

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

Hobe Sound Community Chest, Inc.

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December 31, 2018 and 2017

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Independent Accountants' Review Report

The Board of Directors
Hobe Sound Community Chest, Inc.
Hobe Sound, FL

We have reviewed the accompanying statements of financial position, cash flows and related notes to financial statements of Hobe Sound Community Chest, Inc. (a Nonprofit Corporation) as of and for the years ended December 31, 2018 and December 31, 2017 and the related statements of activities and functional expenses for the year ended December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organizations management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility

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

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusions

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for the years ended December 31, 2018 and December 31, 2017 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We have previously reviewed the December 31, 2017 financial statements of the organization and were not aware of any material modifications that should be made to the financial statements which we expressed in our report dated May 7, 2018. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the reviewed financial statements from which it is derived.

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(Gaines) + Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida

May 10, 2019

Fort Pierce / Stuart

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Hobe Sound Community Chest, Inc.
STATEMENTS OF FINANCIAL POSITION
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

	2018	2017
<u>Assets</u>		
Cash	\$ 1,468,028	\$ 1,351,138
Cash equivalents - restricted	71,171	13,121
Cash equivalents - designated	166,978	241,158
Pledges receivable	309,775	323,147
Prepaid expenses	1,582	1,402
Investments	2,739,875	2,065,178
Property and equipment - net	2,205	2,778
Total assets	\$ 4,759,614	\$ 3,997,922
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 457	\$ 60
 <u>Net assets</u>		
Temporarily restricted	623,863	318,391
Unrestricted		
Undesignated	1,746,133	1,678,406
Designated for Capital Reserve	2,165,376	2,001,065
Designated for Banner Lake Project	223,785	-
Total net assets	4,759,157	3,997,862
Total liabilities and net assets	\$ 4,759,614	\$ 3,997,922

Hobe Sound Community Chest, Inc.
STATEMENT OF ACTIVITIES
(See Independent Accountants' Review Report)
For the Year Ended December 31, 2018
(With Summarized Comparative Information for the Year Ended December 31, 2017)

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
Support and Gains				
Contributions	\$ 2,349,628	\$ 535,000	\$ 2,884,628	\$ 1,754,164
Dividends and interest	43,088	14,316	57,404	39,477
Realized gains on investments	5,647	3,164	8,811	40,994
Unrealized gains on investments	-	-	-	219,788
	<u>2,398,363</u>	<u>552,480</u>	<u>2,950,843</u>	<u>2,054,423</u>
Net assets released from restrictions				
Restrictions satisfied by payments	180,011	(180,011)	-	-
Total Support and Gains	<u>2,578,374</u>	<u>372,469</u>	<u>2,950,843</u>	<u>2,054,423</u>
Expenses				
Program services	1,666,222	-	1,666,222	1,228,456
Administrative	109,762	-	109,762	94,258
Fundraising	123,601	-	123,601	113,122
Total expenses	<u>1,899,585</u>	<u>-</u>	<u>1,899,585</u>	<u>1,435,836</u>
Realized and unrealized loss on investments	<u>(222,966)</u>	<u>(66,997)</u>	<u>(289,963)</u>	<u>-</u>
Change in net assets	455,823	305,472	761,295	618,587
Net assets				
Beginning of year	<u>3,679,471</u>	<u>318,391</u>	<u>3,997,862</u>	<u>3,379,275</u>
End of year	<u>\$ 4,135,294</u>	<u>\$ 623,863</u>	<u>\$ 4,759,157</u>	<u>\$ 3,997,862</u>

Hobe Sound Community Chest, Inc.
STATEMENTS OF CASH FLOWS
(See Independent Accountants' Review Report)
For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Contributed support received	\$ 2,898,000	\$ 1,714,729
Investment income received	57,404	39,477
Cash paid to donees, suppliers and employees	(1,899,188)	(1,435,901)
Net cash provided by operating activities	1,056,216	318,305
Cash flows from investing activities:		
Purchases of fixed assets	-	(2,865)
Purchases of investments	(955,456)	(112,027)
Net cash used in investing activities	(955,456)	(114,892)
Increase in cash and cash equivalents	100,760	203,413
Cash and cash equivalents, beginning of year	1,605,417	1,402,004
Cash and cash equivalents, end of year	\$ 1,706,177	\$ 1,605,417
Reconciliation of changes in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 761,295	\$ 618,587
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	573	87
Realized and unrealized (gain) loss on long-term investments	280,759	(261,237)
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	13,372	(39,435)
(Increase) decrease in prepaid expenses	(180)	368
Increase (decrease) in payables and accrued expenses	397	(65)
Total adjustments	294,921	(300,282)
Net cash provided by operating activities	\$ 1,056,216	\$ 318,305

