

COMMUNITY FOUNDATION  
OF THE FLORIDA KEYS, INC.

Financial Statements  
December 31, 2020 and 2019

(With Independent Auditor's 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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Smith, Burgin & Associates, LLC.*

Miami, Florida  
May 18, 2021

COMMUNITY FOUNDATION OF THE FLORIDA OF THE FLORIDA KEYS, INC.  
Statement of Financial Position  
At December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 353,556	\$ 269,251
Accounts and contributions receivable	5,000	6,000
Promises to give	-	1,715,925
Prepaid Expense	11,006	11,456
Investments	8,556,533	5,893,249
Funds held as agent		
Cash and cash equivalents	71,101	107,825
Contributions receivable	-	250
Investments	5,001,919	4,282,450
Total funds held as agent	5,073,020	4,390,525
Split interest agreement	248,000	229,000
Building	360,000	360,000
Computers and office equipment	21,290	21,290
Less accumulated depreciation	(138,116)	(128,671)
Net fixed assets	243,174	252,619
Funds held for endowments		
Cash and cash equivalents	9,552	-
Accounts receivable	5,000	5,000
Promises to give	1,293,500	1,222,000
Investments	7,655,866	7,078,893
Total funds held for endowments	8,963,918	8,305,893
Total Assets	\$ 23,454,207	\$ 21,073,918
<b>Liabilities and net assets</b>		
Grants payable	\$ 62,500	\$ 59,000
Accounts payable and accrued expenses	62,969	41,599
Deferred Revenue	-	10,320
Funds held as agent	5,073,020	4,390,525
Total Liabilities	5,198,489	4,501,444
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	882,589	879,214
Designated by Board for reserves	463,947	233,236
Designated by Board for endowment	4,346,627	4,146,012
Invested in fixed assets	243,174	252,619
	5,936,337	5,511,081
With Donor Restrictions		
Perpetual in nature	4,617,660	4,198,185
Restricted to future periods	1,000	-
Purpose restrictions	7,756,427	6,940,549
Underwater endowments	(55,706)	(77,341)
	12,319,381	11,061,393
Total net assets	18,255,718	16,572,474
Total Liabilities and net assets	\$ 23,454,207	\$ 21,073,918

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Activities  
For the years ended December 31, 2020 and 2019

	<u>Year Ended December 31, 2020</u>			<u>Year Ended December 31, 2019</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Contributions and program revenues	\$ 406,598	\$ 1,004,778	\$ 1,411,376	\$ 538,332	\$ 3,670,911	\$ 4,209,243
Net investment return	449,432	1,281,956	1,731,388	786,458	1,262,402	2,048,860
Administrative fees	168,682	-	168,682	139,161	-	139,161
Change in Split Interest Agreement	19,000	-	19,000	22,000	-	22,000
Gain on Extinguishment of PPP Loan	25,126	-	25,126	-	-	-
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	51,783	(51,783)	-	59,550	(59,550)	-
Net assets released from restrictions by grants and appropriations to fulfill purpose	974,919	(974,919)	-	506,387	(506,387)	-
Net assets released upon death of donor	2,044	(2,044)	-	-	-	-
<b>Total support and revenues</b>	<u>2,097,584</u>	<u>1,257,988</u>	<u>3,355,572</u>	<u>2,051,888</u>	<u>4,367,376</u>	<u>6,419,264</u>
<b>EXPENSES</b>						
Program services	1,423,821	-	1,423,821	1,009,734	-	1,009,734
Administration	183,879	-	183,879	247,603	-	247,603
Fundraising	64,628	-	64,628	66,549	-	66,549
<b>Total expenses</b>	<u>1,672,328</u>	<u>-</u>	<u>1,672,328</u>	<u>1,323,886</u>	<u>-</u>	<u>1,323,886</u>
Increase (decrease) in net assets	425,256	1,257,988	1,683,244	728,002	4,367,376	5,095,378
Net assets, beginning of year as previously stated	-	-	-	4,364,656	7,112,440	11,477,096
Cumulative effect of correction of an error	-	-	-	418,423	(418,423)	-
Net assets, beginning of year as restated	<u>5,511,081</u>	<u>11,061,393</u>	<u>16,572,474</u>	<u>4,783,079</u>	<u>6,694,017</u>	<u>11,477,096</u>
<b>Net assets end of year</b>	<u>\$ 5,936,337</u>	<u>\$ 12,319,381</u>	<u>\$ 18,255,718</u>	<u>\$ 5,511,081</u>	<u>\$ 11,061,393</u>	<u>\$ 16,572,474</u>

