

The Center of Anna Maria Island, Inc.

Financial Statements and
Independent Auditor's Report
June 30, 2019 and 2018

Contents

| | Page |
|--|-------------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 2 |
| Statement of Activities - 2019..... | 3 |
| Statement of Activities - 2018..... | 4 |
| Statements of Cash Flows..... | 5 |
| Statement of Functional Expenses - 2019..... | 6 |
| Statement of Functional Expenses - 2018..... | 7 |
| Notes to Financial Statements..... | 8 |

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, 2019 and 2018, 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 from 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, 2019 and 2018, 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
May 15, 2020

The Center of Anna Maria Island, Inc.

Statements of Financial Position

June 30, 2019 and 2018

| Assets | 2019 | 2018 |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 181,053 | \$ 141,778 |
| Contributions, grants and other receivables | 53,983 | 56,587 |
| Prepaid expenses and other | 10,479 | 14,402 |
| Total current assets | <u>245,515</u> | <u>212,767</u> |
| Long-term Assets: | | |
| Beneficial interest in net assets of the Manatee Community Foundation | 325,140 | 314,210 |
| Charitable remainder trust receivable | 60,981 | 44,595 |
| Building, improvements and equipment, net | <u>3,430,778</u> | <u>3,461,247</u> |
| Total long-term assets | <u>3,816,899</u> | <u>3,820,052</u> |
| Total Assets | \$ <u>4,062,414</u> | \$ <u>4,032,819</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 38,406 | \$ 54,528 |
| Deferred revenue | 34,915 | - |
| Total current liabilities | <u>73,321</u> | <u>54,528</u> |
| Total Liabilities | <u>73,321</u> | <u>54,528</u> |
| Net Assets: | | |
| Without donor restrictions | | |
| Undesignated | 147,963 | 128,239 |
| Invested in property and equipment, net | <u>3,430,778</u> | <u>3,461,247</u> |
| Total net assets without donor restrictions | <u>3,578,741</u> | <u>3,589,486</u> |
| With donor restrictions | | |
| Time and purpose restriction | 85,212 | 74,595 |
| Perpetual in nature | 1,090,338 | 1,090,338 |
| Underwater endowment | <u>(765,198)</u> | <u>(776,128)</u> |
| Total net assets with donor restrictions | <u>410,352</u> | <u>388,805</u> |
| Total net assets | <u>3,989,093</u> | <u>3,978,291</u> |
| Total Liabilities and Net Assets | \$ <u>4,062,414</u> | \$ <u>4,032,819</u> |

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Activities
Year Ended June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions and grants | \$ 171,377 | \$ 71,145 | \$ 242,522 |
| Program service fees | 425,142 | - | 425,142 |
| Government organizations | 123,145 | - | 123,145 |
| In-kind revenue | 55,000 | - | 55,000 |
| Other | 17,748 | - | 17,748 |
| Change in net assets of the Manatee Community Foundation | - | 13,081 | 13,081 |
| Change in value of charitable remainder trust | - | 16,386 | 16,386 |
| Gain on disposal of equipment | 8,500 | - | 8,500 |
| Total support and revenue | <u>800,912</u> | <u>100,612</u> | <u>901,524</u> |
| Net assets released from restrictions | <u>79,065</u> | <u>(79,065)</u> | <u>-</u> |
| Special events revenue | 198,570 | - | 198,570 |
| Less direct costs | <u>(53,259)</u> | <u>-</u> | <u>(53,259)</u> |
| Net revenue from special events | <u>145,311</u> | <u>-</u> | <u>145,311</u> |
| Total support, revenue and reclassifications | <u>1,025,288</u> | <u>21,547</u> | <u>1,046,835</u> |
| Expenses: | | | |
| Program services | 897,312 | - | 897,312 |
| Fund raising | 44,534 | - | 44,534 |
| Management and general | 94,187 | - | 94,187 |
| Total expenses | <u>1,036,033</u> | <u>-</u> | <u>1,036,033</u> |
| Change in net assets | (10,745) | 21,547 | 10,802 |
| Net assets - beginning of year | <u>3,589,486</u> | <u>388,805</u> | <u>3,978,291</u> |
| Net assets - end of year | <u>\$ 3,578,741</u> | <u>\$ 410,352</u> | <u>\$ 3,989,093</u> |

