

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

December 31, 2017 and 2016

Hobe Sound Community Chest, Inc.

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December 31, 2017 and 2016

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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 and cash flows of Hobe Sound Community Chest, Inc. (a Nonprofit Corporation) as of and for the years ended December 31, 2017 and December 31, 2016 and the related statements of activities and functional expenses for the year ended December 31, 2017. 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, 2017 and December 31, 2016 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

May 7, 2018

Fort Pierce / Stuart

Hobe Sound Community Chest, Inc.
STATEMENTS OF FINANCIAL POSITION
(See Independent Accountants' Review Report)
December 31, 2017 and 2016

	2017	2016
<u>Assets</u>		
Cash and cash equivalents	\$ 1,605,417	\$ 1,402,004
Pledges receivable	323,147	283,712
Investments	2,065,178	1,691,914
Prepaid expenses	1,402	1,770
Property and equipment - net	2,778	-
Total assets	\$ 3,997,922	\$ 3,379,400
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 60	\$ 125
Total Liabilities	60	125
 <u>Net assets</u>		
Temporarily restricted	318,391	279,428
Unrestricted		
Undesignated	1,678,406	1,473,028
Designated for Capital Reserve	2,001,065	1,626,819
Total net assets	3,997,862	3,379,275
Total liabilities and net assets	\$ 3,997,922	\$ 3,379,400

Hobe Sound Community Chest, Inc.
STATEMENT OF ACTIVITIES
(See Independent Accountants' Review Report)
For the year ended December 31, 2017

(With Summarized Comparative Information for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Support and Gains				
Contributions	\$ 1,754,164	\$ -	\$ 1,754,164	\$ 1,827,145
Dividends and interest	33,742	5,735	39,477	28,422
Realized gains on investments	39,691	1,303	40,994	-
Unrealized gains on investments	180,645	39,143	219,788	93,494
	<u>2,008,242</u>	<u>46,181</u>	<u>2,054,423</u>	<u>1,949,061</u>
Net assets released from restrictions				
Restrictions satisfied by payments	7,218	(7,218)	-	-
Total Support and Gains	<u>2,015,460</u>	<u>38,963</u>	<u>2,054,423</u>	<u>1,949,061</u>
Expenses				
Program services	1,228,456	-	1,228,456	1,229,154
Administrative	94,258	-	94,258	69,093
Fundraising	113,122	-	113,122	114,213
Total expenses	<u>1,435,836</u>	<u>-</u>	<u>1,435,836</u>	<u>1,412,460</u>
Realized loss on investments	-	-	-	(43,780)
Change in net assets	579,624	38,963	618,587	492,821
Net assets				
Beginning of year	<u>3,099,847</u>	<u>279,428</u>	<u>3,379,275</u>	<u>2,886,454</u>
End of year	<u>\$ 3,679,471</u>	<u>\$ 318,391</u>	<u>\$ 3,997,862</u>	<u>\$ 3,379,275</u>

Hobe Sound Community Chest, Inc.
STATEMENTS OF CASH FLOWS
(See Independent Accountants' Review Report)
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Contributed support received	\$ 1,714,729	\$ 1,752,648
Investment income received	39,477	28,422
Cash paid to donees, suppliers and employees	<u>(1,435,901)</u>	<u>(1,412,335)</u>
Net cash provided by operating activities	<u>318,305</u>	<u>368,735</u>
Cash flows from investing activities:		
Purchases of fixed assets	(2,865)	-
Purchases of investments	<u>(112,027)</u>	<u>(295,404)</u>
Net cash used in investing activities	<u>(114,892)</u>	<u>(295,404)</u>
Increase in cash and cash equivalents	203,413	73,331
Cash and cash equivalents, beginning of year	<u>1,402,004</u>	<u>1,328,673</u>
Cash and cash equivalents, end of year	<u>\$ 1,605,417</u>	<u>\$ 1,402,004</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 618,587	\$ 492,821
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	87	147
Realized and unrealized (gain) loss on long-term investments	(261,237)	(49,714)
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	(39,435)	(74,758)
(Increase) decrease in prepaid expenses	368	114
Increase (decrease) in payables and accrued expenses	<u>(65)</u>	<u>125</u>
Total adjustments	<u>(300,282)</u>	<u>(124,086)</u>
Net cash provided by operating activities	<u>\$ 318,305</u>	<u>\$ 368,735</u>