Hobe Sound Community Chest, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
(See Independent Accountants' Review report)
For the year ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

	Program			Totals	
	Services	Administrative	Fundraising	2018	2017
Salaries	\$ 32,687	\$ 41,601	\$ 74,289	\$ 148,577	\$ 154,216
Payroll taxes	2,513	3,199	5,712	11,424	-
Employee benefits	3,577	4,553	8,130	16,260	11,861
Total	<u>38,777</u>	<u>49,353</u>	<u>88,131</u>	<u>176,261</u>	<u>166,077</u>
Bank Fees	-	1,942	-	1,942	1,497
Community Service Award	10,000	-	-	10,000	5,552
Depreciation	-	573	-	573	87
Annual Grants	1,286,000	-	-	1,286,000	1,169,500
Special Grants	325,250	-	-	325,250	10,785
Insurance	-	17,286	-	17,286	13,431
Office Expense	397	596	993	1,986	5,305
Postage	-	-	4,109	4,109	2,808
Printing	-	-	10,348	10,348	5,931
Professional Fees	-	30,942	4,933	35,875	26,494
Rent	5,167	6,200	9,300	20,667	16,962
Special Events	-	-	4,837	4,837	8,440
Taxes & Licenses	-	420	-	420	411
Dues & memberships	-	1,500	-	1,500	-
Telephone	466	700	700	1,866	1,854
Utilities	165	250	250	665	702
Total expenses	<u>\$ 1,666,222</u>	<u>\$ 109,762</u>	<u>\$ 123,601</u>	<u>\$ 1,899,585</u>	<u>\$ 1,435,836</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION

Hobe Sound Community Chest, Inc. (Chest) is operated exclusively for charitable, scientific, literary and educational purposes with the objective of promoting the welfare of the entire community encompassed by Jupiter Island and Hobe Sound, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The Chest classifies its resources for accounting and reporting into three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting, cash and cash equivalents include cash on hand, money market funds and all highly liquid debt instruments with original maturities of three months or less held in financial institutions.

Investments

Investments are reported in accordance with the FASB ASC topic for Investments in Debt and Equity Securities. Under this topic, investments are recorded at the fair market value in the Statement of Financial Position. Realized and unrealized gains and losses are reflected in the Statement of Activities. Donated investments are recorded as contributions equal to their market value at the date of receipt.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method over the following estimated useful lives:

Furniture and Equipment:	3 to 5 years
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Support and Revenues

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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. Contributions of donated noncash assets are recorded at their fair values in the period received.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

A substantial number of volunteers have donated significant amounts of their time in the organization's fund-raising campaigns; however, no amounts have been reflected in the statements for donated services because no objective basis is available to measure the value of these services.

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 and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

The Chest is a nonprofit organization exempt from federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code and is not classified as a private foundation. No provision for income tax has been made in these financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services that are benefited by them.

Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Chest's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE C – INVESTMENTS

Securities held by brokerage institutions are insured by the Securities Investor Protection Program (SIPC). The asset protection provided by SIPC is not against losses from fluctuations in the value of the securities, but rather only if the brokerage firm ceases doing business.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

NOTE C – INVESTMENTS (CONTINUED)

Investments subject to market risk of fluctuations (stated at fair value) at December 31:

	2018	2017
Pooled Equity Funds	\$ 505,751	\$ 815,467
ETF's	1,335,167	1,067,392
Pooled Fixed Income Funds	898,957	182,319
	\$ 2,739,875	\$ 2,065,178

NOTE D – PROPERTY AND EQUIPMENT

For December 31, 2018 and 2017 property and equipment consisted of the following:

