ANNA MARIA ISLAND COMMUNITY CENTER, INC.

REPORT TO THE BOARD OF DIRECTORS

DECEMBER 2, 2016

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Report to the Board of Directors

KERKERING BARBERIO

Established 1972

Kerkering, Barberio & Co.
Certified Public Accountants

ANNA MARIA ISLAND COMMUNITY CENTER, INC.

REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

This letter is intended to inform the Board of Directors of Anna Maria Island Community Center, Inc. (the Center) about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Directors.

In addition to our report on your financial statements, we have provided a management letter and a communication of material weaknesses both dated December 2, 2016, concerning opportunities for improvements in internal control that we noted during our audit of the Center's financial statements for the year ended June 30, 2016.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<u>Our Responsibilities with regard to the Financial Statement Audit</u>
Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated July 12, 2016.

<u>Overview of the Planned Scope and Timing of the Financial Statement Audit</u>
We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

<u>Accounting Policies and Practices</u>
Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Center. The Center did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

To the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

Accounting Policies and Practices (Continued)

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Management judgment and accounting estimates are an integral part of the preparation of the financial statements and are based on management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. We did not identify any new significant judgments or estimates that should be brought to your attention for approval.

Basis of Accounting

The financial statements were prepared on assumption that the entity will continue as a going concern.

Audit Adjustments

There were eight audit adjustments made to the original trial balance presented to us to begin our audit that affected net assets. The following is a description of the adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Center's financial reporting process.

> Two adjustments were made to record the change in value of the Beneficial Interest in Net Assets of the Manatee Community Foundation totaling a decrease of $49,145.
>
> An adjustment was made to record 2016 depreciation expense in the amount of $182,831.
>
> An adjustment totaling $55,000 was made to record the fair value of donated rent for the year ended June 30, 2016.
>
> An adjustment was made to write off the loan closing costs as of June 30, 2016 in the amount of $12,150.
>
> An adjustment was made to record the loan, donation and purchase of gym renovation equipment totaling $114,586.
>
> An adjustment was made to record an endowment receivable in the amount of $266,034.
>
> An adjustment was made to reclass board member loans as a donation in the amount of $15,000.

To the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

Uncorrected Misstatements
There were no uncorrected misstatements noted during the audit.

Disagreements with Management
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management
No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit
We did not encounter any difficulties in dealing with management during the audit.

Certain Written Communications between Management and Our Firm
Copies of certain written communications between our firm and the management of the Center, including the representation letter to be provided to us by management, are attached.

Upcoming Standards
ASU No. 2016-02, *Leases (Topic 842)*
In February 2016 the Financial Accounting Standards Board issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The amendments in ASU 2016-02 are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities. While this effective date is some ways off, it should be considered as lease and debt negotiations take place in the future, as it will have an effect on the balance sheet of the organization.

ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*
In August 2016 the Financial Accounting Standards Board issued its new not-for-profit accounting guidance in Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in ASU 2016-14 are effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Adoption of the standard will result in significant changes to reporting and disclosures for all not-for-profit entities.

We are available to discuss these upcoming standards in more detail if you like.

To the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Anna Maria Island Community Center, Inc.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties.

Kerkering Barberio & Co.

Sarasota, Florida
December 2, 2016

Communication of Material Weaknesses

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Certified Public Accountants

ANNA MARIA ISLAND COMMUNITY CENTER, INC.

COMMUNICATION OF MATERIAL WEAKNESSES

To Management and the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, FL

In planning and performing our audit of the financial statements of Anna Maria Island Community Center, Inc. (the Center) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combining financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of the Board of Directors and management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Kerkering Barberio & Co.

Sarasota, Florida
December 2, 2016

Management Letter

ANNA MARIA ISLAND COMMUNITY CENTER, INC.

MANAGEMENT LETTER

To Management and the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

In planning and performing our audit of the financial statements of Anna Maria Island Community Center, Inc. (the Center) for the year ended June 30, 2016, we considered the Center's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

This letter does not affect our report dated December 2, 2016, on the financial statements of the Center.

Current Year Comments
2016-01 No Signed Documents for Loans
During our audited procedures it was noted that there were two loans with board members, totaling $18,000, and one loan with an outside party for $100,000 that the Center did not have signed agreements for. Best practices suggests that the Center have signed agreements on file with stated interest rates and terms for all loans that it enters into.

Prior Year Comments and Status:
2015-01 Employee File – Missing Rate of Pay Documentation
During our audit procedures it was noted that an employee file did not contain rate of pay documentation. Best practices suggests that this information be kept in each employee file. Per discussions with management, a policy has been implemented to keep initial hiring letter, which includes pay rate, in each employee's file along with subsequent changes in pay rate documentation.

Status: During the current year audit procedures, it was noted that an employee file did contain the original pay rate documentation, but did not contain subsequent pay rate increase documentation that tied to the current payroll register. KB suggests that subsequent changes in pay rate documentation also be kept in employee files. *Comment still applicable.*

To Management and the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

2015-02 Payment to Referees and Access to Cash

During out audit procedures is was noted that referees are routinely paid in cash, by the Executive Director writing checks out to cash or using a debit card to withdraw cash. This leads to lack of segregation of duties with the Executive Director having access to blank checks, check signing ability, and the only member of management who reviews the bank statement. We advise the client to follow standard procedures for check requests, whereas the outsourced bookkeeper is the only one who has access to blank checks and cutting the checks.

Status: During the audit it was noted that the referees were still paid in cash, however, it was also noted that as of July 1, 2016 the Center had changed the process to where the Executive Director no longer has access to blank checks and all referee payments follow standard procedures for check requests.

