

DOWNTOWN SAILING CENTER, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Downtown Sailing Center, Inc.

We have reviewed the accompanying financial statements of **Downtown Sailing Center, Inc.** (a nonprofit organization), which comprise the statement of financial position as of November 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of **Downtown Sailing Center, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Financial Statements

The 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated August 31, 2021. We have not performed any auditing procedures since that date.

Kositzka, Wicks and Company

Alexandria, Virginia
August 24, 2022

Downtown Sailing Center, Inc.

Statements of Financial Position November 30,

(Reviewed)
2021

(Audited)
2020

Assets

Current assets

Cash and cash equivalents	\$ 193,485	\$ 255,004
Investments	3,490	3,440
Prepaid expenses	2,205	1,929
	<u>199,180</u>	<u>260,373</u>

Property and equipment, net accumulated depreciation

Total assets	<u>478,521</u>	<u>510,975</u>
	<u>\$ 677,701</u>	<u>\$ 771,348</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 19,517	\$ 9,381
Deferred corporate membership	94,101	69,025
Deferred revenue	2,195	35,752
Note payable, current portion	27,248	32,529
SBA Paycheck Protection Program loan	-	70,021
Total current liabilities	<u>143,061</u>	<u>216,708</u>

Long-term liabilities

Economic Injury Disaster Loan (EIDL)	150,000	150,000
EIDL accrued interest	7,878	2,076
Note payable	-	27,289
	<u>157,878</u>	<u>179,365</u>
Total liabilities	<u>300,939</u>	<u>396,073</u>

Net assets

Without donor restrictions	<u>376,762</u>	<u>375,275</u>
Total net assets	<u>376,762</u>	<u>375,275</u>
Total liabilities and net assets	<u>\$ 677,701</u>	<u>\$ 771,348</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

Statement of Activities for the year ended November 30, 2021 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Public support and revenue			
Contributions			
Grants and contributions	\$ 143,791	\$ 20,000	\$ 163,791
Special event, net of \$5,000 of direct expenses	158,302	-	158,302
Net assets released from restrictions	20,000	(20,000)	-
	<u>322,093</u>	<u>-</u>	<u>322,093</u>
Earned revenues			
Membership dues	223,991	-	223,991
Tuition	197,137	-	197,137
Events	575	-	575
	<u>421,703</u>	<u>-</u>	<u>421,703</u>
Investment income, net	177	-	177
Total public support and revenue	<u>743,973</u>	<u>-</u>	<u>743,973</u>
Expenses			
Program services			
Community outreach	136,418	-	136,418
Juniors camp and adult education	167,714	-	167,714
Membership activities	202,754	-	202,754
	<u>506,886</u>	<u>-</u>	<u>506,886</u>
Management and general	171,750	-	171,750
Fundraising	63,850	-	63,850
	<u>742,486</u>	<u>-</u>	<u>742,486</u>
Change in net assets	1,487	-	1,487
Net assets, beginning of year	<u>375,275</u>	<u>-</u>	<u>375,275</u>
Net assets, end of year	<u>\$ 376,762</u>	<u>\$ -</u>	<u>\$ 376,762</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

Statement of Activities for the year ended November 30, 2020 (Audited)

	Without donor restrictions	With donor restrictions	Total
Public support and revenue			
Contributions			
Grants and contributions	\$ 89,030	\$ 20,750	\$ 109,780
In kind contributions	82,200	-	82,200
Special event, net of \$6,085 of direct expenses	157,027	-	157,027
Net assets released from restrictions	20,750	(20,750)	-
	<u>349,007</u>	<u>-</u>	<u>349,007</u>
Earned revenues			
Membership dues	163,014	-	163,014
Tuition	150,114	-	150,114
Events	492	-	492
	<u>313,620</u>	<u>-</u>	<u>313,620</u>
Gain on sale of fixed assets	10,892	-	10,892
Investment income	483	-	483
Other income	561	-	561
Total public support and revenue	<u>674,563</u>	<u>-</u>	<u>674,563</u>
Expenses			
Program services			
Community outreach	140,218	-	140,218
Juniors camp and adult education	166,929	-	166,929
Membership activities	207,747	-	207,747
	<u>514,894</u>	<u>-</u>	<u>514,894</u>
Management and general	140,947	-	140,947
Fundraising	17,416	-	17,416
	<u>673,257</u>	<u>-</u>	<u>673,257</u>
Change in net assets	1,306	-	1,306
Net assets, beginning of year	373,969	-	373,969
Net assets, end of year	<u>\$ 375,275</u>	<u>\$ -</u>	<u>\$ 375,275</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

