

CAPE ELEUTHERA FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015

CAPE ELEUTHERA FOUNDATION, INC.

Financial Statements for the Year Ending June 30, 2015
With Summarized Financial
Information for the Year Ending June 30, 2014

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Kelly, Lee & Company L.L.C.

A Certified Public Accounting Firm

Kenneth J. Kelly, CPA
Robert E. Lee, CPA

Member Firm:
American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cape Eleuthera Foundation, Inc.
Princeton, NJ

We have audited the accompanying financial statements of Cape Eleuthera Foundation, Inc. (a nonprofit organization), which comprise statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

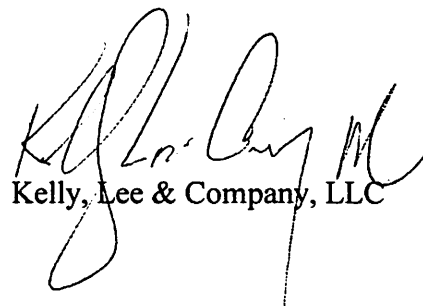
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape Eleuthera Foundation, Inc. as of June 30, 2015 and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Cape Eleuthera Foundation's June 30, 2014 financial statements and our report dated November 6, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Kelly, Lee & Company, LLC

Monroe Twp., New Jersey
October 29, 2015

CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>ASSETS</u>		<u>2015</u>	<u>2014</u>
Assets:				
Cash and cash equivalents		\$	2,262,663	\$ 1,922,452
Investments, at fair market value			3,594,964	2,101,034
Endowed investments, at fair market value			3,624,890	3,642,900
Investments, equity value			-	1,006,309
Unconditional promises to give, net of allowance for doubtful collections of \$0 and \$50,000, respectively			1,380,724	1,245,504
Other assets			<u>18,255</u>	<u>9,884</u>
TOTAL ASSETS			<u>\$ 10,881,496</u>	<u>\$ 9,928,083</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable and accrued expenses		\$	45,885	\$ 82,172
Grant payable			<u>419,819</u>	<u>-</u>
Total liabilities			<u>465,704</u>	<u>82,172</u>
Net Assets:				
Unrestricted			5,798,795	4,242,997
Temporarily restricted			992,107	1,940,243
Permanently restricted			<u>3,624,890</u>	<u>3,662,671</u>
Total Net Assets			<u>10,415,792</u>	<u>9,845,911</u>
TOTAL LIABILITIES AND NET ASSETS			<u>\$ 10,881,496</u>	<u>\$ 9,928,083</u>

See auditors' report and accompanying notes to financial statements

CAPE ELEUTHERA FOUNDATION, INC
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Revenue, losses, and other support:					
Donations	\$ 2,148,429	\$ 816,245	\$ 202,500	\$ 3,167,174	\$ 3,218,727
Investment income	31,172	-	152,126	183,298	427,068
Other income	6,872	-	-	6,872	11,026
Unrealized and realized gains (losses) on investments					
Realized gains (losses)	67,191	-	-	67,191	-
Unrealized gains (losses)	(151,785)	-	(245,900)	(397,685)	96,043
Net assets released from restrictions	<u>1,910,888</u>	<u>(1,764,381)</u>	<u>(146,507)</u>	<u>-</u>	<u>-</u>
 Total revenue, losses, and other support	 <u>4,012,767</u>	 <u>(948,136)</u>	 <u>(37,781)</u>	 <u>3,026,850</u>	 <u>3,752,864</u>
 Expenses:					
Program services	2,084,288	-	-	2,084,288	1,592,620
Supporting services	157,544	-	-	157,544	201,898
Fundraising	<u>215,137</u>	<u>-</u>	<u>-</u>	<u>215,137</u>	<u>272,526</u>
Total expenses	<u>2,456,969</u>	<u>-</u>	<u>-</u>	<u>2,456,969</u>	<u>2,067,044</u>
 Changes in net assets	 1,555,798	 (948,136)	 (37,781)	 569,881	 1,685,820
Net assets, beginning	<u>4,242,997</u>	<u>1,940,243</u>	<u>3,662,671</u>	<u>9,845,911</u>	<u>8,160,091</u>
Net assets, ending	<u>\$ 5,798,795</u>	<u>\$ 992,107</u>	<u>\$ 3,624,890</u>	<u>\$ 10,415,792</u>	<u>\$ 9,845,911</u>

