

CAPE ELEUTHERA FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

CAPE ELEUTHERA FOUNDATION, INC.

Financial Statements for the Year Ending June 30, 2016
With Summarized Financial
Information for the Year Ending June 30, 2015

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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, 2016, 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, 2016 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, 2015 financial statements and our report dated October 29, 2015, 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, 2015, 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
April 27, 2017

CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>ASSETS</u>		<u>2016</u>		<u>2015</u>
Assets:					
Cash and cash equivalents		\$	3,206,730	\$	2,262,663
Investments, at fair market value			3,806,848		3,594,964
Endowed investments, at fair market value			4,091,364		3,624,890
Unconditional promises to give, net of allowance for doubtful collections of \$0 and \$0, respectively			695,030		1,380,724
Other assets			<u>23,648</u>		<u>18,255</u>
TOTAL ASSETS		\$	<u>11,823,620</u>	\$	<u>10,881,496</u>
 <u>LIABILITIES AND NET ASSETS</u> 					
Liabilities:					
Accounts payable and accrued expenses		\$	144,767	\$	45,885
Grant payable			-		419,819
Total liabilities			<u>144,767</u>		<u>465,704</u>
Net Assets:					
Unrestricted			7,284,153		5,798,795
Temporarily restricted			303,336		992,107
Permanently restricted			<u>4,091,364</u>		<u>3,624,890</u>
Total Net Assets			<u>11,678,853</u>		<u>10,415,792</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>11,823,620</u>	\$	<u>10,881,496</u>

See auditors' report and accompanying notes to financial statements

CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenue, losses, and other support:					
Donations	\$ 1,243,570	\$ 1,175,150	\$ 552,700	\$ 2,971,420	\$ 3,167,174
Investment income	126,290	-	147,661	273,951	183,298
Other income	131	-	-	131	6,872
Unrealized and realized gains (losses) on investments					
Realized gains (losses)	(24,517)	-	-	(24,517)	67,191
Unrealized gains (losses)	(218,224)	-	(233,887)	(452,111)	(397,685)
Net assets released from restrictions	<u>1,863,921</u>	<u>(1,863,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue, losses, and other support	 <u>2,991,171</u>	 <u>(688,771)</u>	 <u>466,474</u>	 <u>2,768,874</u>	 <u>3,026,850</u>
 Expenses:					
Program services	1,092,876	-	-	1,092,876	2,084,288
Supporting services	228,698	-	-	228,698	157,544
Fundraising	<u>184,239</u>	<u>-</u>	<u>-</u>	<u>184,239</u>	<u>215,137</u>
Total expenses	<u>1,505,813</u>	<u>-</u>	<u>-</u>	<u>1,505,813</u>	<u>2,456,969</u>
 Changes in net assets	 1,485,358	 (688,771)	 466,474	 1,263,061	 569,881
Net assets, beginning	<u>5,798,795</u>	<u>992,107</u>	<u>3,624,890</u>	<u>10,415,792</u>	<u>9,845,911</u>
Net assets, ending	<u>\$ 7,284,153</u>	<u>\$ 303,336</u>	<u>\$ 4,091,364</u>	<u>\$ 11,678,853</u>	<u>\$ 10,415,792</u>

See auditors' report and accompanying notes to financial statements

CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 1,263,061	\$ 569,881
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net realized (gains) losses on investments	24,517	(67,191)
Net unrealized (gains) losses on investments	452,111	397,685
Distributive (gain) loss from minority partnership interest	(39,618)	(19,863)
Distributions from minority partnership interest	26,562	65,910
Non cash donations	(121,062)	-
Changes in Assets and Liabilities:		
Decrease (increase) in Unconditional promises to give	735,694	(85,220)
Decrease (increase) in other current assets	(5,393)	(8,371)
(Decrease) increase in payables and accrued expenses	98,882	(36,287)
(Decrease) increase Grants payable	(419,819)	419,819
Total Adjustments	<u>751,874</u>	<u>666,482</u>
Net Cash Provided (Used) by Operating Activities	<u>2,014,935</u>	<u>1,236,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	2,923,749	2,360,995
Purchase of investments	(3,994,617)	(3,257,147)
Total cash flows from investing activities	<u>(1,070,868)</u>	<u>(896,152)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	944,067	340,211
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,262,663</u>	<u>1,922,452</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,206,730</u>	<u>\$ 2,262,663</u>

