

COMMUNITY FOUNDATION
OF THE FLORIDA KEYS, INC.

Financial Statements

December 31, 2014

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

The Board of Governors:
Community Foundation of the Florida Keys, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of the Florida Keys, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses 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 audit. We conducted our audit 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, based on our audit and the report of other auditors, the financial statements referred to above represent fairly, in all material respects, the financial position of Community Foundation of the Florida Keys, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Smith, Burgin & Associates, LLC.

Miami, Florida
March 27, 2015

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Financial Position

December 31, 2014

Assets

Current Assets:	
Cash and cash equivalents	\$ 284,188
Investments	12,959,937
Pledges receivable	139,500
Grants receivable	-
Other assets	14,398
Total current assets	<u>13,398,023</u>
Investment in Real Property	467,280
Fixed assets:	
Building	360,000
Computer and office equipment	51,310
Less accumulated depreciation	<u>(119,798)</u>
Total fixed assets	<u>291,512</u>
Total assets	<u>\$14,156,815</u>

Liabilities and Net Assets

Current Liabilities:	
Grants payable and accrued expenses	\$ 62,453
Deferred revenue	145,260
Funds held for agencies	<u>2,625,821</u>
Total current liabilities	<u>2,833,534</u>
Net assets:	
Unrestricted net assets	4,552,763
Temporarily restricted net assets	<u>6,770,518</u>
Total net assets	<u>11,323,281</u>
Total Liabilities and Net Assets	<u>\$14,156,815</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Activities

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Contributions and program revenues	\$ 96,500	5,684,328	5,780,828
Interest and dividends	3,786	358,003	361,789
Net unrealized gains (loss)	-	6,054	6,054
Management fees	138,975	-	138,975
Other income	<u>20,570</u>	<u>-</u>	<u>20,570</u>
TOTAL SUPPORT AND REVENUES	<u>259,831</u>	<u>6,048,385</u>	<u>6,308,216</u>
Net assets released from restriction:			
Transfer to unrestricted funds	5,522,611	(5,522,611)	-
Revenues for Agency Funds Held	-	(525,774)	(525,774)
EXPENSES:			
Program services	1,773,738	-	1,773,738
General and administration	42,684	-	42,684
Fundraising costs	<u>17,895</u>	<u>-</u>	<u>17,895</u>
TOTAL EXPENSES	<u>1,834,317</u>	<u>-</u>	<u>1,834,317</u>
Increase (decrease) in net assets	3,948,125	-	3,948,125
Net assets, beginning of year	<u>604,638</u>	<u>6,770,518</u>	<u>7,375,156</u>
Net Assets, end of year	<u>\$4,552,763</u>	<u>6,770,518</u>	<u>11,323,281</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Administration, General and Fundraising</u>	<u>Total</u>
Grants and program costs	\$2,059,089	-	2,059,089
Less Agency grants	<u>(562,200)</u>	<u>-</u>	<u>(562,200)</u>
Net grants	1,496,889	-	1,496,889
Accounting and legal	7,727	1,473	9,200
Supplies	5,790	1,105	6,895
Conferences and meetings	658	125	783
Fundraising	-	17,896	17,896
Insurance	1,396	266	1,662
Personnel costs	168,845	32,230	201,075
Occupancy costs	5,290	1,010	6,300
Postage	563	109	672
Office expenses	16,106	2,016	18,122
Telephone	4,100	781	4,881
Depreciation	14,525	2,773	17,298
Taxes and licenses	531	100	631
Travel	1,520	291	1,811
Newsletter	6,850	-	6,850
Non-profit organization center	40,842	-	40,842
Dues and subscriptions	<u>2,106</u>	<u>404</u>	<u>2,510</u>
Total Expenses	<u>\$1,773,738</u>	<u>\$ 60,579</u>	<u>1,834,317</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Cash Flows

For the Year Ended December 31, 2014

Cash flows from operating activities:	
Increase in net assets	\$ 3,948,125
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation	17,298
Unrealized gain on investments	(6,054)
Decrease in accounts receivable and other assets	6,249
Decrease in pledges receivable	20,000
Increase in agency funds	45,411
Decrease in current liabilities	<u>(44,601)</u>
Net cash provided by operating activities	<u>3,986,428</u>
Cash flows from investing activities:	
Purchase of assets, net	(68,318)
Net purchase of investments	<u>(3,893,602)</u>
Net cash used by investing activities	<u>(3,961,920)</u>
Net increase in cash and cash equivalents	24,508
Cash and equivalents, at beginning of year	<u>259,680</u>
Cash and equivalents, at end of year	<u>\$ 284,188</u>
Supplemental disclosure information:	
Interest paid	\$ <u> -</u>
Taxes paid	\$ <u> -</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

