

ERIE YACHT CLUB FOUNDATION, INC.

COMPILED FINANCIAL STATEMENTS

OCTOBER 31, 2018 AND 2017

ERIE YACHT CLUB FOUNDATION, INC.
Compiled Financial Statements
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For the Year Ended October 31, 2018 and 2017

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Report

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, 2018 and 2017, 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 5, 2019
Erie, Pennsylvania

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ERIE YACHT CLUB FOUNDATION, INC.

Statements of Financial Position

As of October 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 154,532	\$ 25,872
Contributions receivable, net of discount \$0 for 2018 and \$1,124 for 2017	-	36,340
Investments, at fair value	106,311	192,345
Building and equipment, net of accumulated depreciation \$105,628 for 2018 and \$77,474 for 2017	<u>866,095</u>	<u>880,896</u>
 Total Assets	 <u><u>\$ 1,126,938</u></u>	 <u><u>\$ 1,135,453</u></u>
 Net Assets		
Unrestricted net assets	\$ 917,440	\$ 913,080
Temporarily restricted net assets	<u>209,498</u>	<u>222,373</u>
 Total Net Assets	 <u><u>1,126,938</u></u>	 <u><u>1,135,453</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,126,938</u></u>	 <u><u>\$ 1,135,453</u></u>

See accompanying notes and independent accountants' report.

ERIE YACHT CLUB FOUNDATION, INC.

Statement of Activities

Year Ended October 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Direct Public Support			
Annual appeal	\$ -	\$ 2,700	\$ 2,700
Boathouse Capital Equipment	-	950	950
Commodore fund - Other	11,649	-	11,649
Fundraiser	59,547	-	59,547
Reyburn fund	1,450	-	1,450
Scholarship program	1,100	-	1,100
Administrative fee	-	-	-
Investment income (loss)	(2,570)	-	(2,570)
Net assets released from restriction	16,525	(16,525)	-
	<hr/>	<hr/>	<hr/>
Total Revenues, Gains and Other Support	87,701	(12,875)	74,826
	<hr/>	<hr/>	<hr/>
Expenses			
Program	42,212	-	42,212
Management and general	10,332	-	10,332
Fundraising	30,797	-	30,797
	<hr/>	<hr/>	<hr/>
Total Expenses	83,341	-	83,341
	<hr/>	<hr/>	<hr/>
Changes in Net Assets	4,360	(12,875)	(8,515)
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	913,080	222,373	1,135,453
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 917,440</u>	<u>\$ 209,498</u>	<u>\$ 1,126,938</u>

See accompanying notes and independent accountants' report.

ERIE YACHT CLUB FOUNDATION, INC.

Statement of Activities

Year Ended October 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Direct Public Support			
Annual appeal	\$ -	\$ 1,160	\$ 1,160
Boathouse Capital Equipment	-	500	500
Commodore fund - Other	11,997	-	11,997
Fundraiser	5,802	-	5,802
Reyburn fund	-	-	-
Scholarship program	67	-	67
Administrative fee	24,269	-	24,269
Investment income (loss)	4,375	-	4,375
Net assets released from restriction	5,172	(5,172)	-
	<u>51,682</u>	<u>(3,512)</u>	<u>48,170</u>
Total Revenues, Gains and Other Support			
	<u>51,682</u>	<u>(3,512)</u>	<u>48,170</u>
Expenses			
Program	35,175	-	35,175
Management and general	2,887	-	2,887
Fundraising	29,486	-	29,486
	<u>67,548</u>	<u>-</u>	<u>67,548</u>
Total Expenses			
	<u>67,548</u>	<u>-</u>	<u>67,548</u>
Changes in Net Assets	(15,866)	(3,512)	(19,378)
Net Assets, Beginning of Year	<u>928,946</u>	<u>225,885</u>	<u>1,154,831</u>
Net Assets, End of Year	<u>\$ 913,080</u>	<u>\$ 222,373</u>	<u>\$1,135,453</u>

See accompanying notes and independent accountants' report.

ERIE YACHT CLUB FOUNDATION, INC.

