

Mt. Lookout Swim Club, Inc.

FINANCIAL STATEMENTS

For the years ended October 31, 2019, 2018 and 2017  
With Independent Accountant's Review Report

FLYNN & COMPANY, INC.  
*Certified Public Accountants*

Mt. Lookout Swim Club, Inc.

TABLE OF CONTENTS

	<i>Page</i>
Independent Accountant's Review Report .....	1
Financial Statements:	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Statements of Functional Expenses .....	5
Notes to Financial Statements .....	6-10



## 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, 2019, 2018 and 2017, 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.*

March 24, 2020

Mt. Lookout Swim Club, Inc.  
 Statements of Financial Position  
 October 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 218,793	\$ 255,369	\$ 312,807
Assets held in trust	82,501	77,925	73,341
Accounts receivable	25,010	27,740	20,540
Prepaid insurance	<u>2,834</u>	<u>2,938</u>	<u>2,836</u>
Total Current Assets	329,138	363,972	409,524
Fixed Assets			
Land	34,144	34,144	34,144
Pool area and facilities	1,729,711	1,718,316	1,645,031
Tennis court facilities	204,092	188,766	188,766
Equipment	<u>167,743</u>	<u>149,931</u>	<u>133,790</u>
	2,135,690	2,091,157	2,001,731
Less accumulated depreciation	<u>1,373,339</u>	<u>1,282,303</u>	<u>1,197,556</u>
Net Fixed Assets	<u>762,351</u>	<u>808,854</u>	<u>804,175</u>
<b>TOTAL ASSETS</b>	<u><u>1,091,489</u></u>	<u><u>\$ 1,172,826</u></u>	<u><u>\$ 1,213,699</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Current portion of long-term debt	90,000	\$ 85,000	\$ 80,000
Accounts payable	35	18	11
Credit card payable	1,768	1,418	-
Accrued expenses	<u>34,065</u>	<u>38,630</u>	<u>41,067</u>
Total Current Laibilities	125,868	125,066	121,078
Long-term Liabilities			
Long-term debt	<u>185,000</u>	<u>275,000</u>	<u>360,000</u>
TOTAL LIABILITIES	310,868	400,066	481,078
Net Assets			
Without Donor Restrictions			
Undesignated	<u>780,621</u>	<u>772,760</u>	<u>732,621</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,091,489</u></u>	<u><u>\$ 1,172,826</u></u>	<u><u>\$ 1,213,699</u></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, 2019, 2018 and 2017

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>			
Membership dues income	\$ 384,601	\$ 394,635	\$ 382,245
Guest fees	18,235	15,450	12,325
Snack bar revenue	72,166	56,699	56,277
Initiation fees and amortization of individual memberships	42,050	50,900	56,700
Less payments of refundable memberships	(1,825)	(2,920)	(4,015)
Program fees	17,318	19,515	18,780
Interest income	2	10	17
Other income	10,697	10,055	1,332
<b>Total Revenues</b>	<b>543,244</b>	<b>544,344</b>	<b>523,661</b>
<b>Expenses</b>			
Program Services	516,333	483,814	480,352
General & Administrative	19,050	20,391	18,912
<b>Total Expenses</b>	<b>535,383</b>	<b>504,205</b>	<b>499,264</b>
 Total Change in Net Assets	 7,861	 40,139	 24,397
 <b>Net Assets - Beginning of Year</b>	 <b>772,760</b>	 <b>732,621</b>	 <b>708,224</b>
 <b>Net Assets - End of Year</b>	 <b>\$ 780,621</b>	 <b>\$ 772,760</b>	 <b>\$ 732,621</b>

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, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>			
Change in net assets	\$ 7,861	\$ 40,139	\$ 24,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	91,036	84,746	78,383
Amortization	-	-	3,132
Loss on disposal of assets	-	-	24,586
Changes in:			
Accounts receivable	2,730	(7,200)	24
Prepaid insurance	104	(102)	(57)
Accounts payable	17	7	4
Credit card payable	350	1,418	-
Accrued liabilities	<u>(4,565)</u>	<u>(2,437)</u>	<u>9,435</u>
 Net Cash Provided by Operating Activities	 97,533	 116,571	 139,904
 Cash Flows from Investing Activities			
Equipment purchases	(44,533)	(89,425)	(142,111)
 Cash Flows from Financing Activities			
Repayments on long-term debt	<u>(85,000)</u>	<u>(80,000)</u>	<u>(75,000)</u>
 Net change in cash and cash equivalents	 (32,000)	 (52,854)	 (77,207)
 Cash and cash equivalents, beginning of year	 <u>333,294</u>	 <u>386,148</u>	 <u>463,355</u>
 <b>Cash and cash equivalents, end of year</b>	 <u><u>\$ 301,294</u></u>	 <u><u>\$ 333,294</u></u>	 <u><u>\$ 386,148</u></u>
 <b>CASH PAID DURING THE YEAR FOR:</b>			
Interest	<u><u>\$ 10,517</u></u>	<u><u>\$ 10,419</u></u>	<u><u>\$ 8,062</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, 2019, 2018 and 2017

