

Mt. Lookout Swim Club, Inc.

FINANCIAL STATEMENTS

For the years ended October 31, 2018, 2017 and 2016
With Independent Accountant's Review Report

FLYNN & COMPANY, INC.
Certified Public Accountants

Mt. Lookout Swim Club, Inc.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Mt. Lookout Swim Club, Inc.
Cincinnati, Ohio

We have reviewed the accompanying financial statements of Mt. Lookout Swim Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2018, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 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.

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.

Flynn & Company, Inc.

May 17, 2019

Mt. Lookout Swim Club, Inc.
Statements of Financial Position
October 31, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 255,369	\$ 312,807	\$ 394,204
Assets held in trust	77,925	73,341	69,151
Accounts receivable	27,740	20,540	20,564
Prepaid insurance	<u>2,938</u>	<u>2,836</u>	<u>2,779</u>
Total Current Assets	363,972	409,524	486,698
Fixed Assets			
Land	34,144	34,144	34,144
Pool area and facilities	1,718,316	1,645,031	1,584,817
Tennis court facilities	188,766	188,766	188,766
Equipment	<u>149,931</u>	<u>133,790</u>	<u>124,177</u>
	2,091,157	2,001,731	1,931,904
Less accumulated depreciation	<u>1,282,303</u>	<u>1,197,556</u>	<u>1,166,871</u>
Net Fixed Assets	808,854	804,175	765,033
Other Assets			
Deferred financing fees (net of accumulated amortization)	<u>-</u>	<u>-</u>	<u>3,132</u>
Total Other Assets	<u>-</u>	<u>-</u>	<u>3,132</u>
TOTAL ASSETS	<u>\$ 1,172,826</u>	<u>\$ 1,213,699</u>	<u>\$ 1,254,863</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current portion of long-term debt	\$ 85,000	\$ 80,000	\$ 75,000
Accounts payable	18	11	7
Credit card payable	1,418	-	-
Accrued expenses	<u>38,630</u>	<u>41,067</u>	<u>31,632</u>
Total Current Laibilities	125,066	121,078	106,639
Long-term Liabilities			
Long-term debt	<u>275,000</u>	<u>360,000</u>	<u>440,000</u>
TOTAL LIABILITIES	400,066	481,078	546,639
Net Assets			
Without Donor Restrictions			
Undesignated	<u>772,760</u>	<u>732,621</u>	<u>708,224</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,172,826</u>	<u>\$ 1,213,699</u>	<u>\$ 1,254,863</u>

See the accompanying notes and independent accountant's review report.

Mt. Lookout Swim Club, Inc.
 Statements of Activities
 For the Years Ended October 31, 2018, 2017 and 2016

	2018	2017	2016
Revenues			
Membership dues income	\$ 394,635	\$ 382,245	\$ 380,425
Guest fees	15,450	12,325	14,145
Snack bar revenue	56,699	56,277	57,288
Initiation fees and amortization of individual memberships	50,900	56,700	52,000
Less payments of refundable memberships	(2,920)	(4,015)	(4,730)
Interest income	10	17	2
Other fees and revenues	29,570	20,112	21,398
Total Revenues	544,344	523,661	520,528
Expenses			
Program Services	483,814	480,352	471,474
General & Administrative	20,391	18,912	19,457
Total Expenses	504,205	499,264	490,931
Total Change in Net Assets	40,139	24,397	29,597
Net Assets - Beginning of Year	732,621	708,224	678,627
Net Assets - End of Year	\$ 772,760	\$ 732,621	\$ 708,224

See the accompanying notes and independent accountant's review report.

