

**Hobe Sound Community Chest, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2013**

**Hobe Sound Community Chest, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2013**

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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 statement of financial position of Hobe Sound Community Chest, Inc. (a Nonprofit Corporation) as of December 31, 2013 and the related statements of activities, cash flows and functional expenses for the year 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for the year ended December 31, 2013 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year financial statements of Hobe Sound Community Chest, Inc. were reviewed by other accountants and whose report, dated March 28, 2013, stated that they were not aware of any material modifications that should be made to the financial statements 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

March 31, 2014

Fort Pierce / Stuart

**Hobe Sound Community Chest, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
**(See Independent Accountants' Review Report)**  
**December 31, 2013 and 2012**

|                                       | 2013         | 2012         |
|---------------------------------------|--------------|--------------|
| <u>Assets</u>                         |              |              |
| Cash and cash equivalents             | \$ 1,462,419 | \$ 1,743,720 |
| Pledges receivable                    | 191,866      | 88,926       |
| Investments                           | 907,462      | 400,349      |
| Prepaid expenses                      | 847          | 802          |
| Property and equipment - net          | 4,001        | 6,370        |
| Total assets                          | 2,566,595    | 2,240,167    |
| <br><u>Liabilities and Net Assets</u> |              |              |
| Accounts payable                      | \$ 410       | \$ -         |
| Accrued payroll taxes                 | 2,040        | 1,635        |
| Grant payable                         | -            | 19,075       |
| Total Liabilities                     | 2,450        | 20,710       |
| <br><u>Net assets</u>                 |              |              |
| Temporarily restricted                | 247,324      | 130,432      |
| Unrestricted                          | 2,316,821    | 2,089,025    |
| Total net assets                      | 2,564,145    | 2,219,457    |
| Total liabilities and net assets      | \$ 2,566,595 | \$ 2,240,167 |

**Hobe Sound Community Chest, Inc.**  
**STATEMENT OF ACTIVITIES**  
(See Independent Accountants' Review Report)  
For the year ended December 31, 2013

|  | Unrestricted        | Temporarily<br>Restricted | Totals              |                     |
|--|---------------------|---------------------------|---------------------|---------------------|
|  |                     |                           | 2013                | 2012                |
| <b>Support and Gains</b>                     |                     |                           |                     |                     |
| Contributions                                | \$ 1,212,071        | \$ 101,852                | \$ 1,313,923        | \$ 1,115,475        |
| Investment income                            | 12,364              | 4,552                     | 16,916              | 9,234               |
| Unrealized gains on investments              | 157,621             | 15,975                    | 173,596             | 46,531              |
|  | <u>1,382,056</u>    | <u>122,379</u>            | <u>1,504,435</u>    | <u>1,171,240</u>    |
| <b>Net assets released from restrictions</b> |                     |                           |                     |                     |
| Restrictions satisfied by payments           | 5,487               | (5,487)                   | -                   | -                   |
|  | <u>1,387,543</u>    | <u>116,892</u>            | <u>1,504,435</u>    | <u>1,171,240</u>    |
| <b>Expenses</b>                              |                     |                           |                     |                     |
| Program services                             | 1,036,319           | -                         | 1,036,319           | 1,048,593           |
| Administrative                               | 46,503              | -                         | 46,503              | 43,229              |
| Fundraising                                  | 76,925              | -                         | 76,925              | 71,258              |
| Total expenses                               | <u>1,159,747</u>    | <u>-</u>                  | <u>1,159,747</u>    | <u>1,163,080</u>    |
| <b>Change in net assets</b>                  | 227,796             | 116,892                   | 344,688             | 8,160               |
| <b>Net assets</b>                            |                     |                           |                     |                     |
| Beginning of year                            | <u>2,089,025</u>    | <u>130,432</u>            | <u>2,219,457</u>    | <u>2,211,297</u>    |
| End of year                                  | <u>\$ 2,316,821</u> | <u>\$ 247,324</u>         | <u>\$ 2,564,145</u> | <u>\$ 2,219,457</u> |

