

**MIAMI BAYSIDE FOUNDATION, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Miami Bayside Foundation, Inc.  
Miami, Florida

We have audited the accompanying financial statements of Miami Bayside Foundation, Inc., (the "Foundation") (a non-profit organization) which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 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 Miami Bayside Foundation, Inc., as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Verdejo & De Armas, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
February 24, 2014

**MIAMI BAYSIDE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 153,241	\$ 514,510
Investments	1,049,441	543,111
TOTAL CURRENT ASSETS	<u>1,202,682</u>	<u>1,057,621</u>
LOAN RECEIVABLES, net	525,449	283,738
GRANTS RECEIVABLES	1,746	-
PROPERTY AND EQUIPMENT, net	<u>473</u>	<u>945</u>
TOTAL ASSETS	<u>\$ 1,730,350</u>	<u>\$ 1,342,304</u>

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES		
Accrued expenses	<u>\$ 2,266</u>	<u>\$ 1,606</u>
TOTAL CURRENT LIABILITIES	<u>\$ 2,266</u>	<u>\$ 1,606</u>
NET ASSETS		
Unrestricted	<u>1,728,084</u>	<u>1,340,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,730,350</u>	<u>\$ 1,342,304</u>

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

**MIAMI BAYSIDE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
SUPPORT AND REVENUE		
Contributions	\$ 592,308	\$ 346,057
Investment income, net	57,769	21,092
Interest and other income	21,356	16,793
TOTAL SUPPORT AND REVENUE	<u>\$ 671,433</u>	<u>\$ 383,942</u>
EXPENSES		
Program services	\$ 328,408	\$ 309,855
Supporting services	56,789	75,938
TOTAL EXPENSES	<u>\$ 385,197</u>	<u>\$ 385,793</u>
CHANGE IN NET ASSETS BEFORE UNREALIZED GAINS	286,236	(1,851)
UNREALIZED GAINS	<u>101,150</u>	<u>46,564</u>
CHANGE IN NET ASSETS	387,386	44,713
Net assets, beginning of year	<u>1,340,698</u>	<u>1,295,985</u>
Net assets, end of year	<u>\$ 1,728,084</u>	<u>\$ 1,340,698</u>

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

**MIAMI BAYSIDE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 387,386	\$ 44,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	472	472
Provision for loan losses	-	16,000
Realized and unrealized gains on investments	(140,436)	(50,922)
Changes in operating assets and liabilities:		
Grants receivable	(1,746)	
Accrued expenses	660	1,616
Total adjustments	<u>(141,050)</u>	<u>(32,834)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>246,336</u>	<u>11,879</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of investments	(365,894)	(14,176)
Proceeds from loan principal repayments	172,731	45,458
Loan disbursements	(414,442)	(100,000)
Purchases of property and equipment	-	(1,417)
NET CASH USED IN INVESTING ACTIVITIES	<u>(607,605)</u>	<u>(70,135)</u>
Net decrease in cash and cash equivalents	(361,269)	(58,256)
Cash and cash equivalents, beginning of year	<u>514,510</u>	<u>572,766</u>
Cash and cash equivalents, end of year	<u>\$ 153,241</u>	<u>\$ 514,510</u>

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

**MIAMI BAYSIDE FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services	General & Administrative	Fundraising	Total
Awards and Grants	\$ 240,000	\$ -	\$ -	\$ 240,000
Salaries	62,563	17,875	8,938	89,376
Payroll Taxes	4,831	1,380	691	6,902
Business Expense	-	261	-	261
Contract Services	8,443	3,090	618	12,151
Facilities & Equipment	1,596	1,596	798	3,990
Fundraising	-	-	7,333	7,333
Depreciation	-	472	-	472
Marketing, Public Relations and Advertising	5,358	4,018	4,018	13,394
Operations	644	724	442	1,810
Travel and Meetings	1,890	323	95	2,308
Other expenses	3,083	4,117	-	7,200
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 328,408</b>	<b>\$ 33,856</b>	<b>\$ 22,933</b>	<b>\$ 385,197</b>

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

**MIAMI BAYSIDE FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Services	General & Administrative	Fundraising	Total
Awards and Grants	\$ 215,000	\$ -	\$ -	\$ 215,000
Salaries	61,839	22,085	4,417	88,341
Payroll taxes	4,092	1,461	292	5,845
Professional services	244	5,250	-	5,494
Marketing, Public Relations and Advertising	11,539	11,888	11,539	34,966
Insurance expense	-	1,546	-	1,546
Office equipment & supplies	181	960	418	1,559
Space rental	960	960	480	2,400
Parking	-	990	-	990
Travel & entertainment	-	2,315	-	2,315
Investment expense	-	1,580	-	1,580
Fundraising expense	-	-	8,120	8,120
Depreciation	-	472	-	472
Bad debt expense	16,000	-	-	16,000
Other expenses	-	1,165	-	1,165
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 309,855</b>	<b>\$ 50,672</b>	<b>\$ 25,266</b>	<b>\$ 385,793</b>

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

**MIAMI BAYSIDE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS**

**Nature of Organization**

Miami Bayside Foundation (the “Foundation”) is a not-for-profit organization whose objective is designed to advance economic development in the City of Miami through the support of minority businesses. The Foundation seeks to do this through the creation and administration of a loan program to minority businesses, through the creation of a vocational/educational scholarship fund for minorities, and by providing technical assistance to local community development corporations engaged in economic development.

**Basis of Accounting and Presentation**

The financial statements have been prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions on the use of the net assets. The three net asset categories are as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted

Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations. There are no temporarily restricted net assets as of December 31, 2013 and 2012, respectively.

Permanently Restricted

Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. There are no permanently restricted net assets as of December 31, 2013 and 2012, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of 90 days or less.

