MIAMI BAYSIDE FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

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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 statements of financial position as of December 31, 2014 and 2013, 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.

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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, 2014 and 2013, 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.

Verdeja & De Armas, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 29, 2015

MIAMI BAYSIDE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 38,728	$ 153,241
Investments	1,091,967	1,049,441
TOTAL CURRENT ASSETS	1,130,695	1,202,682
LOAN RECEIVABLES, net	712,543	525,449
GRANTS RECEIVABLES	-	1,746
PROPERTY AND EQUIPMENT, net	-	473
TOTAL ASSETS	$ 1,843,238	$ 1,730,350

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accrued expenses	$ 2,878	$ 2,266
TOTAL LIABILITIES, all current	2,878	2,266
NET ASSETS		
Unrestricted	1,840,360	1,728,084
TOTAL LIABILITIES AND NET ASSETS	$ 1,843,238	$ 1,730,350

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

MIAMI BAYSIDE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	Unrestricted	Unrestricted
SUPPORT AND REVENUE		
Contributions	$ 394,811	$ 592,308
Investment income, net	31,839	57,769
Interest and other income	30,583	21,356
TOTAL SUPPORT AND REVENUE	457,233	671,433
EXPENSES		
Program services	286,913	328,408
Supporting services	72,202	56,789
TOTAL EXPENSES	359,116	385,197
CHANGE IN NET ASSETS BEFORE UNREALIZED GAINS	98,117	286,236
UNREALIZED GAINS	14,159	101,150
CHANGE IN NET ASSETS	112,276	387,386
Net assets, beginning of year	1,728,084	1,340,698
Net assets, end of year	$ 1,840,360	$ 1,728,084

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 112,276	$ 387,386
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	473	472
Bad debt expense	56,790	-
Realized and unrealized gains on investments	(21,630)	(140,436)
Changes in operating assets and liabilities:		
Grants receivable	1,746	(1,746)
Accrued expenses	612	660
Total adjustments	37,991	(141,050)
NET CASH PROVIDED BY OPERATING ACTIVITIES	150,267	246,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(20,896)	(365,894)
Proceeds from loan principal repayments	130,716	172,731
Loan disbursements	(374,600)	(414,442)
NET CASH USED IN INVESTING ACTIVITIES	(264,780)	(607,605)
Net decrease in cash and cash equivalents	(114,513)	(361,269)
Cash and cash equivalents, beginning of year	153,241	514,510
Cash and cash equivalents, end of year	$ 38,728	$ 153,241

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, 2014

	Program Services	General & Administrative	Fundraising	Total
Awards and Grants	$ 119,000	$ -	$ -	$ 119,000
Salaries	69,125	19,750	9,875	98,750
Payroll Taxes	5,844	1,670	835	8,348
Bad Debt Expense	56,790	-	-	56,790
Business Expense	-	261	-	261
Contract Services	19,330	7,075	1,416	27,821
Facilities & Equipment	3,046	3,046	1,523	7,614
Fundraising	-	-	9,418	9,418
Depreciation	-	473	-	473
Marketing, Public Relations and Advertising	6,324	4,743	4,743	15,811
Operations	1,517	1,706	1,042	4,265
Travel and Meetings	2,963	506	149	3,618
Other expenses	2,975	3,972	-	6,947
TOTAL FUNCTIONAL EXPENSES	$ 286,913	$ 43,202	$ 29,001	$ 359,116

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
TOTAL FUNCTIONAL EXPENSES	$ 328,408	$ 33,856	$ 22,933	$ 385,197

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

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 and education. 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, 2014 and 2013, 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, 2014 and 2013, 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.

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, and 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 allowances of $38,617 and $16,000 as of December 31, 2014 and 2013.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

Concentrations of Credit Risk

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 January 29, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENT SECURITIES

Investment securities at December 31, 2014 and 2013 were as follows:

	2014	2013
Money funds	$ 50,741	$ 53,947
Equity securities	610,984	611,400
Fixed income	400,692	355,039
Real estate & Intangibles	29,550	29,055
	$ 1,091,967	$ 1,049,441

The Foundation's investment income, including income earned on cash deposits, consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Net realized gains	$ 7,471	$ 39,286
Net unrealized gains (losses)	14,159	101,150
Interest and dividends	24,368	18,483
	$ 45,998	$ 158,919

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.

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, 2014.

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, 2014 for each of the fair value hierarchy levels:

		Fair Value Measurement at December 31, 2014		
Description	12/31/2014	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	$ 50,741	$ 50,741	$ -	$ -
Equity	610,984	610,984	-	-
Fixed income	400,692	400,692	-	-
Real estate & Intangibles	29,550	29,550		
Total investment securities	$ 1,091,967	$ 1,091,967	$ -	$ -

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, 2013 for each of the fair value hierarchy levels:

		Fair Value Measurement at December 31, 2013		
Description	12/31/2013	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	-	-
Limited partnership	29,055	29,055		
Total investment securities	$ 1,049,441	$ 1,049,441	$ -	$ -

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, 2014 and 2013, net loans and micro loans receivable consist of the following:

	2014	2013
Loans	$ 739,276	$ 509,427
Micro Loans	11,884	32,022
Less: allowance for loan losses	(38,617)	(16,000)
	$ 712,543	$ 525,449

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.

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

	2014	2013
Furniture and equipment	$ 473	$ 945
Less: Accumulated depreciation	(473)	(472)
Property and equipment, net	$ -	$ 473

Total depreciation expense for the years ended December 31, 2014 and 2013 was $473 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 71% and 80% of the Foundation's total support and revenue for the years ended December 31, 2014 and 2013, respectively.