

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

June 30, 2023

Hobe Sound Community Chest, Inc.

FINANCIAL STATEMENTS

June 30, 2023

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Report of Independent Auditors

To the Board of Directors
Hobe Sound Community Chest, Inc.
Hobe Sound, Florida

Opinion

We have audited the accompanying financial statements of the Hobe Sound Community Chest, Inc. (the "Chest"), a non-profit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hobe Sound Community Chest, Inc. as of June 30, 2023, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of , Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Chest's June 30, 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2022. Subsequent to the issuance of the report in 2022 the Chest adopted FASB ASC TOPIC 842 pertaining to the reporting of leases, these changes resulted in the restatement of beginning net assets. See Note P. The prior year comparative information has been restated to conform with the change. In our opinion, the restated summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects with the audited financial statements from which it has been derived.

To the Board of Directors
Hobe Sound Community Chest, Inc

Responsibilities of Management for the Financial Statements

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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hobe Sound Community Chest, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chest's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chest's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Hobe Sound Community Chest, Inc

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

October XX, 2023

Hobe Sound Community Chest, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,545,294	\$ 1,866,613
Prepaid and other assets	8,782	13,943
Total current assets	1,554,076	1,880,556
Noncurrent assets		
Pledges receivable	20	16,035
Investments, long term	1,399,467	1,960,429
Right-of-use asset - Property, net of accumulated amortization	15,585	42,302 *
Property and equipment, net of accumulated depreciation	5,467	8,107
Total assets	\$ 2,974,615	\$ 3,907,429 *
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,495	\$ 23,623
Scholarships payable	82,000	115,500
Grant payable	73,840	-
Leases payable, current portion	18,165	27,798 *
Total current liabilities	175,500	166,921
Noncurrent liabilities		
Leases payable	-	18,165 *
Total liabilities	175,500	185,086
Net Assets		
With Donor Restrictions	971,467	1,318,563
Without Donor Restrictions		
Designated for Strategic Reserve	765,942	1,842,655
Unrestricted and undesignated	1,061,706	561,125 *
Total net assets	2,799,115	3,722,343 *
Total liabilities and net assets	\$ 2,974,615	\$ 3,907,429 *

* Restated

Hobe Sound Community Chest, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenues, public support and grants				
Revenues and public support:				
Contributions and local awards	\$ 2,447,425	\$ 327,488	\$ 2,774,913	\$ 3,265,147
Investment income	136,719	45,886	182,605	40,247
Total revenues and public support	2,584,144	373,374	2,957,518	3,305,394
Net assets released from restrictions	720,470	(720,470)	-	-
Total revenues, public support, grants and contracts	3,304,614	(347,096)	2,957,518	3,305,394
Expenses				
Program services				
General operations	2,293,396	-	2,293,396	2,074,819
Hobe Sound Strong Start	1,303,323	-	1,303,323	1,163,610
Total program services	3,596,719	-	3,596,719	3,238,429
Supporting services:				
General and administrative	166,662	-	166,662	144,697
Fundraising activities	117,365	-	117,365	111,677
Total supporting services	284,027	-	284,027	256,374
Total expenses	3,880,746	-	3,880,746	3,494,803 *
Realized and unrealized loss on investments	-	-	-	284,591
Loss on disposal of fixed assets	-	-	-	335
Total expenses and losses	3,880,746	-	3,880,746	3,779,729 *
Changes in net assets	(576,132)	(347,096)	(923,228)	(474,335) *
Net assets - beginning of year	2,403,780	1,318,563	3,722,343	4,196,678
Net assets - end of year	\$ 1,827,648	\$ 971,467	\$ 2,799,115	\$ 3,722,343 *