**Statement of Functional Expenses
for the year ended November 30, 2021 (Reviewed)**

	Community outreach	Juniors camp Adult education	Membership activities	Total program services	Management and general	Fundraising	Cost of direct benefit	Total
Expenses								
Advertising	\$ 946	\$ 1,183	\$ 1,419	\$ 3,548	\$ 1,597	\$ 769	\$ -	\$ 5,914
Bank fees	1,449	1,812	2,174	5,435	2,446	1,178	-	9,059
Boating supplies and expenses	50	61	74	185	-	-	-	185
Contract labor	1,969	2,407	2,917	7,293	2,698	-	-	9,991
Cost of direct benefit to donors	-	-	-	-	-	-	5,000	5,000
Depreciation	9,840	12,300	14,760	36,900	16,605	7,995	-	61,500
Employee benefits	5,321	6,504	7,884	19,709	8,906	4,128	-	32,743
Instructional certification costs	1,048	1,280	1,552	3,880	-	-	-	3,880
Insurance	5,727	7,159	8,590	21,476	9,664	4,653	-	35,793
Interest	-	-	-	-	7,902	-	-	7,902
Licenses and fees	898	1,098	1,331	3,327	1,231	-	-	4,558
Meals	30	37	45	112	50	24	-	186
Office supplies and equipment	318	398	477	1,193	537	259	-	1,989
Payroll processing fees	572	714	857	2,143	964	464	-	3,571
Payroll taxes	5,190	6,344	7,689	19,223	8,686	4,027	-	31,936
Printing and postage	417	521	625	1,563	703	339	-	2,605
Professional fees	4,115	5,029	6,096	15,240	5,636	-	-	20,876
Program supplies	6,999	8,554	10,369	25,922	9,588	-	-	35,510
Rent - BMI	13,781	17,227	20,672	51,680	23,256	11,197	-	86,133
Repairs and maintenance	6,762	8,265	10,018	25,045	9,263	-	-	34,308
Salaries	68,823	84,117	101,960	254,900	58,367	27,059	-	340,326
Telecommunications	1,539	1,924	2,309	5,772	2,598	1,251	-	9,621
Utilities	624	780	936	2,340	1,053	507	-	3,900
Total expenses by function	<u>\$ 136,418</u>	<u>\$ 167,714</u>	<u>\$ 202,754</u>	<u>\$ 506,886</u>	<u>\$ 171,750</u>	<u>\$ 63,850</u>	<u>\$ 5,000</u>	<u>\$ 747,486</u>
Less expenses included with revenues on the statement of activities								
Cost of direct benefit to donors	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 136,418</u>	<u>\$ 167,714</u>	<u>\$ 202,754</u>	<u>\$ 506,886</u>	<u>\$ 171,750</u>	<u>\$ 63,850</u>	<u>\$ -</u>	<u>\$ 742,486</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

