The Center of Anna Maria Island, Inc.

Financial Statements and
Independent Auditor's Report
June 30, 2017 and 2016

KERKERING BARBERIO
ACCOUNTING ▪ TAX ▪ CONSULTING

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KB KERKERING BARBERIO
Kerkering, Barberio & Co.
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
The Center of Anna Maria Island, Inc.
Anna Maria Island, Florida

Report on Financial Statements
We have audited the accompanying financial statements of The Center of Anna Maria Island, Inc. (the Center) which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities, cash flows and functional expenses 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 present fairly, in all material respects, the financial position of The Center of Anna Maria Island, Inc. as of June 30, 2017 and 2016, and the changes in net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kerkering Barberio & Co.

Sarasota, Florida
January 12, 2018

The Center of Anna Maria Island, Inc.

Statements of Financial Position

June 30, 2017 and 2016

		2017		2016
Assets				
Current Assets:				
Cash and cash equivalents	$	164,815	$	53,327
Grants and other receivables		12,839		13,400
Prepaid expenses and other		11,892		10,705
Total current assets		189,546		77,432
Long-term Assets:				
Beneficial interest in net assets of the Manatee Community Foundation		306,227		712,186
Building, improvements and equipment, net		3,669,854		3,863,059
Total long-term assets		3,976,081		4,575,245
Total Assets	$	4,165,627	$	4,652,677
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	$	17,910	$	18,019
Accrued expenses		55,070		37,730
Due to related parties		-		18,000
Total current liabilities		72,980		73,749
Long-term Liabilities:				
Equipment promissory note		100,000		100,000
Total Liabilities		172,980		173,749
Net Assets:				
Unrestricted		2,912,309		3,398,590
Temporarily restricted		-		-
Permanently restricted		1,080,338		1,080,338
Total net assets		3,992,647		4,478,928
Total Liabilities and Net Assets	$	4,165,627	$	4,652,677

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions and grants	$ 259,384	$ 74,351	$ -	$ 333,735
Program service fees	384,677	-	-	384,677
Government organizations	-	34,665	-	34,665
In-kind revenue	55,000	-	-	55,000
Other	26,738	-	-	26,738
Change in net assets of the				
Manatee Community Foundation	58,201	-	-	58,201
Total support and revenue	784,000	109,016	-	893,016
Net assets released from restrictions	109,016	(109,016)	-	-
Special events revenue	141,429	-	-	141,429
Less direct costs	(52,698)	-	-	(52,698)
Net revenue from special events	88,731	-	-	88,731
Total support, revenue and reclassifications	981,747	-	-	981,747
Expenses:				
Program services	1,295,637	-	-	1,295,637
Fund raising	73,284	-	-	73,284
Management and general	99,107	-	-	99,107
Total expenses	1,468,028	-	-	1,468,028
Change in net assets	(486,281)	-	-	(486,281)
Net assets - beginning of year	3,398,590	-	1,080,338	4,478,928
Net assets - end of year	$ 2,912,309	$ -	$ 1,080,338	$ 3,992,647

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 281,070	$ 53,751	$ 266,034	$ 600,855
Program service fees	355,396	-	-	355,396
Government organizations	112,166	-	-	112,166
In-kind revenue	55,000	-	-	55,000
Other	230,768	-	-	230,768
Change in net assets of the Manatee Community Foundation	(24,145)	-	-	(24,145)
Gain on extinguishing of debt	815,185	-	-	815,185
Total support and revenue	1,825,440	53,751	266,034	2,145,225
Net assets released from restrictions	53,751	(53,751)	-	-
Special events revenue	188,880	-	-	188,880
Less direct costs	(83,845)	-	-	(83,845)
Net revenue from special events	105,035	-	-	105,035
Total support, revenue and reclassifications	1,984,226	-	266,034	2,250,260
Expenses:				
Program services	1,169,354	-	-	1,169,354
Fund raising	64,071	-	-	64,071
Management and general	149,412	-	-	149,412
Total expenses	1,382,837	-	-	1,382,837
Change in net assets	601,389	-	266,034	867,423
Net assets - beginning of year	2,797,201	-	814,304	3,611,505
Net assets - end of year	$ 3,398,590	$ -	$ 1,080,338	$ 4,478,928

