43,700.

The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. The Foundation did not apply for any other funding and noted no material impact from the other tax provisions.

NOTE 10 - SBA ECONOMIC INJURY DISASTER LOAN

In response to COVID-19, small business owners, including agricultural businesses, and nonprofit organizations in all U.S. states, Washington D.C., and territories could apply for the COVID-19 Economic Injury Disaster Loan (EIDL) to meet financial obligations and operating expenses that could have been met had the disaster not occurred. The Foundation applied for and received funds in the amount of \$150,000 on July 10, 2020 (effective date).

The loan begins accruing interest at a rate of 2.75% on the effective date. Installment payments, including principal and interest of \$641 monthly will begin twelve months from the effective date. The balance and interest will be payable in 30 years.

The Collateral in which this security interest is granted includes the following property that the Foundation now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b)

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - SBA ECONOMIC INJURY DISASTER LOAN (CONTINUED)

equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial such terms may from time to time be defined in the Uniform Commercial Code. The security interest

Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

The outstanding balance on the loan as of December 31, 2020 is \$150,000.

The following is a schedule by years of future minimum payments required under the note agreement together with their present value as of December 31, 2020.

<u>Year ended December 31,</u>	
2021	\$ 3,846
2022	7,692
2023	7,692
2024	7,692
2025	7,692
Later years	<u>179,837</u>
	<u>\$ 214,451</u>
Less amount representing interest	<u>64,451</u>
Present value of minimum loan payments	<u><u>\$ 150,000</u></u>

NOTE 11 - RESTATEMENT

The Foundation's beginning net assets without donor restriction and net assets with donor restrictions as of December 31, 2020 have been restated in the amount of \$(1,070,937) and \$1,070,937 respectively, to correctly account for donor-imposed restrictions in prior years as follows:

	Assets with donor restrictions originally reported	Assets with donor restrictions, as restated	Restatement
Fiscal Sponsorship fund		\$ 978,163	\$ 978,163
Scholarship fund	\$ 6,710,929	6,560,929	(150,000)
Field of Interest		84,081	84,081
Women's giving circle funds		19,495	19,495
Disaster relief fund		33,881	33,881
Other restricted contributions		<u>105,317</u>	<u>105,317</u>
	<u>\$ 6,710,929</u>	<u>\$ 7,781,866</u>	<u>\$ 1,070,937</u>

In addition, the net assets without donor restrictions have been restated in the amount of \$(65,184) which consists of recognizing \$(150,000) of scholarships payable that should have been recorded as of December 31, 2019 and \$84,816 of program receivables that were not properly recorded in the prior period.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
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 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 12 - NET ASSETS

Net assets without donor restrictions consists of the following as of December 31, 2020:

Donor Advised Fund	\$ 1,234,957
Undesignated funds	85,418
	\$ 1,320,375

Net assets without donor restrictions are used to support the operating activities of the Foundation. The Donor Advised Funds allows donors recommend grants and other community projects towards the overall mission and needs of the Foundation.

Net assets with donor restrictions consist of the following as of December 31, 2020:

Restricted by donors with specific purpose/time restrictions:

Fiscal Sponsorship funds	\$ 1,106,082
Scholarship funds	6,777,746
Field of Interest	73,192
Women's giving circle funds	27,388
Disaster relief fund	94,089
Other restricted contributions	27,309
Contributions with time restrictions	248,645
	\$ 8,354,451

NOTE 13 - FEDERAL FINANCIAL ASSISTANCE AND PROGRAM INCOME

The Foundation received a grant from the Village of Key Biscayne to provide COVID testing to the community. The Village of Key Biscayne was reimbursed by CARES ACT through the County. The grant is recognized as the required services are performed, and expenses are recognized as incurred. Grant activity for the year ended December 31, 2020 was as follows:

	2020
Refundable advances, beginning of year	\$ -
Grant receipts	94,575
Grant expenditures	(94,575)
Refundable advances, end of year	\$ -

The Foundation also earned \$328,787 in fees for services related to the COVID program and these are also included in program services revenues. These services were not reimbursed by any local or federal program. They represent individual payments for Covid-19 tests with the majority of expenses representing lab costs.

