

# COMMUNITY FOUNDATION OF THE FLORIDA KEYS

April 2024

Dear Friends,

As we look back on the past year, our hearts brim with pride and excitement at the significant strides we've taken toward securing a brighter, promising future for the Florida Keys.

Among our most cherished accomplishments of 2023 stands the success of our MacDougall Match program. Through this initiative, we created **24 new endowments**, each providing strength and security for a Monroe County nonprofit or faith-based organization. These permanent funds, carefully invested for growth, stand as a testament to our unwavering dedication to empowering our youth, supporting families and seniors, preserving our precious environment, and addressing the diverse needs of our beloved island community—forever!

In 2023, we reached a monumental milestone by **awarding over half a million dollars** in our annual grants competition, making a huge impact for our Keys community. This significant leap from the dollars awarded in the past was made possible by the generosity of Pattye and William Monroe. Their \$60,000 match challenge for Florida Keys Future Fund donations sparked a wave of support from individuals and families. The Foundation is grateful to our volunteers countywide who read and scored the proposals, as we received an unprecedented 113 grant applications, nearly doubling the count from the previous year.

The crowning achievement of 2023 was the launch of the Jean B. Stearns Legacy Challenge. In its inaugural four months, this initiative inspired **\$30 million in future gifts and disbursed over \$160,000 in immediate grants** to charities from Key West to Key Largo. As the challenge continues, we extend a warm invitation to join us in seizing this opportunity to secure up to \$10,000 for your favorite Keys organization(s) today, without having to donate a penny now. Discover more at [cffk.org/legacychallenge](https://cffk.org/legacychallenge).

All of us at the Community Foundation thank our donors for helping us achieve unprecedented success in connecting people, resources and needs. Please reach out to us if you are not yet part of the Community Foundation family; we want to hear from you and together make the Florida Keys a better place to live now and in the future.

With our sincere gratitude,



Will Langley  
Board Chair



Jennifer McComb  
President and CEO



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300 Southard Street, Suite 201  
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IN PARADISE FOR GOOD

COMMUNITY FOUNDATION  
OF THE FLORIDA KEYS, INC.

Financial Statements

December 31, 2023 and 2022

(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 Audit of the Financial Statements***

We have audited the financial statements of Community Foundation of the Florida Keys, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation of the Florida Keys, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of the Florida Keys, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the Florida Keys, Inc.'s ability to continue as a going concern for the years ended December 31, 2023 and 2022.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of the Florida Keys, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the Florida Keys, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Smith, Burgin & Associates, LLC.*

Miami, Florida  
March 22, 2024

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Financial Position  
At December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 340,928	\$ 1,582,541
Accounts and contributions receivable	-	-
Promises to give	-	-
Prepaid Expense	13,457	13,251
Investments	10,224,120	7,681,004
Funds held as agent		
Cash and cash equivalents	-	-
Contributions receivable	-	-
Investments	5,212,988	4,361,515
Total funds held as agent	5,212,988	4,361,515
Split interest agreement	230,000	200,000
Building	366,160	366,160
Computers and office equipment	23,257	23,257
Less accumulated depreciation	(166,364)	(156,732)
Net fixed assets	223,053	232,685
Funds held for endowments		
Cash and cash equivalents	-	-
Accounts and contributions receivable	66,819	102,031
Promises to give	-	-
Investments	12,699,383	10,257,619
Total funds held for endowments	12,766,202	10,359,650
Total Assets	\$ 29,010,748	\$ 24,430,646
<b>Liabilities and net assets</b>		
Grants payable	\$ 34,750	\$ 54,725
Accounts payable and accrued expenses	22,124	7,214
Deferred Revenue	4,333	-
Funds held as agent	5,212,988	4,361,515
Total Liabilities	5,274,195	4,423,454
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	2,161,552	2,179,524
Designated by Board for reserves	545,343	434,693
Designated by Board for endowment	4,712,745	3,977,442
Invested in fixed assets	223,053	232,685
	7,642,693	6,824,344
With Donor Restrictions		
Perpetual in nature	7,986,638	6,169,355
Restricted to future periods	66,819	102,031
Purpose restrictions	8,040,403	6,911,462
Underwater endowments	-	-
	16,093,860	13,182,848
Total net assets	23,736,553	20,007,192
Total Liabilities and net assets	\$ 29,010,748	\$ 24,430,646

