

ERIE YACHT CLUB FOUNDATION, INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

ERIE YACHT CLUB FOUNDATION, INC.
Financial Statements
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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Accountant's Report

To the Board of Directors
Erie Yacht Club Foundation, Inc.
Erie, Pennsylvania

2015 Financial Statements

Management is responsible for the accompanying financial statements of Erie Yacht Club Foundation (a nonprofit organization), which comprise the statement of financial position as of October 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2015 financial statements.

2014 Financial Statements

The accompanying 2014 financial statements of Erie Yacht Club Foundation were previously reviewed by us, and we stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated April 27, 2015, but we have not performed any procedures in connection with that review engagement since that date.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

January 8, 2016
Erie, Pennsylvania

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ERIE YACHT CLUB FOUNDATION, INC.

Statements of Financial Position

As of October 31, 2015(Compiled) and 2014(Reviewed)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 30,878	\$ 55,568
Contributions receivable, net of discount \$5,554 for 2015 and \$7,884 for 2014	179,581	254,921
Investments, at fair value	97,961	96,607
Building and equipment, net of accumulated depreciation \$29,045 for 2015 and \$6,002 for 2014	<u>863,674</u>	<u>881,742</u>
 Total Assets	 <u><u>\$ 1,172,094</u></u>	 <u><u>\$ 1,288,838</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	\$ 11,162
Note payable-Related party	<u>30,000</u>	<u>140,000</u>
 Total Liabilities	 <u>30,000</u>	 <u>151,162</u>
 Net Assets		
Unrestricted net assets	922,115	923,108
Temporarily restricted net assets	<u>219,979</u>	<u>214,568</u>
 Total Net Assets	 <u>1,142,094</u>	 <u>1,137,676</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,172,094</u></u>	 <u><u>\$ 1,288,838</u></u>

See accompanying notes and independent accountant's report.

ERIE YACHT CLUB FOUNDATION, INC.

Statement of Activities

Year Ended October 31, 2015(Compiled)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Direct Public Support			
Annual appeal	\$ -	\$ 2,170	\$ 2,170
Boathouse Capital Equipment	-	5,739	5,739
Commodore fund - Other	12,667	-	12,667
Fundraiser	21,520	-	21,520
Reyburn fund	-	3,195	3,195
Scholarship program	11,840	-	11,840
Klahr fund	-	99	99
Administrative fee	10,862	-	10,862
Investment income	1,193	-	1,193
Net assets released from restriction	5,792	(5,792)	-
	<u>63,874</u>	<u>5,411</u>	<u>69,285</u>
Expenses			
Program	31,421	-	31,421
Management and general	7,246	-	7,246
Fundraising	26,200	-	26,200
	<u>64,867</u>	<u>-</u>	<u>64,867</u>
Changes in Net Assets	(993)	5,411	4,418
Net Assets, Beginning of Year	<u>923,108</u>	<u>214,568</u>	<u>1,137,676</u>
Net Assets, End of Year	<u>\$ 922,115</u>	<u>\$ 219,979</u>	<u>\$ 1,142,094</u>

See accompanying notes and independent accountant's report.

ERIE YACHT CLUB FOUNDATION, INC.

Statement of Activities

Year Ended October 31, 2014 (Reviewed)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Direct Public Support			
Annual appeal	\$ -	\$ 3,150	\$ 3,150
Education building income	-	222,108	222,108
Commodore fund - Rickloff	-	5,000	5,000
Commodore fund - Other	6,305	-	6,305
Reyburn fund	-	5,208	5,208
Scholarship program	2,280	-	2,280
Klahr fund	-	90	90
Administrative fee	2,937	-	2,937
Investment income	5,858	-	5,858
Net assets released from restriction	678,734	(678,734)	-
	<u>696,114</u>	<u>(443,178)</u>	<u>252,936</u>
Expenses			
Program	11,507	-	11,507
Management and general	6,514	-	6,514
Fundraising	6,892	-	6,892
	<u>24,913</u>	<u>-</u>	<u>24,913</u>
Changes in Net Assets	671,201	(443,178)	228,023
Net Assets, Beginning of Year	<u>251,907</u>	<u>657,746</u>	<u>909,653</u>
Net Assets, End of Year	<u>\$ 923,108</u>	<u>\$ 214,568</u>	<u>\$ 1,137,676</u>

See accompanying notes and independent accountant's report.