**Hobe Sound Community Chest, Inc.**  
**STATEMENTS OF CASH FLOWS**  
(See Independent Accountants' Review Report)  
For the years ended December 31, 2013 and 2012

|  | 2013         | 2012         |
|--|--------------|--------------|
| Cash flows from operating activities:  |              |              |
| Contributed support received   | \$ 1,211,983 | \$ 1,158,233 |
| Investment income received   | 16,916       | 9,234        |
| Cash paid to donees, suppliers and employees   | (1,174,983)  | (1,182,369)  |
| Net cash provided by (used in) operating activities  | 53,916       | (14,902)     |
| Cash flows from investing activities:  |              |              |
| Purchase of investments  | (335,217)    | (8,584)      |
| Purchases of property and equipment  | -            | (5,780)      |
| Net cash used in investing activities  | (335,217)    | (14,364)     |
| Decrease in cash and cash equivalents  | (281,301)    | (29,266)     |
| Cash and cash equivalents, January 1, 2013   | 1,743,720    | 1,772,986    |
| Cash and cash equivalents, December 31, 2013   | \$ 1,462,419 | \$ 1,743,720 |
| Reconciliation of changes in net assets to net cash provided by (used in) operating activities |              |              |
| Change in net assets   | \$ 344,688   | \$ 8,160     |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities:   |              |              |
| Depreciation   | 2,369        | 1,325        |
| Unrealized (gain) loss on long-term investments  | (173,596)    | (46,531)     |
| Change in assets and liabilities:  |              |              |
| (Increase) decrease in pledges receivable  | (101,240)    | 42,758       |
| (Increase) decrease in prepaid expenses  | (45)         | 1            |
| (Decrease) in grants payable   | (19,075)     | (20,700)     |
| Increase (decrease) in payables and accrued expenses   | 815          | 85           |
| Total adjustments  | (290,772)    | (23,062)     |
| Net cash provided by (used in) operating activities  | \$ 53,916    | \$ (14,902)  |

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

**Hobe Sound Community Chest, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
(See Independent Accountants' Review report)  
For the year ended December 31, 2013

|                         | Program             |                  |                  | Totals              |                     |
|-------------------------|---------------------|------------------|------------------|---------------------|---------------------|
|                         | Services            | Administrative   | Fundraising      | 2013                | 2012                |
| Salaries                | \$ 20,479           | \$ 26,065        | \$ 46,545        | \$ 93,089           | \$ 82,135           |
| Payroll taxes           | 1,566               | 1,994            | 3,561            | 7,121               | 6,283               |
| Total                   | <u>22,045</u>       | <u>28,059</u>    | <u>50,106</u>    | <u>100,210</u>      | <u>88,418</u>       |
| Bank Fees               | -                   | -                | 995              | 995                 | 475                 |
| Community Service Award | 5,487               | -                | -                | 5,487               | 5,467               |
| Depreciation            | -                   | 2,369            | -                | 2,369               | 1,325               |
| Grants                  | 1,004,450           | -                | -                | 1,004,450           | 1,019,660           |
| Insurance               | -                   | 2,909            | -                | 2,909               | 2,852               |
| Office Expense          | 681                 | 1,146            | 1,755            | 3,582               | 4,935               |
| Postage                 | -                   | 15               | 2,637            | 2,652               | 2,156               |
| Printing                | -                   | -                | 11,814           | 11,814              | 7,883               |
| Professional Fees       | -                   | 6,360            | 3,080            | 9,440               | 9,051               |
| Rent                    | 2,969               | 4,225            | 4,225            | 11,419              | 10,600              |
| Special Events          | -                   | -                | 1,335            | 1,335               | 7,236               |
| Supplies                | -                   | 31               | -                | 31                  | -                   |
| Taxes & Licenses        | -                   | 411              | -                | 411                 | 411                 |
| Telephone               | 480                 | 684              | 684              | 1,848               | 1,811               |
| Utilities               | 207                 | 294              | 294              | 795                 | 800                 |
| Total expenses          | <u>\$ 1,036,319</u> | <u>\$ 46,503</u> | <u>\$ 76,925</u> | <u>\$ 1,159,747</u> | <u>\$ 1,163,080</u> |

