



April 2022

Friends of the Community Foundation of the Florida Keys:

This year we celebrate achieving two major goals for our 25th anniversary: **\$25 million dollars** in assets under management, achieved by positive market performance and contributions; and **\$1 million** raised for our endowment fund. The endowment growth was accomplished with your generous support and commitment to make the Community Foundation 100% self-sustaining.

2021 was a year of positive change for the Community Foundation, including:

- Launching three regional advisory councils in the Upper, Middle, and Lower Keys.
- Transitioning to a robust software system, which helps us provide better service to our donors.
- Selecting a new investment manager, Ashlinn Barber at Fidelity Investments.
- Hiring our first full-time CFO, Elizabeth Miller, a highly-experienced certified public accountant.
- Adding two certified public accountants to our Board, Andrea Spottswood and Thomas Swain.

As we look to the future, the Community Foundation will continue to support nonprofits by promoting sustainability through endowments and continuing to grant more money each year to the community. The Foundation received a large estate gift from Peter MacDougall at the end of 2021, which is included in cash on the balance sheet. The Board designated \$500,000 of this gift to nonprofit endowments through a matching program. Matches are also being made to all gifts to the new Upper, Middle, and Lower Keys Future Funds. In 2021, we awarded \$217,266 to nonprofits through our competitive grants program, compared to \$144,500 granted in 2020.

On behalf of the Board of Governors and staff, we thank you for supporting us as we continue to make the Florida Keys a better place to live by connecting people, resources, and needs through philanthropy.

In Paradise for Good,

Dr. Susanne Woods
Board Chair

Jennifer McComb
President and CEO



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COMMUNITY FOUNDATION
OF THE FLORIDA KEYS, INC.

Financial Statements

December 31, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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
April 19, 2022

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Statement of Financial Position
At December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 738,871	\$ 353,556
Accounts and contributions receivable	-	5,000
Promises to give	-	-
Prepaid Expense	11,520	11,006
Investments	10,094,461	8,556,533
Funds held as agent		
Cash and cash equivalents	-	71,101
Contributions receivable	-	-
Investments	5,546,500	5,001,919
Total funds held as agent	5,546,500	5,073,020
Split interest agreement	285,000	248,000
Building	366,160	360,000
Computers and office equipment	21,290	21,290
Less accumulated depreciation	(147,330)	(138,116)
Net fixed assets	240,120	243,174
Funds held for endowments		
Cash and cash equivalents	52,525	9,552
Accounts and contributions receivable	124,423	5,000
Promises to give	-	1,293,500
Investments	10,961,504	7,655,866
Total funds held for endowments	11,138,452	8,963,918
Total Assets	\$ 28,054,924	\$ 23,454,207
Liabilities and net assets		
Grants payable	\$ 55,000	\$ 62,500
Accounts payable and accrued expenses	1,683	62,969
Deferred Revenue	18,295	-
Funds held as agent	5,546,500	5,073,020
Total Liabilities	5,621,478	5,198,489
Net Assets		
Without Donor Restrictions		
Undesignated	1,850,489	882,589
Designated by Board for reserves	570,380	463,947
Designated by Board for endowment	5,067,016	4,346,627
Invested in fixed assets	240,120	243,174
	7,728,005	5,936,337
With Donor Restrictions		
Perpetual in nature	5,553,587	4,617,660
Restricted to future periods	124,423	1,000
Purpose restrictions	9,049,269	7,756,427
Underwater endowments	(21,838)	(55,706)
	14,705,441	12,319,381
Total net assets	22,433,446	18,255,718
Total Liabilities and net assets	\$ 28,054,924	\$ 23,454,207