**Statement of Functional Expenses
for the year ended November 30, 2020 (Audited)**

	Community outreach	Juniors camp Adult education	Membership activities	Total program services	Management and general	Fundraising	Cost of direct benefit	Total
Expenses								
Advertising	\$ 112	\$ 134	\$ 166	\$ 412	\$ 107	\$ 16	\$ -	\$ 535
Bank fees	2,483	2,956	3,665	9,104	2,364	355	-	11,823
Boating supplies and expenses	94	112	240	446	-	-	-	446
Contract labor	788	938	1,163	2,889	861	-	-	3,750
Cost of direct benefit to donors	-	-	-	-	-	-	6,085	6,085
Depreciation	13,205	15,721	19,493	48,419	12,576	1,886	-	62,881
Docks and property	36	43	92	171	-	-	-	171
Dues and subscriptions	189	225	279	693	207	-	-	900
Employee benefits	5,317	6,330	7,849	19,496	5,064	760	-	25,320
Instructional certification costs	566	673	1,454	2,693	-	-	-	2,693
Insurance	8,491	10,109	12,535	31,135	8,086	1,213	-	40,434
Interest	-	-	-	-	5,561	-	-	5,561
Licenses and fees	315	375	465	1,155	345	-	-	1,500
Office supplies and equipment	501	596	739	1,836	476	72	-	2,384
Payroll processing fees	668	796	986	2,450	636	96	-	3,182
Payroll taxes	5,093	6,063	7,518	18,674	4,849	728	-	24,251
Postage	7	9	11	27	6	1	-	34
Printing	672	801	993	2,466	640	96	-	3,202
Professional fees	4,473	5,325	6,603	16,401	4,899	-	-	21,300
Program supplies	6,326	7,531	9,338	23,195	6,927	-	-	30,122
Rent - BMI	18,088	21,533	26,701	66,322	17,227	2,584	-	86,133
Repairs and maintenance	5,529	6,582	8,161	20,272	6,055	-	-	26,327
Salaries	62,390	74,273	92,099	228,762	59,418	8,913	-	297,093
Telecommunications	2,275	2,709	3,359	8,343	2,166	325	-	10,834
Training and conferences	1,408	1,676	2,078	5,162	1,341	201	-	6,704
Utilities	391	466	578	1,435	373	56	-	1,864
Web fees	801	953	1,182	2,936	763	114	-	3,813
Total expenses by function	<u>\$ 140,218</u>	<u>\$ 166,929</u>	<u>\$ 207,747</u>	<u>\$ 514,894</u>	<u>\$ 140,947</u>	<u>\$ 17,416</u>	<u>\$ 6,085</u>	<u>\$ 679,342</u>
Less expenses included with revenues on the statement of activities								
Cost of direct benefit to donors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,085)	\$ (6,085)
Total expenses included in the expense section on the statement of activities	<u>\$ 140,218</u>	<u>\$ 166,929</u>	<u>\$ 207,747</u>	<u>\$ 514,894</u>	<u>\$ 140,947</u>	<u>\$ 17,416</u>	<u>\$ -</u>	<u>\$ 673,257</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

Statements of Cash Flows for the years ended November 30,	(Reviewed) 2021	(Audited) 2020
Cash flows from operating activities		
Change in net assets	\$ 1,487	\$ 1,306
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	61,500	62,881
Gain on sale of property and equipment	-	(10,892)
Unrealized gain on investments	-	(395)
Donated property and equipment	-	(81,500)
Forgiveness of SBA Paycheck Protection Program loan	(70,021)	-
Decrease (increase) in operating assets		
Accounts receivable	-	910
Prepaid expenses	(276)	(1,029)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	10,136	30
Accrued interest	5,802	2,076
Deferred corporate membership	25,076	25,677
Deferred revenue	(33,557)	22,451
Net cash provided by operating activities	<u>147</u>	<u>21,515</u>
Cash flows from investing activities		
Proceeds from sale of equipment	-	22,000
Purchase of property, plant, and equipment	(29,046)	(22,002)
Reinvestments of stock	(50)	(45)
Net cash used in investing activities	<u>(29,096)</u>	<u>(47)</u>
Cash flows from financing activities		
Proceeds from SBA Paycheck Protection Program loan	-	70,021
Proceeds from Economic Injury Disaster Loan	-	150,000
Payment on note payable	(32,570)	(31,184)
Net cash provided by (used in) financing activities	<u>(32,570)</u>	<u>188,837</u>
Net change in cash and cash equivalents	(61,519)	210,305
Cash and cash equivalents - beginning of year	255,004	44,699
Cash and cash equivalents - end of year	<u>\$ 193,485</u>	<u>\$ 255,004</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 2,100	\$ 3,485
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

