

**The Center of Anna Maria Island, Inc.**

Financial Statements and  
Independent Auditor's Report  
June 30, 2018 and 2017

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## 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, 2018 and 2017, 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, 2018 and 2017, 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  
March 26, 2019

# The Center of Anna Maria Island, Inc.

## Statements of Financial Position

June 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 141,778	\$ 164,815
Contributions, grants and other receivables	56,587	12,839
Prepaid expenses and other	14,402	11,892
Total current assets	<u>212,767</u>	<u>189,546</u>
<b>Long-term Assets:</b>		
Beneficial interest in net assets of the Manatee Community Foundation	314,210	306,227
Charitable remainder trust receivable	44,595	-
Building, improvements and equipment, net	3,461,247	3,669,854
Total long-term assets	<u>3,820,052</u>	<u>3,976,081</u>
Total Assets	<u>\$ 4,032,819</u>	<u>\$ 4,165,627</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 12,626	\$ 17,910
Accrued expenses	41,902	55,070
Total current liabilities	<u>54,528</u>	<u>72,980</u>
<b>Long-term Liabilities:</b>		
Equipment promissory note	-	100,000
Total Liabilities	<u>54,528</u>	<u>172,980</u>
<b>Net Assets:</b>		
Unrestricted	2,813,358	2,912,309
Temporarily restricted	74,595	-
Permanently restricted	1,090,338	1,080,338
Total net assets	<u>3,978,291</u>	<u>3,992,647</u>
Total Liabilities and Net Assets	<u>\$ 4,032,819</u>	<u>\$ 4,165,627</u>

See accompanying notes to financial statements.

# The Center of Anna Maria Island, Inc.

Statement of Activities  
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Contributions and grants	\$ 275,807	\$ 82,095	\$ 10,000	\$ 367,902
Program service fees	538,398	-	-	538,398
Government organizations	22,500	-	-	22,500
In-kind revenue	55,000	-	-	55,000
Other	13,381	-	-	13,381
Change in net assets of the Manatee Community Foundation	18,972	-	-	18,972
Gain on transfer of equipment	24,477	-	-	24,477
Total support and revenue	<u>948,535</u>	<u>82,095</u>	<u>10,000</u>	<u>1,040,630</u>
Net assets released from restrictions	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>
Special events revenue	134,245	-	-	134,245
Less direct costs	(39,987)	-	-	(39,987)
Net revenue from special events	<u>94,258</u>	<u>-</u>	<u>-</u>	<u>94,258</u>
Total support, revenue and reclassifications	<u>1,050,293</u>	<u>74,595</u>	<u>10,000</u>	<u>1,134,888</u>
Expenses:				
Program services	993,646	-	-	993,646
Fund raising	59,600	-	-	59,600
Management and general	95,998	-	-	95,998
Total expenses	<u>1,149,244</u>	<u>-</u>	<u>-</u>	<u>1,149,244</u>
Change in net assets	(98,951)	74,595	10,000	(14,356)
Net assets - beginning of year	<u>2,912,309</u>	<u>-</u>	<u>1,080,338</u>	<u>3,992,647</u>
Net assets - end of year	<u>\$ 2,813,358</u>	<u>\$ 74,595</u>	<u>\$ 1,090,338</u>	<u>\$ 3,978,291</u>

See accompanying notes to financial statements.

## The Center of Anna Maria Island, Inc.

Statement of Activities  
Year Ended June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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.

Statements of Cash Flows  
Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Change in net assets	\$ (14,356)	\$ (486,281)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	141,965	184,384
Charitable remainder trust receivable contributions	(44,595)	-
Change in net assets of the Manatee Community Foundation	(18,972)	(58,201)
Gain on transfer of equipment	(24,477)	-
Contributions restricted for the endowment fund	(10,000)	-
Change in operating assets:		
Contributions, grants and other receivables	(43,748)	561
Prepaid expenses and other	(2,510)	7,634
Change in operating liabilities:		
Accounts payable	(5,284)	(109)
Accrued expenses	(13,168)	17,340
Total adjustments	(20,789)	151,609
Net cash used in operating activities	(35,145)	(334,672)
 Cash flows from investing activities:		
Capital expenditures	(8,881)	-
Net cash used in investing activities	(8,881)	-
 Cash flows from financing activities:		
Amounts borrowed from related parties	-	15,000
Payments to related parties	-	(33,000)
Contributions restricted for the endowment fund	10,000	-
Proceeds received from beneficial interest in net assets in the Manatee Community Foundation	10,989	464,160
Net cash provided by financing activities	20,989	446,160
 Change in cash and cash equivalents	(23,037)	111,488
Cash and cash equivalents - beginning of year	164,815	53,327
Cash and cash equivalents - end of year	\$ 141,778	\$ 164,815
 Supplemental disclosure of cash flow information:		
Non-cash reduction of equipment cost and corresponding equipment promissory note, resulting in a gain on transfer of equipment of \$24,477.	\$ 100,000	\$ -

See accompanying notes to financial statements.