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Donor Services	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency	\$1,088,842	\$ -	\$ 416,171	\$1,505,013	\$ -	\$ -	\$1,505,013
Agency Funds grants paid	(315,202)	-	-	(315,202)	-	-	(315,202)
Grants approved (non-Agency)	773,640	-	416,171	1,189,811	-	-	1,189,811
Personnel costs	112,648	35,163	23,725	171,536	82,475	34,488	288,499
Fees for Services	1,675	523	353	2,551	70,640	512	73,703
Advertising and Promotion	-	-	-	-	-	17,824	17,824
Office expenses	2,936	917	618	4,471	7,548	6,005	18,024
Information Technology	12,647	3,948	2,662	19,257	9,259	3,870	32,386
Occupancy costs	2,614	7,509	550	10,673	1,914	799	13,386
Travel	-	-	-	-	1,472	-	1,472
Conferences and meetings	-	-	-	-	4,221	-	4,221
Interest	-	-	-	-	127	-	127
Depreciation	3,688	1,151	776	5,615	2,700	1,130	9,445
Insurance	-	-	-	-	3,523	-	3,523
Nonprofit program costs	-	19,907	-	19,907	-	-	19,907
Total Functional Expenses	<u>\$ 909,848</u>	<u>\$ 69,118</u>	<u>\$ 444,855</u>	<u>\$1,423,821</u>	<u>\$ 183,879</u>	<u>\$ 64,628</u>	<u>\$1,672,328</u>

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Donor Services	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency	\$1,161,407	\$ -	\$ 32,058	\$1,193,465	\$ -	\$ -	\$1,193,465
Agency Funds grants paid	(464,967)	-	-	(464,967)	-	-	(464,967)
Grants approved (non-Agency)	696,440	-	32,058	728,498	-	-	728,498
Personnel costs	135,847	33,282	1,670	170,799	161,689	31,586	364,074
Fees for Services	14,133	12,771	58	26,962	44,573	1,192	72,727
Advertising and Promotion	23,214	245		23,459	953	21,606	46,018
Office expenses	3,259	818	38	4,115	13,481	3,737	21,333
Information Technology	15,061	5,262	138	20,461	11,372	6,162	37,995
Occupancy costs	4,857	7,194	56	12,107	3,936	1,153	17,196
Travel	-	-	-	-	2,049	-	2,049
Conferences and meetings	-	-	-	-	3,011	-	3,011
Interest	-	-	-	-	-	-	-
Depreciation	4,131	1,030	48	5,209	3,349	983	9,541
Insurance	556	77	6	639	3,190	130	3,959
Nonprofit program costs	-	17,485	-	17,485	-	-	17,485
<b>Total Functional Expenses</b>	<b>\$ 897,498</b>	<b>\$ 78,164</b>	<b>\$ 34,072</b>	<b>\$1,009,734</b>	<b>\$ 247,603</b>	<b>\$ 66,549</b>	<b>\$1,323,886</b>

See accompanying notes to financial statements



COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	1,683,244	5,095,378
Adjustments to reconcile change in net assets to net cash used		
Depreciation	9,445	9,541
Stock gifts received	(148,774)	(341,866)
Net realized and unrealized (gain) loss on investments	(2,033,682)	(2,257,996)
(Increase) / Decrease in contributions receivable	1,250	(1,048)
(Increase) / Decrease in promises to give	1,644,425	(2,937,925)
(Increase) in split interest agreement	(19,000)	(229,000)
(Increase) / Decrease in prepaid expenses	450	(6,151)
(Decrease) / Increase in grants payable and accrued expenses	24,869	56,507
(Decrease) in deferred revenue	(10,320)	(5,230)
Increase in agency liability	682,495	92,172
Net cash provided (used) by operating activities	1,834,402	(525,618)
Cash flows from investing activities:		
Proceeds from sale of investment securities	3,687,401	4,607,925
Purchase of investment securities	(5,464,670)	(4,709,466)
Net cash used by investing activities	(1,777,269)	(101,541)
Net increase (decrease) in cash and cash equivalents	57,133	(627,159)
Cash and cash equivalents at beginning of year	377,076	1,004,235
Cash and cash equivalents at end of year	434,209	377,076
Components of cash and cash equivalents		
Cash and cash equivalents	353,556	269,251
Cash held as agent	71,101	107,825
Cash in endowment funds	9,552	-
	434,209	377,076
Supplemental disclosure information:		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

**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. The Community Foundations National Standards Board of the Council on Foundations determined CFFK complied with national standards in 2007 and recertified that compliance most recently in April 2019.

CFFK Holdings, 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. During the years 2020 and 2019, CFFK Holdings, LLC had no assets and was inactive.