1. Organization and purpose

Downtown Sailing Center, Inc. (the Center) is a nonprofit, volunteer oriented sailing organization that provides boating, water safety education, and training to the community. The Downtown Sailing Center provides quality educational and life enriching programs that promote self-esteem and teamwork through the joy of sailing. The Downtown Sailing Center is committed to promoting an environment of inclusiveness especially accessibility, especially to youth, persons with disabilities, and those with limited opportunities. Downtown Sailing Center, Inc. is supported through individual contributions, grants, membership, and class tuition.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Center considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is the Center's policy not to classify certificates of deposit or cash held in investment accounts as cash and cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At year-end and throughout the year, the Center's cash balances were deposited in a single bank which may exceed federally insured limits. The Center has not experienced any losses on its cash and cash equivalents and management does not believe this result in any significant credit risk. Cash balances were covered by the FDIC on November 30, 2021 and 2020.

Property and equipment

Property and equipment additions exceeding \$500 are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally five to fifteen years.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

Investments

Investments are reported at fair market value, which is based on publicly available market data obtained from services independent of the Center. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is netted with investment expenses and included in the statements of activities as increases or decreases in net assets without donor restrictions.

Revenue and revenue recognition

The Center receives membership dues and provides services for a fee, both which are accounted for as exchange transactions. Resources received in exchange transactions are measured at their fair values and are reported as an increase in net assets without donor restrictions. Contracts with customers were evaluated using the practical expedient of a portfolio approach because each contract is with an individual person or company. Each type of contract has similar characteristics and corresponds to a revenue stream that is carried out on a consistent basis. Sources of revenue from contracts with customers include membership dues and tuition for sailing classes.

Performance obligations satisfied over time include membership dues. The revenue is recognized ratably over a 12-month period because the services included in the membership are available for the member's use on a continuous basis. Payment is due when the membership is initially purchased or renewed. The allocation of remaining performance obligations is based on the number of months remaining in the membership at year-end. Contract liabilities are recorded for the component of membership dues which are recognized over the 12-month term and are referred to as deferred revenue on the statement of financial position.

The Center recognizes revenue from tuition at a point in time, the time of admission. Courses vary in length and cost. Tuition paid in advance of the course is considered deferred revenue.

The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

In kind donations

A substantial number of volunteers donate time to the Center's program services. The donated services are an integral part of the Center's purpose but are not reflected in the financial statements because the services do not require specialized skills as defined by U.S. generally accepted accounting principles. Donated property is reflected as a revenue or asset at the fair market value of the property on date of donation.

The Center regularly receives donated boats. The Center capitalizes donated boats at fair market value at the date of donation. Fair market value is determined based on market sales of similar boats. In the case where larger and more valuable boats are donated to the Center, the Center obtains a professional survey to assist in valuing such boats.

Functional expenses

Expenses are charged to programs, management and general, or fundraising based on a combination of specific identification and allocation by management. The financial statements report certain categories of expenses that attributed to more than one function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, office related expenses, utilities and rent related expenses which are allocated on the basis of estimates of time and effort.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Income taxes

The Center is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. For the years ended November 30, 2021 and 2020, the Center did not have any unrelated business income subject to income taxes.

Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Center's results of operations. Tax years that remain subject to examination by the IRS are 2018 through 2021.

Compensated absences

Employees of the Center are entitled to paid vacation, depending on job classification, length of service, and other factors. The Center's policy is to recognize the costs of compensated absences when actually paid to employees.

