

Anna Maria Community Center, Inc.

Financial Condition Review

Scope of Review

- Determine the Current Status of The Center's Financial Situation
- Identify and Quantify Any Gaps Between Revenue and Expenses
- Understand The Center's Proposed Plans and Programs to Close Any Gaps

Documents Reviewed

- Prior Audited Financial Statements
- Prior CPA Management Letters
- IRS Form 990, Exempt Organization Return
- IRS Forms 941 - Salaries & Wages
- Detailed General Ledger - 313 Pages
- Internal Budgets
- Credit Card Statements
- Historical Results & Charts
- Internal Control Questionnaire

Documents Reviewed (cont.)

- Search of Manatee Public Records
- Strategic Plan for 2019
- Hancock Bank Statements
- Schedules of Membership Totals
- Title Search Prepared July 17, 2017
- Profit and Loss By Class (By Package)
- Board of Directors Meeting Minutes
- Strategic Goals, Objectives & Action Items
- Organizational Chart

General Comments

- Financial Information Is not Audited Yet And Is Not Complete
- No Non-Disclosure Form Was Required
- Total Cooperation By Management
- A Review Was Done, Not An Audit
- There Were Time Limitations
- The Chief Accountant Was Replaced In 2017
- Grants Were Lost From Manatee County and United Way
- Capital Expenditures Not Reflected In Attached Schedules
- Errors Noticed In General Ledger Postings, Account Balances, Bank Deposits; Late Fees Should Be Avoided

General Comments (cont.)

- Needed Adjustments to Financial Statements Would Not Be Material
- Suggestions For Better Internal Control Provided
- Governance From The Board
- Imperatives and Initiatives Are Being Tracked
- Policies and Procedures Monitoring Needs To Improve
- Considering An HR Committee
- Formats For Budgets And Financial Statements Have Changed, Challenging Consistency And Comparability

Anna Maria Community Center, Inc.
 Summary of Audited Statement of Activities
 For Years Ended June 30, 2014 to 2016 and 2017 Unaudited Summary

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Unaudited 2017</u>
Support and Revenue:				
Contributions (note 4)	\$ 182,182	\$ 304,387	\$ 334,821	\$ 391,948
Permanently restricted contribution (note 1)	-	-	266,034	
Program Service Fees	301,890	332,596	355,396	371,839
Government organizations	111,750	118,228	112,166	34,665
Interest income	16			
In-kind revenue (note 2)	55,000	55,000	55,000	55,000
Contributions - United Way	12,120	10,749		
Other Income (note 5)	10,700	27,543	231,875	90,691
Concessions (net of direct costs)	2,170	(168)	(1,107)	
Change in Net assets of the.				
Manatee County Foundation (note 7)	95,718	18,359	(24,145)	
Special events revenue	258,760	258,271	188,880	53,398
Less direct costs	(106,260)	(96,507)	(83,845)	
Gain on extinguishment of debt (note 3)	.	.	815,185	
Total Support and Revenue (note 6)	924,046	1,028,458	2,250,260	997,541
Expenses:				
Program services(note 10)	1,100,805	1,066,764	1,169,354	1,206,397
Fund raising	42,687	70,012	64,071	109,826
Management and general	72,500	67,100	149,412	143,420
Total Expenses	1,215,992	1,203,876	1,382,837	1,459,643
Increase (Decrease)in Net Assets (note 8)	\$(291,946)	\$(175,418)	\$ aZ.	\$(462,102)

- Notes:
- 1) In 2016 a bequest was received from an estate for \$266,034 which is permanently restricted
 - 2) In-kind revenue is the value of land donated for use by the City of Anna Maria
 - 3) BB&T forgave most of the bank loan in exchange for a partial payment in March, 2016
 - 4) A distribution from the endowment fund of \$34,160 is included during year ended 2017
 - 5) The increase in Other Income in 2016 is in large part due to the BP settlement
 - 6) 2016 Total Rev. & Support would have been \$943,312 without gain on debt retirement & bequests
 - 7) 2017 Change in Net Assets of Endowment Fund is unknown at this time
 - 8) The 2017 audit has not been performed. Amounts are preliminary year end amounts.
 - 9) There were \$22,840 of capital expenditures not reflected above
 - 10) Includes depreciation of \$180,000 for 2017 which is estimated