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Activities  
For the Years Ended December 31, 2023 and 2022

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>SUPPORT AND REVENUES</b>		<b>Total</b>		<b>Total</b>
Contributions	\$ 967,484	\$ 2,327,984	\$ 1,340,561	\$ 2,057,165
Net investment return	989,806	2,433,441	(1,117,094)	(2,591,902)
Administrative fees	333,090	-	268,843	-
Change in Split Interest Agreement	30,000	-	(85,000)	-
Other Revenues	15,580	-	8,140	-
		-	-	-
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	-	-	-	-
Net assets released from restrictions by grants and appropriations to fulfill purpose	1,850,413	(1,850,413)	863,432	(863,432)
Net assets released upon death of donor	-	-	-	-
<b>Total support and revenues</b>	<b>4,186,373</b>	<b>2,911,012</b>	<b>1,278,882</b>	<b>(1,398,169)</b>
<b>EXPENSES</b>				
Program services	3,098,460	3,098,460	2,093,164	2,093,164
Administration	121,705	121,705	150,676	150,676
Fundraising	147,859	147,859	63,127	63,127
<b>Total expenses</b>	<b>3,368,024</b>	<b>3,368,024</b>	<b>2,306,967</b>	<b>2,306,967</b>
Increase (decrease) in net assets	818,349	2,911,012	(1,028,085)	(1,398,169)
Net assets, beginning of year	6,824,344	13,182,848	7,852,429	14,581,017
Net assets end of year	\$ 7,642,693	\$ 16,093,860	\$ 6,824,344	\$ 13,182,848
		\$ 23,736,553		\$ 20,007,192

See accompanying notes to financial statements

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Functional Expenses  
For the Years Ended December 31, 2023 and 2022

**Year Ended December 31, 2023**

	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency Funds	\$ 3,085,983	\$ -	\$ 3,085,983	\$ -	\$ -	\$ 3,085,983
Agency Funds grants paid	(243,357)	-	(243,357)	-	-	(243,357)
Grants approved (non-Agency)	2,842,625	-	2,842,625	80,881	109,735	2,842,625
Personnel costs	159,313	35,625	194,938	13,334	-	385,554
Fees for Services	640	153	793	345	24,431	25,569
Advertising and Promotion	2,593	616	3,209	8,776	1,898	13,883
Office expenses	9,605	2,282	11,887	5,181	7,029	24,097
Information Technology	2,674	7,344	10,018	1,442	1,957	13,417
Occupancy costs	-	-	-	4,727	-	4,727
Travel	-	-	-	2,749	-	2,749
Conferences and meetings	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Depreciation	3,839	912	4,751	2,071	2,809	9,631
Insurance	-	-	-	2,200	-	2,200
Nonprofit program costs	30,239	-	30,239	-	-	30,239
Total Functional Expenses	\$ 3,021,289	\$ 77,171	\$ 3,098,460	\$ 121,705	\$ 147,859	\$ 3,368,024

**Year Ended December 31, 2022**

	Center for Nonprofit Excellence	Emergency Relief and Recovery	Total Program Services	Administrative	Fundraising	Total
Total Grants including Agency Funds	\$ 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	\$ 1,955,776	\$ 137,388	\$ 2,093,164	\$ 150,676	\$ 63,127	\$ 2,306,967

See accompanying notes to financial statements



COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Statement of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	3,729,360	(2,426,254)
Adjustments to reconcile change in net assets to net cash used		
Depreciation	9,631	9,402
Stock gifts received	-	-
Net realized and unrealized (gain) loss on investments	(2,775,651)	4,458,981
(Increase) / Decrease in contributions receivable	35,212	22,392
(Increase) / Decrease in promises to give	-	-
(Increase) / Decrease in split interest agreement	(30,000)	85,000
(Increase) / Decrease in fixed assets	-	-
(Increase) / Decrease in prepaid expenses	(205)	(1,732)
(Decrease) / Increase in grants payable and accrued expenses	(5,065)	5,256
(Decrease) / Increase in deferred revenue	4,333	(18,295)
(Decrease) / Increase in agency liability	(851,473)	(1,184,985)
Net cash provided by operating activities	116,142	949,765
Cash flows from investing activities:		
Proceeds from sale of investment securities	24,058,990	2,671,499
Purchase of investment securities	(25,416,745)	(2,826,785)
Purchase of Fixed Assets		(1,967)
Net cash used by investing activities	(1,357,755)	(157,253)
Net (decrease) increase in cash and cash equivalents	(1,241,613)	792,512
Cash and cash equivalents at beginning of year	1,582,541	790,029
Cash and cash equivalents at end of year	340,928	1,582,541
Components of cash and cash equivalents		
Cash and cash equivalents	340,928	1,582,541
Cash held as agent	-	-
Cash in endowment funds	-	-
	340,928	1,582,541
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, 2023 and 2022

