

COMMUNITY FOUNDATION OF THE FLORIDA KEYS

July 2023

Friends of the Community Foundation of the Florida Keys:

Join us in beaming with pride as we look back on 2022 as the most successful in our organization's history.

- Thanks to our generous supporters, we raised over **\$3.4 million** in contributions and program revenues, compared to \$3,078,794 the previous year.
- The Foundation gave generously to our island community, granting out over **\$2 million** compared to \$1.8 million in 2021.
- All this was accomplished while keeping our operations budget nearly the same as previous years and covered in full by our own operating endowment, independent of community donations which now go 100% back to nonprofit grants and programs.
- The Foundation launched the **Florida Keys Volunteer Center**, a free service to the public and nonprofits. Visit **VolunteerKeys.com** to register and view local volunteer opportunities.

Notably in 2022, the market performance of both stocks and bonds was negative. Your Community Foundation holds steadfast to a strategy of long-term investing that has worked for us for decades. We thank you for your patience as we continue to invest diligently and take advantage of market opportunities to ensure the balances in our 170+ funds will rise again; in the meantime, we will make scheduled grants and serve our community as always, regardless of the volatility of the market.

It is our goal to be a permanent resource for Florida Keys nonprofits and it is a joy to report that **we have added 23 brand new nonprofit endowment funds**. It is our pleasure to now be managing funds in perpetuity for the benefit of the Bahama Village Music Program, Conch Republic Marine Army, Florida Bay Forever, Florida Keys Council of the Arts, Florida Keys Healthy Start Coalition, Florida Keys History & Discovery Foundation, Florida Keys Wildlife Society, Friends of the Key Largo Library, Friends of the Key West Library, Key West Art Center, Keys to be the Change, Key West Wildlife Center, Key West Community Sailing Center, Keys Choral Arts, The Lodging Association of the Florida Keys and Key West, MarineLab, Monroe Association for ReMARCable Citizens, Montessori Children's School of Key West, Mote Marine Laboratory, Saint Paul's Episcopal Church, Star of the Sea Foundation, Sunrise Rotary Foundation of Key West, and the Upper Keys Business & Professional Women.

It was an incredible year. On behalf of the Board of Governors and staff, thank you for making the Keys a better place by helping us connect people, resources, and needs through philanthropy.

Always Yours, In Paradise for Good,



Will Langley
Board Chair



305.292.1502
305.292.1598 Fax



Jennifer McComb
President and CEO



cffk@cffk.org



300 Southard Street, Suite 201
Key West, Florida 33040

COMMUNITY FOUNDATION
OF THE FLORIDA KEYS, INC.

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
9425 SUNSET DRIVE, SUITE 180
MIAMI, FLORIDA 33173
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021, 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, 2022 and 2021, 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
March 1, 2023

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Statement of Financial Position
At December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,582,541	\$ 738,871
Accounts and contributions receivable	-	-
Promises to give	-	-
Prepaid Expense	13,251	11,520
Investments	7,681,004	10,094,461
Funds held as agent		
Cash and cash equivalents	-	-
Investments	4,361,515	5,546,500
Total funds held as agent	4,361,515	5,546,500
Split interest agreement	200,000	285,000
Building	366,160	366,160
Computers and office equipment	23,257	21,290
Less accumulated depreciation	(156,732)	(147,330)
Net fixed assets	232,685	240,120
Funds held for endowments		
Cash and cash equivalents	-	52,525
Accounts and contributions receivable	102,031	124,423
Promises to give	-	-
Investments	10,257,619	10,961,504
Total funds held for endowments	10,359,650	11,138,452
Total Assets	\$ 24,430,646	\$ 28,054,924
Liabilities and net assets		
Grants payable	\$ 54,725	\$ 55,000
Accounts payable and accrued expenses	7,214	1,683
Deferred Revenue	-	18,295
Funds held as agent	4,361,515	5,546,500
Total Liabilities	4,423,454	5,621,478
Net Assets		
Without Donor Restrictions		
Undesignated	2,179,524	1,852,950
Designated by Board for reserves	434,693	570,380
Designated by Board for endowment	3,977,442	5,067,016
Invested in fixed assets	232,685	240,120
	6,824,344	7,730,466
With Donor Restrictions		
Perpetual in nature	6,169,355	5,656,172
Restricted to future periods	102,031	124,423
Purpose restrictions	6,911,462	8,922,385
	13,182,848	14,702,980
Total net assets	20,007,192	22,433,446
Total Liabilities and net assets	\$ 24,430,646	\$ 28,054,924