Anna Maria Community Center, Inc.
Statement of Functional Expenses
For Years Ended June 30, 2014 to 2016 and 2017 Unaudited Summary

	Audited <u>2014</u>	Audited 2015	Audited 2016	Unaudited 2017 (note 2)
Wages	\$ 541,031	\$ 507,802	\$ 459,533	\$ 506,296
Payroll Taxes	52,252	47,071	40,133	36,452
Employee benefits	49,356	50,260	48,032	60,693
	<u>642,639</u>	<u>605,133</u>	<u>547,698</u>	<u>603,441</u>
				(note 3)
Supplies and other program expenses	119,794	112,579	206,934	267,387
Rent expense - land	55,000	55,000	55,000	55,000
Occupancy	27,397	27,779	34,479	35,088
Insurance	40,062	42,374	46,184	51,138
Interest (note 1)	64,151	63,571	38,055	
Travel and gas	7,756	12,604	6,799	8,682
Building and grounds maintenance	25,488	41,536	70,969	72,413
Professional fees (note 4)	25,611	30,135	97,122	43,301
Telephone	13,347	17,897	21,132	3,695
Printing	4,529		-	17,746
Other	15,770	19,402	59,101	65,014
Postage	1,995	1,146	2,632	3,226
Dues and licenses	5,741	6,765	13,901	7,177
Public relations & marketing (note 3)	.	.	.	33,164
Advertising & promotion (note 3)		-		13,171
	<u>1,049,280</u>	<u>1,035,921</u>	<u>1,200,006</u>	<u>1,279,643</u>
Depreciation and amortization (note 5)	166,712	167,955	182,831	180,000
Total functional expenses	<u>\$ 1,215,992</u>	<u>-\$ 1,203,876</u>	<u>\$ 1,382,837</u>	<u>\$ 1,459,643</u>

- Notes:
- 1) The bank loan was paid and extinguished in 2016 reducing interest for the year.
 - 2) The annual audit for 2017 has not been performed yet. Amounts are preliminary year end amounts.
 - 3) The categorized expenses may not be consistent with prior years
 - 4) Professional fees of \$51,340 were related to the BP payment.
 - 5) Depreciation is estimated for 2017.

Anna Maria Community Center, Inc.
Statement of Activities
For Years Ended June 30, 2017 and 2018

	Unaudited Actual <u>2017</u>	Budgeted <u>2018</u>	Favorable (Unfavorable)	Change	Strategic Budget 2019
Income					
Program Income	\$ 371,839	\$ 485,205	\$ 113,366	30.49%	\$ 435,000
Fundraising	411,186	460,400	49,214	11.97%	550,000
Government/Grants/Endowments	187,778	181,500	(6,278)	-3.34%	190,000
Other	26,738	31,000	4,262	15.94%	30,000
Total	<u>997,541</u>	<u>1,158,105</u>	<u>160,564</u>	<u>16.10%</u>	<u>1,205,000</u>
Expenses					
Direct Costs:					505,000
Instructors	84,632	61,746	22,887	27.04%	
Supplies - consumables	21,431	15,610	5,821	27.16%	
Supplies - non consumables	30,049	37,903	(7,854)	-26.14%	
Field trips & activities	17,869	13,950	3,919	21.93%	
Facilities Rental/Entertainment	14,527	7,075	7,452	51.30%	
Equipment expenses	14,411	36,790	(22,379)	-155.30%	
Uniforms	8,432	7,975	457	5.42%	
Awards	2,992	2,917	75	97.49%	
Ref fees	20,622	-	20,622	89.94%	
Labor & staffing	310,816	310,816	-	-0.00%	
Indirect Costs:					560,000
Auto expense	21,572	8,649	12,923	59.91%	
Repairs & maintenance - equip.	15,933	12,000	3,933	24.69%	
Direct program advertising	1,209	-	1,209	100.00%	
Operational expenses	30,155	27,000	3,155	10.46%	
Facilities cost	148,190	125,800	22,390	15.11%	
Postage and shipping	3,226	2,700	526	16.31%	
Liability insurance	38,249	48,588	(10,339)	-27.03%	
Labor & staffing	351,908	320,791	31,117	8.84%	
Administrative expenses:					135,000
Communications expense	3,695	3,700	(5)	-0.12%	
Office supplies	13,224	6,000	7,224	54.63%	
Advertising & promotion	69,348	33,997	35,351	50.98%	
Bank fees	6,674	-	6,674	100.00%	
Consulting & professional fees	43,301	38,500	4,801	11.09%	
Dues & subscriptions	1,680	-	1,680	100.00%	
Meals & entertainment	3,220	3,000	220	6.83%	
Taxes & licenses	2,277	2,400	(123)	-5.38%	
Total	<u>1,279,643</u>	<u>1,157,775</u>	<u>121,867</u>	<u>9.52%</u>	1,200,000
Depreciation Expense - estimated	(180,000)	(180,000)	0	0%	(180,000)
Net income (loss)	\$ {462,102}	\$ {179,670}	282,432	NM	\$ {175,000}