* Restated

Hobe Sound Community Chest, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services			Support Services			2023	2022
	General Operations	Hobe Sound Strong Start	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Salaries and wages	\$ 92,054	\$ 87,280	179,334	\$ 76,513	\$ 61,569	\$ 138,082	\$ 317,416	\$ 266,400
Payroll taxes	6,946	6,567	13,513	6,501	4,643	11,144	24,657	20,976
Employee Benefits	10,915	11,987	22,902	8,973	7,401	16,374	39,276	28,161
	<u>109,915</u>	<u>105,834</u>	<u>215,749</u>	<u>91,987</u>	<u>73,613</u>	<u>165,600</u>	<u>381,349</u>	<u>315,537</u>
Accounting fees	-	-	-	13,650	-	13,650	13,650	13,000
Bank fees	-	-	-	45	2,088	2,133	2,133	2,182
Computer Expense	-	-	-	7,316	-	7,316	7,316	4,896
Depreciation	660	-	660	792	1,188	1,980	2,640	2,848
Family needs	-	-	-	-	-	-	-	2,691
Annual grants	1,875,614	-	1,875,614	-	-	-	1,875,614	1,805,500
Special grants	170,000	-	170,000	-	-	-	170,000	425,231
Other Grants	123,327	1,127,386	1,250,713	-	-	-	1,250,713	739,273
HSSS Program Expense	-	56,517	56,517	-	-	-	56,517	-
Insurance	-	-	-	4,373	-	4,373	4,373	4,186
Lease Expense	6,923	-	6,923	8,308	12,461	20,769	27,692 *	28,247
Neighborhood based programs	-	7,218	7,218	-	-	-	7,218	21,305
Office Expense	-	20	20	2,902	-	2,902	2,922	4,172
Postage	-	-	-	11	6,704	6,715	6,715	3,669
Printing	-	-	-	2,286	6,020	8,306	8,306	12,296
Professional fees	4,947	429	5,376	20,058	11,597	31,655	37,031	83,999
Special events	-	-	-	4,235	1,626	5,861	5,861	6,099
Licenses, taxes, & fees	-	-	-	8,714	-	8,714	8,714	7,594
Telephone	450	-	450	540	809	1,349	1,799	1,802
Travel	1,320	5,919	7,239	1,155	824	1,979	9,218	9,398
Utilities	240	-	240	290	435	725	965	878
Total expenses	<u>2,183,481</u>	<u>1,197,489</u>	<u>3,380,970</u>	<u>74,675</u>	<u>43,752</u>	<u>118,427</u>	<u>3,499,397</u>	<u>3,179,266</u>
	<u>\$ 2,293,396</u>	<u>\$ 1,303,323</u>	<u>3,596,719</u>	<u>\$ 166,662</u>	<u>\$ 117,365</u>	<u>\$ 284,027</u>	<u>\$ 3,880,746</u>	<u>* \$ 3,494,803</u>

* Restated

Hobe Sound Community Chest, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023
Cash Flows From Operating Activities	
Change in net assets	\$ (923,228)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	29,356
Realized and unrealized (gain) loss on investments	(144,939)
(Increase) decrease in assets:	
Pledges receivable	16,015
Prepaid expenses	5,161
Increase (decrease) in liabilities:	
Grants payable	73,840
Accounts payable and accrued expenses	(55,628)
<u>Net cash used in operating activities</u>	<u>(999,423)</u>
Cash Flows From Investing Activities	
Purchases of investments	(590,195)
Proceeds from sale of investments	<u>1,297,072</u>
Net cash provided by investing activities	706,877
Cash Flows From Financing Activities	
Payments on leases payable	<u>(28,773)</u>
Net decrease in cash	(321,319)
Cash at beginning of year	<u>1,866,613</u>
Cash at end of year	<u><u>\$ 1,545,294</u></u>

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE A - DESCRIPTION OF ORGANIZATION

Hobe Sound Community Chest, Inc. (the "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 ACCOUNTING POLICIES

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

Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. Assets and related revenue are recorded when earned, and liabilities and related expenses are recognized as incurred. In applying generally accepted accounting principles to program service revenue, the legal and contractual requirements of the individual programs are used as guidance. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In accordance with generally accepted accounting principles as they relate to non-profit organizations, account balances and transactions of the organization have been classified into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in corporate documents and the application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Chest must continue to use the resources in accordance with the donor's instructions. The Chest's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the asset is placed in service by the Chest, unless the donor provides more specific directions about the period of its use.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE B – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions (Continued) All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are reported as net assets with donor restrictions if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also may include contributions that include stipulations by the donor that the contribution be maintained perpetually but may allow the organization to use all or part of the income derived from the underlying asset for unrestricted purposes.

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, Plant and Equipment

Acquisitions of property, plant and equipment are recorded at cost.

The Chest has elected to capitalize those assets costing or having a fair market value at time of donation of \$1,000 or more and a useful life greater than one year. Depreciation is provided for all classes of property, plant, and equipment using straight-line methods over estimated useful lives ranging from 5 to 39 years. Contributed property and equipment is recorded at fair value at the date of donation if material to the financial statements. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support.

Income Taxes

The Chest is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, the Organization is not considered a private foundation.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE B – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses are charged to each program based on direct expenses incurred. Any program expenses not directly chargeable are allocated to a program based on time allocated to the function.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 period. Actual results could differ from those estimates.