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Statement of Activities
For the years ended December 31, 2022 and 2021

	<u>Year Ended December 31, 2022</u>			<u>Year Ended December 31, 2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and program revenues	\$ 1,348,701	\$ 2,057,165	\$ 3,405,866	\$ 1,734,039	\$ 1,344,755	\$ 3,078,794
Net investment return	(1,117,094)	(2,591,902)	(3,708,996)	732,175	1,726,894	2,459,069
Administrative fees	268,843	-	268,843	259,691	-	259,691
Change in Split Interest Agreement	(85,000)	-	(85,000)	37,000	-	37,000
Gain on Extinguishment of PPP Loan	-	-	-	-	-	-
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	-	-	-	61,559	(61,559)	-
Net assets released from restrictions by grants and appropriations to fulfill purpose	863,432	(863,432)	-	626,491	(626,491)	-
Net assets released upon death of donor	-	-	-	-	-	-
 Total support and revenues	 <u>1,278,882</u>	 <u>(1,398,169)</u>	 <u>(119,287)</u>	 <u>3,450,955</u>	 <u>2,383,599</u>	 <u>5,834,554</u>
EXPENSES						
Program services	2,093,164	-	2,093,164	1,447,972	-	1,447,972
Administration	150,676	-	150,676	140,715	-	140,715
Fundraising	63,127	-	63,127	68,139	-	68,139
Total expenses	<u>2,306,967</u>	<u>-</u>	<u>2,306,967</u>	<u>1,656,826</u>	<u>-</u>	<u>1,656,826</u>
 Increase (decrease) in net assets	 <u>(1,028,085)</u>	 <u>(1,398,169)</u>	 <u>(2,426,254)</u>	 <u>1,794,129</u>	 <u>2,383,599</u>	 <u>4,177,728</u>
Net assets, beginning of year as restated	<u>7,852,429</u>	<u>14,581,017</u>	<u>22,433,446</u>	<u>6,058,300</u>	<u>12,197,418</u>	<u>18,255,718</u>
Net assets end of year	<u>\$ 6,824,344</u>	<u>\$ 13,182,848</u>	<u>\$ 20,007,192</u>	<u>\$ 7,852,429</u>	<u>\$ 14,581,017</u>	<u>\$ 22,433,446</u>

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Donor Services	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency	2,058,248	\$ -	-	\$ 2,058,248	\$ -	\$ -	\$ 2,058,248
Agency Funds grants paid	(269,880)	-	-	(269,880)	-	-	\$ (269,880)
Grants approved (non-Agency)	1,788,368	-	-	1,788,368	-	-	1,788,368
Personnel costs	143,856	42,364	-	186,220	99,370	41,565	327,155
Fees for Services	-	-	-	-	8,453	-	8,453
Advertising and Promotion	451	141	-	592	331	14,135	15,058
Office expenses	2,795	873	-	3,668	9,111	1,207	13,986
Information Technology	13,457	4,201	-	17,658	9,854	4,122	31,634
Occupancy costs	2,850	7,589	-	10,439	2,087	873	13,399
Travel	-	-	-	-	4,486	-	4,486
Conferences and meetings	-	-	-	-	7,207	-	7,207
Interest	-	-	-	-	-	-	-
Depreciation	3,999	1,249	-	5,248	2,929	1,225	9,402
Insurance	-	-	-	-	2,628	-	2,628
Nonprofit program costs	-	80,971	-	80,971	4,220	-	85,191
Total Functional Expenses	<u>\$ 1,955,776</u>	<u>\$ 137,388</u>	<u>\$ -</u>	<u>\$ 2,093,164</u>	<u>\$ 150,676</u>	<u>\$ 63,127</u>	<u>\$ 2,306,967</u>