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Activities
Year Ended June 30, 2018

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|---|---|--|---------------------|
| Support and Revenue: | | | |
| Contributions and grants | \$ 275,807 | \$ 92,095 | \$ 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>92,095</u> | <u>1,040,630</u> |
| Net assets released from restrictions | <u>7,500</u> | <u>(7,500)</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>94,258</u> |
| Total support, revenue and reclassifications | <u>1,050,293</u> | <u>84,595</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>1,149,244</u> |
| Change in net assets | (98,951) | 84,595 | (14,356) |
| Net assets - beginning of year | 2,912,309 | 1,080,338 | 3,992,647 |
| Adoption of ASC 2016-14 | 776,128 | (776,128) | - |
| Net assets - end of year | <u>\$ 3,589,486</u> | <u>\$ 388,805</u> | <u>\$ 3,978,291</u> |

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statements of Cash Flows Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 10,802 | \$ (14,356) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 136,717 | 141,965 |
| Charitable remainder trust contributions | - | (44,595) |
| Change in value of charitable remainder trust | (16,386) | - |
| Change in net assets of the Manatee Community Foundation | (13,081) | (18,972) |
| Gain on disposal of equipment | (8,500) | - |
| Gain on transfer of equipment | - | (24,477) |
| Contributions restricted for the endowment fund | - | (10,000) |
| Change in operating assets: | | |
| Contributions, grants and other receivables | 2,604 | (43,748) |
| Prepaid expenses and other | 3,923 | (2,510) |
| Change in operating liabilities: | | |
| Accounts payable and accrued expenses | (16,122) | (18,452) |
| Deferred revenue | 34,915 | - |
| Total adjustments | 124,070 | (20,789) |
| Net cash provided by (used in) operating activities | 134,872 | (35,145) |
| Cash flows from investing activities: | | |
| Capital expenditures | (97,748) | (8,881) |
| Net cash used in investing activities | (97,748) | (8,881) |
| Cash flows from financing activities: | | |
| Contributions restricted for the endowment fund | (10,000) | 10,000 |
| Proceeds received from beneficial interest in net assets of the Manatee Community Foundation | 12,151 | 10,989 |
| Net cash provided by financing activities | 2,151 | 20,989 |
| Change in cash and cash equivalents | 39,275 | (23,037) |
| Cash and cash equivalents - beginning of year | 141,778 | 164,815 |
| Cash and cash equivalents - end of year | \$ 181,053 | \$ 141,778 |

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

| | Program Services | Fund Raising | Management and General | Total |
|--|-----------------------------|-------------------------|-----------------------------------|--------------|
| Wages | \$ 302,755 | \$ 35,165 | \$ 7,321 | \$ 345,241 |
| Payroll taxes | 25,106 | 2,916 | 607 | 28,629 |
| Employee benefits | 8,880 | 1,031 | 215 | 10,126 |
| Total wages and related expenses | 336,741 | 39,112 | 8,143 | 383,996 |
| Supplies and other program expenses | 171,847 | 753 | 36,946 | 209,546 |
| Rent expense - land | 54,659 | 71 | 270 | 55,000 |
| Occupancy | 23,038 | 240 | 720 | 23,998 |
| Insurance | 40,011 | 1,703 | 851 | 42,565 |
| Travel and gas | 2,285 | 63 | 61 | 2,409 |
| Building and grounds maintenance | 63,095 | 657 | 1,972 | 65,724 |
| Professional fees | 2,650 | 443 | 41,126 | 44,219 |
| Office and small equipment expenses | 7,037 | 76 | 620 | 7,733 |
| Marketing and public relations | 5,009 | 109 | 266 | 5,384 |
| Other | 31,324 | 671 | 1,326 | 33,321 |
| Printing and publications | 15,019 | 326 | 799 | 16,144 |
| Dues and licenses | 8,701 | 173 | 403 | 9,277 |
| Total functional expenses before depreciation | 761,416 | 44,397 | 93,503 | 899,316 |
| Depreciation | 135,896 | 137 | 684 | 136,717 |
| Total functional expenses | \$ 897,312 | \$ 44,534 | \$ 94,187 | \$ 1,036,033 |

See accompanying notes to financial statements.