ERIE YACHT CLUB FOUNDATION, INC.

Statements of Cash Flows

Year Ended October 31, 2015(Compiled) and 2014(Reviewed)

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 4,418	\$ 228,023
Items not requiring (providing) operating activities cash flows		
Depreciation	23,043	6,002
Amortization of discount on contributions receivable	(2,330)	(4,412)
Net unrealized (gains) losses on investments	3,299	(586)
Increase (decrease) in accounts payable	<u>(11,162)</u>	<u>11,162</u>
Net cash provided by (used by) operating activities	<u>17,268</u>	<u>240,189</u>
Investing Activities		
Property, plant, and equipment purchases	(4,975)	(674,428)
Donated investments	(1,137)	(15,360)
Purchase of investments	(4,653)	(5,325)
Sale of investments	<u>1,137</u>	<u>15,360</u>
Net cash provided by (used by) investing activities	<u>(9,628)</u>	<u>(679,753)</u>
Financing Activities		
Note payable proceeds	-	140,000
Note payable payments	(110,000)	-
Receipt of contributions pledged for construction of long-lived assets	<u>77,670</u>	<u>112,818</u>
Net cash provided by (used by) financing activities	<u>(32,330)</u>	<u>252,818</u>
Change in Cash and Cash Equivalents	(24,690)	(186,746)
Cash and Cash Equivalents, Beginning of Year	<u>55,568</u>	<u>242,314</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,878</u>	<u>\$ 55,568</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 3,203</u>	<u>\$ 1,243</u>

See accompanying notes and independent accountant's report.

ERIE YACHT CLUB FOUNDATION, INC.
Notes to Financial Statements
October 31, 2015(Compiled) and 2014(Reviewed)

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Operations

Erie Yacht Club Foundation, Inc. (the “Foundation”) is a not-for-profit organization whose mission and principal activities are to work closely with the Erie Yacht Club to raise money for specific community programs, with a focus on maritime related activities and education. The Foundation’s revenues and other support are derived principally from contributions, and its activities are conducted principally in the Erie area.

Use of Estimates

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 that 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At October 31, 2015 and 2014, cash equivalents consisted primarily of a checking account and a sweep account with brokers and certificates of deposit.

Investments and Investment Return

Investments are recorded at fair value.

The change between fair value and cost of investments bought, sold, and held during the year (realized and unrealized) is reflected as net appreciation (depreciation) in the fair value of investments and is recorded in investment income in the statement of activities.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are carried at cost or fair market value, if donated, less accumulated depreciation. Assets with a life expectancy greater than one year are capitalized. The cost of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets:

	<u>Useful Life:</u>
Building	39 years
Equipment	5 years

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation have been limited by donors to a specific time period or purpose.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same period are recorded as temporarily restricted and then released from restriction.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold.

The Foundation's Form 990, Return of Organization Exempt from Income Tax, for the fiscal year ended 2012 and prior are no longer subject to examination by the IRS.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the actual time spent and other methods.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of October 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Due in less than 1 year	\$ 66,512	\$ 88,278
Due within 1 – 5 years	<u>118,623</u>	<u>174,527</u>
	185,135	262,805
Less:		
Unamortized discount	<u>(5,554)</u>	<u>(7,884)</u>
	<u>\$ 179,581</u>	<u>\$ 254,921</u>

The discount rate at October 31, 2015 and 2014 was 3%.

