

DOWNTOWN SAILING CENTER, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2020 AND 2019



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 audited the accompanying financial statements of **Downtown Sailing Center, Inc.** (a nonprofit organization), which comprise the statement of financial position as of November 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 from 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 of 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 **Downtown Sailing Center, Inc.** as of November 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
August 31, 2021

Downtown Sailing Center, Inc.

Statements of Financial Position November 30,

2020**2019****Assets****Current assets**

Cash and cash equivalents	\$ 255,004	\$ 44,699
Accounts receivable	-	910
Investments	3,440	3,000
Prepaid expenses	1,929	900
	<u>260,373</u>	<u>49,509</u>

Property and equipment, net accumulated depreciation

Total assets

510,975	481,462
<u>\$ 771,348</u>	<u>\$ 530,971</u>

Liabilities and net assets**Current liabilities**

Accounts payable and accrued expenses	\$ 9,381	\$ 9,351
Accrued interest	2,076	-
Deferred corporate membership	69,025	43,348
Deferred revenue	35,752	13,301
Note payable, current portion	32,529	31,104
SBA Paycheck Protection Program loan	70,021	-
Total current liabilities	<u>218,784</u>	<u>97,104</u>

Long-term liabilities

Economic Injury Disaster Loan	150,000	-
Note payable	27,289	59,898
	<u>177,289</u>	<u>59,898</u>
Total liabilities	<u>396,073</u>	<u>157,002</u>

Net assets

Without donor restrictions	<u>375,275</u>	<u>373,969</u>
Total net assets	<u>375,275</u>	<u>373,969</u>
Total liabilities and net assets	<u>\$ 771,348</u>	<u>\$ 530,971</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

	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 property and equipment	10,892	-	10,892
Investment income, net	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 Activities for the year ended November 30, 2019

	Without donor restrictions	With donor restrictions	Total
Public support and revenue			
Contributions			
Grants and contributions	\$ 62,212	\$ 90,721	\$ 152,933
In kind contributions	29,122	-	29,122
Special event, net of \$5,062 of direct expenses	71,180	-	71,180
Net assets released from restrictions	105,721	(105,721)	-
	<u>268,235</u>	<u>(15,000)</u>	<u>253,235</u>
Earned revenues			
Membership dues	176,180	-	176,180
Tuition	168,385	-	168,385
Events	9,945	-	9,945
	<u>354,510</u>	<u>-</u>	<u>354,510</u>
Gain on sale of fixed assets	524	-	524
Investment income	148	-	148
Total public support and revenue	<u>623,417</u>	<u>(15,000)</u>	<u>608,417</u>
Expenses			
Program services			
Community outreach	131,778	-	131,778
Juniors camp and adult education	156,884	-	156,884
Membership activities	195,429	-	195,429
	<u>484,091</u>	<u>-</u>	<u>484,091</u>
Management and general	131,439	-	131,439
Fundraising	16,216	-	16,216
	<u>631,746</u>	<u>-</u>	<u>631,746</u>
Change in net assets	(8,329)	(15,000)	(23,329)
Net assets, beginning of year	382,298	15,000	397,298
Net assets, end of year	<u>\$ 373,969</u>	<u>\$ -</u>	<u>\$ 373,969</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**

	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
Travel	-	-	-	-	-	-	-	-
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	\$ 140,218	\$ 166,929	\$ 207,747	\$ 514,894	\$ 140,947	\$ 17,416	\$ 6,085	\$ 679,342
Less expenses included with revenues on the statement of activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,085)	\$ (6,085)
Cost of direct benefit to donors								
Total expenses included in the expense section on the statement of activities	\$ 140,218	\$ 166,929	\$ 207,747	\$ 514,894	\$ 140,947	\$ 17,416	\$ -	\$ 673,257