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (486,281)	$ 867,423
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	184,384	182,831
Change in net assets of the Manatee Community Foundation	(58,201)	24,145
Gain on extinguishment of debt	-	(815,185)
Change in operating assets:		
Grants and other receivables	561	26,612
Prepaid expenses and other	7,634	28,229
Change in operating liabilities:		
Accounts payable	(109)	4,585
Accrued expenses	17,340	6,118
Total adjustments	151,609	(542,665)
Net cash provided by (used in) operating activities	(334,672)	324,758
Cash flows from investing activities:		
Capital expenditures	-	(55,156)
Net cash used in investing activities	-	(55,156)
Cash flows from financing activities:		
Principal payments on debt	-	(303,667)
Amounts borrowed from related parties	15,000	18,000
Payments to related parties	(33,000)	-
Contributions to beneficial interest in net assets in the Manatee Community Foundation	-	(266,034)
Proceeds received from beneficial interest in net assets in the Manatee Community Foundation	464,160	325,000
Net cash provided by (used in) financing activities	446,160	(226,701)
Change in cash and cash equivalents	111,488	42,901
Cash and cash equivalents - beginning of year	53,327	10,426
Cash and cash equivalents - end of year	$ 164,815	$ 53,327
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ -	$ 20,759
Equipment obtained through promissory note	$ -	$ 100,000

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services	Fund Raising	Management and General	Total
Wages	$ 477,497	$ 55,461	$ 11,546	$ 544,504
Payroll taxes	33,344	3,873	806	38,023
Employee benefits	50,340	5,847	1,217	57,404
Total wages and related expenses	561,181	65,181	13,569	639,931
Supplies and other program expenses	136,040	596	29,248	165,884
Rent expense - land	54,659	71	270	55,000
Occupancy	33,156	345	1,036	34,537
Insurance	39,867	1,697	848	42,412
Travel and gas	2,769	77	74	2,920
Building and grounds maintenance	79,315	826	2,479	82,620
Professional fees	2,539	424	39,388	42,351
Telephone and computer expenses	38,966	423	3,436	42,825
Marketing and public relations	48,414	1,049	2,576	52,039
Other	54,398	1,165	2,302	57,865
Printing and publications	18,656	404	993	20,053
Dues and licenses	42,399	842	1,966	45,207
Total functional expenses before depreciation and amortization	1,112,359	73,100	98,185	1,283,644
Depreciation and amortization	183,278	184	922	184,384
Total functional expenses	$ 1,295,637	$ 73,284	$ 99,107	$ 1,468,028

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Fund Raising	Management and General	Total
Wages	$ 402,982	$ 46,806	$ 9,745	$ 459,533
Payroll taxes	35,194	4,088	851	40,133
Employee benefits	42,121	4,892	1,019	48,032
Total wages and related expenses	480,297	55,786	11,615	547,698
Supplies and other program expenses	169,706	743	36,485	206,934
Rent expense - land	54,659	71	270	55,000
Occupancy	33,100	345	1,034	34,479
Insurance	43,412	1,848	924	46,184
Interest	35,772	1,522	761	38,055
Travel and gas	6,448	179	172	6,799
Building and grounds maintenance	68,130	710	2,129	70,969
Professional fees	5,821	973	90,328	97,122
Telephone and computer expenses	19,228	209	1,695	21,132
Marketing and public relations	40,068	858	1,701	42,627
Other	15,492	332	650	16,474
Printing and publications	2,449	53	130	2,632
Dues and licenses	13,038	259	604	13,901
Total functional expenses before depreciation and amortization	987,620	63,888	148,498	1,200,006
Depreciation and amortization	181,734	183	914	182,831
Total functional expenses	$ 1,169,354	$ 64,071	$ 149,412	$ 1,382,837

See accompanying notes to financial statements.

1. Organization and Nature of Operations

The Center of Anna Maria Island, Inc. (the Center), formally known as Anna Maria Island Community Center, Inc. is a not-for-profit organization which provides opportunities for individuals that develop character, educate minds, build healthier bodies, foster volunteerism and inspire all residents to make a positive difference in our community in the cities of Anna Maria, Holmes Beach and Bradenton Beach, Florida and the surrounding communities. Support for these programs is provided predominately by membership fees, program fees, general contributions, grants and sponsor support.

Vision Statement

To be a model community center that is emulated nationwide for our ability to engage our community through exceptional wellness experiences.

Mission Statement

To enhance the overall wellbeing of individuals of all ages while preserving a sense of community through creative programs and partnerships.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are representations of the Center's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided for.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Center has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Center.