CFFK operates three programs. Donor services program consists of soliciting, managing, and distributing grants for charitable purposes, primarily in Monroe County, Florida. By connecting donors with a professionally managed investment pool, CFFK facilitates prudent investment management practices for individuals and not-for-profit organizations. CFFK also provides resources to professional advisors and donors to advance philanthropy by connecting donors with organizations in Monroe County, Florida. The second program is the Center for Nonprofit Excellence. This program provides leadership training to Monroe County not-for-profit board members and staff, recognizes volunteer achievement, and supports not-for-profit organizations with research resources. The third program is to identify unmet needs in the community and to work with other community organizations and individuals to meet those needs. During the years ended December 31, 2020 and 2019, CFFK facilitated grants and fundraising for recovery from Hurricane Irma, which struck the Florida Keys on September 10, 2017, and for Monroe County nonprofits providing food, housing, and other assistance in response to the global pandemic. Since 2018 CFFK has been fiscal agent for Monroe County Long Term Recovery Group to support direct assistance to individuals and other efforts for recovery.

**b) Basis of Presentation**

The financial statements have been prepared under the accrual basis of accounting under the guidance of Financial Accounting Standards Board under its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)- Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 effective January 1, 2017.

**c) Net Assets**

CFFK is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

**c) Net Assets (continued)**

*Net Assets Without Donor Restrictions* are net assets available for use in general operations and program services that are not subject to donor restrictions. The Board of Governors has designated, from net assets without donor restrictions, net assets for an operating reserve and an endowment.

*Net Assets With Donor Restrictions* are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. CFFK classifies donor advised funds that are formed for general charitable purposes as net assets subject to purpose restrictions while the donor advisor (or successor advisor) recommends grants from the funds. Donor advised funds without specific purpose restrictions are reclassified as without donor restrictions after the donor advisor (or successor advisor) is no longer making grant recommendations. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**d) Revenue Recognition**

Revenue is recognized when earned. Program service fees, including volunteer recognition and leadership training programs, received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. No changes to prior year revenue were required from adopting this standard.

**e) Cash and Cash Equivalents**

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

**f) Accounts and Contributions Receivable**

Accounts receivable are recorded for amounts due from vendors. Pledges are recognized for donors' intentions to give for future operating costs. Recognition of contribution revenue from pledges is deferred until the period designated by the donor.

**g) Promises to Give**

Promises to Give are recorded when irrevocable and CFFK has the facts available to determine the fair value. We initially record and subsequently adjust the value of promises to give using present value technique that incorporates risk-adjusted discount rates to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contributions and program revenues in the statement of activities.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

***h) 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.

Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses and administrative fees paid to CFFK.

At December 31, 2020 and 2019 Investments primarily consist of mutual funds, exchange traded funds, stocks and corporate bonds that are carried at market value, as quoted on major stock exchanges. Investments also include FDIC Insured accounts and money market funds that maintain a constant net asset value of \$1 per share. Contributions of stock 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 reflected in the statement of activities as support and revenue without donor restrictions unless the underlying asset relating to the gains and losses and other investment income is classified in net assets with donor restrictions.

CFFK pools most donor funds to obtain greater investment advantage and more efficient administration. The investments are managed under the Investment 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. CFFK periodically allocates income and expenses, gains and losses from pooled investments based on a unitization calculation that reflects the daily proportion of each donor fund's assets to the total pool.

***i) Fixed assets***

Building, computers, 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.

***j) Split Interest Agreement***

Split interest agreements are recorded when irrevocable and all the facts necessary to value a beneficial interest are available. The split interest assets are held by a third party. Upon the death of a named beneficiary, the remaining assets are payable to CFFK. Gifts and subsequent changes in the fair value of the split interest agreement are recorded using present value technique that incorporates risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

***k) Concentrations of Credit and Market Risk***

Financial instruments that potentially expose CFFK to concentrations of credit and market risk consist primarily of cash equivalents and mutual funds. Cash equivalents are maintained at financial institutions that in management's opinion are viable. Substantially all of cash and cash equivalents are secured by perfected interest in securities that have a value more than the deposit amount. The amounts thus secured are \$257,921 and \$345,379 at December 31, 2020

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

***k) Concentrations of Credit and Market Risk (continued)***

and 2019, respectively. CFFK has not experienced any losses on its cash equivalents. However, investments in 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 CFFK's contributor base. However, most of the contributor base is concentrated in the Lower Florida Keys area. Contributions received from donors for the year ended December 31, 2020 which individually exceeded five percent of contributions and program revenues consisted of four gifts totaling \$408,961. These gifts were approximately 29% of contributions and program revenues for 2020. Two of these gifts were from estates supporting education and nonprofit organizations in Monroe County. One gift was to a Donor Advised fund for general charitable purposes. One additional gift was to establish an endowment to improve the quality of life with an emphasis on activities in Key West, Florida. Contributions received from donors for the year ended December 31, 2019 which individually exceeded five percent of contributions and program revenues consisted of two estate gifts totaling \$3,010,925. These gifts were approximately 72% of contributions and program revenues for 2019. The estate gifts were contributed to an endowment designated to support specific not-for-profit organizations in Monroe County, and to non-endowed funds for teacher awards and college scholarships.