	2018	2017
Office Furniture and Fixtures	\$ 1,622	\$ 1,622
Donor Perfect Software	5,780	5,780
Computer Equipment	4,907	4,907
	12,309	12,309
Less accumulated depreciation	(10,104)	(9,531)
	\$ 2,205	\$ 2,778

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2018	2017
Donor Advised Fund	\$ 138,171	\$ 149,084
Community Service Award	-	169,307
Capital Asset Grant	35,000	-
Banner Lake Project	450,692	-
	\$ 623,863	\$ 318,391

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

NOTE F – FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurements and Disclosures, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 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 Organization 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 are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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 unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Level 1 – Fair Value Measurements

The fair values of investments are based on quoted prices.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Pooled Equity Funds: Valued at the net asset value of the shares held by the entity at year end, which approximates fair value.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE F – FAIR VALUE MEASUREMENTS (CONTINUED)

Exchange Traded Funds: Valued at the net asset value of the shares held by the entity at year end, which approximates fair value.

Pooled Fixed Income Funds: Valued at the net asset value of the shares held by the entity at year end, which approximates fair value.

The following sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31:

Description	2018 Quoted Prices In Active Markets (Level 1)	2017 Quoted Prices In Active Markets (Level 1)
Investments:		
Pooled Equity Funds	\$ 505,751	\$ 815,467
ETF's	1,335,167	1,067,392
Pooled Fixed Income Funds	898,957	182,319
	\$ 2,739,875	\$ 2,065,178

NOTE G – BOARD DESIGNATED NET ASSETS

The Board has designated a portion of the Chest's unrestricted net assets for a Capital Reserve, to be used at the Board's discretion for special grants to agencies for certain capital purchases to help with various projects undertaken by the agencies. The designated Capital Reserves can also be used for emergency grants in case of natural disasters such as hurricanes. At December 31, 2018 and 2017 the designated Capital Reserve was \$2,165,376 and \$2,001,065, respectively.

The Board has also designated a portion of the Chest's unrestricted net assets for the Banner Lake Project, to be used in a capital and infrastructure improvement project at the Banner Lake Club in Hobe Sound, Florida. At December 31, 2018 the amount designated for the Banner Lake Project was \$223,785.

NOTE H – RESTRICTED AND DESIGNATED CASH EQUIVALENTS

Certain funds have been invested by the organization in government money market funds which are considered cash equivalents in accordance with generally accepted accounting principles. At December 31, 2018 cash equivalents were restricted for the following purposes: \$45,185 restricted for the Banner Lake Project and \$25,986 restricted for the donor advised Field Family Fund for a total of \$71,171. At December 31, 2018 cash equivalents were designated by the Board for the following purposes: \$144,386 designated for Capital Reserves and \$22,592 designated for the Banner Lake Project for a total of \$166,978. At December 31, 2017 cash equivalents were restricted for the following purposes: \$4,505 restricted for the donor advised

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2018 and 2017

NOTE H – RESTRICTED AND DESIGNATED CASH EQUIVALENTS (CONTINUED)

Field Family Fund and \$8,616 restricted for the Community Service Award for a total of \$13,121. At December 31, 2017 cash equivalents were designated by the Board for the following purposes: \$241,158 designated for Capital Reserves.

NOTE I – CONCENTRATIONS OF CREDIT RISK

The Company's depository accounts are covered up to \$250,000 at each financial institution. The insurance coverage is provided by the Federal Deposit Insurance Corporation. At December 31, 2018 and 2017 uninsured depository balances were \$1,207,426 and \$999,595 respectively.

NOTE J – INCOME TAXES

In accordance with generally accepted accounting principles, the Chest evaluates uncertain tax positions for each reporting period based on the circumstances related to each transaction or affiliation. The Chest's tax filings are subject to audit by various taxing authorities. The Chest's tax returns for 2017, 2016 and 2015 remain open to examination by the Internal Revenue Service. At December 31, 2018 and 2017, the Chest does not believe that there are unrecognized tax benefits or tax liabilities that would be considered significant to the financial statements.

NOTE K – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2018, the date of the most recent financial statements, have been evaluated for possible adjustment to the financial statements or disclosure is May 10, 2019, which is the date on which the financial statements were available to be issued.