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, 2021</u>			<u>Year Ended December 31, 2020</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and program revenues	\$ 1,734,039	\$ 1,344,755	\$ 3,078,794	\$ 406,598	\$ 1,004,778	\$ 1,411,376
Net investment return	732,175	1,726,894	2,459,069	449,432	1,281,956	1,731,388
Administrative fees	259,691	-	259,691	168,682	-	168,682
Change in Split Interest Agreement	37,000	-	37,000	19,000	-	19,000
Gain on Extinguishment of PPP Loan	-	-	-	25,126	-	25,126
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	61,559	(61,559)	-	51,783	(51,783)	-
Net assets released from restrictions by grants and appropriations to fulfill purpose	626,491	(626,491)	-	974,919	(974,919)	-
Net assets released upon death of donor	-	-	-	2,044	(2,044)	-
Total support and revenues	3,450,955	2,383,599	5,834,554	2,097,584	1,257,988	3,355,572
EXPENSES						
Program services	1,447,972	-	1,447,972	1,423,821	-	1,423,821
Administration	140,715	-	140,715	183,879	-	183,879
Fundraising	68,139	-	68,139	64,628	-	64,628
Total expenses	1,656,826	-	1,656,826	1,672,328	-	1,672,328
Increase (decrease) in net assets	1,794,129	2,383,599	4,177,728	425,256	1,257,988	1,683,244
Net assets, beginning of year as restated	5,936,337	12,319,381	18,255,718	5,511,081	11,061,393	16,572,474
Net assets end of year	\$ 7,730,466	\$ 14,702,980	\$ 22,433,446	\$ 5,936,337	\$ 12,319,381	\$ 18,255,718

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Donor Services	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency	\$ 1,829,989	\$ -	\$ -	\$ 1,829,989	\$ -	\$ -	\$ 1,829,989
Agency Funds grants paid	(646,020)	-	-	(646,020)	-	-	(646,020)
Grants approved (non-Agency)	1,183,969			1,183,969			1,183,969
Personnel costs	145,424	45,821		191,245	87,956	36,764	315,965
Fees for Services	2,405	620		3,025	13,385	608	17,018
Advertising and Promotion				-		19,570	19,570
Office expenses	2,620	805		3,425	6,867	2,280	12,572
Information Technology	27,752	7,157		34,909	16,785	7,016	58,710
Occupancy costs	3,164	7,509		10,673	1,914	800	13,387
Travel				-	1,508		1,508
Conferences and meetings				-	5,919		5,919
Interest				-			-
Depreciation	4,356	1,123		5,479	2,635	1,101	9,215
Insurance				-	3,746		3,746
Nonprofit program costs		15,247		15,247			15,247
Total Functional Expenses	<u>\$ 1,369,690</u>	<u>\$ 78,282</u>	<u>\$ -</u>	<u>\$ 1,447,972</u>	<u>\$ 140,715</u>	<u>\$ 68,139</u>	<u>\$ 1,656,826</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 Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,177,728	\$ 1,683,244
Adjustments to reconcile change in net assets to net cash used		
Depreciation	9,215	9,445
Stock gifts received	(626,740)	(148,774)
Net realized and unrealized (gain) loss on investments	(2,016,644)	(2,033,682)
(Increase) / Decrease in contributions receivable	(114,423)	1,250
(Increase) / Decrease in promises to give	1,293,500	1,644,425
(Increase) / Decrease in split interest agreement	(37,000)	(19,000)
(Increase) / Decrease in fixed assets	(6,160)	-
(Increase) / Decrease in prepaid expenses	(514)	450
(Decrease) / Increase in grants payable and accrued expenses	(68,786)	24,869
(Decrease) / Increase in deferred revenue	18,295	(10,320)
Increase in agency liability	473,480	682,495
Net cash provided by operating activities	3,101,951	1,834,402
Cash flows from investing activities:		
Proceeds from sale of investment securities	3,633,252	3,687,401
Purchase of investment securities	(6,378,016)	(5,464,670)
Net cash used by investing activities	(2,744,764)	(1,777,269)
Net increase in cash and cash equivalents	357,187	57,133
Cash and cash equivalents at beginning of year	434,209	377,076
Cash and cash equivalents at end of year	\$ 791,396	\$ 434,209
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 738,871	\$ 353,556
Cash held as agent	-	71,101
Cash in endowment funds	52,525	9,552
	\$ 791,396	\$ 434,209
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, 2021 and 2020

1. Nature of Organization and Significant Accounting Policies

a) Organization

The Community Foundation of the Florida Keys, Inc. ("CFFK") (a not-for-profit corporation) was organized under the statutes of the State of Florida on May 1st, 1996 to create a permanent philanthropic endowment for the Florida Keys Community. 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 2022.