See auditors' report and accompanying notes to financial statements



CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	<u>\$ 569,881</u>	<u>\$ 1,685,820</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net unrealized (gains) losses on investments	397,685	(96,043)
Distributive (gain) loss from minority partnership interest	(19,863)	(24,340)
Distributions from minority partnership interest	65,910	70,214
Non cash donations	-	(50,000)
Bad debt	-	25,000
Depreciation	-	493
Changes in Assets and Liabilities:		
Decrease (increase) in Unconditional promises to give	(85,220)	(183,488)
Decrease (increase) in other current assets	(8,371)	(9,134)
Decrease (increase) in amount due from related party	-	20,912
(Decrease) increase in payables and accrued expenses	(36,287)	53,837
(Decrease) increase Grants payable	419,819	-
Total Adjustments	<u>666,482</u>	<u>(192,549)</u>
Net Cash Provided (Used) by Operating Activities	1,236,363	1,493,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	2,360,995	2,615,334
Purchase of investments	<u>(3,257,147)</u>	<u>(3,895,966)</u>
Total cash flows from investing activities	<u>(896,152)</u>	<u>(1,280,632)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	340,211	212,639
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,922,452</u>	<u>1,709,813</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,262,663</u>	<u>\$ 1,922,452</u>

See auditors' report and accompanying notes to financial statements



CAPE ELEUTHERA FOUNDATION, INC
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2015</u>	<u>Total 2014</u>
	<u>Foundation Activities</u>	<u>Management and General</u>	<u>Fundraising</u>		
Donations to:					
Cape Eleuthera Island School	\$ 1,719,507	\$ -	\$ -	\$ 1,719,507	\$ 1,285,724
Grant of services - CEIS	219,997	-	-	219,997	358,729
Others	134,750	-	-	134,750	45,000
Salaries & wages	-	19,100	149,273	168,373	187,815
Payroll taxes	-	1,625	12,595	14,220	16,578
Health insurance	-	665	4,403	5,068	13,067
Retirement plan	-	2,085	13,792	15,877	-
Fundraising costs	-	-	5,852	5,852	25,879
Insurance	497	16,998	3,283	20,778	19,809
Communication fees	-	2,627	-	2,627	4,756
Management service fees	-	24,000	-	24,000	24,000
Marketing & advertising	686	11,770	13,369	25,825	57,451
Professional fees	-	34,341	-	34,341	52,406
Bank & investment fees	7,164	30,203	-	37,367	29,093
Travel	-	1,191	10,009	11,200	11,350
Rent	-	12,750	-	12,750	9,020
Depreciation	-	-	-	-	493
Bad debt	-	-	-	-	25,000
Bad debt recovery - related party	-	-	-	-	(122,192)
Miscellaneous	1,687	189	2,561	4,437	23,066
	<u>\$ 2,084,288</u>	<u>\$ 157,544</u>	<u>\$ 215,137</u>	<u>\$ 2,456,969</u>	<u>\$ 2,067,044</u>

See auditors' report and accompanying notes to financial statements



CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) **NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Cape Eleuthera Foundation, Inc. (the Foundation) is a nonprofit organization. Its mission is to provide charitable funding support for education, scientific research, community leadership, and sustainable technologies on the island of Eleuthera and throughout the world.

Method of accounting

The financial Statements of the Foundation have been prepared utilizing the accrual basis of accounting. Not-for-Profit Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and support received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions

The Organization's net assets and its support and revenues are classified based on donor-imposed restrictions. Accordingly, the changes in net assets of the Organization are reported in a statement of activities which is classified into three distinct groups of net assets: unrestricted, temporarily restricted, and permanently restricted.

Support that is received without restrictions is recognized as an increase in unrestricted net assets in the period received at fair value. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. 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.

Cash and Cash Equivalents

The Organization maintains cash and cash equivalents and short-term investments with various financial institutions. The Organization's policy is designed to limit exposure to any one institution. Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with a maturity of three months or less at the time of purchase.