**1. Nature of Organization and Significant Accounting Policies**

**a) Organization**

The Community Foundation of the Florida Keys, Inc. ("CFFK") (a not-for-profit corporation) was organized under the statutes of the State of Florida on May 1<sup>st</sup>, 1996 to create a permanent philanthropic endowment for the Florida Keys Community. CFFK administers charitable funds, each established with an instrument of gift describing either the general or specific purpose for which grants are to be made. The Community Foundations National Standards Board of the Council on Foundations determined CFFK complied with national standards in 2007 and recertified that compliance most recently in June 2023.

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 2023 and 2022, 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 training to Monroe County not-for-profit board members and staff, recognizes volunteer achievement, and manages the Florida Keys Volunteer Center. 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, 2023 and 2022

**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, 2023 and 2022

***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, 2023 and 2022 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, 2023 and 2022

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

The amounts thus secured are \$321,084 and \$1,570,060 at December 31, 2023 and 2022, 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, 2023 which individually exceeded five percent of contributions and program revenues consisted of two gifts totaling \$748,000. These gifts were approximately 20% of contributions and program revenues for 2023. 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. This gift was approximately 27% of contributions and program revenues for 2022.

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 2020 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, 2023 or 2022.

***o) Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

COMMUNITY FOUNDATION OF THE FLORIDA KEYS, INC.  
Notes to Financial Statements  
December 31, 2023 and 2022

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, 2023 and 2022

**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, 2023 and 2022 are valued based on quoted market prices and are considered Level 1. Promises to Give and Split Interest Agreement as of December 31, 2023 and 2022 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, 2023 and 2022, 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:

	2023	2022
<b>Financial Assets</b>		
Cash and cash equivalents	\$340,928	\$ 1,582,541
Pledges and promises to give	-	-
Operating reserves held in investments	664,934	571,073
Endowment spending policy distributions and appropriations:	215,833	-
Total financial assets available within one year	\$1,221,695	\$ 2,153,614
<b>Liquidity Resources</b>		
Board designated endowments available for general operations	\$ 4,712,745	\$ 3,977,442
Total Financial Assets and Liquidity Resources Available within one year	\$5,934,440	\$ 6,131,056

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**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 2023, no transfers were made. Based on operating results for 2022, the board transferred \$38,122 of excess operating reserves for future grants to nonprofit organizations.

**3. Contributions and Accounts Receivable**

Contributions receivable represent unconditional promises to give. Contributions receivable are \$66,819 and \$102,031 at December 31, 2023 and 2022, respectively. Accounts receivable consist of refundable deposits and matching gifts of \$0 at December 31, 2023 and 2022, respectively.

Management has determined there is no need to record a reserve for uncollectible contributions receivable at December 31, 2023 or 2022.

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

	<u>2023</u>	<u>2022</u>
Receivable in less than one year:	\$24,319	\$40,031
Receivable in one to five years:	42,500	62,000
Total Contributions Receivable	<u>\$ 66,819</u>	<u>\$ 102,031</u>

**4. Fixed Assets**

Fixed Assets consist of the following:

	<u>2023</u>	<u>2022</u>
Building	\$ 366,160	\$ 366,160
Computer and Office Equipment	23,257	23,257
	389,417	389,417
Less allowance for depreciation	(166,363)	(156,732)
Net fixed asset value	<u>\$ 223,053</u>	<u>\$ 232,685</u>

Depreciation expense was \$9,631 and \$9,402 for the years ended December 31, 2023 and 2022, 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.