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, 2019**

	Community outreach	Juniors camp Adult education	Membership activities	Total program services	Management and general	Fundraising	Cost of direct benefit	Total
Expenses								
Advertising	\$ 212	\$ 252	\$ 312	\$ 776	\$ 202	\$ 30	\$ -	\$ 1,008
Bank fees	2,209	2,630	3,261	8,100	2,104	315	-	10,519
Boating supplies and expenses	69	82	176	327	-	-	-	327
Contract labor	2,061	2,454	3,043	7,558	2,258	-	-	9,816
Cost of direct benefit to donors	-	-	-	-	-	-	5,062	5,062
Depreciation	12,003	14,290	17,719	44,012	11,432	1,714	-	57,158
Docks and property	17	21	44	82	-	-	-	82
Dues and subscriptions	164	195	242	601	179	-	-	780
Employee benefits	4,439	5,285	6,553	16,277	4,228	635	-	21,140
Instructional certification costs	733	873	1,886	3,492	-	-	-	3,492
Insurance	6,931	8,252	10,232	25,415	6,601	990	-	33,006
Interest	-	-	-	-	4,227	-	-	4,227
Licenses and fees	283	337	417	1,037	309	-	-	1,346
Meals	-	-	-	-	-	-	-	-
Office supplies and equipment	64	77	95	236	61	10	-	307
Payroll processing fees	687	818	1,014	2,519	654	98	-	3,271
Payroll taxes	5,019	5,975	7,409	18,403	4,780	716	-	23,899
Postage	52	62	77	191	50	7	-	248
Printing	532	633	785	1,950	506	76	-	2,532
Professional fees	4,333	5,159	6,397	15,889	4,746	-	-	20,635
Program supplies	5,250	6,250	7,750	19,250	5,749	-	-	24,999
Rent - BMI	18,088	21,533	26,701	66,322	17,227	2,584	-	86,133
Repairs and maintenance	5,329	6,344	7,867	19,540	5,836	-	-	25,376
Salaries	59,013	70,254	87,115	216,382	56,203	8,430	-	281,015
Telecommunications	2,046	2,436	3,021	7,503	1,949	292	-	9,744
Training and conferences	658	783	971	2,412	627	94	-	3,133
Travel	235	280	347	862	224	32	-	1,118
Utilities	644	767	951	2,362	614	92	-	3,068
Web fees	707	842	1,044	2,593	673	101	-	3,367
Total expenses by function	\$ 131,778	\$ 156,884	\$ 195,429	\$ 484,091	\$ 131,439	\$ 16,216	\$ 5,062	\$ 636,808
Less expenses included with revenues on the statement of activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,062)	\$ (5,062)
Cost of direct benefit to donors								
Total expenses included in the expense section on the statement of activities	\$ 131,778	\$ 156,884	\$ 195,429	\$ 484,091	\$ 131,439	\$ 16,216	\$ -	\$ 631,746

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,

2020

2019

Cash flows from operating activities

Change in net assets	\$	1,306	\$	(23,329)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation		62,881		57,158
Gain on sale of property and equipment		(10,892)		(524)
Unrealized gain on investments		(395)		-
Donated property and equipment		(81,500)		(25,643)
Donated stock		-		(3,000)
Decrease (increase) in operating assets				
Accounts receivable		910		(910)
Prepaid expenses		(1,029)		(900)
Increase (decrease) in operating liabilities				
Accounts payable and accrued expenses		30		(10,125)
Accrued interest		2,076		-
Deferred corporate membership		25,677		26,564
Deferred revenue		22,451		13,301
Net cash provided by operating activities		<u>21,515</u>		<u>32,592</u>

Cash flows from investing activities

Proceeds from sale of equipment		22,000		6,000
Purchase of property, plant, and equipment		(22,002)		(17,818)
Reinvestments of stock		(45)		-
Net cash provided by (used in) investing activities		<u>(47)</u>		<u>(11,818)</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		(31,184)		(30,443)
Net cash used in financing activities		<u>188,837</u>		<u>(30,443)</u>

Net change in cash and cash equivalents

Cash and cash equivalents - beginning of year

Cash and cash equivalents - end of year

210,305 (9,669)

44,699 54,368

\$ 255,004 \$ 44,699

Supplemental disclosures of cash flow information

Cash paid for interest	\$	3,485	\$	4,227
Income taxes paid	\$	-	\$	-

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 year ended November 30, 2020 and 2019

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, 2020 and 2019.

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 year ended November 30, 2020 and 2019

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 year ended November 30, 2020 and 2019

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 and accrued expenses. 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, 2020 and 2019, 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 2017 through 2020.

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.

Recently adopted accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Center adopted the standard on its effective date, which was December 1, 2019, with no effect on beginning net assets.