See auditors' report and accompanying notes to financial statements



CAPE ELEUTHERA FOUNDATION, INC
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Program Services		Supporting Services		Total 2016	Total 2015
	Foundation Activities	Management and General	Fundraising	Fundraising		
Donations to:						
Cape Eleuthera Island School	\$ 782,276	\$ -	\$ -	\$ -	\$ 782,276	\$ 1,719,507
Grant of services - CEIS	155,400	-	-	-	155,400	219,997
Others	155,200	-	-	-	155,200	134,750
Salaries & wages	-	45,807	119,326	-	165,133	168,373
Payroll taxes	-	4,367	10,216	-	14,583	14,220
Health insurance	-	9,489	12,851	-	22,340	5,068
Retirement plan	-	2,203	3,621	-	5,824	15,877
Insurance	-	15,237	3,809	-	19,046	20,778
Communication fees	-	4,094	-	-	4,094	2,627
Management service fees	-	18,050	-	-	18,050	24,000
Marketing & advertising	-	22,101	11,823	-	33,924	22,640
Professional fees	-	20,911	-	-	20,911	34,341
Bank & investment fees	-	36,696	-	-	36,696	37,367
Travel	-	3,757	9,786	-	13,543	11,200
Rent & utilities	-	35,867	-	-	35,867	12,750
Meetings	-	4,316	-	-	4,316	9,037
Miscellaneous	-	5,803	12,807	-	18,610	4,437
	<u>\$ 1,092,876</u>	<u>\$ 228,698</u>	<u>\$ 184,239</u>	<u>\$ -</u>	<u>\$ 1,505,813</u>	<u>\$ 2,456,969</u>

See auditors' report and accompanying notes to financial statements



CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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, 2016

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>6/30/2016</u>	<u>6/30/2015</u>
Cash – Operating Account	\$ 2,459,741	\$ 1,210,087
Cash – Money Market and Short Term CD's	<u>746,989</u>	<u>1,052,576</u>
Total:	<u>\$ 3,206,730</u>	<u>\$ 2,262,663</u>



CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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 \$2,192,724 as of June 30, 2016.

(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, 2016

<u>Investment Category</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$ 5,256,507	\$ 5,653,552	\$ (397,045)
Certificates of Deposit	1,709,155	1,697,830	11,325
Equities/Corporate Fixed Income	296,211	296,143	68
Commodity Pool	210,058	250,000	(39,942)
Publicly Traded Partnerships	<u>426,281</u>	<u>616,119</u>	<u>(189,838)</u>
Total	<u>\$ 7,898,212</u>	<u>\$ 8,513,644</u>	<u>\$ (615,432)</u>

June 30, 2015

<u>Investment Category</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
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	<u>838,370</u>	<u>957,072</u>	<u>(118,702)</u>
Total	<u>\$ 7,219,854</u>	<u>\$ 7,395,671</u>	<u>\$ (175,817)</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, 2016 and 2015 was \$0 and \$0, respectively.

Property, building and equipment are summarized below:

	<u>Book Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Values</u>	<u>Useful Lives</u>
<u>June 30, 2016</u>				
Computer Equipment	<u>\$ 2,566</u>	<u>\$ 2,566</u>	<u>\$ 0</u>	3 years
<u>June 30, 2015</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, 2016

(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) RELATED PARTY

Due to the nature and concentration of the transactions between Cape Eleuthera Foundation and the Cape Eleuthera Island School, these financial statements consider the Cape Eleuthera Island School as a related party.

During the years ending June 30, 2016 and 2015, the Foundation provided services to the Cape Eleuthera Island School in the amount of \$155,400 and \$219,997, respectively. The Foundation approved a grant of these services in each year.

During the years ending June 30, 2016 and 2015, the Foundation received services from the Cape Eleuthera Island School and was charged a fee for these services in the amount of \$15,684 and \$10,653, respectively.

During the years ending June 30, 2016 and 2015, the Foundation made contributions and grants to the Cape Eleuthera Island School, a related party, in the amount of \$937,676 and \$1,939,504, respectively.

(8) 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, 2016 and 2015.

<u>Purpose Restrictions Accomplished</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Institute – research & capital	216,239	1,192,205
Deep Creek Middle School	261,450	142,650
Island School – capital	580,231	111,147
Island School – programs	283,005	155,488
Scholarship & Faculty	378,056	118,016
Mission House	20,000	80,000
BREEF	116,050	23,750
Other	8,890	87,632
Total	<u>\$ 1,863,921</u>	<u>\$ 1,910,888</u>



CAPE ELEUTHERA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2016 and 2015.

<u>Description</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Deep Creek Middle School – financial aid	\$ 34,746	\$ 48,196
Island School – Capital	60,206	472,330
Institute – Capital	133,384	194,572
Scholarship – BESS	-	12,600
Program – MREF	75,000	75,000
Faculty development	-	61,457
Island School - programs	-	119,062
Other	-	8,890
Total	<u>\$ 303,336</u>	<u>\$992,107</u>

(10) PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, the Foundation held the following endowment:

<u>Endowed Purpose</u>	<u>Restriction on Income</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
General Scholarship - CEIS	Scholarship	\$ 143,329	\$ 41,619
Alex Lovejoy Scholarship Fund	Scholarship	159,273	163,154
Head Scholarship	Scholarship	95,148	97,467
General Scholarship – DCMS	Scholarship	145,101	148,637
General Endowment – DCMS	General Purposes	48,186	49,360
General Endowment – CEF	General Purposes	1,080,123	901,567
General Endowment – CEIS	General Purposes	1,444,524	1,223,632
General Endowment – CEI	General Purposes	73,241	75,025
Horvitz Faculty Fund	Faculty Incentive	47,574	48,733
Faculty Development	Faculty Development	841,663	862,172
JRH Teacher Fund	Faculty Development	13,202	13,524
Total		<u>\$ 4,091,364</u>	<u>\$ 3,624,890</u>

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2017, the date the financial statements were available to be issued.