NOTE 3 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at October 31, 2015 and 2014 are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Commodore Fund:		
Chad Klahr Trophy	\$ 5,989	\$ 5,890
Sailing School Sails	22,299	22,120
Annual Fund	4,144	3,994
Educational building	<u>187,547</u>	<u>182,564</u>
	<u>\$ 219,979</u>	<u>\$ 214,568</u>

NOTE 3 – NET ASSETS(CONTINUED)

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>2015</u>	<u>2014</u>
Construction of Educational building	\$ 756	\$ 674,429
Annual funds grants	2,020	1,567
Reyburn Sailing School	<u>3,016</u>	<u>2,738</u>
	<u>\$ 5,792</u>	<u>\$ 678,734</u>

NOTE 4 – INVESTMENTS AND DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The components of investment income were as follows:

	<u>Unrestricted</u>	
	<u>2015</u>	<u>2014</u>
Interest and dividends, net	\$ 4,492	\$ 5,272
Net realized and unrealized loss	<u>(3,299)</u>	<u>586</u>
Total investment income	<u>\$ 1,193</u>	<u>\$ 5,858</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2015 and 2014.

NOTE 4 – INVESTMENTS AND DISCLOSURES ABOUT FAIR VALUE OF ASSETS
(CONTINUED)

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at October 31, 2015 and 2014:

Description	2015	Fair Value at Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Federated Bond Fund	\$ 15,266	\$ 15,266	\$ -	\$ -
PIMCO Corporate Bond	82,695	82,695	-	-
Total Mutual Funds	<u>\$ 97,961</u>	<u>\$ 97,961</u>	<u>\$ -</u>	<u>\$ -</u>

Description	2014	Fair Value at Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Federated Bond Fund	\$ 15,168	\$ 15,168	\$ -	\$ -
PIMCO Corporate Bond	81,439	81,439	-	-
Total Mutual Funds	<u>\$ 96,607</u>	<u>\$ 96,607</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Approximately 66% of all contributions were received from one donor for the fiscal year ended October 31, 2014.

NOTE 6 – LEASES

Effective May 1, 2013, the Foundation began leasing land under an operating lease agreement with the Erie Yacht Club, an affiliated entity, requiring annual lease payments of \$1 through May 2063.

NOTE 7 – FUNCTIONAL EXPENSES

	2015			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards and grants	\$ 8,378	\$ -	\$ -	\$ 8,378
Bank fees	-	74	-	74
Business registration fees	-	150	-	150
Depreciation	23,043	-	-	23,043
Marketing	-	-	4,680	4,680
Office supplies and expenses	-	713	-	713
Fundraising	-	-	21,520	21,520
Professional fees	-	3,106	-	3,106
Internet expense	-	3,203	-	3,203
	<u>\$ 31,421</u>	<u>\$ 7,246</u>	<u>\$ 26,200</u>	<u>\$ 64,867</u>

NOTE 7 – FUNCTIONAL EXPENSES (CONTINUED)

	2014			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards and grants	\$ 5,505	\$ -	\$ -	\$ 5,505
Bank fees	-	319	-	319
Business registration fees	-	775	-	775
Depreciation	6,002	-	-	6,002
Marketing	-	-	2,638	2,638
Office supplies and expenses	-	482	-	482
Professional fees	-	3,695	4,254	7,949
Internet expense	-	1,243	-	1,243
	<u>\$ 11,507</u>	<u>\$ 6,514</u>	<u>\$ 6,892</u>	<u>\$ 24,913</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

In May 2014, the Foundation entered into a note payable agreement with one of its trustees. Under the terms of the agreement, the Foundation can borrow up to \$175,000. Interest accrues on the outstanding balance at 3% per annum. Principal and interest are payable quarterly, with the amount of each principal payment determined by cash available to the Foundation. The note is due October 2017. The balance as of October 31, 2015 and 2014 was \$30,000 and \$140,000, respectively, and interest paid on the loan for the year ended October 31, 2015 and 2014 was \$3,203 and \$1,243 respectively.

In June 2014, the Foundation paid a trustees' company \$7,955 for carpentry work related to the Rickloff Community Boathouse.

NOTE 9 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the date of the Independent Accountant's Report, which is the date the financial statements were available to be issued.