Leases

The Chest has implemented FASB ASC TOPIC 842, *Leases*, in the current year, which changes the accounting and financial reporting for leases. FASB ASU 2016-02 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under FASB ASU 2016-02, leases other than short-term leases, defined as having a maximum possible term of 12 months or less, are required to be recognized on the Statement of Financial Position. A lessee should recognize a lease liability and an intangible right of use asset, while a lessor should recognize a lease receivable and a deferred income. Contracts that transfer ownership should be accounted for as finance leases by the lessee or sales-type leases by the lessor.

The Chest determines if an arrangement is a lease, or contains a lease, at inception. Lessee arrangements recognize a lease liability and a right of use (ROU) asset in the Statement of Financial Position at the commencement date of the lease. The lease liability represents the Chest's obligation to make lease payments arising from the lessee arrangement and is initially and subsequently recognized based on the present value of future lease payments. The ROU asset represents the Chest's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction, and is amortized on a straight-line basis over the terms of the associated leases. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Chest will exercise that option.

Payment for short-term leases with a lease term of less than twelve months, and lease agreements below the Chest's approved annualized threshold, are recognized as expenses as incurred. The Chest has established a \$5,000 threshold, for total annual payments, for leases subject to FASB ASC TOPIC 842. Short-term leases and leases under the threshold are not included as lease liabilities or right of use assets on the Statement of Financial Position.

At implementation on July 1, 2022, the Chest, as lessee, recognized a lease liability of \$45,963 along with a corresponding right of use asset of \$42,302.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents deposited in financial institutions total \$1,877,809 and \$2,755,334 at June 30, 2023 and 2022 respectively. These deposits include \$418,897 and \$85,847 in interest bearing accounts. The fair value of cash and cash equivalents approximates their carrying value at June 30, 2023 and 2022.

Deposits - Cash deposits are maintained at various financial institutions. At June 30, 2023 and 2022 accounts are insured by the FDIC up to \$250,000 per financial institution regardless of whether they are interest bearing or not. The Chest had uninsured cash deposits of \$1,391,063 and \$2,497,527 as of June 30, 2023 and 2022 respectively.

NOTE D – INVESTMENTS

Securities held by brokerage institutions are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 which includes a \$250,000 limit for cash equivalents. 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 in value at June 30, 2023 and 2022 are as follows:

	2023	2022
ST Bond Index Funds	\$ 477,070	\$ 550,668
S&P 500 Index Funds	922,397	1,409,761
	\$ 1,399,467	\$ 1,960,429

Investments consist primarily of securities traded on national exchanges and are stated at fair value.

NOTE E – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 are:

Financial Assets	
Cash	\$ 1,545,294
Investments	1,399,467
Pledges receivable	20
Less financial assets held to meet donor imposed restrictions	(971,467)
Amount available for general expenses within one year	\$ 1,973,314

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE F - PROPERTY, PLANT AND EQUIPMENT

At June 30, 2023 and 2022 property, plant and equipment consists of the following:

	2023	2022
Software	14,780	14,780
Furniture & Fixtures	1,622	1,622
Computer Equipment	7,251	7,251
	23,653	23,653
Less Accumulated Depreciation	(18,186)	(15,546)
	5,467	8,107

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,640 and \$2,848.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

During the fiscal year ended June 30, 2023, the Chest received \$373,374 that was restricted by the donors for a specific use or program services to be provided in a subsequent period. Also, during the fiscal year ended June 30, 2023 the Chest released \$720,470 in net assets with donor restrictions due to the passage of time and the use for the restricted purpose. Net assets with donor restrictions totaled \$971,467 at June 30, 2023 as follows:

	Hobe Sound Strong Start	Field Family Donor Advised	Strategic Reserve	Total
Balance at June 30, 2022	\$ 1,167,982	\$ 125,581	\$ 25,000	\$ 1,318,563
Additions	229,723	18,651	125,000	373,374
Released	(670,470)	-	(50,000)	(720,470)
Balance at June 30, 2023	\$ 727,235	\$ 144,232	\$ 100,000	\$ 971,467

NOTE H – LEASES

The Chest has obligations as a lessee for office space with initial noncancelable terms in excess of one year. The Chest has classified these leases as operating leases. The Chest's office space leases generally contain renewal options for an additional year. Because the Chest is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Chest's leases do not include termination options for either party to the lease. Payments due under the lease arrangements are comprised entirely of fixed payments, with some agreements including an agreed upon annual increase of the fixed amount.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE H – LEASES (continued)

Hobe Sound Office

In January 2011, the Organization entered into an agreement to lease building space. Addendums have been filed every year which required monthly payments ranging from \$1,913 to \$2,620. The lease liability was measured at a discount rate of 2.88%, which is the Organization's risk-free rate using the US Treasury Par Yield Curve. As a result of the lease, the Organization reported a right of use asset with a net book value of \$15,585 at June 30, 2023.