Upcoming accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Center plans to adopt the standard on its effective date, which for the Center is December 1, 2022. The Center expects that upon adoption of ASU 2016-02, right to use assets and lease liabilities will be recorded on the balance sheet in amounts that may be material.

3. Property and equipment

Property and equipment for the years ended November 30 consisted of the following:

	2021	2020	Useful life
Docks	\$ 824,608	\$ 821,843	10 - 20 years
Sailboats	352,690	357,685	7 years
Sailboat equipment	101,835	94,270	7 years
Hoists, engines and sails	36,676	34,596	5 - 7 years
Powerboats and canoes	26,600	30,100	7 years
Vehicle	4,078	1,598	3 years
Construction in process	7,146	-	5 years
	<u>1,353,633</u>	<u>1,340,092</u>	
Less: accumulated depreciation	<u>(875,112)</u>	<u>(829,117)</u>	
	<u>\$ 478,521</u>	<u>\$ 510,975</u>	

Depreciation expense for the years ended November 30, 2021 and 2020 was \$61,500 and \$62,881, respectively.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

As a means of solidifying the Center's mission for future years, the Center's Board of Directors voted to pursue renovation of the marina. Pursuant to that goal, effective in 2016, the Center and the City of Baltimore entered into a wharfage license agreement and purchase and sale agreement. The purchase and sale agreement provides for the Center to acquire a portion of the inner harbor marina dock and gangway system for a nominal charge.

The wharfage license agreement allows the Center to use the submerged land totaling approximately slightly less than one acre for maintaining its dock system for use with its mission. This wharfage license agreement was for a six-month term and automatically renews for additional six month periods until terminated in accordance the terms of the license agreement.

In 2016, the Center renovated its docks and funded the renovations primarily through a note payable and contributions. See Note 4 for additional information about the note payable.

4. Note payable

Effective August 2015, Downtown Sailing Center, Inc. secured a term loan totaling \$203,257 from a bank. The purpose of the loan is to finance the costs related to the construction of docks at 1407 Key Highway. The term loan provides a fixed maturity date of September 1, 2022, and monthly principal and interest payments of \$2,889 through maturity. The note payable bears interest at 4.49 percent. The balance on the note payable was \$27,248 as of November 30, 2021. Interest payments on the loan were capitalized until the dock was completed and entered into service on December 1, 2016. After the dock was placed in service, interest payments were expensed. For the years ended November 30, 2021 and 2020 interest payments were \$2,100 and \$3,485, respectively, and are included with interest expense on the statement of functional expenses.

The loan balance of \$27,248 will be paid off in the fiscal year ending November 30, 2022.

5. Membership agreement and lease commitments

In December 2004, the Center and Baltimore Museum of Industry (BMI) concurrently executed a corporate membership agreement, operating agreement and a ground lease. The terms of these agreements are reported below.

Annual membership agreement and supplemental membership payments

The corporate membership agreement provides the Center's membership with membership to the Baltimore Museum of Industry, Inc. (BMI). The agreement is retroactively effective September 1, 2004 and terminates on August 31, 2103. The annual membership fee is payable on May 1st of each year, commencing May 1, 2005. The annual membership fee is \$25,000 and is subject to annual adjustment based on the published consumer price index (CPI).

The \$25,000 fee is based on a membership level of 700 members per year. An excess membership payment of \$25.00 per member in excess of 700 members was subject to assessment during the period September 1, 2004 through August 31, 2009. A 25 percent reduction of the excess membership payment applies to excess membership fees thereafter. This agreement may be terminated by the Center giving BMI six months' notice before September 1st of any year in the term of the corporate membership agreement.