Statements of Cash Flows

Year Ended October 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (8,515)	\$ (19,378)
Items not requiring (providing) operating activities cash flows		
Depreciation	28,155	24,934
Amortization of discount on contributions receivable	-	(2,489)
Net realized/unrealized (gains) losses on investments	<u>7,237</u>	<u>(1,831)</u>
 Net Cash Provided By (Used By) Operating Activities	 <u>26,877</u>	 <u>1,236</u>
 Investing Activities		
Property, plant, and equipment purchases	(13,354)	(30,000)
Purchase of investments	(4,340)	(86,725)
Sale of investments	<u>82,013</u>	<u>1,041</u>
 Net Cash Provided By (Used By) Investing Activities	 <u>64,319</u>	 <u>(115,684)</u>
 Financing Activities		
Receipt of contributions pledged for construction of long-lived assets	<u>37,464</u>	<u>82,974</u>
 Net Cash Provided By (Used By) Financing Activities	 <u>37,464</u>	 <u>82,974</u>
 Change in Cash and Cash Equivalents	 128,660	 (31,474)
 Cash and Cash Equivalents, Beginning of Year	 <u>25,872</u>	 <u>57,346</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 154,532</u>	 <u>\$ 25,872</u>
 Supplemental Disclosure:		
Interest paid	<u>\$ -</u>	<u>\$ 413</u>

See accompanying notes and independent accountants' report.

ERIE YACHT CLUB FOUNDATION, INC.
Notes to Financial Statements
October 31, 2018 and 2017

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, 2018 and 2017, 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>2018</u>	<u>2017</u>
Buildings and improvements	\$ 956,394	\$ 956,394
Equipment	15,329	1,975
	<u>971,723</u>	<u>958,369</u>
Less: Accumulated depreciation	<u>(105,628)</u>	<u>(77,473)</u>
	<u>\$ 866,095</u>	<u>\$ 880,896</u>

Depreciation expense was \$28,155 and \$24,934 for the years ended October 31, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Due in less than 1 year	\$ -	\$ 28,475
Due within 1 – 5 years	-	8,989
	-	37,464
Less:		
Unamortized discount	-	(1,124)
	<u>\$ -</u>	<u>\$ 36,340</u>

The discount rate at October 31, 2018 was 0% and 2017 was 3%.

NOTE 3 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at October 31, 2018 and 2017 are available for the following purposes or periods:

NOTE 3 – NET ASSETS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Commodore Fund:		
Chad Klahr Trophy	\$ 5,989	\$ 5,989
Sailing School Sails	13,251	17,250
Annual Fund	7,872	5,547
Educational building	<u>182,386</u>	<u>193,587</u>
	<u>\$ 209,498</u>	<u>\$ 222,373</u>

Net Assets Released from Restrictions

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

	<u>2018</u>	<u>2017</u>
Annual funds grants	\$ 375	\$ 570
Reyburn Sailing School	3,999	4,602
Educational building	<u>12,151</u>	<u>-</u>
	<u>\$ 16,525</u>	<u>\$ 5,172</u>

NOTE 4 – INVESTMENTS AND DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The components of investment income were as follows:

	<u>Unrestricted</u>	
	<u>2018</u>	<u>2017</u>
Interest and dividends, net	\$ 4,667	\$ 2,544
Net realized and unrealized gain (loss)	<u>(7,237)</u>	<u>1,831</u>
Total investment income	<u>\$ (2,570)</u>	<u>\$ 4,375</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, 2018 and 2017.

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, 2018 and 2017:

Description	2018	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)
Certificate of Deposit Synchrony Bank	\$ -	\$ -	\$ -	\$ -
Mutual Funds				
Federated Bond Fund	15,946	15,946	-	-
PIMCO Corporate Bond	90,365	90,365	-	-
Total Mutual Funds	\$ 106,311	\$ 106,311	\$ -	\$ -

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

Description	2017	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)
Certificate of Deposit				
Synchrony Bank	\$ 83,009	\$ 83,009	\$ -	\$ -
Mutual Funds				
Federated Bond Fund	16,307	16,307	-	-
PIMCO Corporate Bond	93,029	93,029	-	-
Total Mutual Funds	\$ 192,345	\$ 192,345	\$ -	\$ -

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

	2018			
	Program	Management and General	Fundraising	Total
Awards and grants	\$ 14,057	\$ -	\$ -	\$ 14,057
Bank fees	-	48	-	48
Business registration fees	-	100	-	100
Depreciation	28,155	-	-	28,155
Marketing	-	-	4,879	4,879
Office supplies and expenses	-	213	-	213
Fundraising	-	-	25,918	25,918
Professional fees	-	9,971	-	9,971
	\$ 42,212	\$ 10,332	\$ 30,797	\$ 83,341

NOTE 6 – FUNCTIONAL EXPENSES (CONTINUED)

	2017			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards and grants	\$ 10,241	\$ -	\$ -	\$ 10,241
Bank fees	-	171	-	171
Business registration fees	-	423	-	423
Depreciation	24,934	-	-	24,934
Marketing	-	-	4,524	4,524
Office supplies and expenses	-	93	-	93
Fundraising	-	-	24,962	24,962
Professional fees	-	2,200	-	2,200
	<u>\$ 35,175</u>	<u>\$ 2,887</u>	<u>\$ 29,486</u>	<u>\$ 67,548</u>

NOTE 7 – 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.