**Hobe Sound Community Chest, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(See Independent Accountants' Review Report)**  
**December 31, 2013**

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**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 |
|--------------------------|--------------|

***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, 2013

**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.

***Prior Year Information***

The financial statements include prior-year information and disclosures which were reviewed by other accountants and whose report, dated March 28, 2013, stated that they were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

**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.

Investments subject to market risk of fluctuations (stated at fair value) at June 30:

|                     | <u>2013</u>       | <u>2012</u>       |
|---------------------|-------------------|-------------------|
| Equity Income Funds | \$ 870,491        | \$ 400,349        |
| Corporate Bond Fund | 36,971            | -                 |
|                     | <u>\$ 907,462</u> | <u>\$ 400,349</u> |

**Hobe Sound Community Chest, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Independent Accountants' Review Report)  
December 31, 2013

**NOTE D – PROPERTY AND EQUIPMENT**

For December 31, 2013 and 2012 property and equipment consisted of the following:

|                               | <u>2013</u>     | <u>2012</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>(7,653)</u>  | <u>(5,284)</u>  |
|                               | <u>\$ 4,001</u> | <u>\$ 6,370</u> |

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

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

|                         | <u>2013</u>       | <u>2012</u>       |
|-------------------------|-------------------|-------------------|
| Community Service Award | \$ 134,817        | \$ 130,432        |
| Donor Advised Fund      | <u>112,507</u>    | <u>-</u>          |
|                         | <u>\$ 247,324</u> | <u>\$ 130,432</u> |

**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.

**Hobe Sound Community Chest, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(See Independent Accountants' Review Report)**  
**December 31, 2013**

**NOTE F – FAIR VALUE MEASUREMENTS (CONTINUED)**

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.

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

| Description         | 2013<br>Quoted Prices<br>In Active Markets<br>(Level 1) | 2012<br>Quoted Prices<br>In Active Markets<br>(Level 1) |
|---------------------|---|---|
| Investments:        |   |   |
| Equity Income Funds | \$ 870,491  | \$ 400,349  |
| Corporate Bond Fund | 36,971  | -   |
|                     | <u>\$ 907,462</u>                                       | <u>\$ 400,349</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 applies to this organization in 2013.

**Hobe Sound Community Chest, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(See Independent Accountants' Review Report)**  
**December 31, 2013**

**NOTE G – ENDOWMENT (CONTINUED)**

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, but have not placed restrictions on net appreciation resulting from the donor-restricted endowment funds.

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:

|                                  | 2013                      | 2012                      |
|----------------------------------|---------------------------|---------------------------|
|                                  | Temporarily<br>Restricted | Temporarily<br>Restricted |
| Donor-restricted endowment funds | \$ 247,324                | \$ 130,432                |

**Hobe Sound Community Chest, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Independent Accountants' Review Report)  
December 31, 2013

**NOTE G – ENDOWMENT (CONTINUED)**

Changes in endowment net assets as of December 31:

|   | 2013                      | 2012                      |
|---|---------------------------|---------------------------|
|   | Temporarily<br>Restricted | Temporarily<br>Restricted |
| Net Assets, beginning of year                       | \$ 130,432                | \$ 129,975                |
| Investment Return:                                  |                           |                           |
| Dividends and Interest                              | 4,552                     | 1,516                     |
| Net unrealized and realized gains<br>on investments | 15,975                    | 4,408                     |
| Total Investment Return                             | 150,959                   | 135,899                   |
| Contributions                                       | 101,852                   | -                         |
| Assets released from restriction                    | (5,487)                   | (5,467)                   |
| Net assets, end of year                             | \$ 247,324                | \$ 130,432                |

**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, 2013 and 2012 uninsured depository balances were \$972,662 and \$1,369,972, 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 2012, 2011 and 2010 remain open to examination by the Internal Revenue Service. At December 31, 2013 and 2012, 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, 2013, the date of the most recent financial statement, have been evaluated for possible adjustment to the financial statements or disclosure is March 31, 2014, which is the date on which the financial statements were available to be issued.