

COMMUNITY FOUNDATION
OF THE FLORIDA KEYS, INC.

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Community Foundation of the Florida Keys, Inc. (a not-for-profit corporation) as of June 30, 2012 and 2011, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Community Foundation of the Florida Keys, Inc. management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of the Florida Keys, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Buzzi & Associates, LLC.

Miami, Florida
October 16, 2012

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Financial Position

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 320,953	\$ 279,838
Investments	7,255,488	7,465,635
Pledges receivable	120,000	187,400
Grants receivable	30,743	60,000
Other assets	2,106	2,500
Total current assets	<u>7,729,290</u>	<u>7,995,373</u>
Fixed assets:		
Building	360,000	360,000
Computer and office equipment	49,343	47,175
Less accumulated depreciation	<u>(88,108)</u>	<u>(78,675)</u>
Total fixed assets	<u>321,235</u>	<u>328,500</u>
Total assets	<u>\$ 8,050,525</u>	<u>\$ 8,323,873</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities:		
Grants payable and accrued expenses	\$ 115,378	\$ 126,644
Deferred revenue	120,107	187,400
Funds held for agencies	<u>1,530,194</u>	<u>1,614,819</u>
Total current liabilities	<u>1,765,679</u>	<u>1,928,863</u>
Net assets:		
Unrestricted net assets	559,552	544,194
Temporarily restricted net assets	<u>5,725,294</u>	<u>5,850,816</u>
Total net assets	<u>6,284,846</u>	<u>6,395,010</u>
Total Liabilities and Net Assets	<u>\$ 8,050,525</u>	<u>8,323,873</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Activities

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>			<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Contributions and program revenues	\$ 33,277	863,053	896,330	\$ 46,085	1,106,022	1,152,107
Interest and dividends	8,213	198,982	207,195	5,047	182,410	187,457
Net unrealized gains (loss)	-	(236,433)	(236,433)	-	938,536	938,536
Management fees	88,026	-	88,026	89,744	-	89,744
Other income	<u>8,796</u>	<u>-</u>	<u>8,796</u>	<u>1,634</u>	<u>-</u>	<u>1,634</u>
 TOTAL SUPPORT AND REVENUES	 <u>138,312</u>	 <u>825,602</u>	 <u>963,914</u>	 <u>142,510</u>	 <u>2,226,968</u>	 <u>2,369,478</u>
Net assets released from restriction:						
Transfer to unrestricted funds	901,704	(901,704)	-	1,389,727	(1,389,727)	-
Revenues for Agency Funds held	-	(49,420)	(49,420)	-	(269,584)	(269,584)
EXPENSES:						
Program services	956,001	-	956,001	1,471,338	-	1,471,338
General and administration	38,238	-	38,238	37,071	-	37,071
Fundraising costs	<u>30,419</u>	<u>-</u>	<u>30,419</u>	<u>19,039</u>	<u>-</u>	<u>19,039</u>
 TOTAL EXPENSES	 <u>1,024,658</u>	 <u>-</u>	 <u>1,024,658</u>	 <u>1,527,448</u>	 <u>-</u>	 <u>1,527,448</u>
 (Decrease) increase in net assets	 15,358	 (125,522)	 (110,164)	 4,789	 567,657	 572,446
Net assets, beginning of year, restated	<u>544,194</u>	<u>5,850,816</u>	<u>6,395,010</u>	<u>539,405</u>	<u>5,283,159</u>	<u>5,822,564</u>
Net Assets, end of year	<u>\$ 559,552</u>	<u>5,725,294</u>	<u>6,284,846</u>	<u>\$ 544,194</u>	<u>5,850,816</u>	<u>6,395,010</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Functional Expenses

For the Years Ended June 30, 2012 and 2011

	<u>Program Services</u>		<u>Administration and General</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Grants and program costs	\$ 721,480	1,424,561	-	-	721,480	1,424,561
Less Agency grants	<u>(31,300)</u>	<u>(190,791)</u>	<u>-</u>	<u>-</u>	<u>(31,300)</u>	<u>(190,791)</u>
Net grants	690,180	1,233,770	-	-	690,180	1,233,770
Accounting and legal	8,509	9,025	1,622	1,720	10,131	10,745
Contract labor	173	1,595	33	303	206	1,898
Supplies	4,721	4,751	900	905	5,621	5,656
Conferences and meetings	2,065	5,956	393	1,135	2,458	7,091
Fundraising	-	-	30,419	19,039	30,419	19,039
Insurance	1,312	1,315	250	251	1,562	1,566
Personnel costs	127,344	118,462	24,307	22,565	151,651	141,027
Occupancy costs	5,567	5,372	1,062	1,023	6,629	6,395
Postage	893	801	170	153	1,063	954
Office expenses	43,606	32,476	5,629	6,186	49,235	38,662
Telephone	3,167	2,945	604	562	3,771	3,507
Depreciation	7,921	7,560	1,512	1,440	9,433	9,000
Taxes and licenses	663	543	126	103	789	646
Travel	4,618	552	882	105	5,500	657
Leadership Monroe	-	-	-	-	-	-
Non-profit organization center	51,373	43,101	-	-	51,373	43,101
Dues and subscriptions	<u>3,889</u>	<u>3,114</u>	<u>748</u>	<u>620</u>	<u>4,637</u>	<u>3,734</u>
Total Expenses	\$ <u>956,001</u>	<u>\$1,471,338</u>	<u>68,657</u>	<u>56,110</u>	<u>1,024,658</u>	<u>1,527,448</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Statement of Cash Flows