Hobe Sound Community Chest, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
(See Independent Accountants' Review report)

For the year ended December 31, 2017

(With Summarized Comparative Information for the Year Ended December 31, 2016)

	Program			Totals	
	Services	Administrative	Fundraising	2017	2016
Salaries	\$ 33,928	\$ 43,180	\$ 77,108	\$ 154,216	\$ 116,401
Payroll taxes	2,609	3,321	5,931	11,861	8,904
Total	<u>36,537</u>	<u>46,501</u>	<u>83,039</u>	<u>166,077</u>	<u>125,305</u>
Bank Fees	-	1,497	-	1,497	1,758
Community Service Award	5,552	-	-	5,552	5,494
Depreciation	-	87	-	87	147
Grants	1,180,285	-	-	1,180,285	1,190,400
Insurance	-	13,431	-	13,431	5,631
Office Expense	1,008	1,697	2,600	5,305	4,157
Postage	-	-	2,808	2,808	2,768
Printing	-	-	5,931	5,931	6,947
Professional Fees	-	23,412	3,082	26,494	41,710
Rent	4,410	6,276	6,276	16,962	16,339
Special Events	-	-	8,440	8,440	8,867
Taxes & Licenses	-	411	-	411	411
Telephone	482	686	686	1,854	1,843
Utilities	182	260	260	702	683
Total expenses	<u>\$ 1,228,456</u>	<u>\$ 94,258</u>	<u>\$ 113,122</u>	<u>\$ 1,435,836</u>	<u>\$ 1,412,460</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2017 and 2016

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 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)
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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, 2016, 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, 2017 and 2016

NOTE C – INVESTMENTS (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
Pooled Equity Funds	\$ 815,467	\$ 741,442
ETF's	1,067,392	515,855
Pooled Fixed Income Funds	<u>182,319</u>	<u>434,617</u>
	<u>\$ 2,065,178</u>	<u>\$ 1,691,914</u>

NOTE D – PROPERTY AND EQUIPMENT

For December 31, 2017 and 2016 property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Office Furniture and Fixtures	\$ 1,622	\$ 1,622
Donor Perfect Software	5,780	5,780
Computer Equipment	<u>4,907</u>	<u>4,252</u>
	12,309	11,654
Less accumulated depreciation	<u>(9,531)</u>	<u>(11,654)</u>
	<u>\$ 2,778</u>	<u>\$ -</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Community Service Award	\$ 169,307	\$ 151,165
Donor Advised Fund	<u>149,084</u>	<u>128,263</u>
	<u>\$ 318,391</u>	<u>\$ 279,428</u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2017 and 2016

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, 2017 and 2016.

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
(See Independent Accountants' Review Report)
December 31, 2017 and 2016

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	2017 Quoted Prices In Active Markets (Level 1)	2016 Quoted Prices In Active Markets (Level 1)
Investments:		
Pooled Equity Funds	\$ 815,467	\$ 741,442
ETF's	1,067,392	515,855
Pooled Fixed Income Funds	182,319	434,617
	<u>\$ 2,065,178</u>	<u>\$ 1,691,914</u>

NOTE G – BOARD DESIGNATED CAPITAL RESERVE

After the 2017 year end, but before the report release date, the Board designated a portion of their unrestricted net assets for a Capital Reserve, to be used at the Board's discretion for special, one time 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. The designated net assets have been restated as of December 31, 2016. At December 31, 2017 and 2016 the designated Capital Reserve was \$2,001,065 and \$1,626,819, respectively.

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, 2017 and 2016 uninsured depository balances were \$999,595 and \$927,803, respectively.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
December 31, 2017 and 2016

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 2016, 2015 and 2014 remain open to examination by the Internal Revenue Service. At December 31, 2017 and 2016, the Chest does not believe that there are unrecognized tax benefits or tax liabilities that would be considered significant to the financial statements.

NOTE J – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent financial statement, have been evaluated for possible adjustment to the financial statements or disclosure is May 7, 2018, which is the date on which the financial statements were available to be issued.