

COMMUNITY FOUNDATION  
OF THE FLORIDA KEYS, INC.

Financial Statements

December 31, 2015

(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, 2015, 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.

Auditors' 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, 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, 2015, 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  
April 19, 2016

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Financial Position  
December 31, 2015

Assets

Current Assets:

Cash and cash equivalents	\$ 391,794
Investments	13,390,095
Pledges receivable	62,500
Other assets	10,246
Total current assets	<u>13,854,635</u>

Investment in Real Property	448,098
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Fixed assets:

Building	360,000
Computer and office equipment	52,810
Less accumulated depreciation	<u>(122,204)</u>
Total fixed assets	<u>290,606</u>

Total Assets	<u>\$ 14,593,339</u>
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Liabilities and Net Assets

Current Liabilities:

Grants payable and accrued expenses	\$ 288,127
Deferred revenue	70,500
Funds held for agencies	<u>3,120,067</u>
Total current liabilities	<u>3,478,694</u>

Net Assets:

Unrestricted net assets	7,575,104
Temporarily restricted net assets	<u>3,539,541</u>
Total net assets	<u>11,114,645</u>

Total Liabilities and Net Assets	<u>\$ 14,593,339</u>
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See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Activities  
For the Year Ended December 31, 2015

SUPPORT AND REVENUES:	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Contributions and program revenues	\$ 1,830,939	\$ 239,816	\$ 2,070,755
Interest and dividends, net of fees	204,746	129,221	333,967
Net unrealized gain (loss)	(449,610)	(265,935)	(715,545)
Administrative fees	106,860	-	106,860
Other Income	12,851	-	12,851
	<u>1,705,786</u>	<u>103,102</u>	<u>1,808,888</u>
 TOTAL SUPPORT AND REVENUES			
Net assets released from restrictions			
Transfer to unrestricted funds	564,748	(564,748)	-
 EXPENSES:			
Program services	1,437,755	-	1,437,755
Administrative	104,226	-	104,226
Fundraising	51,919	-	51,919
	<u>1,593,900</u>	<u>-</u>	<u>1,593,900</u>
 TOTAL EXPENSES			
Increase (decrease) in net assets	676,634	(461,646)	214,988
Net assets, beginning of year	4,552,763	6,770,518	11,323,281
Correction in funds held for agencies	(423,624)		(423,624)
Correction in temporarily restricted net assets	2,769,331	(2,769,331)	-
Net assets, beginning of year as corrected	<u>6,898,470</u>	<u>4,001,187</u>	<u>10,899,657</u>
Net assets, end of year	<u>\$ 7,575,104</u>	<u>\$ 3,539,541</u>	<u>\$ 11,114,645</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2015

	Program Services		Total	Administrative	Fundraising	Total
	Donor Services	Center for Nonprofit Excellence				
Grants including Agency Funds	\$ 1,227,660	-	1,227,660	-	-	1,227,660
Agency Funds	(115,094)	-	(115,094)	-	-	(115,094)
Grants approved	1,112,566	-	1,112,566	-	-	1,112,566
Personnel costs	118,733	29,563	148,296	74,268	17,786	240,350
Administrative fees	74,593	-	74,593	-	-	74,593
Newsletter and marketing	14,808	1,776	16,584	4,457	18,098	39,139
Nonprofit program costs	-	22,630	22,630	-	-	22,630
Depreciation	16,346	1,672	18,018	3,078	492	21,588
Occupancy costs	9,082	7,064	16,146	3,317	359	19,822
Donor meetings	2,657	-	2,657	531	14,309	17,497
Accounting, legal and professional	4,110	1,217	5,327	7,387	340	13,054
Office expenses	7,759	988	8,747	2,781	291	11,819
Insurance	4,366	-	4,366	1,656	-	6,022
Telephone	2,280	830	3,110	1,529	244	4,883
Dues and Subscriptions	-	995	995	2,892	-	3,887
Taxes and licenses	2,863	-	2,863	655	-	3,518
Postage	628	229	857	488	-	1,345
Conferences and travel	-	-	-	1,187	-	1,187
Total Expenses	<u>\$ 1,370,791</u>	<u>\$ 66,964</u>	<u>\$ 1,437,755</u>	<u>\$ 104,226</u>	<u>\$ 51,919</u>	<u>\$ 1,593,900</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 214,988
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	21,588
Net realized and unrealized loss on investments	939,588
Decrease in pledges receivable	77,000
Decrease in other assets	4,152
Increase in grants payable and accrued expenses	227,174
Decrease in deferred revenue	(74,760)
Increase in agency liability	69,122
Net cash provided by operating activities	<u>1,478,852</u>
Cash flows from investing activities:	
Donation of office equipment	(1,500)
Proceeds from sale of investments	1,649,832
Purchase of investments	<u>(3,019,578)</u>
Net cash used by investing activities	<u>(1,371,246)</u>
Net increase in cash and cash equivalents	107,606
Cash and cash equivalents, at beginning of year	<u>284,188</u>
Cash and cash equivalents, at end of year	<u>\$ 391,794</u>
Supplemental disclosure information:	
Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