No gifts from third party donors to support general expenditures exceeded 5% of gifts for this purpose.

***l) Functional Allocation of Expenses***

The costs of providing the Program Services, Administrative and Fundraising activities have been summarized on a functional basis in the statement of functional expenses. When possible, expenses are assigned directly to the functional classification. Indirect costs have been allocated primarily on the percentage of staff time related to program, administrative and fundraising activities.

***m) Donated Services and Goods***

CFFK receives significant value in donated services from unpaid volunteers who act as the Board of Governors, assist in fund-raising and special projects. The value of these services is not recorded as in-kind gifts and expenditures.

***n) Income Taxes***

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 believes that it has appropriate support for any tax positions taken and as such does not have an uncertain tax position that would be material to the financial statements. CFFK's tax returns are subject to routine audits by taxing jurisdictions, however, currently there are no such audits in progress. Tax returns for years before 2017 are no longer subject to examination. Management has evaluated the need for a reserve for income tax liability and determined that no reserve is required at December 31, 2020 or 2019.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

**o) 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, and those differences could be material.

**p) Variance Power**

CFFK bylaws and fund agreements include a variance provision giving the Board of Governors the power to modify any restriction or condition placed on gifts 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.

**q) 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 can 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, and grants payable and accrued expenses.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2020 and 2019

**q) Fair Value of Financial Instruments (continued)**

CFFK's Investments as of December 31, 2020 and 2019 are valued based on quoted market prices and are considered Level 1. Promises to Give and Split Interest Agreement as of December 31, 2020 and 2019 are based on present value techniques and are considered Level 2.

**2. Correction of an Error**

In November 2018 CFFK received a distribution from Individual Retirement Accounts following the death of a donor who previously had created an endowment fund agreement. At that time, accounting for these gifts was an addition to the deceased donor's endowment fund. In February 2019, CFFK received a copy of the will of the donor that provided for a specific bequest to fund the endowment with assets from the donor's living trust. Based on that information and expectations that a legal challenge would be settled by the end of 2020, a promise to give was recorded for the difference between the specific bequest and the amount received from the Individual Retirement Accounts. In November 2020 CFFK became aware that the Individual Retirement Accounts were not a part of the living trust assets, and accordingly represented an additional unrestricted gift. The error in 2018 of recording an unrestricted gift as an addition to an endowment has been corrected in these financial statements.

At December 31, 2018, the correction required a decrease to contributions and service revenues with donor restrictions and a decrease to net investment loss with donor restrictions. Because the gifts from the Individual Retirement Accounts were without restrictions, there was a corresponding increase in contributions and program service revenues without donor restrictions and an increase in net investment loss without donor restrictions. The change in net assets from this correction are shown on the Statement of Activities for the year ended December 31, 2019 as the adjustment to net assets at the beginning of the year.

Corrections to the Statement of Activities for the year ended December 31, 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and program service revenues	\$ 443,985	\$ (443,985)	\$ -
Net investment return (loss)	(25,562)	25,562	-
Change in net assets at December 31, 2018	<u>\$ 418,423</u>	<u>\$ (418,423)</u>	<u>-</u>

At December 31, 2019, several corrections were required. A final distribution from the Individual Retirement Accounts increased contributions and program service revenues without donor restrictions. The promise to give based on the donor's will was adjusted increasing contributions and program service revenues with donor restrictions to record the specific gift. Net investment return with donor restrictions decreased because the Individual Retirement Account assets earned revenues without donor restrictions. To respond to a legal challenge to the estate distributions, CFFK engaged an outside attorney. For the year ended December 31, 2019 attorney fees were originally allocated to the endowment fund and reported as part of net assets released from restrictions by grants and appropriations to fulfill purpose. The original amount charged to the endowment fund decreased because the Board of Governors deemed it to be appropriate to

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
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**2. Correction of an Error (continued)**

allocate only 50% of legal fees to the endowment fund, considering that CFFK was named as the residual beneficiary of the estate. The reallocation of legal fees decreased program service expense and increased administrative expense.

Corrections to the Statement of Activities for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and program service revenues	\$ 22	\$ 417,367	\$ 417,389
Net investment return	50,729	(44,183)	6,546
Administrative fees	(6,546)	-	(6,546)
Net assets released from restrictions by grants and appropriations to fulfill purpose	(9,083)	9,083	-
Total support and revenues	<u>\$ 35,122</u>	<u>\$ 382,267</u>	<u>\$ 417,389</u>
Program services	(9,083)	-	(9,083)
Administration	9,083	-	9,083
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 35,122</u>	<u>\$ 382,267</u>	<u>\$ 417,389</u>

**3. Liquidity and Availability**

CFFK receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish and increase endowments that will exist in perpetuity. The income generated from such endowments is used to fund programs recommended by the donor or at the discretion of the Board if there are no donor-imposed purpose restrictions.