## The Center of Anna Maria Island, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2018

	<b>Program Services</b>	<b>Fund Raising</b>	<b>Management and General</b>	<b>Total</b>
Wages	\$ 368,286	\$ 42,776	\$ 8,906	\$ 419,968
Payroll taxes	28,094	3,263	679	32,036
Employee benefits	70,330	8,169	1,701	80,200
Total wages and related expenses	466,710	54,208	11,286	532,204
Supplies and other program expenses	126,759	555	27,252	154,566
Rent expense - land	54,659	71	270	55,000
Occupancy	22,528	235	704	23,467
Insurance	34,860	1,484	742	37,086
Travel and gas	2,287	63	61	2,411
Building and grounds maintenance	48,778	508	1,524	50,810
Professional fees	3,117	521	48,373	52,011
Office and small equipment expenses	13,859	150	1,222	15,231
Marketing and public relations	13,536	293	720	14,549
Other	16,243	348	687	17,278
Printing and publications	24,346	528	1,295	26,169
Dues and licenses	24,851	494	1,152	26,497
Total functional expenses before depreciation	852,533	59,458	95,288	1,007,279
Depreciation	141,113	142	710	141,965
Total functional expenses	\$ 993,646	\$ 59,600	\$ 95,998	\$ 1,149,244

See accompanying notes to financial statements.



## The Center of Anna Maria Island, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2017

	<b>Program Services</b>	<b>Fund Raising</b>	<b>Management and General</b>	<b>Total</b>
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	<u>561,181</u>	<u>65,181</u>	<u>13,569</u>	<u>639,931</u>
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
Office and small equipment 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	<u>1,112,359</u>	<u>73,100</u>	<u>98,185</u>	<u>1,283,644</u>
Depreciation	<u>183,278</u>	<u>184</u>	<u>922</u>	<u>184,384</u>
Total functional expenses	<u>\$ 1,295,637</u>	<u>\$ 73,284</u>	<u>\$ 99,107</u>	<u>\$ 1,468,028</u>

See accompanying notes to financial statements.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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## I. 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 statement 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.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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## 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, 2015 through June 30, 2018.

### 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.

### Contributions, Grants and Other Receivables

The Center uses the reserve method to account for uncollectible receivables. At June 30, 2018 and 2017, 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.

### Bequests Receivable

Bequests that have not been recorded in the accompanying financial statements are those where the donors' wills have not yet been declared valid by the probate court and the value of the amounts to be received is not yet determinable. All other bequests are reflected in the accompanying financial statements.

### 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:

	<u>Years</u>
Building and improvements	10 - 39
Grounds improvements	10 - 39
Equipment	5 - 15
Vehicles	5 - 10

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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## 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.

### Charitable Remainder Trust

The Center has been named as a beneficiary in an irrevocable charitable remainder trust. The Center's beneficial interest in the trusts' assets is measured at the present value of the estimated future distributions expected to be received. The Applicable Federal Rate (3.4%) was utilized to measure the present value of future distributions which are based upon the stated rate of return of 8.0% of the fair value of the trusts' investments. Contributions of charitable remainder trusts included in the statements of activities under contributions and grants totaled \$44,595 and \$0 for the years ended June 30, 2018 and 2017, respectively.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as change in value of charitable remainder trusts in the statements of activities. The amount of related assets are based on estimated maturity of the agreements. Actual results could differ from those estimates.

Charitable remainder trusts are classified as temporarily restricted. Once the beneficial interest is passed to the Center, the remaining assets are released for unrestricted use.

### 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, 2018 and 2017, 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 under generally accepted accounting principles. 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; contributions, grants and other receivables; prepaid expenses and other; accounts payable; and accrued expenses.

### Reclassification

To facilitate comparison of financial data, certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

### 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. As of June 30, 2018 and 2017, the balance of this fund totaled \$9,391 and \$9,438, respectively.

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, 2018 and 2017, the balance of this fund totaled \$304,819 and \$296,789, respectively.

During the year ended June 30, 2018 and 2017, the Center received distributions of \$10,989 and \$464,160, respectively, from these funds held at the Foundation. The total balance of these funds as of June 30, 2018 and 2017 totaled \$314,210 and \$306,227, respectively.

### 4. Building, Improvements and Equipment

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

	<b>2018</b>	<b>2017</b>
Building and improvements	\$ 4,795,656	\$ 4,795,656
Grounds improvements	190,520	181,638
Equipment	184,067	298,653
Vehicles	20,895	20,895
	<u>5,191,138</u>	<u>5,296,842</u>
Less: accumulated depreciation and amortization	(1,729,891)	(1,626,988)
Total building, improvements and equipment, net	<u>\$ 3,461,247</u>	<u>\$ 3,669,854</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 totaled \$141,965 and \$184,384, respectively.