Compensated Absences

The Foundation has not recognized a liability for compensated absences. Compensated absences would arise when employees are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the costs of compensated absences when paid to employees.

CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Combining Statements of Functional Expenses. Accordingly, certain costs have been allocated between the programs and supporting services.

Use of Estimates

The preparation of combined 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available. Donated assets are recorded at fair value at the date of the donation or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost, or, if donated, at fair value at the date of donation. If no value can be estimated, the asset is recorded at a nominal value. The Organization records the change of ownership of bonds and stocks on the day a trade is made. Unrealized gains and losses are included in the change in net assets.

Income Taxes

The Foundation, a United States not-for-profit organization, is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in this financial statement.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to presentation in the current year financial statements.

(2) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Cash – Operating Account	\$ 1,210,087	\$ 1,635,486
Cash – Money Market and Short Term CD's	<u>1,052,576</u>	<u>286,966</u>
Total:	<u>\$ 2,262,663</u>	<u>\$ 1,922,452</u>

CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) CONCENTRATION OF CREDIT RISK

Cape Eleuthera Foundation, Inc. maintains bank accounts at several institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled \$959,731 as of June 30, 2015.

(4) INVESTMENTS AND ENDOWED INVESTMENTS

Investments are presented in the financial statements at fair market value. Investments as of June 30, 2015 and 2014 consist of the following:

June 30, 2015

Investment Category	Fair Market Value	Cost	Unrealized Gain (Loss)
Mutual Funds	\$ 4,712,002	\$ 4,783,141	\$ (71,139)
Certificates of Deposit	1,217,709	1,214,946	2,763
Equities/Corporate Fixed Income	240,388	240,512	(124)
Commodity Pool	211,385	200,000	11,385
Publicly Traded Partnerships	838,370	957,072	(118,702)
Total	<u>\$ 7,219,854</u>	<u>\$ 7,395,671</u>	<u>\$ (175,817)</u>

June 30, 2014

Investment Category	Fair Market Value	Cost	Unrealized Gain (Loss)
Mutual Funds	\$ 4,385,174	\$ 4,139,967	\$ 245,207
Certificates of Deposit	972,407	972,156	251
Equities/Corporate Fixed Income	221,002	211,271	9,731
Commodity Pool	165,351	150,000	15,351
Total	<u>\$ 5,743,934</u>	<u>\$ 5,473,394</u>	<u>\$ 270,540</u>

(5) PROPERTY, BUILDING AND EQUIPMENT

Property, building and equipment dedicated to support services and program purposes are stated at cost or at fair value at date of donation. The property, building and equipment listed below are assets of the Foundation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the year ending June 30, 2015 and 2014 was \$0 and \$493, respectively.

Property, building and equipment are summarized below:

	Book Cost	Accumulated Depreciation	Net Book Values	Useful Lives
<u>June 30, 2015</u>				
Computer Equipment	<u>\$ 2,566</u>	<u>\$ 2,566</u>	<u>\$ 0</u>	3 years
<u>June 30, 2014</u>				
Computer Equipment	<u>\$ 2,566</u>	<u>\$ 2,566</u>	<u>\$ 0</u>	3 years

CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(6) ECONOMIC DEPENDENCY

The Foundation receives the majority of its support from its affiliation with the Cape Eleuthera Island School and the alumni of the School. The Foundation's mission relies on the continued support from the School.

(7) NOTE RECEIVABLE

On August 1, 2007, the Foundation advanced \$100,000 to Cape Systems, Ltd. (a related party). Interest on this note was computed at a rate of 7%. The loan allowed for 15 months without payment. Commencing November 1, 2008, the note required 12 quarterly interest payments of \$1,875.75. Commencing November 1, 2011, the note required 23 quarterly payments of \$3,577.59, including interest and principal. On July 31, 2017, a balloon payment of \$60,540.58 was due. The note was unsecured. No payments were received on this related party note in the year ending June 30, 2013. In the year ending June 30, 2014, the note was paid in full.