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 2021 and 2020, 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.

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, 2021 and 2020

c) Net Assets (continued)

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. We initially record and subsequently adjust the value of contributions receivable 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.

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, 2021 and 2020

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, 2021 and 2020 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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

k) Concentrations of Credit and Market Risk (continued)

The amounts thus secured are \$689,342 and \$257,921 at December 31, 2021 and 2020, 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, 2021 which individually exceeded five percent of contributions and program revenues consisted of four gifts totaling \$1,304,574. These gifts were approximately 47% of contributions and program revenues for 2021. Two of these gifts were from estates supporting nonprofit organizations in Monroe County. One gift was to establish an endowment for a civic league in Key West, Florida. One gift was to establish a Donor Advised fund for the visually impaired. 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.

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

n) Income Taxes (continued)

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 2018 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, 2021 or 2020.

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

q) Fair Value of Financial Instruments (continued)

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.

CFFK's Investments as of December 31, 2021 and 2020 are valued based on quoted market prices and are considered Level 1. Promises to Give and Split Interest Agreement as of December 31, 2021 and 2020 are based on present value techniques and are considered Level 2.

2. 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 100% and 95% of applicable costs for the years ended December 31, 2021 and 2020, 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 compromise the following:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 95,688	\$ 203,406
Pledges and accounts receivable	-	-
Operating reserves held in investments	200,583	254,258
Endowment spending policy distributions and appropriations:		
Endowments without restrictions	12,016	11,094
Board designated endowment funds	180,021	163,811
	488,308	632,569
Less Board designation of operating reserves in January 2022 and January 2021	(78,066)	(224,083)
Total financial assets available within one year	\$ 410,242	\$ 408,486
Liquidity Resources		
Board designated endowments available for general operations	\$ 5,147,651	\$ 4,275,899
Total Financial Assets and Liquidity Resources Available within one year	\$ 5,557,893	\$ 4,684,385

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

2. Liquidity and Availability (continued)

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 operating reserves greater than this target. Based on operating results for 2021, on January 18, 2022, the board transferred \$38,122 of excess operating reserves for future grants to nonprofit organizations. 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.

3. Contributions and Accounts Receivable

Contributions receivable represent unconditional promises to give. Contributions receivable are \$124,423 and \$0 at December 31, 2021 and 2020, respectively. Accounts receivable consist of refundable deposits and matching gifts of \$0 and \$10,000 at December 31, 2021 and 2020, respectively.

Management has determined there is no need to record a reserve for uncollectible contributions receivable at December 31, 2021 or 2020.

Amounts receivable from contributions receivable are estimated to be received as follows:

	2021	2020
Receivable in less than one year:	\$ 46,316	-
Receivable in one to five years:	78,107	-
Total Contributions Receivable	\$ 124,423	-

4. 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.

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

	2021	2020
Receivable in less than one year:	-	\$ 1,293,500
Receivable in one to five years:	-	-
Total Promises to Give	-	\$ 1,293,500

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

5. Fixed Assets

Fixed Assets consist of the following:

	2021	2020
Building	\$ 366,160	\$ 360,000
Computer and Office Equipment	21,290	21,290
	<u>387,450</u>	<u>381,290</u>
Less allowance for depreciation	(147,330)	(138,116)
Net fixed asset value	<u>\$ 240,120</u>	<u>\$ 243,174</u>

Depreciation expense was \$9,215 and \$9,445 for the years ended December 31, 2021 and 2020, respectively.