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 Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (2,426,254)	\$ 4,177,728
Adjustments to reconcile change in net assets to net cash used		
Depreciation	9,402	9,215
Stock gifts received	-	(626,740)
Net realized and unrealized loss (gain) on investments	4,458,981	(2,016,644)
Decrease/(Increase) in contributions receivable	22,392	(114,423)
Decrease in promises to give	-	1,293,500
Decrease (Increase) in split interest agreement	85,000	(37,000)
Increase in prepaid expenses	(1,732)	(514)
Increase (Decrease) in grants payable and accrued expenses	5,256	(68,786)
(Decrease) / Increase in deferred revenue	(18,295)	18,295
(Decrease) Increase in agency liability	(1,184,985)	473,480
Net cash provided by operating activities	948,398	3,108,111
Cash flows from investing activities:		
Proceeds from sale of investment securities	2,671,499	3,633,252
Purchase of investment securities	(2,826,785)	(6,378,016)
Purchase of fixed assets	(1,967)	(6,160)
Net cash used by investing activities	(157,253)	(2,750,924)
Net increase in cash and cash equivalents	791,145	357,187
Cash and cash equivalents at beginning of year	791,396	434,209
Cash and cash equivalents at end of year	\$ 1,582,541	\$ 791,396
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 1,582,541	\$ 738,871
Cash held as agent	-	-
Cash in endowment funds	-	52,525
	\$ 1,582,541	\$ 791,396
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, 2022 and 2021

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 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021 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, 2022 and 2021

k) Concentrations of Credit and Market Risk (continued)

The amounts thus secured are \$1,570,060 and \$689,342 at December 31, 2022 and 2021, 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, 2022 which individually exceeded five percent of contributions and program revenues consisted of one gift totaling \$1,000,000. These gifts were approximately 27% of contributions and program revenues for 2022. 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 the 2021 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.

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 2019 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, 2022 or 2021.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2022 and 2021

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.

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.

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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2022 and 2021

q) Fair Value of Financial Instruments (continued)

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.

CFFK's Investments as of December 31, 2022 and 2021 are valued based on quoted market prices and are considered Level 1. Promises to Give and Split Interest Agreement as of December 31, 2022 and 2021 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% of applicable costs for the years ended December 31, 2022 and 2021, 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:

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
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2. Liquidity and Availability (continued)

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 1,582,541	\$ 738,871
Pledges and promises to give	-	-
Operating reserves held in investments	571,073	200,583
Endowment spending policy distributions and appropriations:	-	192,082
Total financial assets available within one year	\$ 2,153,614	\$ 1,131,536
Liquidity Resources		
Board designated endowments available for general operations	\$ 3,977,442	\$ 5,067,016
Total Financial Assets and Liquidity Resources Available within one year	\$ 6,131,056	\$ 6,198,552

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 \$102,031 and \$124,423 at December 31, 2022 and 2021, respectively. Accounts receivable consist of refundable deposits and matching gifts of \$0 at December 31, 2022 and 2021, respectively.

Management has determined there is no need to record a reserve for uncollectible contributions receivable at December 31, 2022 or 2021.

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

	2022	2021
Receivable in less than one year:	\$ 40,031	\$ 46,316
Receivable in one to five years:	62,000	78,107
Total Contributions Receivable	\$ 102,031	\$ 124,423

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
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4. Fixed Assets

Fixed Assets consist of the following:

	2022	2021
Building	\$ 366,160	\$ 366,160
Computer and Office Equipment	23,257	21,290
	389,417	387,450
Less allowance for depreciation	(156,732)	(147,330)
Net fixed asset value	\$ 232,685	\$ 240,120

Depreciation expense was \$9,402 and \$9,215 for the years ended December 31, 2022 and 2021, respectively.

5. Investments

CFFK manages 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, 2022 and 2021:

Investment Category	2022	2021
	Level 1 Fair Value	Level 1 Fair Value
Cash and Money Market Funds	\$ 695,220	\$ 925,938
U.S. Corporate Bonds	5,856,223	5,732,914
U.S. Bond Funds	453,353	505,796
International Bond Funds	15,021	72,216
U.S. Stock and Equity Funds	10,493,282	12,716,409
International Equity Funds	4,787,039	6,161,364
Real Estate Funds	-	487,828
Total Investments	\$ 22,300,138	\$ 26,602,465

The following schedule summarizes the investment return and its classification in the statement of activities for the periods ended December 31, 2022 and 2021:

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

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest & dividends	\$246,938	551,963	\$ 798,901
Net realized gain (loss)	(78,303)	(191,527)	(269,830)
Unrealized gain (loss)	(1,271,054)	(2,918,097)	(4,189,151)
Investment management fees	(14,675)	(34,241)	(48,916)
Total Investment Return	<u>\$ (1,117,094)</u>	<u>(2,591,902)</u>	<u>\$ (3,708,996)</u>

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest & dividends	\$ 341,721	789,613	\$1,131,334
Net realized gain (loss)	1,266,327	3,119,269	4,385,596
Unrealized gain (loss)	(865,482)	(2,152,726)	(3,018,208)
Investment management fees	(10,391)	(29,262)	(39,653)
Total Investment Return	<u>\$ 732,175</u>	<u>1,726,894</u>	<u>\$2,459,069</u>

6. 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, 2022 and 2021 to value the Split Interest Agreement. A change in split interest agreement of (\$85,000) and \$37,000 are recorded as a decrease and an increase in Support and Revenue in the Statement of Activities for the years ended December 31, 2022 and 2021, respectively.