The Center files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Center is subject include fiscal years ended June 30, 2014 through June 30, 2017.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents represents cash with purchased maturities of three months or less.

Restricted and Designated Cash

The Center accepts donations that are restricted by the donor for program activities or for the purchase or construction of long-lived assets. Amounts received and held in the form of cash equivalents until utilized in accordance with the donor's stipulation are segregated on the statements of financial position.

Grants and Other Receivables

The Center uses the reserve method to account for uncollectible receivables. At June 30, 2017 and 2016, management estimated that all receivables were collectible based on a review of all individual accounts outstanding. Accordingly, no allowance for uncollectible receivables has been provided for.

Building, Improvements and Equipment

Building, improvements and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. All acquisitions of fixed assets in excess of $1,000 are capitalized. Expenditures that significantly add to the productivity or extend the useful lives of building, improvements and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation and amortization is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

	Years
Building and improvements	10 - 39
Grounds improvements	10 - 39
Equipment	5 - 15
Vehicles	5 – 10

2. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Gifts made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

Donated Assets and Services

Donated assets are recorded as contributions in the accompanying statements at their estimated value on date of receipt. For the years ended June 30, 2017 and 2016, the Center recognized the value of donated land for use in operations totaling $55,000 for each year. In addition, a number of volunteers have made significant contributions of time to the Center. Donated volunteer time has not been recorded in the financial statements since it does not meet the criteria for recognition. Contribution of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

Financial Instruments Not Measured at Fair Value

Certain of the Center's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, grants and other receivables, prepaid expenses and other, accounts payable, accrued expenses, and due to related parties.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Beneficial Interest in the Net Assets of the Manatee Community Foundation

In May of 2007, the Center transferred permanently restricted cash of $803,405 to the Manatee Community Foundation (Foundation). These funds are held by the Foundation for the benefit of the Center, and the Foundation was not granted variance power. Based on the fund agreement with the Foundation, the Center may receive distributions of investment earnings of these dollars, based on the result of the pooled funds held in the Foundation. If the Center elects not to receive the distribution, the distribution will be applied to the principal of the fund. The Manatee Community Foundation will entertain a request in any year from the Center's board of directors to provide a distribution in excess of the net income of this fund, including the principal balance of the fund, as long as such request is consistent with the purpose to support the non-profit mission of the Center.

During the year end June 30, 2016, the Center was named beneficiary in a permanently restricted bequest totaling $266,034. As a result of the Center transferring their endowment trust to Manatee Community Foundation in May of 2007, the bequest check was given to the Manatee Community Foundation for the sole benefit of the Center. The Center will receive annual distributions of approximately 4.5% from this fund, not to exceed the original principal balance of the fund. As of June 30, 2017 and 2016, the balance of this fund totaled $296,789 and 266,034.

During the year ended June 30, 2017 and 2016, the Center received distributions of $464,160 and $325,000, respectively, from these funds held at the Foundation. The total balance of these funds as of June 30, 2017 and 2016 totaled $306,227 and $712,186, respectively.

4. Building, Improvements and Equipment

Building, improvements and equipment consisted of the following at June 30:

		2017		2016
Building and improvements	$	4,795,656	$	4,795,656
Grounds improvements		181,638		181,638
Equipment		298,653		387,917
Vehicles		20,895		197,872
		5,296,842		5,563,083
Less: accumulated depreciation and amortization		(1,626,988)		(1,700,024)
Total building, improvements and equipment, net	$	3,669,854	$	3,863,059

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled $184,384 and $182,831, respectively.

5. Long-term Debt

Promissory Note - Building and Gain on Extinguishment of Debt

On October 16, 2006, the Center executed a promissory note from a financial institution with a maximum credit availability of $2,000,000. On August 4, 2011, the Center refinanced the above debt with another financial institution through a promissory note in the amount of $1,400,000. Interest was fixed at 5.5%, with the principal and interest to be paid in fifty-nine consecutive monthly installments of $8,666 amortized over a twenty-five year period with the remaining unpaid balance due in full on August 5, 2016. The promissory note was collateralized by a blanket lien on all of the Center's assets, including all current and future pledges receivable, and any grants received for the benefit of the capital campaign. During the year ended June 30, 2015, the loan was modified to waive principal payments and charge interest only for a six month period beginning in January 2015.