6. 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, 2021 and 2020:

Investment Category	2021	2020
	Level 1 Fair Value	Level 1 Fair Value
Cash and Money Market Funds	\$ 925,938	\$ 202,510
U.S. Corporate Bonds	5,732,914	-
U.S. Bond Funds	505,796	3,239,691
International Bond Funds	72,216	958,114
U.S. Corporate Stock	211,840	28,984
U.S. Equity Funds	12,504,569	9,965,000
International Equity Funds	6,161,364	3,920,433
Real Estate Funds	487,828	1,292,814
Energy / Natural Resources Funds	-	1,606,772
Total Investments	<u>\$ 26,602,465</u>	<u>\$ 21,214,318</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the periods ended December 31, 2021 and 2020:

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest & dividends	\$ 341,721	789,613	\$1,131,334
Net realized gain (loss)	1,266,327	3,317,272	4,583,599
Unrealized gain (loss)	(865,482)	(2,152,726)	(3,018,208)
Investment management fees	(10,391)	(29,262)	(39,653)
Administrative fees	-	(198,003)	(198,003)
Total Investment Return	<u>\$ 732,175</u>	<u>1,726,894</u>	<u>\$2,459,069</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

6. Investments (continued)

		2020	
	Without Donor Restrictions	With Donor Restrictions	Total
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

7. 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 6% and a 6% discount rate. The assumptions were used at December 31, 2021 and 2020 to value the Split Interest Agreement. A change in split interest agreement of \$37,000 and \$19,000 are recorded as an increase in Support and Revenue in the Statement of Activities for the years ended December 31, 2021 and 2020, respectively.

8. Endowments

At December 31, 2021, CFFK maintained 163 distinct funds (157 distinct funds at December 31, 2020) 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-six (36) of these funds are considered endowments (34 distinct funds at December 31, 2020), either because they are donor restricted and 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

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

8. Endowments (continued)

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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Board designated endowment funds	\$5,067,016	124,423	-	\$ 5,191,439
Donor-restricted endowment funds:				
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,150,268	248,442	4,398,710
Accumulated investment gains / (losses)	-	1,051,945	81,094	1,133,039
Net assets	<u>\$5,067,016</u>	<u>5,326,636</u>	<u>329,535</u>	<u>\$ 10,723,188</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

8. Endowments (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	With Donor Restrictions - Permanent in Nature	Total
Endowment net assets, beginning of year	\$ 4,346,627	4,261,600	300,354	\$ 8,908,581
Investment return, net	680,441	599,429	40,276	1,320,146
Contributions	277,197	516,073	-	793,270
Appropriation of endowment assets for expenditure	(237,249)	(50,466)	(11,094)	(298,809)
Endowment net assets, end of year	<u>\$ 5,067,016</u>	<u>5,326,636</u>	<u>329,536</u>	<u>\$ 10,723,188</u>

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
Total funds	<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>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

8. Endowments (continued)

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, 2021, deficiencies of this nature exist in two of 36 donor-restricted endowment funds. These two funds together have an original gift value of \$225,000 and a deficiency of \$21,838. 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.

Deficiencies at December 31, 2021 and 2020 primarily relate to continued appropriation for grants that were deemed prudent by the Board of Governors. During 2021, one of the three endowments that were underwater on the first day of the year recorded net investment income that cured the underwater condition. 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.

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 \$4,300 for the year ended December 31, 2021 from one endowment fund and \$5,278 for the year ended December 31, 2020 from two 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 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, 2021, this target rate of return is 5.45 percent annually. Actual returns in any given year may vary from this amount.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

8. Endowments (continued)

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, and cash equivalents. At December 31, 2021, 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, 2021 is 5.45%. This target rate approximates the spending policy for grants plus an average administrative fee to be appropriated from the fund.