The Center of Anna Maria Island, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

| | Program Services | Fund Raising | Management and General | Total |
|--|-----------------------------|-------------------------|-----------------------------------|--------------|
| 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.

Notes to Financial Statements

June 30, 2019 and 2018

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. The expenses that are allocated include rent expense, occupancy, and building and grounds maintenance which are allocated on a square footnote basis, as well as salaries, benefits and other expenses which are allocated on the basis of estimates of time and effort.

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:

Net assets without donor restrictions - Net assets that provide management or the governing board with discretionary control to use in carrying out the mission of the Center due to absence of donor-imposed stipulations.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Net assets with donor restrictions - Net assets subject to explicit or implicit donor-imposed stipulations for use in future periods or currently available for use but only for purposes specified by the grantor or donor. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets have restrictions that are perpetual in nature. These net assets are subject to donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Center.

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, 2016 through June 30, 2019.

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, 2019 and 2018, 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 is provided for over the estimated service lives of the respective assets on a straight-line basis.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Building, Improvements and Equipment (Continued)

A summary of depreciable lives follows:

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

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 contributions with donor restrictions.

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. At June 30, 2018, 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. At June 30, 2019, the present value of distributions was measured at the amount determined to be the final distribution per a trust lawyer. Contributions of charitable remainder trusts included in the statements of activities under contributions and grants totaled \$0 and \$44,595 for the years ended June 30, 2019 and 2018, respectively. Change in value of the charitable remainder trusts included in the statements of activities totaled \$16,386 and \$0 for the years ended June 30, 2019 and 2018, 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 net assets with donor restrictions. Once the beneficial interest is passed to the Center, the remaining assets are released to net assets without donor restrictions.

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, 2019 and 2018, 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.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

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; and deferred revenue.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958), which was adopted by the Center for the year ended June 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets with donor restrictions" and "net assets without donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|----------------|
| Cash and cash equivalents | \$ 181,053 |
| Contributions, grants and other receivables | 53,983 |
| Distributions from charitable remainder trust | 60,981 |
| Distribution from beneficial interest in net assets from Manatee Community Foundation | <u>13,761</u> |
| Total financial assets available | <u>309,778</u> |

Less: Financial assets unavailable for general expenditure due to:

| | |
|------------------------------|-----------------|
| Time and purpose restriction | <u>(85,212)</u> |
|------------------------------|-----------------|

Total financial assets available to management for general expenditures within one year \$ 224,566

The Center's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Center manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Regular reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

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

In May of 2007, the Center transferred cash with donor restrictions that were perpetual in nature 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, 2019 and 2018, the balance of this fund totaled \$19,341 and \$9,391, respectively.

During the year end June 30, 2016, the Center was named beneficiary in a bequest with perpetual donor restrictions 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, 2019 and 2018, the balance of this fund totaled \$305,799 and \$304,819, respectively.

During the year ended June 30, 2019 and 2018, the Center received distributions of \$12,151 and \$10,989, respectively, from these funds held at the Foundation. The total balance of these funds as of June 30, 2019 and 2018 totaled \$325,140 and \$314,210, respectively.

5. 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.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

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

| Description | Fair Value June 30, 2019 | Level 1 | Level 2 | Level 3 |
|---|--------------------------------|------------|---------|-----------|
| Beneficial interest in net assets of the Manatee Community Foundation | \$ 325,140 | \$ 310,174 | \$ - | \$ 14,966 |
| Total assets at fair value | \$ 325,140 | \$ 310,174 | \$ - | \$ 14,966 |

| Description | Fair Value June 30, 2018 | Level 1 | Level 2 | Level 3 |
|---|--------------------------------|------------|---------|-----------|
| 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 |

6. Building, Improvements and Equipment

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

| | 2019 | 2018 |
|---|--------------|--------------|
| Building and improvements | \$ 4,795,656 | \$ 4,795,656 |
| Grounds improvements | 201,378 | 190,520 |
| Equipment | 232,365 | 184,067 |
| Vehicles | 47,092 | 20,895 |
| | 5,276,491 | 5,191,138 |
| Less: accumulated depreciation | (1,845,713) | (1,729,891) |
| Total building, improvements and equipment, net | \$ 3,430,778 | \$ 3,461,247 |