The Board has established a long-term goal to cover the costs of general expenditures through:

- spending policy distributions from funds controlled by the Board,
- administrative fees earned on donor fund investment balances,
- program service fees, and
- investment return on operating reserves.

These revenue sources provided 95% and 68% of applicable costs for the years ended December 31, 2020 and 2019, respectively. General expenditures include administrative and general expenses, fundraising expenses, and cost of programs, excluding grants paid by programs.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year comprise the following:



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**3. Liquidity and Availability (continued)**

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 203,406	\$ 224,485
Pledges and accounts receivable	-	1,000
Operating reserves held in investments	254,258	211,789
Endowment spending policy distributions and appropriations:		
Endowments without restrictions	11,094	10,893
Board designated endowment funds	163,811	161,387
	632,569	609,554
Less Board designation of operating reserves in January, 2021	(224,083)	-
Total financial assets available within one year	\$ 408,486	\$ 609,554
 <b>Liquidity Resources</b>		
Board designated endowments available for general operations	\$ 4,275,899	\$ 3,984,625
Total Financial Assets and Liquidity Resources Available within one year	\$ 4,684,385	\$ 4,594,179

As part of the liquidity management plan, CFFK invests cash greater than normal operating requirements in short-term investments. The board has established a goal to have 180 days of operating reserves. Occasionally, the board transfers a portion of the operating reserves greater than this target to the board designated endowment. Based on operating results for 2020, on January 19, 2021 the board transferred \$93,083 from operating reserves to the board designated endowment. In addition, the Board also designated \$131,000 of excess operating reserves for future grants to nonprofit organizations.

CFFK can receive cash from investment accounts within a few days to fulfill grant recommendations from donor advised funds and make distributions from not-for-profit agency funds.

**4. Contributions and Accounts Receivable**

Contributions receivable represent unconditional promises to give. Contributions receivable are \$0 and \$1,000 at December 31, 2020 and 2019, respectively. Accounts receivable consist of refundable deposits and matching gifts of \$10,000 and \$10,250 at December 31, 2020 and 2019, respectively.

Because all 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 contributions receivable at December 31, 2020 or 2019.

**5. Promises to Give**

Promises to Give represent gifts from donor's estates to distinct funds at CFFK. Because of probate and challenges to the estate distribution, these promises are not expected to be received in the same year as the gift is recorded. The challenges to the estate distribution do not involve the specific bequests to CFFK, but that is a main reason the gifts will be paid to CFFK in future periods. Additional disclosures are in Footnote 15 Litigation.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

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**5. Promises to Give (continued)**

Amounts receivable from promises to give are estimated to be received as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year:	\$ 1,293,500	\$ 1,715,925
Receivable in one to five years:	-	1,222,000
Total Promises to Give	<u>\$ 1,293,500</u>	<u>\$ 2,937,925</u>

**6. Fixed Assets**

Fixed Assets consist of the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 360,000	\$ 360,000
Computer and Office Equipment	21,290	21,290
	381,290	381,290
Less allowance for depreciation	(138,116)	(128,671)
Net fixed asset value	<u>\$ 243,174</u>	<u>\$ 252,619</u>

Depreciation expense was \$9,445 and \$9,541 for the years ended December 31, 2020 and 2020, respectively.

**7. Investments**

CFFK manages two investment pools for donor funds: the endowment pool and a short-term pool. Within these pools short-term, highly liquid investments are included as part of investments rather than cash equivalents. Investments 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, 2020 and 2019:

Investment Category	<u>2020</u>	<u>2019</u>
	Level 1 Fair Value	Level 1 Fair Value
Cash and Money Market Funds	\$ 202,510	\$ 276,429
U.S. Corporate Bonds	-	24,014
U.S. Bond Funds	3,239,691	2,752,930
International Bond Funds	958,114	857,141
U.S. Corporate Stock	28,984	22,650
U.S. Equity Funds	9,965,000	7,873,663
International Equity Funds	3,920,433	3,014,527
Real Estate Funds	1,292,814	1,128,659
Energy / Natural Resources Funds	1,606,772	1,304,579
Total Investments	<u>\$ 21,214,318</u>	<u>\$ 17,254,592</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
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**7. Investments (continued)**

The following schedule summarizes the investment return and its classification in the statement of activities for the periods ended December 31, 2020 and 2019:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest & dividends	\$ 96,608	\$ 215,941	\$ 312,549
Net realized gain (loss)	(5,361)	(13,113)	(18,474)
Unrealized gain (loss)	373,232	1,237,437	1,610,669
Investment management fees	(15,047)	(36,057)	(51,104)
Administrative fees	-	(122,252)	(122,252)
Total Investment Return	\$ 449,432	\$ 1,281,956	\$1,731,388

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest & dividends	\$ 157,116	\$ 263,871	\$ 420,987
Net realized gain (loss)	30,142	51,741	81,883
Unrealized gain (loss)	615,973	1,072,037	1,688,010
Investment management fees	(16,773)	(29,636)	(46,409)
Administrative fees	-	(95,611)	(95,611)
Total Investment Return	\$ 786,458	\$ 1,262,402	\$ 2,048,860

The endowment pool has a time weighted return of approximately 10.06% and 20.73% for the years ended December 31, 2020 and 2019 respectively before considering administrative fees.