On March 3, 2016, the Center reached a settlement agreement with the financial institution where the entire outstanding balance of approximately $1.1 million was paid off with a $300,000 payment. The $300,000 payment came from the Center's endowment fund held at the Manatee Community Foundation and was approved in order to pay off the debt. The forgiveness of debt resulted in a gain on extinguishment of debt totaling $815,185 in the accompanying statement of activities for the year ended June 30, 2016.

Promissory Note - Equipment

On September 15, 2015, the Center executed a promissory note from a company in the amount of $100,000 for the purchase of gym equipment. Interest was fixed at 1.5%, with the principal and interest to be paid in two annual installments. The promissory note was collateralized by certain gym equipment held by the Center. The outstanding balance of the note as of June 30, 2017 and 2016 totaled $100,000.

Subsequent to the year ended June 30, 2017, the unrelated company took back the gym equipment and is in the process of releasing the lien. See Note 15.

6. Temporarily Restricted Net Assets

There were no temporarily restricted net assets as of June 30, 2017 and 2016.

7. Permanently Restricted Net Assets

Permanently restricted net assets are comprised of contributions to be maintained into perpetuity, and are held at the Manatee Community Foundation. Permanently restricted net assets totaled $1,080,338 for both years ended June 30, 2017 and 2016, respectively.

8. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from donor restrictions for the years ended June 30 are as follows:

	2017	2016
Scholarships and Youth Programs	$ 46,498	$ 17,641
Capital	-	36,110
Other	62,518	-
Total net assets released from restrictions	$ 109,016	$ 53,751

9. Tax-Deferred Savings Plan

The Center offers a tax-deferred savings plan, which qualifies as a Savings Incentive Match Plan for Employees (SIMPLE IRA Plan) under Internal Revenue Code. The plan covers all employees, over ages twenty-one who have received at least $5,000 in compensation during the year. Employees may provide tax-deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limits. The Center's contribution is based on matching contributions for up to 3% of employee wages. This contribution can be reduced to as low as 1% in a 2 out of 5 year period. The Center's contribution to the plan for the years ended June 30, 2017 and 2016 totaled $0 and $927, respectively.

10. Operating Lease Commitments

The Center leases land from the City of Anna Maria Island, Florida under a ninety-nine (99) year lease beginning in August of 1978 on which program facilities have been constructed. The lease provides for one ninety-nine year extension and annual payments of $1. During fiscal year 2003, the extension of the lease was executed to the year 2102.

During the year ended June 30, 2013, the Center entered into a 63 month operating lease agreement for office equipment, which expired in December 2017. The lease was renegotiated in February 2016 and was extended through February of 2019, with monthly payments of $350, plus applicable taxes. Future minimum payments are as follows:

2018	$ 4,200
2019	2,450
	$ 6,650

11. Concentration of Economic and Credit Risk

The Center relies heavily on local government funding, general contributions and program revenue to fund its operations. The participants in the Center's programs reside primarily in the cities of Anna Maria and Bradenton, Florida.

The Center maintains its cash and cash equivalents at various financial institutions. Accounts at each institution are insured up to the Federal Deposit Insurance Corporation (FDIC) limit. The Center has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents, which at times, exceeds federally insured limits.

12. Endowments

The Center's endowment consisted of funds established for a variety of purposes, resulting from donor restrictions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Change in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ (368,152)	$ -	$ 1,080,338	$ 712,186
Endowment investment return:				
Interest and dividends	11,110	-	-	11,110
Realized and unrealized gain, net	52,764	-	-	52,764
Total endowment investment	(304,278)	-	1,080,338	776,060
Distributions	(464,160)	-	-	(464,160)
Fees	(5,673)	-	-	(5,673)
Endowment net assets, June 30, 2017	$ (774,111)	$ -	$ 1,080,338	$ 306,227

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ (19,007)	$ -	$ 814,304	$ 795,297
Endowment investment return:				
Interest and dividends	18,902	-	-	18,902
Realized and unrealized loss, net	(37,728)	-	-	(37,728)
Total endowment investment	(37,833)	-	814,304	776,471
Contributions	-	-	266,034	266,034
Distributions	(325,000)	-	-	(325,000)
Fees	(5,319)	-	-	(5,319)
Endowment net assets, June 30, 2016	$ (368,152)	$ -	$ 1,080,338	$ 712,186

12. Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets, which totaled $774,111 and $368,152 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from distributions that occurred after the initial investment of permanently restricted contributions. During the year, the Center met with a large donor of the endowment fund who provided approval for the distributions. Subsequent to year end, the Center received a signed letter from this donor approving the reclassification of certain permanently restricted contributions to unrestricted.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Based on the fund agreement with the Foundation, the Center may receive distributions of investment earnings of the dollars held by the Manatee Community Foundation, based on the result of the pooled funds held in the Foundation. If the Center elects not to receive the distribution, the distribution will be applied to the principal of the fund. The Manatee Community Foundation will entertain a request in any year from the Center's board of directors to provide a distribution in excess of the net income of this fund, including the principal balance of the fund, as long as such request is consistent with the purpose to support the non-profit mission of the Center.

During the year end June 30, 2016, the Center was named beneficiary in a permanently restricted bequest totaling $266,034. The Center will receive annual distributions of approximately 4.5% from this fund, not to exceed the original principal balance of the fund held at the Manatee Community Foundation.

13. Fair Value of Financial Assets and Liabilities

The Center adopted the Fair *Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following are the major classes of assets and liabilities measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quotes prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Center's assumptions based on the best information available in the circumstance.

13. Fair Value of Financial Assets and Liabilities (Continued)

Description	Fair Value June 30, 2017	Level 1	Level 2	Level 3
Beneficial interest in net assets of the Manatee Community Foundation	$ 306,227	$ 278,334	$ -	$ 27,893
Total assets at fair value	$ 306,227	$ 278,334	$ -	$ 27,893

Description	Fair Value June 30, 2016	Level 1	Level 2	Level 3
Beneficial interest in net assets of the Manatee Community Foundation	$ 712,186	$ 646,547	$ -	$ 65,639
Total assets at fair value	$ 712,186	$ 646,547	$ -	$ 65,639

14. Related Party Transactions

During 2017 and 2016, the Center received loans from certain board members to help with general operations. As of June 30, 2017 and 2016, these loans totaled $0 and $18,000, respectively, and are recorded in the accompanying statement of financial position as due to related parties. In addition, board members make contributions to the Center throughout the year.

15. Subsequent Events

The Center has evaluated all events subsequent to the balance sheet date of June 30, 2017 through the date these financial statements were available to be issued, January 12, 2018, and have determined, that except as set forth below, there are no subsequent events that require disclosure.

Equipment Loan

In November of 2017, a company took back gym equipment and is in the process of releasing the lien related to the promissory note that totaled $100,000 as of June 30, 2017. This transaction will decrease building, improvements and equipment, as well as long-term debt by approximately $100,000 during the fiscal year ending June 30, 2018.

Partnership

Subsequent to year end, the Center and Island Fitness Anna Maria (Island Fitness) established a partnership to service the needs of the community through the promotion of health and fitness programs that enhance the overall wellbeing and quality of life of members and the greater community. Island Fitness will move onsite and encourage all current and active Island Fitness members to join the Center as annual members. Island Fitness will then receive a percentage of gross revenues from memberships to compensate them for direct costs incurred to continuing their programs at the Center's locations.

Endowment Reclassification

Subsequent to year end, the Center received a signed letter from a donor approving the reclassification of certain permanently restricted contributions to unrestricted. The Center is currently determining the amount of the donations to the endowment from the donor.

16. Uncertainties
The Center has experienced losses in the majority of the years after the construction of the new facility during 2007 and 2008. In addition, the Center has used the majority of their endowment funds to pay off the mortgage in 2016, as well as funding operations and updating programming and systems to a standard that can handle the growth and complexities of serving a changing demographic that serves all ages in the community during 2017.

The Center has implemented strategies to increase revenues, as well as strategies to decrease expenses in order to continue to provide programs, activities, and other community support items that are valuable to the community. If the Center's strategy to increase funding is not successful, then it may be forced to cut programs, activities, and other community support items that are currently being provided. In recent years, the Center has prided itself on not cutting programs, but instead, focused on how to make better use of the facility in order to capitalize on the investment made possible by the community and donors of the Center.

Subsequent to year end, the Center received a signed letter from this donor approving the reclassification of certain permanently restricted contributions to unrestricted. This would reduce the obligation to replenish these endowed funds from operational profits, as the Endowment funds are underwater by $774,111.

The Center is confident they are making progress, and is committed to providing value to the community into the future through a sustainable business model.