1. **Nature of Organization and Significant Accounting Policies**

a) **Organization**

The Community Foundation of the Florida Keys, Inc. ("CFFK") (a not-for-profit corporation) was organized under the statutes of the State of Florida on May 1st, 1996 to create a permanent philanthropic endowment for the Florida Keys Community. The Foundation administers charitable funds, each established with an instrument of gift describing either the general or specific purpose for which grants are to be made. CFFK was found to be in compliance by the Community Foundations National Standards Board of the Council on Foundations in 2007 and recertified again in 2012. Effective January 1st, 2014, CFFK changed to a calendar year end from a prior fiscal year end of June 30th.

b) **Basis of Presentation**

CFFK follows the requirement of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117. Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117 CFFK is required to report information regarding its financial position and activities according to three classes of net assets/ unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Funds - These are funds which management or the governing board has discretionary control to use in carrying on the mission of CFFK.

Temporarily Restricted Funds - These funds are currently available for use, but expendable only for grant making purposes specified by the grantor or donor.

Permanently Restricted Net Assets - These are funds that contain a donor-imposed stipulation that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of CFFK. There were no permanently restricted net assets as of December 31, 2014.

c) **Revenue Recognition**

SFAS No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations" establish standards of basic accounting and reporting for not-for-profit organizations.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

1. **Summary of Significant Accounting Policies - (Cont.)**

c) **Revenue Recognition - (Cont.)**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. CFFK reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When donor restrictions expire, that is, when stipulated time restricted net assets are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction the contributions should be classified as unrestricted net assets.

CFFK uses the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

d) **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts.

CFFK maintains cash balances at financial institutions, however, short term investments with maturities at the date of purchase of three months or less are treated as investments rather than cash.

e) **Investments**

CFFK reports their investments under SFAS no. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, 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 unrealized gains and losses included in the consolidated statement of activities. The fair value of marketable securities is determined by quoted market prices.

f) **Computer and Office Equipment**

Computer and office equipment are stated at cost, if purchased or at estimated market value at date of receipt if acquired by donation. Depreciation is calculated, using the straight-line method over the estimated useful lives of the respective assets.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

1. **Summary of Significant Accounting Policies - (Cont.)**

g) Concentrations of Credit and Market Risk

Financial instruments that potentially expose CFFK to concentrations of credit and market risk consist primarily of cash equivalents, including insured certificates of deposits, and mutual funds. Cash equivalents are maintained at financial institutions that in management's opinion are viable. CFFK has not experienced any losses on its cash equivalents. However, funds invested in investment company mutual funds and money market funds are not backed by a bank nor are they insured by the FDIC.

Concentrations of credit risk with respect to contributions and other revenue sources are limited due to the large number of contributors comprising the CFFK's contributor base. However, the majority of the contributor base is concentrated in the Lower Florida Keys area.

h) Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of functional expenses. A reasonable basis for allocating indirect costs has been established therefore certain costs have been allocated to activities benefited.

i) Donated Services

CFFK receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

j) Income Tax

CFFK is tax exempt under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation under Section 509(a)(1) of the Code. However, subject to certain exceptions, gross income, if any, from an activity not substantially related to the performance of the organization's exempt function that constitutes a trade or business regularly carried on by the organization will be subject to the unrelated business income tax. CFFK functioned with a fiscal year ended June 30th. Effective January 1, 2014, CFFK changed its operating cycle to a calendar year end.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

1. **Summary of Significant Accounting Policies - (Cont.)**

k) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1) Variance Power

The articles of incorporation of CFFK include a variance provision giving the Board of Governors the power to modify any restriction or condition placed on gift to CFFK, including those with donor-imposed restrictions, if, in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community. Accordingly, such contributions are reported as temporarily restricted net assets.

m) Fair Value of Financial Instruments

Accounting standards define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and require expanded disclosures about fair value measurements.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Each level is defined as follows:

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies - (Cont.)

m) Fair Value of Financial Instruments - (Cont.)

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that CFFK has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-the-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash, contributions receivable due within one year, accounts payable and other liabilities, and grants payable. The fair value of CFFK's line of credit is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

CFFK's financial assets as of December 31, 2014 are valued based on quoted market prices and are considered Level 1.

2. Pledges Receivable/Deferred Revenue

CFFK periodically initiates campaigns to raise funds. Contributors are asked to make pledges and to spread out the payments over a period of time. The amounts raised represent unconditional promises to give. At December 31, 2014, the balance of these pledges amount to \$139,500. Promises to give are deferred until received or earned.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

3. Computer and Office Equipment

Computer and office equipment at December 31, 2014 consist of the following:

Building	\$ 360,000
Computer and office equipment	51,310
Accumulated depreciation	<u>(119,798)</u>
	\$ <u>291,512</u>

Depreciation expense for the year ended December 31, 2014 amounted to \$17,298.