**8. Split Interest Agreement**

During 2019 CFFK recorded \$207,000 as a gift relating to a split interest agreement for trust assets held by a third party. Upon the death of a named beneficiary, the remaining assets are payable to CFFK. The current beneficiary receives quarterly distributions computed at 9% of the assets as of the beginning of the year. CFFK has valued the gift and subsequent change in the value of the split interest agreement using a discounted cash flow technique based upon the asset values, mortality tables published by the Social Security Administration, net investment earnings of 5% and a 6% discount rate. The assumptions were used at December 31, 2020 and 2019 to value the Split Interest Agreement. A change in split interest agreement of \$19,000 and \$22,000 are recorded as an increase in Support and Revenue in the Statement of Activities for the years ended December 31, 2020 and 2019, respectively.

**9. Endowments**

At December 31, 2020, CFFK maintained 157 distinct funds (156 distinct funds at December 31, 2019) established for a variety of purposes, including scholarships, funds to benefit specific Florida Keys not-for-profit organizations, and funds directed to a field of interest including arts and culture, health and human services, the environment, education, and disaster relief. Thirty-four (34) of these funds are considered endowments (33 distinct funds at December 31, 2019), either because they are donor restricted and

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**9. Endowments (continued)**

intended to be an endowment or the board has designated the fund to be an endowment.

Currently the board has designated three funds as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

CFFK is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Governors appropriates such amounts for expenditure. Most of the endowments managed by CFFK are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Governors of CFFK has interpreted FUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. None of the donor-restricted endowment funds managed by CFFK have donor directions to maintain purchasing power. Although a fund agreement may state an intention to be an endowment, the Board of Governors may honor grant requests during the original donor's lifetime in excess of the spending policy amount. Accordingly, CFFK does not classify these funds as endowments so long as the original donor recommends grants. When the original donor is deceased or has expressed an intention to limit grants to the spending policy, the fund balance at that time plus any subsequent gifts are used to determine whether the endowment fund is underwater.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, CFFK considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations of the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor agreement. CFFK has interpreted FUPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with FUPMIFA, CFFK considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund.
2. The purposes of both CFFK and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the beneficiaries of the endowment fund.
7. CFFK's investment policy.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

**9. Endowments (continued)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Board designated endowment funds	\$4,346,627	-	-	\$ 4,346,627
Donor-restricted endowment funds: Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 3,758,218	\$ 248,442	\$ 4,006,660
Accumulated investment gains / (losses)	-	503,382	51,912	555,294
Net assets	<u>\$4,346,627</u>	<u>\$ 4,261,600</u>	<u>\$ 300,354</u>	<u>\$ 8,908,581</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Endowment net assets, beginning of year	\$ 4,146,012	\$ 3,835,089	\$ 285,757	\$ 8,266,858
Investment return, net	422,984	266,685	25,097	714,766
Contributions	-	231,846	-	231,846
Appropriation of endowment assets for expenditure	(222,369)	(72,020)	(10,500)	(304,889)
Endowment net assets, end of year	<u>\$ 4,346,627</u>	<u>\$ 4,261,600</u>	<u>\$ 300,354</u>	<u>\$ 8,908,581</u>

Endowment net Asset Composition by Type of Fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Board designated endowment funds	\$ 4,146,012	-	-	\$ 4,146,012
Donor-restricted endowment funds: Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,571,253	248,442	3,819,695
Accumulated investment gains / (losses)	-	263,836	37,315	301,151
Total funds	<u>\$ 4,146,012</u>	<u>\$ 3,835,089</u>	<u>\$ 285,757</u>	<u>\$ 8,266,858</u>

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**9. Endowments (continued)**

Changes in Endowment Net Assets for the Year Ended December 31, 2019:				
	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Endowment net assets, beginning of year	\$ 3,547,853	\$ 2,137,787	\$ 249,683	\$ 5,935,323
Investment return, net	724,953	417,999	45,803	1,188,755
Contributions	85,000	1,338,208	-	1,423,208
Appropriation of endowment assets for expenditure	(211,794)	(58,905)	(9,729)	(280,428)
Endowment net assets, end of year	<u>\$ 4,146,012</u>	<u>\$ 3,835,089</u>	<u>\$ 285,757</u>	<u>\$ 8,266,858</u>

**Underwater Endowment Funds**

From time to time, the fair value of assets associated with distinct donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires CFFK to retain as a fund of perpetual duration. At December 31, 2020, deficiencies of this nature exist in three of 34 donor-restricted endowment funds. These three funds together have an original gift value of \$360,300 and a deficiency of \$55,706. At December 31, 2019, deficiencies of this nature exist in five of 33 donor-restricted endowment funds. These five funds together have an original gift value of \$392,268, a current fair value of \$314,927 and a deficiency of \$77,341.

