

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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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 of Hobe Sound Community Chest, Inc. (a Nonprofit Corporation) as of December 31, 2016 and December 31, 2015 and the related statements of activities, cash flows and functional expenses for the years then ended. 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, 2016 and December 31, 2015 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida
April 4, 2017

Fort Pierce / Stuart

Hobe Sound Community Chest, Inc.
STATEMENT OF FINANCIAL POSITION
(See Independent Accountants' Review Report)
December 31, 2016 and 2015

	2016	2015
<u>Assets</u>		
Cash and cash equivalents	\$ 1,402,004	\$ 1,328,673
Pledges receivable	283,712	159,240
Investments	1,691,914	1,396,510
Prepaid expenses	1,770	1,884
Property and equipment - net	-	147
Total assets	\$ 3,379,400	\$ 2,886,454
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 125	\$ -
Total Liabilities	125	-
 <u>Net assets</u>		
Temporarily restricted	279,428	283,683
Unrestricted		
Undesignated	1,473,028	1,345,644
Designated for endowment	1,626,819	1,257,127
Total net assets	3,379,275	2,886,454
Total liabilities and net assets	\$ 3,379,400	\$ 2,886,454

Hobe Sound Community Chest, Inc.
STATEMENT OF ACTIVITIES
(See Independent Accountants' Review Report)
For the year ended December 31, 2016
(With Summarized Comparative Information for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Support and Gains				
Contributions	\$ 1,827,145	\$ -	\$ 1,827,145	\$ 1,428,033
Dividends and interest	24,417	4,005	28,422	16,827
Realized gains (losses)				
on investments	(29,116)	(14,664)	(43,780)	43,227
Unrealized gains (losses)				
on investments	80,081	13,413	93,494	(20,097)
	<u>1,902,527</u>	<u>2,754</u>	<u>1,905,281</u>	<u>1,467,990</u>
Net assets released from restrictions				
Restrictions satisfied by payments	7,009	(7,009)	-	-
Total Support and Gains	<u>1,909,536</u>	<u>(4,255)</u>	<u>1,905,281</u>	<u>1,467,990</u>
Expenses				
Program services	1,229,154	-	1,229,154	1,161,449
Administrative	69,093	-	69,093	54,614
Fundraising	114,213	-	114,213	82,315
Total expenses	<u>1,412,460</u>	<u>-</u>	<u>1,412,460</u>	<u>1,298,378</u>
Change in net assets	497,076	(4,255)	492,821	169,612
Net assets				
Beginning of year	<u>2,602,771</u>	<u>283,683</u>	<u>2,886,454</u>	<u>2,716,842</u>
End of year	<u>\$ 3,099,847</u>	<u>\$ 279,428</u>	<u>\$ 3,379,275</u>	<u>\$ 2,886,454</u>

Hobe Sound Community Chest, Inc.
STATEMENT OF CASH FLOWS
(See Independent Accountants' Review Report)
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Contributed support received	\$ 1,752,648	\$ 1,403,161
Investment income received	28,422	60,054
Cash paid to donees, suppliers and employees	<u>(1,412,335)</u>	<u>(1,299,065)</u>
Net cash provided by operating activities	<u>368,735</u>	<u>164,150</u>
Cash flows from investing activities:		
Purchases of investments	<u>(295,404)</u>	<u>(200,858)</u>
Increase (decrease) in cash and cash equivalents	73,331	(36,708)
Cash and cash equivalents, beginning of year	<u>1,328,673</u>	<u>1,365,381</u>
Cash and cash equivalents, end of year	<u>\$ 1,402,004</u>	<u>\$ 1,328,673</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 492,821	\$ 169,612
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	147	1,485
Realized and unrealized (gain) loss on long-term investments	(49,714)	20,097
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	(74,758)	(24,547)
(Increase) decrease in prepaid expenses	114	(93)
Increase (decrease) in payables and accrued expenses	<u>125</u>	<u>(2,404)</u>
Total adjustments	<u>(124,086)</u>	<u>(5,462)</u>
Net cash provided by operating activities	<u>\$ 368,735</u>	<u>\$ 164,150</u>

Hobe Sound Community Chest, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
(See Independent Accountants' Review report)
For the year ended December 31, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

	Program			Totals	
	Services	Administrative	Fundraising	2016	2015
Salaries	\$ 25,608	\$ 32,593	\$ 58,200	\$ 116,401	\$ 106,296
Payroll taxes	1,959	2,493	4,452	8,904	8,132
Total	<u>27,567</u>	<u>35,086</u>	<u>62,652</u>	<u>125,305</u>	<u>114,428</u>
Bank Fees	-	1,758	-	1,758	680
Community Service Award	5,494	-	-	5,494	5,494
Depreciation	-	147	-	147	1,485
Grants	1,190,400	-	-	1,190,400	1,125,500
Insurance	-	5,631	-	5,631	5,272
Office Expense	790	1,330	2,037	4,157	4,419
Postage	-	-	2,768	2,768	2,292
Printing	-	-	6,947	6,947	6,590
Professional Fees	-	17,749	23,961	41,710	9,195
Rent	4,247	6,046	6,046	16,339	14,529
Special Events	-	-	8,867	8,867	5,527
Taxes & Licenses	-	411	-	411	411
Telephone	479	682	682	1,843	1,845
Utilities	177	253	253	683	711
Total expenses	<u>\$ 1,229,154</u>	<u>\$ 69,093</u>	<u>\$ 114,213</u>	<u>\$ 1,412,460</u>	<u>\$ 1,298,378</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2016 and 2015

