KEY WEST LITERARY SEMINAR, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

FOR THE YEAR ENDED
MARCH 31, 2015
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**FINANCIAL STATEMENTS**

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INDEPENDENT ACCOUNTANTS’ REVIEW REPORT

Board of Directors
Key West Literary Seminar, Inc.
Key West, Florida

We have reviewed the accompanying statement of financial position of Key West Literary Seminar, Inc. (KWLS) (a nonprofit organization) as of March 31, 2015 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of the Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 17, 2015
KEY WEST LITERARY SEMINAR, INC.
STATEMENT OF FINANCIAL POSITION
(READ INDEPENDENT ACCOUNTANTS' REVIEW REPORT)
MARCH 31, 2015

ASSETS

CURRENT ASSETS
   Cash and cash equivalents  $ 274,752
   Prepaid expenses and other current assets  825
   TOTAL CURRENT ASSETS  275,577

PROPERTY AND EQUIPMENT, net  1,357,935

INVESTMENT, held by Community Foundation of the Florida Keys, Inc.
   Unrestricted  25,600
   Temporarily restricted  49,779
   TOTAL INVESTMENT  75,379

   TOTAL ASSETS  $ 1,708,891

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES
   Accounts payable and accrued expenses  $ 14,047
   Deferred revenue  55,125
   TOTAL CURRENT LIABILITIES  69,172

NET ASSETS
   Unrestricted  1,589,940
   Temporarily restricted  49,779
   TOTAL NET ASSETS  1,639,719

   TOTAL LIABILITIES AND NET ASSETS  $ 1,708,891

The accompanying notes are an integral part of these financial statements.
KEY WEST LITERARY SEMINAR, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(READ INDEPENDENT ACCOUNTANTS' REVIEW REPORT)
FOR THE YEAR ENDED MARCH 31, 2015

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPORT AND REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seminar and workshop fees</td>
<td>$ 267,240</td>
<td>$ -</td>
</tr>
<tr>
<td>Grants and contributions, including in-kind of $1,800</td>
<td>248,459</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>27,611</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>3,337</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>7,534</td>
<td>(7,534)</td>
</tr>
<tr>
<td>TOTAL SUPPORT AND REVENUE</td>
<td>550,844</td>
<td>(4,197)</td>
</tr>
</tbody>
</table>

| PROGRAM AND SUPPORTING SERVICES | | |
| Program services, including in-kind of $1,800 | $ 497,987 | $ - | $ 497,987 |
| General and administrative | 122,864 | - | 122,864 |
| Fundraising | 26,676 | - | 26,676 |
| TOTAL PROGRAM AND SUPPORTING SERVICES | 647,527 | - | 647,527 |

| CHANGE IN NET ASSETS | | |
| (96,683) | (4,197) | (100,880) |

| NET ASSETS - BEGINNING OF YEAR | | |
| 1,686,623 | 53,976 | 1,740,599 |

| NET ASSETS - END OF YEAR | | |
| $ 1,589,940 | $ 49,779 | $ 1,639,719 |

The accompanying notes are an integral part of these financial statements
KEY WEST LITERARY SEMINAR, INC.
STATEMENT OF CASH FLOWS
(READ INDEPENDENT ACCOUNTANTS' REVIEW REPORT)
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $ (100,880)

Adjustments to reconcile change in net assets to
net cash used in operating activities:
   Net realized and unrealized gains on investments (3,337)
   Depreciation 64,495
(Increase) Decrease in assets:
   Prepaid expenses and other current assets (1,355)
Increase (Decrease) in liabilities:
   Accounts payable and accrued expenses 14,577
   Deferred revenue 55,125
Total adjustments 129,505
NET CASH PROVIDED BY OPERATING ACTIVITIES 28,625

CASH FLOWS FROM INVESTING ACTIVITIES
Change in Investments, net 3,471
Purchases of property and equipment (10,414)
NET CASH USED IN INVESTING ACTIVITIES (6,943)

NET INCREASE IN CASH AND EQUIVALENTS 21,682

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 253,070

CASH AND CASH EQUIVALENTS - END OF YEAR $ 274,752

The accompanying notes are an integral part of these financial statements.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

Organization
The Key West Literary Seminar (KWLS) was established in Key West in 1983 and incorporated as a 501(c)(3) nonprofit organization in 1987.

The mission of KWLS is to promote the understanding and discussion of important literary works and their authors; to recognize and support new voices in American literature; and to preserve and promote Key West’s literary heritage while providing resources that strengthen literary culture.

Core programming includes the annual Seminar, which explores a different literary theme each January and has featured many of the leading writers of our time; and the Writers’ Workshop Program led by acclaimed faculty and serving writers at all stages of development. Through its Scholarship Program, the organization also presents three annual awards to emerging writers; and provides financial assistance to teachers, librarians, and writers who would not otherwise be able to attend the programs.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

Basis of Presentation
These financial statements are presented in accordance with FASB ASC. Under this interpretation, the KWLS is required to report information regarding its financial position and activities according to three classes of net assets 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 KWLS is limited by donor-imposed restrictions that either expires by passage of time or that can be fulfilled or removed by actions of KWLS pursuant to those restrictions. As of March 31, 2015, there was $49,779 in temporarily restricted net assets.