(8) RELATED PARTY

Members of the Board of Directors of the Cape Eleuthera Foundation are also members of the Board of Directors of the Cape Eleuthera Island School and its subsidiary, Cape Systems, LTD. Accordingly, these financial statements consider the Cape Eleuthera Island School and its subsidiary, Cape Systems, LTD as related parties.

During the year ending June 30, 2014, the Foundation had an outstanding loan receivable from Cape Systems LTD, in the amount of \$122,192.

In FYE June 30, 2012, the collection of this loan was determined to be doubtful. Accordingly, an allowance for this bad debt of \$122,192 was established. In FYE June 30, 2014, this loan was repaid. The FYE June 30, 2014 Statement of Activities reflects a bad debt recovery of \$122,192.

During the year ending June 30, 2014 the Foundation reported interest income of \$32,139 from this related party.

During the years ending June 30, 2015 and 2014, the Foundation provided services to the Cape Eleuthera Island School in the amount of \$219,997 and \$358,729, respectively. The Foundation approved a grant of these services in each year.

During the years ending June 30, 2015 and 2014, the Foundation received services from the Cape Eleuthera Island School and was charged a fee for these services in the amount of \$10,653 and \$68,980, respectively.

During the years ending June 30, 2015 and 2014, the Foundation made contributions and grants to the Cape Eleuthera Island School, a related party, in the amount of \$1,939,504 and \$1,655,453, respectively.

CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ending June 30, 2015 and 2014.

<u>Purpose Restrictions Accomplished</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Institute – research & capital	\$ 1,192,205	\$ 366,672
Deep Creek Middle School	142,650	275,250
Island School – capital	111,147	56,058
Island School – programs	155,488	195,500
Scholarship & Faculty	118,016	156,223
Mission House	80,000	20,000
BREEF	23,750	25,000
Other	<u>87,632</u>	<u>42,583</u>
Total	<u>\$ 1,910,888</u>	<u>\$ 1,137,286</u>

(10) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015 and 2014.

<u>Description</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Deep Creek Middle School – financial aid	\$ 48,196	\$ 24,069
Island School – Capital	158,949	240,096
Institute – Capital	507,953	1,456,094
Scholarship – BESS	12,600	78,165
Program – MREF	75,000	75,000
Faculty development	61,457	48,615
Island School - programs	119,062	-
Other	<u>8,890</u>	<u>18,204</u>
Total	<u>\$ 992,107</u>	<u>\$1,940,243</u>

(11) PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2015 and 2014, the Foundation held the following endowment:

<u>Endowed Purpose</u>	<u>Restriction on Income</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
General Scholarship - CEIS	Scholarship	\$ 90,352	\$ 96,695
Alex Lovejoy Scholarship Fund	Scholarship	163,154	174,609
Head Scholarship	Scholarship	97,467	104,310
General Scholarship – DCMS	Scholarship	99,904	106,917
General Endowment – DCMS	General Purposes	73,726	78,904
General Endowment – CEF	General Purposes	877,201	722,072
General Endowment – CEIS	General Purposes	1,223,632	1,309,539
General Endowment – CEI	General Purposes	75,025	80,293
Horvitz Faculty Fund	Faculty Incentive	48,733	52,155
Faculty Development	Faculty Development	862,172	922,704
JRH Teacher Fund	Faculty Development	<u>13,524</u>	<u>14,473</u>
Total		<u>\$ 3,624,890</u>	<u>\$ 3,662,671</u>

CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(12) INVESTMENTS- EQUITY VALUE

Prior to year ending June 30, 2014, the Foundation received donations in the form of a minority interest in a non-public partnership. These donations amounted to \$1,069,537, and were reported at fair market value of the partnership interest at the time of the gifts.

This investment was accounted for by the Foundation on the equity method during year ending June 30, 2014. The value reflected on the June 30, 2014 balance sheet was \$1,006,309.

During the year ending June 30, 2015, the partnership made its initial public offering. Accordingly, this investment was reported at fair market value at June 30, 2015 (see Note 4). The loss on the conversion of this investment from the equity method to the fair value method of reporting in the year ending June 30, 2015 was \$118,702.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2015, the date the financial statements were available to be issued.