4. Investments

Short-term, highly liquid investments are reported as investments rather than cash equivalents. Investments, which are managed, are presented in the financial statements at fair market values. CFFK invests in marketable equity securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual equity security.

Investments consist of the following at December 31, 2014:

	<u>Fair Value</u>
Money Market Funds	\$ 232,608
Bonds, Government Agency and other Securities	407,848
Mutual Funds	<u>12,319,481</u>
	<u>\$12,959,937</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

4. **Investments - (Cont.)**

The following schedule summarizes the investment return and its classification in the statement of activities for the period ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest & dividends	\$ 3,786	358,003	361,789
Unrealized gains (losses)	-	<u>6,054</u>	<u>6,054</u>
Total investment return	<u>\$ 3,786</u>	<u>364,057</u>	<u>367,843</u>

5. **Investment in Real Property**

On April 4, 2014, CFFK received, from a decedent, a donation of an interest in real property located in Key West, Florida. On April 30, 2014, CFFK transferred ownership interest in the property to CFFK Holdings, LLC (the "LLC"). The LLC is wholly owned by CFFK. At December 31, 2014 the investment including improvements made is reflected at \$467,280. The investment is for the benefit of CFFK at 25% and the remaining 75% of the property is for the benefit of Wheaton College.

6. **Grants Payable to Beneficiaries**

Grants payable to beneficiaries consists of the following at December 31, 2014:

Payable in less than one year	\$ 20,000
Payable in one to five years	<u>38,000</u>
Total	<u>\$ 58,000</u>

Grants and services to beneficiaries, which amounted to \$2,059,089 for the period ended December 31, 2014 are substantially composed of the following: Grants paid to beneficiaries which amounted to \$1,516,875 and inter-fund grants which amounted to \$367,449 and other items amounting to \$174,765.

7. **Line of Credit**

On May 16, 2006, CFFK entered into a line of credit agreement with a local financial institution. The line of credit facility is up to \$100,000. The terms require monthly payment of interest with the principal balance drawn due at maturity. The credit facility matured in May 2014. During the year ended December 31, 2014, no amounts were drawn on the line and accordingly, no amounts are due at December 31, 2014 and no interest expenses were incurred.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

8. Funds Held for Agencies

Transfers of assets to CFFK by other not-for-profit agencies who specify themselves or their affiliates as the beneficiaries are not considered contributions and are recorded as a liability by CFFK. Funds held for agencies amount to \$2,625,821 at December 31, 2014.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods:

Periods after December 31, 2014	\$ 6,770,518
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restriction accomplished:	\$ 5,522,611
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Accounting Standards provide that if the governing body has the ability to remove a donor restriction ("variance power") the contributions may be classified as unrestricted net assets. However, the governing body of CFFK has elected to only classify as unrestricted those funds where the donor is deceased or the donor has not imposed any restrictions. Accordingly, despite the existence of its variance power, CFFK will reflect funds with donor restrictions as temporarily restricted until such time as the governing body deems appropriate to exercise its authority.

CFFK is holding in its investment portfolio certain funds pertaining to other agencies. These funds, in accordance with promulgated guidelines, are reflected as liabilities. At December 31, 2014, these funds amounted to \$2,625,821.

10. Occupancy Costs

In September 2007, CFFK was donated the premises in which its offices are located. The donated office condominiums had a fair market value of \$360,000 at the time of the donation. Occupancy expenses for the year ended December 31, 2014 amounted to \$6,300.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2014

11. Rodel Charitable Foundation - Florida, Inc.

The Rodel Charitable Foundation - Florida, Inc. (Rodel), a Florida not-for-profit corporation was formed on October 6, 2003 as a Direct Support Organization for the specific purpose to conduct or support activities for the benefit of, to perform the function of, or to carry out the purposes of the Community Foundation of the Florida Keys, Inc., and to support and further charitable activities in the Florida Keys. Rodel was recognized as an organization exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code. The financial position and changes in net assets of Rodel's activities are not included in the accompanying financial statements. Currently Rodel continues to operate as a supporting organization of the CFFK.

12. Subsequent Events

CFFK has evaluated events and transactions occurring subsequent to December 31, 2014 as of March 27, 2015 which is the date the financial statements were available to be issued. Subsequent events occurring after March 27, 2015 have not been evaluated by management. No additional material events have occurred since December 31, 2014 that require recognition or disclosure in the financial statements.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Community Foundation of the Florida Keys, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Community Foundation of the Florida Keys ("CFFK") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFFK's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFFK's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFFK's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFFK's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of CFFK's Board of Directors, management, and officials of applicable federal and state agencies. However, if this report is a matter of public record, its distribution is not limited.

Smith, Burgin & Associates, LLC.

March 27, 2015