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$136,717 and \$141,965, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

| | 2019 | 2018 |
|---|------------|------------|
| Time and purpose restriction: | | |
| Purpose restriction: | | |
| Development director salary | \$ 24,231 | \$ 30,000 |
| Time restriction: | | |
| Charitable remainder trust receivable | 60,981 | 44,595 |
| Total time and purpose restriction | 85,212 | 74,595 |
| Restricted in perpetuity for endowment | 1,090,338 | 1,090,338 |
| Underwater endowment | (765,198) | (776,128) |
| Total net assets with donor restriction | \$ 410,352 | \$ 388,805 |

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

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:

| | 2019 | 2018 |
|----------------|-------------|-------------|
| Manatee County | \$ 73,296 | \$ 7,500 |
| Other | 5,769 | - |
| | \$ 79,065 | \$ 7,500 |

9. 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 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 net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the perpetual endowment, and, (b) the original value of subsequent gifts to the perpetual endowment. Any portion of the endowment, including investment income, which is not classified as net assets with donor restrictions that are perpetual in nature, is to be classified as net assets with donor restrictions until it is appropriated for expenditure.

Endowment Net Asset Composition

The Center has the following endowment net asset composition by type of fund as of June 30, 2019:

| | Without Donor Restriction | With Donor Restriction |
|---|--|---------------------------------------|
| Original donor restricted gift amounts required to be maintained in perpetuity by donor | \$ - | \$ 1,090,338 |
| Underwater endowment | - | (765,198) |
| Total Endowment Net Assets | \$ - | \$ 325,140 |

The Center has the following endowment net asset composition by type of fund as of June 30, 2018:

| | Without Donor Restriction | With Donor Restriction |
|---|--|---------------------------------------|
| Original donor restricted gift amounts required to be maintained in perpetuity by donor | \$ - | \$ 1,090,338 |
| Underwater endowment | - | (776,128) |
| Total Endowment Net Assets | \$ - | \$ 314,210 |

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

9. Endowments (Continued)

Change in Endowment Net Assets

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

| | <u>2019</u> | <u>2018</u> |
|--------------------|-------------------|-------------------|
| Beginning of year | \$ 314,210 | \$ 306,227 |
| Investment returns | 16,455 | 22,506 |
| Transfers | 10,000 | - |
| Distributions | (12,151) | (10,989) |
| Fees | (3,374) | (3,534) |
| End of year | <u>\$ 325,140</u> | <u>\$ 314,210</u> |

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. The Center has interpreted FUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019, funds with original gift values of \$1,090,338, fair values of \$325,140, and deficiencies of \$765,198 were reported in net assets with donor restrictions. At June 30, 2018, funds with original gift values of \$1,090,338, fair values of \$314,210, and deficiencies of \$776,128 were reported in net assets with donor restrictions. These deficiencies resulted from distributions that occurred after the initial investment of contributions with donor restrictions that were perpetual in nature. 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 contributions with donor restrictions that were perpetual in nature to contributions without donor restrictions. 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 funds. 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 4.

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 LED lighting equipment under an agreement that expires in March 2024. Future minimum lease commitments at June 30, 2019 are as follows:

| | |
|-----------|------------------|
| 2019-2020 | \$ 14,924 |
| 2020-2021 | 14,924 |
| 2021-2022 | 14,924 |
| 2022-2023 | 14,924 |
| 2023-2024 | 11,193 |
| Total | <u>\$ 70,889</u> |

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

11. Contingencies

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, 2019 and 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.

12. 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, 2019 and 2018.

13. 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.

14. Subsequent Events

The Center has evaluated all events subsequent to the statement of financial position date of June 30, 2019 through the date these financial statements were available to be issued, May 15, 2020, and have determined, that except as set forth below, there are no subsequent events that require disclosure.

The Center's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Center's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Center's customers and revenue, absenteeism in the Center's labor workforce, or unavailability of products and supplies used in operations.

The Center of Anna Maria Island, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

14. Subsequent Events (Continued)

Subsequent to year end, the Center was granted a loan from a financial institution in the aggregate amount of \$84,217, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act. The loan, which was in the form of a note payable, matures in 2 years and bears interest at a rate of approximately 1% per annum. The note may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Center intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.