See accompanying notes to financial statements.



COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**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 1<sup>st</sup>, 1996 to create a permanent philanthropic endowment for the Florida Keys Community. CFFK 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 1<sup>st</sup>, 2014, CFFK changed to a calendar year end from a prior fiscal year end of June 30<sup>th</sup>.

CFFK Holdings, LLC ("LLC") was formed April 3, 2014 to facilitate a gift of real property to a charitable fund administered by CFFK. CFFK Holdings, LLC is treated as a disregarded entity for Federal tax purposes. Its accounts are consolidated into this financial statement.

CFFK operates two programs. Donor services program consists of soliciting, managing and distributing grants for charitable purposes, primarily in Monroe County, Florida. CFFK facilitates prudent investment management practices for individuals and not-for-profit organizations and provides resources to professional advisors and donors to advance philanthropy. The second program is the Center for Nonprofit Excellence. This program provides leadership training to board members and staff, recognizes volunteer achievement and supports not-for-profit organizations with research resources and by connecting donors with organizations in Monroe County, Florida.

**b) Basis of Presentation**

The financial statements have been prepared under the accrual basis of accounting under the guidance of the Financial Accounting Standards Board under its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*.

**c) Net Assets**

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 net assets - net assets without donor-imposed restrictions which management or the governing board has discretionary control to use in carrying on the mission of CFFK.

Temporarily restricted net assets - net assets whose use by CFFK are subject to donor-imposed restrictions that can be fulfilled by actions of CFFK or by the passage of time. Support that is restricted is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**1. Nature of Organization and Significant Accounting Policies (Cont.)**

**c) Net Assets (Cont.)**

Permanently restricted net assets - net assets 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.

CFFK articles of incorporation and Fund agreements include a variance provision that allows the Board of Governors to vary the use of contributions received. Based on this variance provision, there were no permanently restricted net assets as of December 31, 2015.

**d) Revenue Recognition**

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 temporarily 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.

**e) 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.

**f) Investments**

Investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by the CFFK Board of Governors.

At December 31, 2015 Investments primarily consist of mutual funds and exchange traded funds that are carried at market value, as quoted on major stock exchanges. Money market funds maintained a constant net asset value of \$1 per share. Equity securities at that date, from recent donor contributions, are pending settlement of trades originating in December and the carrying value of the security is also based on market value as quoted on major stock exchanges. Investments received as contributions are recorded at the quoted market value on the date received by CFFK. Realized and unrealized investment gains and losses are determined by comparison of specific cost of acquisition to proceeds at the time of disposal or market value at the statement of financial position date. These gains and losses and other investment income are primarily reflected in the statement of activities as unrestricted support and revenue.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**1. Nature of Organization and Significant Accounting Policies (Cont.)**

**f) Investments (Cont.)**

CFFK pools a number of funds in order to obtain greater investment advantage and more efficient administration. The investments are managed under a policy determined by the Board of Governors. The goals of the investment policy are to maintain the purchasing power of the current assets and all future contributions, to achieve a target return within reasonable and prudent levels of risk to support a grant making rate that maintains services and programs, and to maintain an appropriate asset allocation based on the total return policy. For the year 2015, the grant making spending policy was 4.25% of the average of the prior 12 quarters investment balances. CFFK periodically allocates income and expenses, gains and losses from pooled investments based on a unitization calculation that reflects the daily proportion of each fund's assets to the total pool.

