

**ERIE YACHT CLUB FOUNDATION, INC.**

**COMPILED FINANCIAL STATEMENTS**

**OCTOBER 31, 2016 AND 2015**

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

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

Management is responsible for the accompanying financial statements of Erie Yacht Club Foundation (a nonprofit organization), which comprise the statements of financial position as of October 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 these financial statements.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

February 7, 2017  
Erie, Pennsylvania

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# ERIE YACHT CLUB FOUNDATION, INC.

## Statements of Financial Position

As of October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 57,346	\$ 30,878
Contributions receivable, net of discount \$3,613 for 2016 and \$5,554 for 2015	116,825	179,581
Investments, at fair value	104,830	97,961
Building and equipment, net of accumulated depreciation \$52,539 for 2016 and \$29,045 for 2015	<u>875,830</u>	<u>863,674</u>
Total Assets	<u>\$1,154,831</u>	<u>\$ 1,172,094</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Note payable-Related party	<u>\$ -</u>	<u>\$ 30,000</u>
Total Liabilities	<u>-</u>	<u>30,000</u>
<b>Net Assets</b>		
Unrestricted net assets	928,946	922,115
Temporarily restricted net assets	<u>225,885</u>	<u>219,979</u>
Total Net Assets	<u>1,154,831</u>	<u>1,142,094</u>
Total Liabilities and Net Assets	<u>\$1,154,831</u>	<u>\$ 1,172,094</u>

See accompanying notes and independent accountants' report.

**ERIE YACHT CLUB FOUNDATION, INC.**  
**Statement of Activities**  
Year Ended October 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Direct Public Support			
Annual appeal	\$ -	\$ 4,710	\$ 4,710
Boathouse Capital Equipment	-	5,540	5,540
Commodore fund - Other	19,861	-	19,861
Fundraiser	24,315	-	24,315
Reyburn fund	-	2,603	2,603
Scholarship program	17,180	-	17,180
Klahr fund	-	-	-
Administrative fee	2,080	-	2,080
Investment income	6,716	-	6,716
Net assets released from restriction	6,947	(6,947)	-
	<u>77,099</u>	<u>5,906</u>	<u>83,005</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Program	37,402	-	37,402
Management and general	7,321	-	7,321
Fundraising	25,545	-	25,545
	<u>70,268</u>	<u>-</u>	<u>70,268</u>
Total expenses			
<b>Changes in Net Assets</b>	6,831	5,906	12,737
<b>Net Assets, Beginning of Year</b>	<u>922,115</u>	<u>219,979</u>	<u>1,142,094</u>
<b>Net Assets, End of Year</b>	<u>\$ 928,946</u>	<u>\$ 225,885</u>	<u>\$ 1,154,831</u>

See accompanying notes and independent accountants' report.

# ERIE YACHT CLUB FOUNDATION, INC.

## Statement of Activities

Year Ended October 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
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>
Total revenues, gains and other support			
	<u>63,874</u>	<u>5,411</u>	<u>69,285</u>
<b>Expenses</b>			
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>
Total expenses			
	<u>64,867</u>	<u>-</u>	<u>64,867</u>
<b>Changes in Net Assets</b>	(993)	5,411	4,418
<b>Net Assets, Beginning of Year</b>	<u>923,108</u>	<u>214,568</u>	<u>1,137,676</u>
<b>Net Assets, End of Year</b>	<u>\$ 922,115</u>	<u>\$ 219,979</u>	<u>\$ 1,142,094</u>

See accompanying notes and independent accountants' report.

## ERIE YACHT CLUB FOUNDATION, INC.

### Statements of Cash Flows

Year Ended October 31, 2016 and 2015

	2016	2015
<b>Operating Activities</b>		
Change in net assets	\$ 12,737	\$ 4,418
Items not requiring (providing) operating activities cash flows		
Depreciation	23,494	23,043
Amortization of discount on contributions receivable	(1,941)	(2,330)
Net realized/unrealized (gains) losses on investments	(4,139)	3,299
Increase (decrease) in accounts payable	-	(11,162)
Net cash provided by (used by) operating activities	30,151	17,268
<b>Investing Activities</b>		
Property, plant, and equipment purchases	(35,650)	(4,975)
Donated investments	-	(1,137)
Purchase of investments	(2,730)	(4,653)
Sale of investments	-	1,137
Net cash provided by (used by) investing activities	(38,380)	(9,628)
<b>Financing Activities</b>		
Note payable payments	(30,000)	(110,000)
Receipt of contributions pledged for construction of long-lived assets	64,697	77,670
Net cash provided by (used by) financing activities	34,697	(32,330)
<b>Change in Cash and Cash Equivalents</b>	26,468	(24,690)
<b>Cash and Cash Equivalents, Beginning of Year</b>	30,878	55,568
<b>Cash and Cash Equivalents, End of Year</b>	\$ 57,346	\$ 30,878
<b>Supplemental Disclosure:</b>		
Interest paid	\$ 413	\$ 3,203

See accompanying notes and independent accountants' report.