The Center is also required to make an annual supplemental membership payment for use of BMI buildings and grounds by the Center's staff and members. The base payment in 2004 was \$10,000 and every five years the amount increases by \$5,000. Starting in 2004, the supplemental membership payments are made annually for the first twenty years of the contract and starting in 2033, payments of \$100,000 are made every ten years.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

The Center recognizes corporate membership expense using the straight line method of amortization over the life of the corporate membership agreement in the amount of \$7,135 per month. As a result, differences between the recognition of expense and timing of payments will give rise to amounts deferred or prepaid on the statements of financial position. Corporate membership fees classified as "Rent - BMI" are \$86,133 each year and included on the statement of functional expenses for the years ended November 30, 2021 and 2020.

Future minimum payments under the corporate membership agreement are as follows:

	Annual membership fee	Supplemental membership payment	Total
2022	\$ 36,670	\$ 25,000	\$ 61,670
2023	37,294	25,000	62,294
2024	37,928	-	37,928
2025	38,573	-	38,573
Thereafter	6,142,586	700,000	6,842,586
	<u>\$ 6,293,051</u>	<u>\$ 750,000</u>	<u>\$ 7,043,051</u>

Ground Lease

The ground lease governs the use of BMI's waterfront property, including bulkheads, piers, wharfs, etc. The term of the ground lease is September 1, 2004 through August 31, 2103. The ground lease requires that the Center maintain specified insurance coverage against various types of losses and liabilities. The annual lease payment is \$1.00.

6. Liquidity and availability

The Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Center's financial assets as of November 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position because of donor or contractual restrictions.

	2021	2020
Cash and cash equivalents	\$ 193,485	\$ 255,004
Operating investments	3,490	3,440
	<u>\$ 196,975</u>	<u>\$ 258,444</u>

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

7. Net asset with donor restrictions

Net assets with donor restrictions were available for the following purposes at November 30, 2021 and 2020:

	2020	Additions	Releases	2021
Restricted to specific purposes:				
After school sailing programs	\$ -	\$ 20,000	\$ (20,000)	\$ -

	2019	Additions	Releases	2020
Restricted to specific purposes:				
After school sailing programs	\$ -	\$ 20,750	\$ (20,750)	\$ -

8. Fair value measurements

The Center classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

A summary of investments measured at fair value on a recurring basis by input basis as of November 30 is as follows:

	2021 Level 1 and total	2020 Level 1 and total
Common stock	\$ 3,490	\$ 3,440

9. COVID-19 related loans

SBA Paycheck Protection Program loan

Under the "Coronavirus Aid, Relief, and Economic Security (CARES) Act," funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. The Center obtained a PPP loan in April 2020 in the amount of \$70,021. The Center received full forgiveness and the forgiven loan is included with grants and contributions for the year ended November 30, 2021.

Economic Injury Disaster Loan

In July 2020, the Center received an Economic Injury Disaster Loan (EIDL) funds totaling \$150,000. Repayment will begin on July 20, 2022 with monthly payments of \$641 at an annual interest rate of 2.75 percent. Payments on the EIDL are applied to interest first, then to principal. As interest began accruing in July 2020, 2 years before the first payment is due. Accrued interest of \$7,878 and \$2,076 was reported on the statements of financial position for the years ended November 30, 2021 and 2020.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the years ended November 30, 2021 (Reviewed) and 2020 (Audited)

Future minimum principal payments are as follows at November 30:

2022	\$	-
2023		1,696
2024		1,744
2025		1,827
2026		1,897
Thereafter		142,836
	\$	<u>150,000</u>

10. Deferred revenue

The following table provides information about significant changes in the contract liabilities for the year ended November 30:

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 35,752	\$ 13,301
Revenue recognized that was included in deferred tuition at beginning of year	(35,752)	(13,301)
Increase in deferred tuition due to cash received during the period	<u>2,195</u>	<u>35,752</u>
Deferred revenue, end of year	<u>\$ 2,195</u>	<u>\$ 35,752</u>

11. Subsequent events

Downtown Sailing Center, Inc. assessed events occurring subsequent to November 30, 2021 through August 24, 2022 for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.