Deficiencies at December 31, 2020 and 2019 primarily relate to continued appropriation for grants that were deemed prudent by the Board of Governors. During 2020, two of the five endowments that were underwater on the first day of the year recorded net investment income that cured the underwater condition. During 2019, 15 of the 20 endowments that were underwater on the first day of the year recorded net investment income that cured the underwater condition.

If prudent, the Board of Governors may approve grants from underwater endowment funds unless otherwise precluded by donor intent or relevant laws and regulations. The Board of Governors appropriated spending policy grants of \$5,278 for the year ended December 31, 2020 from two endowment funds and \$41,491 for the year ended December 31, 2019 from fourteen endowments that were underwater as of the first day of the applicable year.

For fund agreements that state an intention to be an endowment, the Board of Governors may approve requests from the donor greater than the spending policy to meet the purpose of the endowment, even if these grants will result in distribution of a portion of the original and/or subsequent gift amounts. For donor advised funds, when the original donor is no longer making grant recommendations, the Board of Governors will enforce the spending policy when determining grants paid from these endowment funds to preserve the balance of the fund as of the donor's date of death and will exercise its variance power to distribute income from the endowed fund to meet community needs.

**Return Objectives and Risk Parameters**

CFFK has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
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**9. Endowments (continued)**

the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated endowments. In November 2016, the Board of Governors approved a change in the target asset allocation. Under this policy, the endowment assets are invested in a manner that is intended to produce results after inflation that equal or exceed the spending policy amount plus the average administrative fee charged to the endowment funds. At December 31, 2020, this target rate of return is 5.45 percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives with a prudent level of risk, CFFK relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CFFK uses a diversified asset allocation, primarily through mutual funds and exchange traded funds that invest in domestic and international equities, domestic and international bonds, real estate, energy/natural resources, and cash equivalents. At December 31, 2020, the target allocation was 81.25 percent equity and 18.75 percent bonds.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

CFFK has a policy of appropriating for distribution each year 4.25% of its endowment funds' average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, CFFK considered the long-term expected return on its endowment. Accordingly, over the long term CFFK expects the current spending policy to allow appropriations at the target rate of return of the endowment portfolio, adjusted for inflation. The target rate of return, after inflation, at December 31, 2020 is 5.45%. This target rate approximates the spending policy for grants plus an average administrative fee to be appropriated from the fund.

**10. Grants Payable**

Grants payable primarily relate to scholarships paid over a multi-year period and grants approved late in the year that were distributed early in the following year. For the years ended December 31, 2020 and 2019 they consist of the following:

	2020	2019
Payable in less than one year	\$ 37,500	\$ 31,500
Payable in one to five years	25,000	27,500
Total	\$ 62,500	\$ 59,000

**11. Deferred Revenue**

CFFK has recorded \$10,320 of deferred revenue for events to be held during the first three months of 2020 as of December 31, 2019. There was no deferred revenue as of December 31, 2020.

**12. Funds Held as Agent**

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

**12. Funds Held as Agent (continued)**

The transfers to the fund, related investment income (losses), fees earned and grants 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.

The change in funds held as agent are summarized as follows:

	2020	2019
Agency liability at beginning of year	\$ 4,390,525	\$ 4,298,353
Funds received as agent	580,043	569,338
Inter-fund transfers to agency funds	6,513	1,351
Interest and dividends, net of fees	80,639	128,222
Realized investment gain (loss)	(5,666)	28,614
Unrealized investment gain (loss)	447,381	566,848
Grants to not-for-profit organizations	(309,089)	(410,387)
Inter-fund transfer by agency funds	(6,113)	(54,580)
Administrative fees	(46,431)	(43,550)
Payments as fiscal agent	(64,782)	(693,684)
Agency liability at end of year	<u>\$ 5,073,020</u>	<u>\$ 4,390,525</u>

**13. Net Assets With Donor Restrictions**

Donor restrictions placed on gifts to distinct funds may be to a specific not-for-profit organization or to a general field of interest. Some donors also specify that the gifts are intended to create an endowment. Net assets with donor restrictions are restricted for the following purposes:

	2020	2019
<b>Non-Endowments</b>		
Subject to expenditure for specified purpose:		
Arts & Culture	\$ 1,781,557	\$ 1,680,486
Health & Human Services	1,279,304	1,254,260
Education	3,243,756	2,534,841
Disaster and Emergency Relief	136,320	175,917
Environment	33,504	32,075
General Philanthropy	1,282,986	1,262,970
	<u>\$ 7,757,427</u>	<u>\$ 6,940,549</u>
<b>Endowments</b>		
Subject to endowment spending policy and appropriation:		
Arts & Culture	\$ 2,114,961	\$ 1,952,468
Health & Human Services	615,232	436,849
Education	163,752	154,376
Environment	30,082	28,792
Animal Welfare	92,212	84,008
General Philanthropy	1,301,067	1,255,935
Available for general purposes	300,354	285,757
Underwater endowments	(55,706)	(77,341)
	<u>\$ 4,561,954</u>	<u>\$ 4,120,844</u>
Total Net Assets with restrictions	<u>\$ 12,319,381</u>	<u>\$ 11,061,393</u>



COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
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**13. Net Assets With Donor Restrictions (continued)**

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

	2020	2019
<b>Non-Endowments</b>		
Grants and appropriations for specified purpose:		
Arts & Culture	\$ 124,317	\$ 5,000
Health & Human Services	169,795	81,470
Education	194,939	132,174
Disaster and Emergency Relief	416,170	32,058
Environment	14,250	1,750
Animal Welfare	12,750	-
General Philanthropy	11,960	244,852
Restrictions released upon death of donor adviser	2,044	-
	\$ 946,225	\$ 497,304
<b>Endowments</b>		
Subject to endowment spending policy and appropriation:		
Arts & Culture	\$ 21,916	\$ 22,810
Health & Human Services	12,212	19,236
Education	5,000	5,000
Environment	1,175	1,150
General Philanthropy	980	1,625
Available for general purposes	10,500	9,729
Variance power exercised appropriating expenditures for litigation	30,738	9,083
	\$ 82,521	\$ 68,633
Total Net Assets released	\$ 1,028,746	\$ 565,937

The table above does not include grants from unrestricted funds, pass through grants where the gift and grant occur in the same year and grants paid by agency funds. These grants totaled \$566,923 and \$636,608 for the years ended December 31, 2020 and 2019, respectively.

The Board of Governors exercised their variance power by appropriating for expenditure from an endowment fund \$30,338 and \$9,083 for legal fees related to an estate gift for the years ended December 31, 2020 and 2019, respectively. Footnote 15 provides more information about this litigation.

Accounting Standards provide that if the governing body may remove a donor restriction ("variance power") the contributions may be classified as assets without donor restrictions. However, the governing body of CFFK has adopted a policy 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 classifies funds where the donor is making grant recommendations as "with donor restrictions" until such time as the governing body deems appropriate to exercise its authority.

**14. 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 years ended December 31, 2020 and 2019 amounted to \$13,386 and \$17,196, respectively.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
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**15. Litigation**

Specific funds managed by CFFK are the beneficiary of gifts from two estates that are involved in litigation. One estate has litigation relating to the compensation of the trustee. The amount of the bequest to specific funds managed by CFFK was not a part of the litigation. The bequest of \$1,835,000 was received on March 13, 2020 for the benefit of two funds for Education.

A second estate has been challenged with respect to the amount of the bequest to a beneficiary unrelated to CFFK. Although the amount of the bequest to a specific fund at CFFK was not initially a part of the challenge, the Board of Governors has retained legal counsel to represent the interest of the specific fund named as beneficiary of the estate. The parties agreed to a negotiated settlement on November 17, 2020 that was approved by the court on January 4, 2021.

**16. Paycheck Protection Program Loan**

On April 22, 2020, CFFK received a \$25,000 loan under the Paycheck Protection Program. An application for forgiveness was submitted and on October 28, 2020 CFFK was informed that the loan had been forgiven. The original amount of the loan plus interest of \$126 are shown as a gain on extinguishment of PPP Loan in the 2020 Statement of Activities.

**17. Subsequent Events**

CFFK has evaluated events and transactions occurring subsequent to December 31, 2020 as of May 18, 2021 which is the date the financial statements were available to be issued. Subsequent events occurring after May 18, 2021 have not been evaluated by management.

The initial distribution of \$1,295,737 to a specific fund at CFFK was received on January 25, 2021 following court approval on January 4, 2021 of the settlement agreement. On May 4, 2021 CFFK received the first distribution of the residuary for \$401,721. From this distribution, \$75,000 was for the specific fund and the balance was an unrestricted gift. A final distribution of the residuary is expected in 2022. Because there are insufficient facts to quantify the amount of the residuary, no gift has been recorded for it at December 31, 2020.

Other than as discussed in the notes above, no material events have occurred since December 31, 2020 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 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, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2021.

**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.

*Smith, Burgin & Associates, LLC.*

May 18, 2021