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
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NOTE 14 - EXPENSES

For the year ended December 31, 2020, expenses were as follows:

	Total Functional Expenses	Direct Benefit to Donors	Total Expenses
Grants and services to beneficiaries	\$ 3,857,685		\$ 3,857,685
Management and general	178,373		178,373
Fundraising	111,706	\$ 46,616	158,322
	\$ 4,147,764	\$ 46,616	\$ 4,194,380

NOTE 15 - PROFESSIONAL EMPLOYER ORGANIZATION (PEO) CONTRACT

On July 1, 2020, the Foundation entered into a contract with a PEO. Under terms of the agreement, all employees became co-employees of the PEO and the Foundation. The PEO will provide all payroll services to the co-employees and the Foundation will be charged a flat administrative fee of \$28.85 per Active Covered Employee per Weekly pay period. As of December 31, 2020, \$4,236 was paid for administration fees.

NOTE 16 - DESCRIPTION OF LEASING ARRANGEMENTS

The Company leases its offices under an operating lease. The lease commenced on September 1, 2019 and continues month-to-month until terminated by each party. It requires monthly payments of \$2,000 to continue at the same rate unless either party gives written notice. The Company made lease payments of \$24,000 during the year ended December 31, 2020.

NOTE 17 - RISKS AND UNCERTAINTIES

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation places its deposits with quality financial institutions and has not experienced losses in any such accounts. The Foundation's Investment Committee is responsible for oversight of the Foundation's investing activities.

Cash balances at financial institutions exceeded the FDIC insurance limit of \$250,000. At December 31, 2020, the uninsured cash balances were approximately \$909,000.

COVID-19

Since January 2020, the coronavirus ("COVID-19") outbreak has caused substantial disruption in international and U.S. economies and markets. The fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. The Foundation is dependent on donations from individuals, foundations, and corporations which can vary during a pandemic. Several fiscal sponsorships events were canceled or postponed during 2020 due to the pandemic. As of the date of this report, the Foundation's investment values were not materially impacted. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, and workforce. The Foundation is unable to predict the future impact that COVID-19 will have on the financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of

KEY BISCAYNE COMMUNITY FOUNDATION, INC.
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NOTE 17 - RISKS AND UNCERTAINTIES (Continued)

the virus, the duration of the outbreak, governmental, or other actions (which include promotion of social distancing), or changes to the Foundation's operations. The Foundation is currently evaluating the potential adverse effect this matter will have on its future financial position, operations and cash flows. While the ultimate outcome of this uncertainty is unknown, it is reasonably possible the future impact may be materially adverse.

NOTE 18 - SUBSEQUENT EVENTS AND LITIGATION

The mortgage note receivable of \$2,275,000 was received in full in February 2021.

The Foundation sent the PPP loan forgiveness application in January 2021 and it was approved by the SBA on May 5, 2021.

The Foundation terminated its Community Partnership contract with the Village of Key Biscayne on July 26, 2021, which consisted of managing programs such as Active Seniors on the Key (ASK) Club, the 4th of July Parade Committee, Car Week, Village of Kindness, the Key Biscayne Piano Festival, The Key Biscayne Historical Society, and Youth Lead Change and Freebee (until July 2020).

In August of 2021, the Foundation filed a lawsuit against a third party alleging defamation to the Foundation and its Executive Director. The third party engaged in public announcements claiming, among other things, that the Foundation is not doing its fiduciary duty with respect to the Village funds. The Foundation is asking for damages in excess of \$30,000, exclusive of interest, costs and attorneys fees. The attorney representing the Foundation is performing its services pro-bono. The Board and Executive Committee continue to stay updated on litigation matters since the August filing.

NOTE 19 - DATE OF MANAGEMENT'S REVIEW AND EVALUATION OF SUBSEQUENT EVENTS

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 26, 2021, which is the date the financial statements were available to be issued.