**Anna Maria Community Center, Inc.
Schedule of Restricted Funds**

	<u>Manate County Foundation - Temporarily Restricted Funds</u>						<u>Permanently Restricted Kessler Estate</u>		<u>2017 Total</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	
Beginning Balance	694,271	694,407	764,840	776,938	795,297	446,152	0	266,034	712,186
Net Investment Earnings	6,723	77,283	124,545	25,180	(18,826)	unknown		unknown	
Contributions	-	.	-	.	.		266,034		
Other expenditures			(21,520)						
Administrative Expenses (note 1)	(6,587)	(6,850)	(90,927)	(6,821)	(330,319)	unknown		unknown	
Withdrawals (note 2)						(300,000)			(300,000)
Ending Balance	<u>694,407</u>	<u>764,840</u>	<u>776,938</u>	<u>795,297</u>	<u>446,152</u>	<u>146,152</u>	<u>266,034</u>	<u>266,034</u>	<u>412,186</u>

note 1 - includes payoff of BB&T loan in 2016 in the amount of \$325,000

note 2 - There was also a \$34,160 distribution presumably out of current year investment earnings

Financial Situation

- Going Concern?
- Endowment Funds Are Dwindling
- \$300K From Endowment Offset \$300K Cash Loss In 2017
- No Capital Fund Established
- \$100,000 Note Payable Is Problematic
- Revenues Have Been Stagnant
- Expenses Have Been Growing
- Cash Is Short
- Programs Lose Money
- Largest Expense Is Salaries & Wages

Financial Situation (Cont.)

- Controls On Cash Are Much Improved
- They Have Made Changes So That Revenues And Expenses Can Be Reported By Program
- Establishing A Fund-Raising Subcommittee Of The Board
- 2018 Budgeted Numbers **Must** Be Met
- The Center Is A Non-Profit Organization

Center's Budget Goals

- Build Up Membership Totals
- Hold The Line on Operational Expenses
- Focus on Outreach Events To Build Public Support And Enhance Their Reputation In The Community
- Focus On Finding And Capturing Grant Opportunities
- Develop A New Donor Group

Center's Program And Budget Improvements

- Membership And Registration Cost Of Living Increase
- Membership Participation Increases
- Improved Website
- Full Year Of Crossfit With the Addition Of Kids
- Expand Sports Programs
- Coordinate Programs With Other Organizations
- Add After School Programs
- Seek Volunteers
- More Focus On Seasonal Residents And Visitors
- Renegotiate Service Contracts

Conclusions

- Worthwhile Service For Children And Adults For Over 50 Years
- Demographics On The Island Is A Problem
- Loss Of Grants And Donations
- Endowments Have Been The Lifeline
- Bad Publicity Concerning Finances, The Board and Transparency Are Making It Difficult
- Planning And Procedures Are Emphasized
- Making Progress

Conclusions (Cont.)

- Have Not Shown Ability To Increase Revenues and Reduce Expenses
- More Difficult To Recover Through Enhanced Programs Than With Expense Control
- Deserves A Second Chance
- Strategic Budget for 2019 Shows No Improvement
- Possibility Of A One Time Supplemental Contribution
- City Is Not A Philanthropic Organization
- City Should Monitor Progress At Least Monthly