Mt. Lookout Swim Club, Inc.
Statements of Cash Flows
For the Years Ended October 31, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities			
Change in net assets	\$ 40,139	\$ 24,397	\$ 29,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	84,746	78,383	74,363
Amortization	-	3,132	3,170
Loss on disposal of assets	-	24,586	-
Changes in:			
Accounts receivable	(7,200)	24	79
Prepaid insurance	(102)	(57)	13,991
Deposits	-	-	127
Accounts payable	7	4	(16)
Credit card payable	1,418	-	-
Accrued liabilities	<u>(2,437)</u>	<u>9,435</u>	<u>(1,264)</u>
 Net Cash Provided by Operating Activities	 116,571	 139,904	 120,047
 Cash Flows from Investing Activities			
Equipment purchases	(89,425)	(142,111)	(28,525)
 Cash Flows from Financing Activities			
Repayments on long-term debt	<u>(80,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>
 Net change in cash and cash equivalents	 (52,854)	 (77,207)	 16,522
 Cash and cash equivalents, beginning of year	 <u>386,148</u>	 <u>463,355</u>	 <u>446,833</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 333,294</u></u>	 <u><u>\$ 386,148</u></u>	 <u><u>\$ 463,355</u></u>
 CASH PAID DURING THE YEAR FOR:			
Interest	<u><u>\$ 10,419</u></u>	<u><u>\$ 8,062</u></u>	<u><u>\$ 6,156</u></u>

See the accompanying notes and independent accountant's review report.

Mt. Lookout Swim Club, Inc.
 Statements of Functional Expenses
 For the Years Ended October 31, 2018, 2017 and 2016

	2018			2017			2016		
	Program Services	General & Administrative		Program Services	General & Administrative		Program Services	General & Administrative	
		Total			Total			Total	
Pool management	\$ 199,755	\$ -	\$ 199,755	\$ 206,898	\$ -	\$ 206,898	\$ 204,511	\$ -	\$ 204,511
Depreciation	84,746	-	84,746	78,383	-	78,383	74,363	-	74,363
Amortization	-	-	-	3,132	-	3,132	3,170	-	3,170
Maintenance and repairs	37,602	-	37,602	33,807	-	33,807	27,917	-	27,917
Professional services	-	20,391	20,391	-	18,912	18,912	-	19,457	19,457
Snack bar food and supplies	38,937	-	38,937	41,442	-	41,442	33,107	-	33,107
Utilities	28,274	-	28,274	32,159	-	32,159	33,199	-	33,199
Insurance	11,650	-	11,650	11,288	-	11,288	16,235	-	16,235
Workers Compensation	239	-	239	397	-	397	202	-	202
Real estate taxes	35,026	-	35,026	32,540	-	32,540	32,941	-	32,941
General Supplies	8,188	-	8,188	2,356	-	2,356	1,188	-	1,188
Stationary & postage	118	-	118	90	-	90	205	-	205
Membership books	767	-	767	378	-	378	1,029	-	1,029
Social expense	5,067	-	5,067	2,234	-	2,234	6,124	-	6,124
Swim team expense	2,439	-	2,439	3,520	-	3,520	6,781	-	6,781
Tennis expense	2,031	-	2,031	1,848	-	1,848	958	-	958
Miscellaneous expenses	1,328	-	1,328	1,345	-	1,345	2,211	-	2,211
Merchant fees	13,028	-	13,028	12,626	-	12,626	12,565	-	12,565
IT expense	1,377	-	1,377	4,152	-	4,152	5,881	-	5,881
Interest expense	13,242	-	13,242	11,757	-	11,757	8,887	-	8,887
	<u>\$ 483,814</u>	<u>\$ 20,391</u>	<u>\$ 504,205</u>	<u>\$ 480,352</u>	<u>\$ 18,912</u>	<u>\$ 499,264</u>	<u>\$ 471,474</u>	<u>\$ 19,457</u>	<u>\$ 490,931</u>

See the accompanying notes and independent accountant's review report.

Mt. Lookout Swim Club, Inc.
Notes to Financial Statements
Years Ended October 31, 2018, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

Mt. Lookout Swim Club, Inc. (Club) is a not-for-profit corporation organized under the laws of the State of Ohio. The purpose of the Club is to provide for the operation and maintenance of a swimming and tennis club for promotion of the physical and social welfare of its members.

Basis of Presentation

The accounting and reporting policies of the Organization conform with accounting principles generally accepted in the United States of America ("GAAP") as contained in the Accounting Standards Codification ("ASC") issued by the Financial Accounting Standards Board ("FASB"). The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies follow and are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with a bank, and highly liquid investments with a maturity of three months or less when purchased. There were no cash equivalents at October 31, 2018, 2017 and 2016.