In addition, KB noted that there were thousands of dollars in checks made out to cash during the months of June and July for the teen camp daily trips. We recommend that the Center implement a more secure procedure for the payment of the trips for the teen camps where cash is more controlled and less susceptible to fraud or theft. *Comment still applicable.*

2015-03 Board of Director Minutes

During our audit we encountered difficulty in receiving access to board of director minutes from management due to the Secretary not attending many of the meetings held during the year and therefore informal minutes were taken by different members of the board/management. We recommend the board plan ahead in the absence of the secretary and designate a specific board member who will take the minutes in the event of the secretary's absence and set a policy that the previous month's minutes be reviewed and approved at each board meeting.

Status: Many of the board minutes were unavailable for FY16, however, it was noted that subsequent to the completion of the prior year's audit (completed in June 2016), the board has been consistent in taking detailed minutes of each meeting and approving the minutes at the subsequent board meeting. *Comment no longer applicable.*

To Management and the Board of Directors
Anna Maria Island Community Center, Inc.
Anna Maria Island, Florida

2015-04 Coding of Revenues

During the audit we discovered that coding of revenue receipts within ActiveNet were coded to incorrect accounts. This incorrect coding could lead to inaccurate financial statement presentation of revenues. We noted that although the revenues were coded incorrectly within ActiveNet, when they were recorded into the general ledger they were coded to the correct accounts. The office manager and the bookkeeper both review the monthly ActiveNet reports to ensure that revenue receipts are coded correctly and adjust accordingly. When items are coded incorrectly this review can be very time consuming. KB discussed this issue with management and management has since limited the amount of users that have access to ActiveNet and also limited the users who can add new accounts.

Status: During the current year audit it was noted that the Center has limited the amount of users that have access to the program and limited the users who can add new accounts. During testing revenues seemed to be coded correctly within ActiveNet and the general ledger. *Comment no longer applicable.*

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience and to perform any additional study of these matters, or to assist you in implementing our recommendations.

We wish to thank the Center's staff for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

Sarasota, Florida
December 2, 2016

Kerkering Barberio & Co.

Representations from Management

THE
Center
OF ANNA MARIA ISLAND
The community's gathering place

December 2, 2016

Kerkering, Barberio & Co.
1990 Main Street, Suite 801
Sarasota, FL 34236

This representation letter is provided in connection with your audits of the financial statements of Anna Maria Island Community Center, Inc., which comprise the statement of financial position as of June 30, 2016 and 2015, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 18, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S GAAP requires adjustment or disclosure have been adjusted or disclosed.

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7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The following have been properly recorded and/or disclosed in the financial statements:

   a. All current and deferred assets and liabilities related to the accounting for income taxes. Additionally, we have evaluated the tax positions under the two-step approach for recognition and measurement of uncertain tax positions required by the Income Taxes Topic of the FASB Accounting Standards Codification.

   b. All liabilities which are subordinated to any other actual or possible liabilities of the Center.

   c. Concentrations of credit risk.

   d. All recordable contributions, by appropriate net asset class.

   e. Reclassifications between net asset classes.

   f. Composition of assets in amounts needed to comply with all donor restrictions.

   g. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

   h. Lines of credit or similar arrangements.

   i. All leases and material amounts of rental obligations under long-term leases.

   j. Conditional promises to give.

   k. Allocations of functional expenses based on a reasonable basis.

   l. Pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through the date of this letter.

   m. Board designated unrestricted net assets.

   n. Receipt of a determination from the Internal Revenue Service that Organization is exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and that Organization has complied with the IRS regulations regarding this exemption.

9. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

10. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and

d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

a. Management.

b. Employees who have significant roles in the internal control.

c. Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Center's financial statements received in communications from employees, former employees, regulators, or others.

15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

16. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

17. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

18. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Center's ability to record, process, summarize, and report financial data.

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.

d. Guarantees, whether written or oral, under which the Center is contingently liable.

e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

f. Agreements to repurchase assets previously sold.

g. Security agreements in effect under the Uniform Commercial Code.

h. Other liens or encumbrances on assets and all other pledges of assets.

i. Contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.

j. Significant estimates or material concentrations known to management which are to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.

k. Deferred revenue from exchange transactions.

l. Derivative financial instruments.

m. Deferred tax assets.

n. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2016 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2016.

o. Material losses to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.

p. Environmental clean up obligations.

q. Amounts held for others under agency and/or split interest agreements.

THE
Center
OF ANNA MARIA ISLAND
The community's gathering place

r. Related-party relationships, transactions and related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.

s. Refundable advances.

t. Investments in debt and equity securities, including their classification.

u. Long-lived assets, including intangibles, which are impaired or to be disposed of.

21. We are responsible for determining that significant events or transactions that have occurred since the statement of financial position date and through the date of this letter, have been recognized or disclosed in the financial statements. No events or transactions, other than disclosed, have occurred subsequent to the statement of financial position date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

22. We understand that as a part of your audit, you prepared the financial statements and related notes from the trial balance. We have reviewed and approved those financial statements and related notes, and believe they are adequately supported by the books and records of the Center. In addition, we are in agreement with the journal entries you have proposed.

23. We confirm that certain board members have loaned the Center a total of $39,000 during fiscal year 2016, and $21,000 of these loans were agreed by the certain board members to be turned into contributions. As of June 30, 2016, there were $18,000 of loans from board members, in which there were no agreements or signed documents.

24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

25. We reaffirm the representations made to you in our letter dated June 24, 2016 with respect to the financial statements as of and for the year ended June 30, 2015.

Signed ______________________

Title Kristin Lessig Executive Director

Signed James R. Froechle

Title BOARD MEMBER & TREASURER

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