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 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 Equivalents

The Chest considers highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

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, 2016 and 2015

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, 2015, 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, 2016 and 2015

NOTE C – INVESTMENTS (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Pooled Equity Funds	\$ 741,442	\$ 1,150,626
ETF's	515,855	-
Pooled Fixed Income Funds	<u>434,617</u>	<u>245,884</u>
	<u>\$ 1,691,914</u>	<u>\$ 1,396,510</u>

NOTE D – PROPERTY AND EQUIPMENT

For December 31, 2016 and 2015 property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Office Furniture and Fixtures	\$ 1,622	\$ 1,622
Donor Perfect Software	5,780	5,780
Computer Equipment	<u>4,252</u>	<u>4,252</u>
	11,654	11,654
Less accumulated depreciation	<u>(11,654)</u>	<u>(11,507)</u>
	<u>\$ -0-</u>	<u>\$ 147</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Community Service Award	\$ 151,165	\$ 157,116
Donor Advised Fund	<u>128,263</u>	<u>126,567</u>
	<u>\$ 279,428</u>	<u>\$ 283,683</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
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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, 2016 and 2015.

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.

Corporate Bonds: Valued at the net asset value of units 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	2016 Quoted Prices In Active Markets (Level 1)	2015 Quoted Prices In Active Markets (Level 1)
Investments:		
Pooled Equity Funds	\$ 741,442	\$ 1,150,626
ETF's	515,855	-
Pooled Fixed Income Funds	434,617	245,884
	<u>\$ 1,691,914</u>	<u>\$ 1,396,510</u>

NOTE G – ENDOWMENT

The Chest's endowment consists of individual funds established for the purposes of funding the annual Community Service Award and a Donor Advised Fund. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Florida has recently enacted UPMIFA and it is effective as of July 1, 2012 and applied to this organization in 2013.

During 2013 the Chest adopted the provisions of UPMIFA in accordance with the requirements of the State of Florida and the recommendations of FASB ASC 958-205. The Chests donors have placed restrictions on the use of the investment income.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2016 and 2015

NOTE G – ENDOWMENT (CONTINUED)

The Board of Directors has determined that the majority of the Chest's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with that of the Chest. Under the terms of the Chest's governing documents, the Board of Directors has the ability to distribute the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Chest has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to functions supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Chest's spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Chest relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chest targets a diversified asset allocation that places an emphasis on investments to achieve its long-term return objectives within prudent risk parameters. The spending policy for unrestricted endowment assets establishes prudent objectives for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment. In making its decisions, the Chest uses reasonable care, skill, and caution in considering the purposes of the Chest, the intent of the donors of the endowment, the terms of the applicable instruments, the long-term and short-term needs of the Chest in carrying out its purposes, the general economic conditions, the possible effect of inflation or deflation, or other resources of the Chest, and perpetuation of the endowment. For the temporarily restricted endowment assets; other than the donor advised fund; the Chest may appropriate for distribution each year approximately \$5,000 from its temporarily restricted endowment assets. The distribution is funded first by the income earned from the endowment, and secondly, by the principal if the income does not equal or exceed the amount needed each year. In establishing this policy, the Chest considered the donor placed restrictions and long-term expected return rate of its endowment. Over the long-term, the Chest expects the current spending policy to allow its endowment to grow at the highest rate possible. This is consistent with the Chest's objective to maintain the purchasing power of the endowment assets held for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Endowment funds and appreciation	<u>\$ 279,428</u>	<u>\$1,626,819</u>	<u>\$ 1,906,247</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2016 and 2015

NOTE G – ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Endowment funds and appreciation	<u>\$ 283,683</u>	<u>\$ 1,257,127</u>	<u>\$ 1,540,810</u>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Net assets, beginning of year	\$ 283,683	\$ 1,257,127	\$ 1,540,810
Investment return:			
Dividends and interest	4,005	22,742	26,747
Net unrealized and realized gains (losses) on investments	(1,251)	32,477	31,226
Contributions	-	382,378	382,378
Distributions	-	(67,905)	(67,905)
Assets released from restriction	<u>(7,009)</u>	<u>-</u>	<u>(7,009)</u>
Net assets, end of year	<u>\$ 279,428</u>	<u>\$ 1,626,819</u>	<u>\$ 1,906,247</u>

NOTE H – CONCENTRATIONS OF CREDIT RISK

The Company's depository accounts, which are maintained with two financial institutions, are covered up to \$250,000 at each financial institution. The insurance coverage is provided by the Federal Deposit Insurance Corporation. At December 31, 2016 and 2015 uninsured depository balances were \$927,803 and \$872,884, respectively.

NOTE I – 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 2015, 2014 and 2013 remain open to examination by the Internal Revenue Service. At December 31, 2016 and 2015, the Chest does not believe that there are unrecognized tax benefits or tax liabilities that would be considered significant to the financial statements.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
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NOTE J – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2016, the date of the most recent financial statement, have been evaluated for possible adjustment to the financial statements or disclosure is April 4, 2017, which is the date on which the financial statements were available to be issued.