7. Endowments

At December 31, 2022, CFFK maintained 175 distinct funds (163 distinct funds at December 31, 2021) 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. Sixty-seven (67) of these funds are considered endowments (36 distinct funds at December 31, 2021), 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 certain 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.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
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7. Endowments (continued)

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
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7. Endowments (continued)

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

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	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	-	4,398,710	4,398,710
Accumulated investment gains / (losses)	-	1,133,039	1,133,039
Net assets	<u>\$5,067,016</u>	<u>5,656,172</u>	<u>\$ 10,723,188</u>

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

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	Total
Endowment net assets, beginning of year	\$ 4,346,627	4,561,954	\$ 8,908,581
Investment return, net	680,441	639,705	1,320,146
Contributions	277,197	516,073	793,270
Appropriation of endowment assets for expenditure	<u>(237,249)</u>	<u>(61,560)</u>	<u>(298,809)</u>
Endowment net assets, end of year	<u>\$ 5,067,016</u>	<u>5,656,172</u>	<u>\$ 10,723,188</u>

Endowment net Asset Composition by Type of Fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	Total
Board designated endowment funds	\$3,977,442	-	\$ 3,977,442
Donor-restricted endowment funds: Original donor- restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,799,445	\$ 5,799,445
Accumulated investment gains / (losses)	-	369,910	369,910
Total funds	<u>\$3,977,442</u>	<u>6,169,355</u>	<u>\$10,146,797</u>

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
December 31, 2022 and 2021

7. Endowments (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	Total
Endowment net assets, beginning of year	\$ 5,067,016	5,656,172	\$10,723,188
Investment return, net	(955,328)	(269,752)	(1,225,080)
Contributions	90,340	1,004,083	1,094,423
Appropriation of endowment assets for expenditure	(224,586)	(221,148)	(445,734)
Endowment net assets, end of year	<u>\$ 3,977,442</u>	<u>6,169,355</u>	<u>\$ 10,146,797</u>

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, 2022, 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, and cash equivalents.

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, 2022 is 5.45%. This target rate approximates the spending policy for grants plus an average administrative fee to be appropriated from the fund.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
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8. 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, 2022 and 2021 they consist of the following:

	<u>2022</u>	<u>2021</u>
Payable in less than one year	\$ 44,725	\$ 35,000
Payable in one to five years	10,000	20,000
Total	<u>\$ 54,725</u>	<u>\$ 55,000</u>

9. Deferred Revenue

CFFK had 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, 2022.

10. 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.

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

	<u>2022</u>	<u>2021</u>
Agency liability at beginning of year	\$ 5,546,500	\$ 5,073,020
Funds received as agent	109,754	410,304
Inter-fund transfers to agency funds	-	300
Interest and dividends, net of fees	202,156	306,124
Realized investment gain (loss)	(67,976)	1,396,665
Unrealized investment gain (loss)	(1,068,411)	(945,464)
Grants to not-for-profit organizations	(181,085)	(621,461)
Inter-fund transfer by agency funds	(88,795)	-
Administrative fees	(50,358)	(61,687)
Payments as fiscal agent	(40,270)	(11,301)
Agency liability at end of year	<u>\$ 4,361,515</u>	<u>\$ 5,546,500</u>

11. 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, 2022 and 2021 amounted to \$13,399 and \$13,387, respectively.

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.
Notes to Financial Statements
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12. Subsequent Events

CFFK has evaluated events and transactions occurring subsequent to December 31, 2022 as of March 1, 2023 which is the date the financial statements were available to be issued. Subsequent events occurring after March 1, 2023 have not been evaluated by management.

Other than as discussed in the notes above, no material events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
9425 SUNSET DRIVE, SUITE 180
MIAMI, FLORIDA 33173
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021 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 March 1, 2023.

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.

March 1, 2023