9. 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, 2021 and 2020 they consist of the following:

	2021	2020
Payable in less than one year	<u>\$ 35,000</u>	<u>\$ 37,500</u>
Payable in one to five years	<u>20,000</u>	<u>25,000</u>
Total	<u><u>\$ 55,000</u></u>	<u><u>\$ 62,500</u></u>

10. Deferred Revenue

CFFK has recorded \$18,295 of deferred revenue for events to be held during the first two months of 2022 as of December 31, 2021. There was no deferred revenue as of December 31, 2020.

11. 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.

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

11. Funds Held as Agent (continued)

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

	2021	2020
Agency liability at beginning of year	\$ 5,073,020	\$ 4,390,525
Funds received as agent	410,304	580,043
Inter-fund transfers to agency funds	300	6,513
Interest and dividends, net of fees	306,124	80,639
Realized investment gain (loss)	1,396,665	(5,666)
Unrealized investment gain (loss)	(945,464)	447,381
Grants to not-for-profit organizations	(621,461)	(309,089)
Inter-fund transfer by agency funds	-	(6,113)
Administrative fees	(61,687)	(46,431)
Payments as fiscal agent	(11,301)	(64,782)
Agency liability at end of year	\$ 5,546,500	\$ 5,073,020

12. 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:

Non-Endowments	2021	2020
Subject to expenditure for specified purpose:		
Arts & Culture	\$ 2,023,183	\$ 1,781,557
Health & Human Services	1,386,033	1,279,304
Education	3,651,334	3,243,756
Disaster and Emergency Relief	151,815	136,320
Environment	38,159	33,504
General Philanthropy	1,798,745	1,282,986
	\$ 9,049,269	\$ 7,757,427
Endowments		
Subject to endowment spending policy and appropriation:		
Arts & Culture	\$ 2,400,736	\$ 2,114,961
Health & Human Services	745,090	615,232
Education	177,183	163,752
Environment	32,939	30,082
Animal Welfare	105,538	92,212
General Philanthropy	1,762,566	1,301,067
Available for general purposes	453,958	300,354
Underwater endowments	(21,838)	(55,706)
	\$ 5,656,172	\$ 4,561,954
Total Net Assets with restrictions	\$ 14,705,441	\$ 12,319,381

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

12. 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:

	2021	2020
Non-Endowments		
Grants and appropriations for specified purpose:		
Arts & Culture	\$ 138,512	\$ 124,317
Health & Human Services	262,804	169,795
Education	169,125	194,939
Disaster and Emergency Relief	150	416,170
Environment	8,566	14,250
Animal Welfare	11,675	12,750
General Philanthropy	35,659	11,960
Restrictions released upon death of donor adviser	-	2,044
	\$ 626,491	\$ 946,225
Endowments		
Subject to endowment spending policy and appropriation:		
Arts & Culture	\$ 29,287	\$ 21,916
Health & Human Services	14,666	12,212
Education	-	5,000
Environment	1,175	1,175
General Philanthropy	11,094	980
Available for general purposes	675	10,500
Variance power exercised appropriating expenditures for litigation	4,662	30,738
	\$ 61,559	\$ 82,521
Total Net Assets released	\$ 688,050	\$ 1,028,746

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 \$1,146,601 and \$566,923 for the years ended December 31, 2021 and 2020, respectively.

The Board of Governors exercised their variance power by appropriating for expenditure from an endowment fund \$4,662 and \$30,338 for legal fees related to an estate gift for the years ended December 31, 2021 and 2020, respectively. Footnote 14 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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

13. 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, 2021 and 2020 amounted to \$13,386 and \$13,386, respectively.

14. 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.

15. 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.

16. Subsequent Events

CFFK has evaluated events and transactions occurring subsequent to December 31, 2021 as of April 19, 2022 which is the date the financial statements were available to be issued. Subsequent events occurring after April 19, 2022 have not been evaluated by management.

Other than as discussed in the notes above, no material events have occurred since December 31, 2021 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, 2021 and 2020 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 April 19, 2022.

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.

April 19, 2022