	2019			2018			2017		
	Program Services	General & Administrative	Total	Program Services	General & Administrative	Total	Program Services	General & Administrative	Total
Pool management	\$ 215,176	\$ -	\$ 215,176	\$ 199,755	\$ -	\$ 199,755	\$ 206,899	\$ -	\$ 206,899
Depreciation	91,036	-	91,036	84,746	-	84,746	78,383	-	78,383
Amortization	-	-	-	-	-	-	3,132	-	3,132
Maintenance and repairs	40,948	-	40,948	37,602	-	37,602	33,807	-	33,807
Professional services	-	19,050	19,050	-	20,391	20,391	-	18,912	18,912
Snack bar food and supplies	50,312	-	50,312	38,937	-	38,937	41,442	-	41,442
Utilities	29,875	-	29,875	28,274	-	28,274	32,159	-	32,159
Insurance	11,440	-	11,440	11,650	-	11,650	11,288	-	11,288
Workers Compensation	135	-	135	239	-	239	397	-	397
Real estate taxes	34,488	-	34,488	35,026	-	35,026	32,540	-	32,540
General Supplies	3,328	-	3,328	8,188	-	8,188	2,356	-	2,356
Stationary & postage	117	-	117	118	-	118	90	-	90
Membership books	767	-	767	767	-	767	378	-	378
Social expense	6,796	-	6,796	5,067	-	5,067	2,234	-	2,234
Swim team expense	2,874	-	2,874	2,439	-	2,439	3,520	-	3,520
Tennis expense	1,597	-	1,597	2,031	-	2,031	1,848	-	1,848
Miscellaneous expenses	339	-	339	1,328	-	1,328	1,344	-	1,344
Merchant fees	12,531	-	12,531	13,028	-	13,028	12,626	-	12,626
IT expense	2,632	-	2,632	1,377	-	1,377	4,152	-	4,152
Interest expense	11,942	-	11,942	13,242	-	13,242	11,757	-	11,757
	<u>\$ 516,333</u>	<u>\$ 19,050</u>	<u>\$ 535,383</u>	<u>\$ 483,814</u>	<u>\$ 20,391</u>	<u>\$ 504,205</u>	<u>\$ 480,352</u>	<u>\$ 18,912</u>	<u>\$ 499,264</u>

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

Mt. Lookout Swim Club, Inc.  
Notes to Financial Statements  
Years Ended October 31, 2019, 2018 and 2017

**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 follows 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, 2019, 2018 and 2017.

***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, 2019, 2018 and 2017 was \$91,036, \$84,746 and \$78,383, 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, 2019, 2018 and 2017

**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.

***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, 2019, 2018 and 2017 approximated \$40,770, \$42,595 and \$45,515, 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.

Membership dues and program fees consist of amounts that families and individuals pay to participate in the Club, which offers swimming and tennis. Members join for varying lengths of time and annually pay the membership dues based on their membership category. Members also pay a onetime initiation fee as discussed in the above paragraph. Memberships provide use of the swimming and tennis facilities. The Club offers programs for swimming and tennis. Program fees are paid in advance at the time of registration and are nonrefundable. Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis. Membership dues and program fees paid to the Club in advance are recorded as deferred revenue.

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.  
Notes to Financial Statements  
Years Ended October 31, 2019, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition (Continued)***

Guest fees represents fees charged to members for bringing a nonmember to the Club. The Guest fees are recognized based on the date that the nonmember comes to the Club. Snack bar revenue represents revenue for the sale of food and beverages. The snack bar revenue is recognized upon the sale of the related items to the end consumer.

The disaggregated revenue is broken down as the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Membership dues income	\$ 384,601	\$ 394,635	\$ 382,245
Guest fees	18,235	15,450	12,325
Snack bar revenue	72,166	56,699	56,277
Initiation fees	40,225	47,980	52,685
Program fees	17,318	19,515	18,780
Interest income	2	10	17
Other income	10,697	10,055	1,332
	<u>\$ 543,244</u>	<u>\$ 544,344</u>	<u>\$ 523,661</u>

***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, 2019, 2018 and 2017, 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.

***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 was adopted in the Organization's year ending October 31, 2019 financial statements. The adoption did not result in a restatement of previously reported net assets for the year ended October 31, 2017.

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.  
Notes to Financial Statements  
Years Ended October 31, 2019, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***New Accounting Standards (Continued)***

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.

***Subsequent Events***

In conformity with the ASC standards, the Organization has evaluated for disclosure all subsequent events and transactions through March 24, 2020, 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	\$ 218,793
Accounts receivable	<u>25,010</u>
	<u>\$ 243,803</u>

**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 (1.78% at October 31, 2019, 2.32% at October 31, 2018 and 1.24% at October 31, 2017). In no event may the interest rate on the notes exceed 10%.

See the accompanying independent accountant's review report.

Mt. Lookout Swim Club, Inc.  
Notes to Financial Statements  
Years Ended October 31, 2019, 2018 and 2017

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

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, 2019, 2018 and 2017 were \$82,501, \$77,925, and \$73,341, 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:

<u>Redemption Date</u>	<u>Principal to be Redeemed</u>
November 1, 2020	90,000
November 1, 2021	<u>95,000</u>
Total	185,000

See the accompanying independent accountant’s review report.