**Contributions**

The Foundation follows the provisions of an accounting standard where contributions are recognized when the donor makes a promise to give the Foundation that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

**Investments**

The Foundation reports its investments under an accounting standard where a not-for-profit organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value, with realized and unrealized gains and losses included in the statements of activities. The fair value of marketable securities is determined by quoted market prices.

**MIAMI BAYSIDE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

**Loans Receivable**

Loans receivable consist of loans to local minority businesses, which are secured by real property. Micro loans consist of loans from \$2,500 to \$10,000, which are generally unsecured. Interest income is recognized over the life of the receivables and is determined using the effective interest method. On a periodic basis, the Foundation evaluates its receivables and adjusts the allowance for loan losses, when deemed necessary, based on a historic review of collections and current credit conditions.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. Subsequent recoveries of prior year charges against the allowance, if any, are recorded as revenue in the period received.

The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans, based on an evaluation of the collectability of loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Foundation has \$16,000 of allowance as of December 31, 2013 and 2012.

**Restricted Contributions Whose Restrictions Are Met in the Same Reporting Period**

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

The Foundation adopted the provisions of an accounting standard, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any, would be recorded as an expense in the statement of activities. No liability for unrecognized tax benefits was recorded as a result of implementing this standard.

**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 period. Actual results could differ from those estimates.

**MIAMI BAYSIDE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

**Concentrations of Credit Risk**

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash and cash equivalents maintained in financial institutions in excess of the FDIC insured limit of \$250,000. Although cash balances may exceed federally insured limits at times during the year, the Foundation has not experienced and does not expect to incur any losses in such accounts.

**Subsequent Events**

The Foundation has evaluated subsequent events through February 24, 2014, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENT SECURITIES

Investment securities at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Money funds	\$ 53,947	\$ 36,525
Equity securities	611,400	292,433
Fixed income	355,039	199,233
Limited Partnership	-	14,920
Real estate & Intangibles	29,055	-
	<u>\$ 1,049,441</u>	<u>\$ 543,111</u>

The Foundation's investment income, including income earned on cash deposits, consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net realized gains	39,286	\$ 4,358
Net unrealized gains	101,150	46,564
Interest and dividends	18,483	16,734
	<u>\$ 158,919</u>	<u>\$ 67,656</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of 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 the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy 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 Foundation 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 that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**MIAMI BAYSIDE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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.

**Items Measured at Fair Value on a Recurring Basis**

The asset's or liability's fair 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 use of unobservable inputs.

Following is a depreciation of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

The Equity Portfolio consists of equity securities and mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority. Equity securities consist primarily of common stocks. Equity Portfolio investments are valued at the closing price reported in the active market in which the individual securities are traded.

The Fixed Income Portfolio consists of investments in securities issued by the U.S. Treasury and corporate bonds through independent investment advisors. Those investments are valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Foundation 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 table represents the Foundation's financial instruments measured at fair value on a recurring basis at December 31, 2013 for each of the fair value hierarchy levels:

Description	12/31/2013	Fair Value Measurement at December 31, 2013		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Investment Securities:				
Money funds	\$ 53,947	\$ 53,947	\$ -	\$ -
Equity	611,400	611,400	-	-
Fixed income	355,039	355,039	-	-
Real estate & Intangibles	29,055	29,055	-	-
Total investment securities	<u>\$ 1,049,441</u>	<u>\$ 1,049,441</u>	<u>\$ -</u>	<u>\$ -</u>

**MIAMI BAYSIDE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

The following table represents the Foundation’s financial instruments measured at fair value on a recurring basis at December 31, 2012 for each of the fair value hierarchy levels:

Description	12/31/2012	Fair Value Measurement at December 31, 2012		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>Assets:</b>				
Investment Securities:				
Money funds	\$ 36,525	\$ 36,525	\$ -	\$ -
Equity	292,433	292,433	-	-
Fixed income	199,233	199,233	-	-
Limited partnership	14,920	14,920	-	-
<b>Total investment securities</b>	<b>\$ 543,111</b>	<b>\$ 543,111</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 4 – LOANS RECEIVABLE**

Loans receivable consists of loans disbursed under the Loan Programs offered by the Foundation. Loans are secured loans for a maximum of \$50,000 given to credit worthy individuals for 5 year terms at 6% interest and collateralized by corporate assets. Micro loans receivable consist of unsecured loans disbursed under the Micro Loans Program. Micro loans range from \$2,500 to \$10,000 for 18 or 24 months with effective annual interest rates of 6.6% and 6.9%.

At December 31, 2013 and 2012, net loans and micro loans receivable consist of the following:

	<b>2013</b>	<b>2012</b>
Loans	\$ 509,427	\$ 299,738
Micro Loans	32,022	-
Less: allowance for loan losses	(16,000)	(16,000)
	<b>\$ 525,449</b>	<b>\$ 283,738</b>

**NOTE 5 – 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 among the programs and supporting services benefited.

**MIAMI BAYSIDE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 6 – PROPERTY AND EQUIPMENT, NET**  
Property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 945	\$ 1,417
Less: Accumulated depreciation	(472)	(472)
Property and equipment, net	<u>\$ 473</u>	<u>\$ 945</u>

Total depreciation expense for the years ended December 31, 2013 and 2012 was \$472 and \$472 respectively.

**NOTE 7 – ECONOMIC DEPENDENCE**

The Foundation provides a substantial portion of its services with funds contributed from one source. A significant reduction in the level of this funding, if this were to occur, may have an effect on the Foundation's programs and activities. Contributions received from one entity represented approximately 80% and 86% of the Foundation's total support and revenue for the years ended December 31, 2013 and 2012, respectively.