The FASB issued ASU 2018-08, which provides a new framework for determining whether a transaction should be accounted for as a contribution or an exchange. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. The Center adopted the standard on its effective date, which was December 1, 2019, with no effect on beginning net assets.

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 has not evaluated the impact of this statement.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the year ended November 30, 2020 and 2019

3. Property and equipment

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

	2020	2019	Useful life
Docks	\$ 821,843	\$ 818,079	10 - 20 years
Sailboats	357,685	304,126	7 years
Sailboat equipment	94,270	88,960	7 years
Hoists, engines and sails	34,596	28,721	5 - 7 years
Powerboats and canoes	30,100	30,100	7 years
Vehicle	1,598	1,598	3 years
Office equipment	-	945	5 years
	<u>1,340,092</u>	<u>1,272,529</u>	
Less: accumulated depreciation	<u>(829,117)</u>	<u>(791,067)</u>	
	<u>\$ 510,975</u>	<u>\$ 481,462</u>	

Depreciation expense for the years ended November 30, 2020 and 2019 was \$62,881 and \$57,158, respectively.

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 \$59,818 as of November 30, 2020. 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, 2020 and 2019 interest payments were \$5,561 and \$4,227, respectively, and are reported as interest expense on the statement of functional expenses.

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the year ended November 30, 2020 and 2019

Future minimum scheduled principal payments for the years ending November 30 are as follows:

2021	\$	32,529
2022		27,289
Total	\$	<u>59,818</u>

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.

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, 2020 and 2019.

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

	Annual membership fee	Supplemental membership payment	Total
2021	\$ 36,057	\$ 25,000	\$ 61,057
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>\$ 6,329,108</u>	<u>\$ 775,000</u>	<u>\$ 7,104,108</u>

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the year ended November 30, 2020 and 2019

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.

Photocopier Lease

The Center leases a multifunctional printer/photocopier with a lease term of 63 months and a monthly payment of \$165. The operating lease ends in fiscal year 2021 and future minimum payments under this operating lease are \$1,320.

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, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 255,004	\$ 44,699
Accounts receivable	-	910
Operating investments	3,440	3,000
	<u>\$ 258,444</u>	<u>\$ 48,609</u>

7. Net asset with donor restrictions

Net assets with donor restrictions were available for the following purposes at November 30, 2020 and 2019:

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

	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
Restricted to specific purposes:				
After school sailing programs	\$ -	\$ 90,721	\$ (90,721)	\$ -
Science, Technology, Engineering and Math (STEM)	15,000	-	(15,000)	-
	<u>\$ 15,000</u>	<u>\$ 90,721</u>	<u>\$ (105,721)</u>	<u>\$ -</u>

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.

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Downtown Sailing Center, Inc.

Notes to Financial Statements for the year ended November 30, 2020 and 2019

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

	2020 Level 1 and total	2019 Level 1 and total
Common stock	\$ 3,440	\$ 3,000

9. COVID-19 relate 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. As of the date that the financial statements were available to be issued, the Center had received full forgiveness and will be recognized as revenue in the fiscal year ending 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, 2021 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, 1 year before the first payment is due, no amount of principal is paid until 2023. Accrued interest of \$2,076 was recorded on the statement of financial position.

Future minimum principal payments are as follows at November 30:

2021	\$ -
2022	-
2023	-
2024	1,331
2025	3,485
Thereafter	145,184
	<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:

	2020	2019
Deferred revenue, beginning of year	\$ 13,301	\$ -
Revenue recognized that was included in deferred tuition at beginning of year	(13,301)	-
Increase in deferred tuition due to cash received during the period	35,752	13,301
Deferred revenue, end of year	<u>\$ 35,752</u>	<u>\$ 13,301</u>

See independent auditor's report.

Downtown Sailing Center, Inc.

Notes to Financial Statements for the year ended November 30, 2020 and 2019

11. Subsequent events

Downtown Sailing Center, Inc. assessed events occurring subsequent to November 30, 2020 through August 31, 2021 for potential recognition and disclosure in the financial statements. In March of 2021, the Center received full forgiveness for the Paycheck Protection Program loan obtained in April 2020. No other events have occurred that would require adjustment to or disclosure in the financial statements.