The lease cost for the year ended June 30, 2023 are as follows:

Operating Lease Cost	\$ <u>55,489</u>
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Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ <u>28,773</u>
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Non-cash investing and financing activities:

Additions to right of use assets obtained from:

New operating lease liabilities	\$ <u>-</u>
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Supplemental balance sheet information related to leases was as follows:

Operating Lease Right of Use Assets	\$ <u>15,585</u>
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Operating Lease Liabilities	\$ <u>18,165</u>
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Future minimum payments of lease liabilities under noncancellable operating leases as of June 30, 2023, were as follows:

Year Ending June 30,	Total
2024	\$ 18,340
2025	-
2026	-
2027	-
Total minimum lease payments	18,340
Less: amount representing interest	(175)
Lease liability as of December 31, 2022	18,165

As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 0.58 years. As the discount rate was not indicated on the lease agreements, the Organization utilized the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with all operating leases is 2.88%.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 – FAIR VALUE MEASUREMENTS

FASB ASC TOPIC 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 TOPIC 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 Chest 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.

Level 3 Fair Value Measurements

The receivables are valued at the pledge amount discounted to the present value of the future cash flows to be received.

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 Chest 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.

ST Bond Index Funds – Valued at the net asset value of the units held by the entity at year end.

S&P 500 Index Funds – Valued at the net asset value of the shares held by the entity at year end.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE I – FAIR VALUE MEASUREMENTS (continued)

Pledges Receivable – Valued at the pledge amount discounted to the present value of the future cash flows to be received.

The following table sets forth by level, within the fair value hierarchy, the Chest's assets at fair value as of June 30, 2023.

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
ST Bond Index Funds	\$ 477,070	-	-	\$ 477,070
S&P 500 Index Funds	922,397	-	-	922,397
Total Investments	1,399,467	-	-	1,399,467
Pledges Receivable, Net	-	-	20	20
Total Assets at Fair Value	<u>\$ 1,399,467</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 1,399,487</u>

Level 3 Assets Year Ended June 30, 2023

Description	Beginning Balance 7/1/22	Unrealized Gains/Losses Relating to Instruments Held at Reporting Date	Purchases, Sales, Issuances, and Settlements (Net)	Ending Balance 6/30/23
Pledges Receivable, Net	<u>\$ 16,035</u>	<u>\$ -</u>	<u>\$ (16,015)</u>	<u>\$ 20</u>

NOTE J – BOARD DESIGNATED NET ASSETS

The Board has designated a portion of the Chest's unrestricted net assets for a Strategic Reserve, to be used at the Board's discretion for special grants to agencies for certain capital or other disbursements to help with various projects undertaken by the agencies. The designated Strategic Reserves can also be used for emergency grants in case of natural disasters such as hurricanes or pandemics. At June 30, 2023 and 2022 the designated Strategic Reserve was \$765,942 and \$1,842,655, respectively.

NOTE K - RISK MANAGEMENT

The Chest is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Chest maintains commercial insurance coverage and claims have not exceeded policy provisions for the year ended June 30, 2023.

Hobe Sound Community Chest, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE L – MANAGEMENT’S REVIEW

In reviewing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October XX, 2023 the date that the financial statements were available to be issued.

NOTE M – INCOME TAXES

The Chest has adopted accounting guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Chest may recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based solely on the technical merits of the tax position. At June 30, 2023, the Chest did not have uncertain tax positions and thus has not recognized any tax benefit or liability in these financial statements. Tax years that remain subject to examination by taxing authorities are periods ended June 30, 2022, 2021 and 2020.

NOTE N – SUMMARIZED COMPARATIVE INFORMATION

The financial statements contain 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 Chest’s financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE O – PRIOR PERIOD ADJUSTMENT – FASB ASC TOPIC 842 ADOPTION

During 2023 the Chest adopted FASB ASC TOPIC 842 pertaining to leases. The Chest leases its location through an operating lease. The lease term continues for another 7 months after June 30, 2023 and provides for renewal options. Upon adoption of the new guidance, the Chest has elected to apply the following package practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as financial (capital) leases, if applicable.

The Chest has made an accounting policy to apply the Treasury Yield Curve Rate as the discount rate used to measure lease liabilities and right of use assets at commencement of a lease.

NOTE P – RESTATEMENT OF NET ASSETS

Net assets were restated to properly reflect beginning net assets related to the implementation of a new accounting standard (Note O).

Net assets without donor restrictions – July 1, 2022, as previously reported	\$ 2,407,441
Increase in right of use assets	42,302
Increase in lease liabilities	<u>(45,963)</u>
Net assets without donor restrictions – July 1, 2022, restated	<u>\$ 2,403,780</u>