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ (110,164)	\$ 572,446
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	9,434	9,000
Unrealized loss (gain) on investments	236,433	(1,176,423)
(Increase) decrease in accounts receivable and other assets	29,651	(60,208)
(Increase) decrease in pledges receivable	67,400	(94,100)
Increase (decrease) agency funds	(84,625)	307,081
Increase (decrease) in current liabilities	<u>(78,559)</u>	<u>136,436</u>
Net cash used by operating activities	<u>69,570</u>	<u>(305,768)</u>
 Cash flows from investing activities:		
(Purchase) disposition of assets, net	(2,168)	399
Net purchase of investments	<u>(26,287)</u>	<u>301,286</u>
Net cash provided by investing activities	<u>(28,455)</u>	<u>301,685</u>
 Net increase (decrease) in cash and cash equivalents	41,115	(4,083)
 Cash and equivalents, at beginning of year	<u>279,838</u>	<u>283,921</u>
 Cash and equivalents, at end of year	<u>\$ 320,953</u>	<u>\$ 279,838</u>
 Supplemental disclosure information:		
Interest paid	\$ <u> -</u>	\$ <u> -</u>
Taxes paid	\$ <u> -</u>	\$ <u> -</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

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.

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 June 30, 2012 and 2011.

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

June 30, 2012 and 2011

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

June 30, 2012 and 2011

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

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:

Notes to Financial Statements

June 30, 2012 and 2011

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 June 30, 2012 and 2011, respectively, are valued based on quoted market prices and are considered Level 1.

n) Reclassifications

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation of the financial statements.

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 June 30, 2012 and 2011, the balance of these pledges amount to \$120,000 and \$187,400, respectively. Promises to give are deferred until received or earned.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

3. Computer and Office Equipment

Computer and office equipment at June 30, consist of the following:

	<u>2012</u>	<u>2011</u>
Building	\$360,000	360,000
Computer and office equipment	49,343	47,175
Accumulated depreciation	<u>(88,108)</u>	<u>(78,675)</u>
	<u>\$321,235</u>	<u>328,500</u>

Depreciation expense for the years ended June 30, 2012 and 2011, amounted to \$9,433 and \$9,000, respectively. During 2011, a total of \$399 in fully depreciated assets were disposed of.

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 June 30:

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Money Market Funds	\$ 152,385	159,934
Certificates of Deposit	100,854	310,606
Accrued interest	247	-
Bonds and Government Agency Securities	169,711	184,247
Mutual Funds	<u>6,832,291</u>	<u>6,810,848</u>
	<u>\$7,255,488</u>	<u>7,465,635</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

4. Investments - (Cont.)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2012 and 2011, respectively:

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Interest & dividends	\$ 5,047	8,213	182,410	198,982	187,457	207,195
Unrealized gains (losses)	-	-	938,536	(236,433)	938,536	(236,433)
Total investment return	\$ <u>5,047</u>	<u>8,213</u>	<u>1,120,946</u>	<u>(37,451)</u>	<u>1,125,993</u>	<u>(29,238)</u>

5. Grants Payable to Beneficiaries

Grants payable to beneficiaries consists of the following at June 30:

	<u>2011</u>	<u>2012</u>
Payable in less than one year	\$ 77,198	72,100
Payable in one to five years	<u>43,000</u>	<u>43,000</u>
Total	<u>\$120,198</u>	<u>115,100</u>

Grants and services to beneficiaries, which amounted to \$720,596 for 2012 are substantially comprised of the following. Grants paid to beneficiaries which amounted to \$673,073 and other program costs which include inter-fund grants of \$47,523.

6. 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 2008 and was renewed. During fiscal 2012 or 2011, no amounts were drawn on the line and accordingly, no amounts are due at June 30, 2012 and 2011 and no interest expenses were incurred.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

7. **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 \$1,530,194 and \$1,614,819 at June 30, 2012 and 2011, respectively.

8. **Temporarily Restricted Net Assets**

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

Periods after June 30, 2012	\$ 5,725,294
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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:	\$ 1,530,194
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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.

9. **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 fiscal 2012 amounted to \$6,629.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

10. 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.

11. Subsequent Events

CFFK has evaluated events and transactions occurring subsequent to June 30, 2012 as of October 16, 2012, which is the date the financial statements were available to be issued. Subsequent events occurring after October 16, 2012 have not been evaluated by management. No material events have occurred since June 30, 2012 that require recognition or disclosure in the financial statements.

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FLORIDA INSTITUTE OF
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

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

We have audited the financial statements of Community Foundation of the Florida Keys, Inc. ("CFFK") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the CFFK financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CFFK internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is

a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions as defined above.

This report is intended solely for the information and use of the CFFK Board of Directors and the management and is not intended to be used and should not be used by anyone other than those specified parties.

Smith, Burgin & Associates, LLC.

October 16, 2012