**g) Investment in Real Property**

During 2014 CFFK Holdings, LLC received a donation of residential real estate in Key West, Florida. Donor stipulations require the property not be sold before June 8, 2016. The property is valued at the estimated fair market value when received less an allowance for depreciation over the estimated useful life of the building.

**h) Fixed assets**

Building, 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.

**i) 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. At December 31, 2015 CFFK has cash and cash equivalent deposits of \$383,632 in repurchase agreement accounts secured with a perfected interest in securities in excess of the deposit amount. The funds under the repurchase agreement are not subject to FDIC insurance.

Concentrations of credit risk with respect to contributions and other revenue sources are limited due to the large number of contributors comprising CFFK's contributor base. However, the majority of the contributor base is concentrated in the Lower Florida Keys area. For the year ended December 31, 2015, approximately 41% of the contributions and program revenues were received as bequests from two estates.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**1. Nature of Organization and Significant Accounting Policies (Cont.)**

**j) Functional Allocation of Expenses**

The costs of providing the Program Services and Administrative and Fundraising 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.

**k) Donated Services and Goods**

CFFK receives a significant amount of donated services from unpaid volunteers who act as the Board of Governors, assist in fund-raising and special projects. During the year ended December 31, 2015, CFFK recorded \$500 for professional services that were received in support of its mission. Also during the year ended December 31, 2015 CFFK received artwork with an appraised value of \$1,500 that is reported with office equipment in the statement of financial position.

**l) 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. Management has evaluated the need for a reserve for income tax liability and determined that no reserve is required at December 31, 2015.

**m) 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.

**n) 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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**1. Nature of Organization and Significant Accounting Policies (Cont.)**

**o) 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:

*-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.

CFFK's financial assets as of December 31, 2015 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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**2. Pledges Receivable/Deferred Revenue - (Cont.)**

Pledges Receivable are summarized as of December 31, 2015 as follows:

Collectible in 2016	\$ 57,500
Collectible in 2017	5,000
Total	<u>\$ 62,500</u>

Because the majority of receivables are due within one year, management has determined that the applicable discount is immaterial. Management has also determined there is no need to record a reserve for uncollectible pledges receivable at December 31, 2015.

Promises to give are deferred until received or earned. At December 31, 2015 CFFK has received \$8,000 for events to be held during the first three months of 2016, and these contributions have been recorded as deferred revenue.

**3. Fixed Assets**

Fixed Assets at December 31, 2015 consist of the following:

Building	\$ 360,000
Computer and office equipment	52,810
	<u>412,810</u>
Less allowance for depreciation	<u>(122,204)</u>
Net fixed asset value	\$ <u>290,606</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$21,588, including \$11,753 related to Real Estate Held for Investment.

**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, 2015:

<u>Investment Category</u>	<u>Level 1 Fair Value</u>
Money Market Funds	\$271,835
Domestic Bond Funds	3,468,782
International Bond Funds	651,201
U.S. Equity Funds	4,501,623
International Equity Funds	1,989,037
Real Estate Funds	1,419,635
Energy / Natural Resources Funds	535,809
Commodity Funds	552,173
Total Investments	<u>\$13,390,095</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

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

The following schedule summarizes the investment return and its classification in the statement of activities for the period ended December 31, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Interest & dividends	\$ 231,211	\$ 145,939	\$ 377,150
Unrealized gains (losses)	(449,610)	(265,935)	(715,545)
Investment management fees	(26,465)	(16,718)	(43,183)
Total Investment Return	<u>\$ (244,864)</u>	<u>\$ (136,714)</u>	<u>\$ (381,578)</u>

The primary diversified investment portfolio has a time weighted return, net of investment fees, of approximately (3.72%) for the year ended December 31, 2015. CFFK's investment advisors have reported that the annual total investment expense ratio for the primary diversified investment portfolio was approximately 0.77% for the year ended December 31, 2015. This estimated annual fee includes both fees paid to the investment manager and the weighted average mutual fund and exchange traded fund fees.

**5. Investment in Real Property**

On April 4, 2014, CFFK received, from a decedent, a donation of an interest in residential 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. The investment is jointly owned with Wheaton College for the benefit of CFFK at 25% and the remaining 75% of the property is for the benefit of Wheaton College. At December 31, 2015 the investment including improvements made is reflected at \$448,098. The real estate is valued at the original appraised value of the donation, less an allowance for depreciation. For the year ended December 31, 2015 depreciation expense related to this investment in real property was \$11,753.