Accounts Receivable

Accounts receivable represents guest fees and tennis fees due from members.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for fixed assets, at cost. Fixed assets are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which ranges from three to thirty-five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in changes in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense for the years ended October 31, 2018, 2017 and 2016 was \$84,746, \$78,383 and \$74,363, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as reflected on the statements of activities. The financial statements report certain categories of expenses that are attributed to program or supporting functions

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.
Notes to Financial Statements
Years Ended October 31, 2018, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions a board designated endowment.

Net Assets With Donor Restrictions - 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 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Memberships and Revenue Recognition

For members joining prior to January 1, 2002, a portion of their original membership fee is refundable upon their withdrawal from the Club provided a buyer for their membership is available. The refundable portion is \$365 for family memberships and a declining amount for individual memberships based on a five-year amortization to zero. Remaining refundable membership fees at October 31, 2018, 2017 and 2016 approximated \$42,595, \$45,515 and \$49,530, respectively, and are included in the statement of financial position under the caption Net Assets. For members joining after January 1, 2002, membership initiation fees are nonrefundable upon a member's withdrawal from the Club. These initiation fees are recorded as revenues in the year of admittance.

Income Taxes

As an exempt social and recreational club under Section 501(c)(7) of the Internal Revenue Code, the Club is taxed on any investment income (net of any interest expense which relates to the Club's exempt purpose) earned by the Club. For the years ended October 31, 2018, 2017 and 2016, interest expense of the Club was greater than investment income. Accordingly, the Club has made no provision for federal or state income taxes in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.
Notes to Financial Statements
Years Ended October 31, 2018, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards

In May 2014, the FASB issued ASU 2015-14, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Organization's year ending October 31, 2019.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending October 31, 2020.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, granters, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard is effective for the Organization's year ending October 31, 2018.

Subsequent Events

In conformity with the ASC standards, the Organization has evaluated for disclosure all subsequent events and transactions through May 17, 2019, the date that the combined financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 255,369
Accounts receivable	<u>27,740</u>
	<u>\$ 283,109</u>

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.
Notes to Financial Statements
Years Ended October 31, 2018, 2017 and 2016

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and investments. The Organization maintains its cash in various bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in these accounts.

NOTE 4 – LONG-TERM DEBT

In November 2001, the Club issued \$1,300,000 in Adjustable Rate Taxable Securities, Series 2001, Due 2021 (notes) under a Private Placement Memorandum through Fifth Third Bank Securities to finance the costs and construction of a new pool, locker rooms, snack bar, and related facilities. The notes are backed by an irrevocable direct pay letter of credit issued by Fifth Third Bank which expires November 15, 2018. The cost of the letter of credit is 1% per annum of the unpaid balance on the notes. The notes are secured by a mortgage on the Club's real estate. The Bank of New York is serving as Trustee for administration and repayment of the notes.

The interest rate on the notes is determined by the remarketing agent and approximates Fifth Third Bank's 30 Day LIBOR Index which changes weekly (2.32% at October 31, 2018, 1.24% at October 31, 2017 and 0.53% at October 31, 2016). In no event may the interest rate on the notes exceed 10%.

Based on a Reimbursement Agreement (Agreement) between the Club and the Trustee, the notes are to be redeemed in gradually increasing annual payments each November 1st over 20 years from the date of issuance. The Agreement can be renegotiated if deemed necessary. Under the Agreement, the Club pays the Trustee each month, 1/12th of the principal amount to be redeemed at the next redemption date plus interest accrued for the period. Assets held in trust under the Agreement at October 31, 2018, 2017 and 2016 were \$77,925, \$73,341, and \$69,151, respectively and are listed on the Statement of Financial Position as "Assets Held in Trust."

Required future principal redemptions under the Agreement for the next five years and in the aggregate thereafter are as follows:

Redemption Date	Principal to be Redeemed
November 1, 2018	85,000
November 1, 2019	90,000
November 1, 2020	90,000
November 1, 2021	95,000
Total	360,000
Less: Current maturities	85,000
Long-term maturities	<u>\$ 275,000</u>

See the accompanying independent accountant's review report.