Permanently Restricted
Net assets whose use by KWLS is limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of KWLS. As of March 31, 2015, there were no permanently restricted net assets.

Contributions
KWLS has adopted the provisions of FASB ASC where contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restriction.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

Cash and Cash Equivalents
KWLS considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable
Accounts Receivable consists primarily of sales, grants, and contributions.

Allowance for Uncollectible Accounts
Annually, management prepares an analysis to determine if an allowance for accounts receivable is necessary. No allowance was deemed necessary by management as of March 31, 2015.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Impairment of Long-Lived Assets
The KWLS’ management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of March 31, 2015, and in the opinion of management, there was no impairment.

Property and Equipment
Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets (ranging from 5-30 years). KWLS capitalizes the purchase of property and equipment with a cost greater than $1,000 and a useful life greater than one year. Lesser amounts are expensed. Donated equipment is recorded at fair market value at the date of the gift.

In-Kind Services
It is the policy of KWLS to record contributed materials and facilities as contributions at their estimated values at date of receipt, when determinable. In addition, donated services are recognized at fair value, only if the service creates or enhances a non-financial asset, would typically have to be purchased and require special skill.

Revenue Recognition
The KWLS revenue is derived primarily from seminar and workshop fees, grants and contributions.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement.

The KWLS records deferred revenue for advance tickets paid for seminars, workshops, and other events and records seminar fee revenue when the event occurs.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

**Income Taxes**
KWLS is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, KWLS 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).

KWLS evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of March 31, 2015, KWLS does not believe it has taken any tax position that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The KWLS’ federal tax returns are currently open for examination by the Internal Revenue Service. The U.S. Federal jurisdiction is the major tax jurisdiction where KWLS files income tax returns. KWLS is generally no longer subject to U.S. Federal examinations by tax authorities for fiscal years before 2012.

**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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**
The cost of providing KWLS’s various programs and supporting services 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.

**Subsequent Events**
KWLS has evaluated subsequent events through August 17, 2015, which is the date the financial statements were available to be issued.

**NOTE 2 – CREDIT RISK**
Financial instruments which potentially subject KWLS to concentrations of credit risk consist principally of cash in excess of federally insured limits. The KWLS generally limits the amount of credit exposure by maintaining its cash balances under these limits.

**NOTE 3 – PROPERTY AND EQUIPMENT, NET**
As of March 31, 2015, property and equipment consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$1,385,000</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>34,365</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>3,065</td>
</tr>
<tr>
<td></td>
<td>1,422,430</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(64,495)</td>
</tr>
<tr>
<td></td>
<td>1,357,935</td>
</tr>
</tbody>
</table>

As of March 31, 2015, depreciation expense was $64,495. All property and equipment was unrestricted and available for general program use.
NOTE 4 – CASH HELD BY COMMUNITY FOUNDATION OF THE FLORIDA KEYS
KWLS is the beneficiary of the earnings of a designated endowment, known as the Scotti Merrill Scholarship, held at the Community Foundation of the Florida Keys, Inc. (the “Foundation”). KWLS has an agreement with the Foundation and the original donor stipulating that up to 4.25% of the total fund value may be withdrawn annually. As of March 31, 2015, the designated endowment held at the Foundation had a balance of approximately $105,000.

NOTE 5 – COMMITMENTS AND CONTINGENCIES
Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of KWLS. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the KWLS expects such amounts, if any, to be immaterial.

NOTE 6 – CONTRIBUTED MATERIALS AND SERVICES
KWLS received in-kind contributions of donated materials and services for which it was able to determine the fair market value. The estimated fair market value of the donated materials and services is $1,800 for the year ended March 31, 2015. They are included as grants and contributions in the statement of activities.

NOTE 7 – RESTRICTIONS ON NET ASSETS
The following represents the balances in temporarily restricted net assets for the year ended March 31, 2015:

<table>
<thead>
<tr>
<th>Scholarship</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joyce Horton Johnson Scholarship</td>
<td>$25,479</td>
</tr>
<tr>
<td>Marianne Russo Scholarship</td>
<td>$24,300</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$49,779</td>
</tr>
</tbody>
</table>

NOTE 8 – FAIR VALUE MEASUREMENT
FASB ASC, *Fair Value Measurements* establishes 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 the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1** – Asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

**Level 2** – Other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

**Level 3** – Significant unobservable inputs (including management’s own assumptions in determining the fair value of investments).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.
NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

*Interest in assets held by other entities*

Investments are held in the Community Foundation of the Florida Keys. These investments may include fixed income, equities, and government securities. Fair value is determined by the closing bid price on the last business day of the fiscal year, if actively traded.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Fair Value</th>
<th>Fair Value Measurements Using:</th>
<th>Fair Value Measurements Using:</th>
<th>Fair Value Measurements Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quoted Prices in Active Markets for Identical Assets</td>
<td>Significant Other Observable Inputs</td>
<td>Significant Unobservable Inputs</td>
</tr>
<tr>
<td>Interest in assets held by other entities</td>
<td>$ 75,379</td>
<td>$</td>
<td>$ 75,379</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$ 75,379</td>
<td>$</td>
<td>$ 75,379</td>
<td>$</td>
</tr>
</tbody>
</table>