Per the wishes of the donor, the property has been operated as an artist in residence program for the benefit of Wheaton College faculty and students. During the second quarter of 2016 the property was listed for sale at a price in excess of the investment value at December 31, 2015. If the property is sold, the proceeds for the benefit of Wheaton College will be used to establish an endowed fund at Wheaton College for the performing arts.

**6. Grants Payable to Beneficiaries**

Grants payable to beneficiaries consists of the following at December 31, 2015:

Payable in less than one year	\$ 103,500
Payable in one to five years	171,500
Total	<u>\$ 275,000</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**6. Grants Payable to Beneficiaries (Cont.)**

Grants to beneficiaries and administrative fees, which amounted to \$1,187,159 for the period ended December 31, 2015 are substantially composed of the following:

Grants paid to beneficiaries	\$ 832,697
Inter-fund grants	279,869
Administrative fees paid by funds	<u>74,593</u>
Total grants and administrative fees	<u>\$1,187,159</u>

**7. Funds Held for Agencies**

An agency transaction is the transfer of assets from a not-for-profit organization to establish or add to a Fund at CFFK whereby the not-for-profit organization specifies themselves or their affiliates as the beneficiaries. The transfers to the Fund, related investment income (losses), fees earned and distributions back to the not-for-profit organization are recorded as an increase or decrease to the corresponding assets and liabilities and are not included in the net assets of CFFK.

Subsequent to the issuance of the 2014 audit report, management reviewed these funds and determined that certain balances should be classified as funds held for agency and has reclassified items previously reflected as net assets during the prior year.

Funds held for agencies during the year December 31, 2015 were as follows:

Agency liability as previously reported	\$ 2,625,821
Correction of agency liability fund classification	423,624
Grants payable at beginning of year	<u>1,500</u>
Agency liability, at beginning of year, corrected	3,050,945
Funds received on behalf of agencies	261,795
Inter-fund transfers to agency funds	73,288
Interest and dividends, net of fees	105,463
Unrealized investment loss	(224,043)
Distributions to agencies	(109,094)
Inter-fund transfer by agency funds	(6,000)
Administrative and bank fees	<u>(32,287)</u>
Agency liability, at end of year	<u>\$ 3,120,067</u>

**8. Temporarily Restricted Net Assets**

Subsequent to the issuance of the 2014 audit report, management reviewed the funds classified as temporarily restricted in its accounting system and the fund agreements creating temporarily restricted net assets. The primary change from the previously reported amount was to reclassify the CFFK Operational Support Endowment, created by the CFFK Board of Governors for the



COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**8. Temporarily Restricted Net Assets (Cont.)**

benefit of CFFK, as unrestricted net assets. The change to temporarily restricted net assets at the beginning of 2015 is a reduction of \$2,769,331 that is now classified as unrestricted net assets.

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

Donor Advised	\$ 1,217,469
Designated Funds	442,048
Field of Interest	364,611
Organization Endowment	1,000,209
Scholarship	515,204
Temporarily Restricted Net Assets	<u>\$ 3,539,541</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Grants and distributions	\$ 434,307
Interfund grants	78,413
Administrative fees	52,028
Total restrictions released	<u>\$ 564,748</u>

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, CFFK classifies 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**

Office condominium space used by CFFK was received as a donation in September 2007. 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, 2015, including program expenses in support of the investment in real property, amounted to \$19,822.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2015

**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. Effective July 31, 2015 Rodel made a final distribution of all the assets and filed articles of dissolution with the State of Florida.

**11. Subsequent Events**

CFFK has evaluated events and transactions occurring subsequent to December 31, 2015 as of April 19, 2016 which is the date the financial statements were available to be issued. Subsequent events occurring after April 19, 2016 have not been evaluated by management.

On April 15, 2016 Wheaton College and LLC have accepted an offer at the listing price for the residential real property held for investment described in Note 5. The offer is contingent on inspections and is scheduled to close June 15, 2016.

No additional material events have occurred since December 31, 2015 that require recognition or disclosure in the financial statements.

**SMITH, BUZZI & ASSOCIATES, LLC.**  
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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 Governors 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, 2015, 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 April 19, 2016.

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 CFFK'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 Governors, 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, Buzzi & Associates, LLC.*

April 19, 2016