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**5. Investments (continued)**

Investments consist of the following at December 31, 2023 and 2022:

Investment Category	2023	2022
	Level 1 Fair Value	Level 1 Fair Value
Cash and Money Market Funds	\$3,103,013	\$ 695,220
U.S. Corporate Bonds	8,295,158	5,856,223
U.S. Bond Funds	105,217	453,353
International Bond Funds	-	15,021
U.S. Stock and Equity Funds	14,061,756	10,493,282
International Equity Funds	2,571,347	4,787,038
Real Estate Funds	-	-
<b>Total Investments</b>	<b>\$ 28,136,491</b>	<b>\$ 22,300,138</b>

The following schedule summarizes the investment return and its classification in the statement of activities for the periods ended December 31, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest & dividends	\$ 216,439	474,447	\$ 690,886
Net realized gain (loss)	32,898	119,803	152,701
Unrealized gain (loss)	751,855	1,873,017	2,624,872
Investment management fees	(11,386)	(33,826)	(45,212)
<b>Total Investment Return</b>	<b>\$ 989,806</b>	<b>2,433,441</b>	<b>\$ 3,423,247</b>

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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)
<b>Total Investment Return</b>	<b>\$ (1,117,094)</b>	<b>(2,591,902)</b>	<b>\$ (3,708,996)</b>

**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, 2023 and 2022 to value the Split Interest Agreement. A change in split interest agreement of \$30,000 and (\$85,000) are recorded as a increase and a decrease in Support and Revenue in the Statement of Activities for the years ended December 31, 2023 and 2022, respectively.

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**7. Endowments**

At December 31, 2023, CFFK maintained 213 distinct funds (175 distinct funds at December 31, 2022) 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. Eighty-six (86) of these funds are considered endowments (67 distinct funds at December 31, 2022), 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.

**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.

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**7. Endowments (continued)**

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	\$3,977,441	-	\$ 3,977,441
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
Net assets	<u>\$3,977,441</u>	<u>6,169,355</u>	<u>\$ 10,146,797</u>

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>

Endowment net Asset Composition by Type of Fund as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	Total
Board designated endowment funds	\$4,712,745	-	\$ 4,712,745
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	6,387,575	\$ 6,387,575
Accumulated investment gains / (losses)	-	1,599,063	1,599,063
Total funds	<u>\$4,712,745</u>	<u>7,986,638</u>	<u>\$12,699,383</u>

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**7. Endowments (continued)**

Changes in Endowment Net Assets for the Year Ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions - Purpose Restrictions	Total
Endowment net assets, beginning of year	\$ 3,977,442	6,169,355	\$10,146,797
Investment return, net	844,468	1,229,153	2,073,621
Contributions	5,875	567,765	573,640
(Appropriation) Transfer of endowment assets for expenditure	(115,040)	20,365	(94,675)
Endowment net assets, end of year	<u>\$ 4,712,745</u>	<u>7,986,638</u>	<u>\$ 12,699,383</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, 2023, 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, 2023 is 5.45%. This target rate approximates the spending policy for grants plus an average administrative fee to be appropriated from the fund.

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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, 2023 and 2022 they consist of the following:

	<u>2023</u>	<u>2022</u>
Payable in less than one year	\$ 20,750	\$ 44,725
Payable in one to five years	14,000	10,000
Total	<u>\$ 34,750</u>	<u>\$ 54,725</u>

**9. Deferred Revenue**

CFFK had recorded \$4,333 of deferred revenue for events to be held during the first two months of 2024 as of December 31, 2023. 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>2023</u>	<u>2022</u>
Agency liability at beginning of year	\$4,361,515	\$ 5,546,500
Funds received as agent	158,299	109,754
Inter-fund transfers to agency funds	156,092	-
Interest and dividends, net of fees	156,363	202,156
Realized investment gain (loss)	36,183	(67,976)
Unrealized investment gain (loss)	647,503	(1,068,411)
Grants to not-for-profit organizations	(107,265)	(181,085)
Inter-fund transfer by agency funds	(136,092)	(88,795)
Administrative fees	(59,610)	(50,358)
Payments as fiscal agent	-	(40,270)
Agency liability at end of year	<u>\$ 5,212,988</u>	<u>\$ 4,361,515</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, 2023 and 2022 amounted to \$13,417 and \$13,399, respectively.

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**12. Subsequent Events**

CFFK has evaluated events and transactions occurring subsequent to December 31, 2023 as of March 22, 2024 which is the date the financial statements were available to be issued. Subsequent events occurring after March 22, 2024 have not been evaluated by management.

Other than as discussed in the notes above, no material events have occurred since December 31, 2023 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, 2023 and 2022 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 22, 2024.

**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 22, 2024