### 5. Long-term Debt

On September 15, 2015, the Center executed a promissory note from an unrelated 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. In November 2017, the unrelated company took back the fitness equipment in exchange of releasing the promissory note. As of June 30, 2018, the lien has not been released by the unrelated company. The outstanding balance of the note as of June 30, 2018 was \$0.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

## 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Development Director Salary	\$ 30,000	\$ -
Charitable Remainder Trust Receivable	44,595	-
	<u>\$ 74,595</u>	<u>\$ -</u>

## 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 \$1,090,338 and \$1,080,338 for the years ended June 30, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>
Scholarships and Youth Programs	\$ 7,500	\$ 46,498
Other	-	62,518
	<u>\$ 7,500</u>	<u>\$ 109,016</u>

## 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. There were no contributions to the plan for the years ended June 30, 2018 and 2017.

## 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.

The Center leases certain office equipment under an agreement that expires in February of 2019. Future lease commitments amount to \$2,450 at June 30, 2018.

## 11. Concentration of Economic and Credit Risk

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

The Center maintains its cash and cash equivalents at a single financial institution. Accounts at this 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, may exceed federally insured limits.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

## 12. Endowments

The Center's endowment consists 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, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ (774,111)	\$ -	\$ 1,080,338	\$ 306,227
Endowment investment return:				
Interest and dividends	7,134	-	-	7,134
Realized and unrealized gain, net	15,372	-	-	15,372
Total endowment investment	<u>(751,605)</u>	<u>-</u>	<u>1,080,338</u>	<u>328,733</u>
Endowed contributions	(10,000)	-	10,000	-
Distributions	(10,989)	-	-	(10,989)
Fees	(3,534)	-	-	(3,534)
Endowment net assets, June 30, 2018	<u>\$ (776,128)</u>	<u>\$ -</u>	<u>\$ 1,090,338</u>	<u>\$ 314,210</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>(304,278)</u>	<u>-</u>	<u>1,080,338</u>	<u>776,060</u>
Distributions	(464,160)	-	-	(464,160)
Fees	(5,673)	-	-	(5,673)
Endowment net assets, June 30, 2017	<u>\$ (774,111)</u>	<u>\$ -</u>	<u>\$ 1,080,338</u>	<u>\$ 306,227</u>

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

## 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 \$776,128 and \$774,111 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from distributions that occurred after the initial investment of permanently restricted contributions. During 2017, the Center met with a large donor of the endowment fund who provided approval for the distributions. During 2018, the Center received a signed letter from this donor approving the reclassification of certain permanently restricted contributions to unrestricted. The Center is working towards determining the amount of the donations to the endowment from the donor and is also pursuing additional actions to provide for reclassification of fund. These actions should reduce the obligation to replenish these endowed funds from operational profits.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

See Note 3.

## 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.

<u>Description</u>	<u>Fair Value June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in net assets of the Manatee Community Foundation	\$ 314,210	\$ 292,841	\$ -	\$ 21,369
Total assets at fair value	\$ 314,210	\$ 292,841	\$ -	\$ 21,369



# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

## 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

## 14. Related Party Transactions

During the year ended June 30, 2017, the Center received loans from certain board members totaling \$15,000 to help with general operations. During the year ended June 30, 2017, the Center repaid \$33,000 of board member loans received in fiscal year end 2017 and 2016. As of June 30, 2018 and 2017, these loans totaled \$0.

## 15. Contingencies

In connection with the return of fitness equipment and release of the related promissory note (see Note 5), the Center has not formally received the lien release. The Center believes it has no further obligation related to the promissory note since the lienholder took possession of the related equipment.

After the construction of the new facility during 2007 and 2008, the Center experienced losses from operations. Consequently, the Center used a majority of its endowment during the years ended June 30, 2016 and 2017 to fund operations, pay off the facility mortgage thereby reducing operating expense, and update programming and systems to a standard that can handle the growth and complexities of serving the changing community demographic from residential to rental and to all ages.

During fiscal year ended June 30, 2018, the Center successfully implemented strategies to increase program revenues and fundraising income and decrease operating expenses in order to continue to provide programs, activities and other community support valuable to the community. These initiatives resulted in significant improvement in cash flow. The Center will continue to refine and implement additional initiatives in anticipation of improving cash flows in the future. If these initiatives are not successful, the Center may be forced to cut programs, activities and other community support programs that are currently being provided.

The Center is confident progress is being made and is committed to providing value to the community into the future through a sustainable business model.

# The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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## **16. Subsequent Events**

The Center has evaluated all events subsequent to the statement of financial position date of June 30, 2018 through the date these financial statements were available to be issued, March 26, 2019, and have determined, that except as set forth below, there are no subsequent events that require disclosure.

### **Capital Funds and Expenses**

In August 2018, Manatee County approved a contribution of \$125,000 to the Center for capital related expenditures including field improvements, roof repairs, shower construction and the purchase of fitness equipment and vans. These expenses will be capitalized during the fiscal year ending June 30, 2019 impacting depreciation expense and accumulated depreciation.

### **Partnership**

Subsequent to year end, the Center and Island Fitness Anna Maria (Island Fitness) modified the compensation component of their management agreement for the next fiscal year and formalized this in September 2018 with a letter of intent. A flat monthly fee with a bonus structure to incentivize growth was established along with a percentage of revenues from personal training. The Center agreed to purchase Island Fitness equipment.