**ERIE YACHT CLUB FOUNDATION, INC.**  
**Notes to Financial Statements**  
**October 31, 2016 and 2015**

**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, 2016 and 2015, 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
Building Improvements	15 years
Equipment	5 years

Fixed assets are comprised of the following at October 31:

	<u>2016</u>	<u>2015</u>
Construction in progress	\$ 30,000	\$ -
Buildings and improvements	896,394	890,744
Equipment	<u>1,975</u>	<u>1,975</u>
	928,369	892,719
Less: Accumulated depreciation	<u>(52,539)</u>	<u>(29,045)</u>
	<u>\$ 875,830</u>	<u>\$ 863,674</u>

Depreciation expense was \$23,494 and \$23,043 for the years ended October 31, 2016 and 2015, respectively.

**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.

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

**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.

**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, 2016 and 2015:

	2016	2015
Due in less than 1 year	\$ 64,497	\$ 66,512
Due within 1 – 5 years	55,941	118,623
	120,438	185,135
Less:		
Unamortized discount	(3,613)	(5,554)
	<u>\$ 116,825</u>	<u>\$ 179,581</u>

The discount rate at October 31, 2016 and 2015 was 3%.

NOTE 3 – NET ASSETS

**Temporarily Restricted Net Assets**

Temporarily restricted net assets at October 31, 2016 and 2015 are available for the following purposes or periods:

NOTE 3 – NET ASSETS (CONTINUED)

	<u>2016</u>	<u>2015</u>
Commodore Fund:		
Chad Klahr Trophy	\$ 5,989	\$ 5,989
Sailing School Sails	21,852	22,299
Annual Fund	4,957	4,144
Educational building	<u>193,087</u>	<u>187,547</u>
	<u>\$ 225,885</u>	<u>\$ 219,979</u>

**Net Assets Released from Restrictions**

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

	<u>2016</u>	<u>2015</u>
Construction of Educational building	\$ -	\$ 756
Annual funds grants	3,897	2,020
Reyburn Sailing School	<u>3,050</u>	<u>3,016</u>
	<u>\$ 6,947</u>	<u>\$ 5,792</u>

NOTE 4 – INVESTMENTS AND DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The components of investment income were as follows:

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
Interest and dividends, net	\$ 2,577	\$ 4,492
Net realized and unrealized gain (loss)	<u>4,139</u>	<u>(3,299)</u>
Total investment income	<u>\$ 6,716</u>	<u>\$ 1,193</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:

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

- 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, 2016 and 2015.

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, 2016 and 2015:

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

Description	2016	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	\$ 16,033	\$ 16,033	\$ -	\$ -
PIMCO Corporate Bond	88,797	88,797	-	-
Total Mutual Funds	<u>\$104,830</u>	<u>\$ 104,830</u>	<u>\$ -</u>	<u>\$ -</u>

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>

NOTE 5 – 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 6 – FUNCTIONAL EXPENSES

<b>2016</b>				
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards and grants	\$13,908	\$ -	\$ -	\$13,908
Bank fees	-	10	-	10
Business registration fees	-	100	-	100
Depreciation	23,494	-	-	23,494
Marketing	-	-	1,230	1,230
Office supplies and expenses	-	4,598	-	4,598
Fundraising	-	-	24,315	24,315
Professional fees	-	2,200	-	2,200
Interest expense	-	413	-	413
	<u>\$37,402</u>	<u>\$ 7,321</u>	<u>\$ 25,545</u>	<u>\$70,268</u>

<b>2015</b>				
	<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
Interest expense	-	3,203	-	3,203
	<u>\$31,421</u>	<u>\$ 7,246</u>	<u>\$ 26,200</u>	<u>\$64,867</u>

#### NOTE 7 – 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, 2016 and 2015 was \$0 and \$30,000, respectively, and interest paid on the loan for the year ended October 31, 2016 and 2015 was \$413 and \$3,203, respectively.

#### NOTE 8 – SUBSEQUENT EVENTS

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