

Nantucket Community Sailing, Inc.

Financial Statements

October 31, 2020 and 2019

Independent Auditors' Report

**To the Board of Governors
Nantucket Community Sailing, Inc.**

We have audited the accompanying financial statements of Nantucket Community Sailing, Inc., which comprise the statements of financial position as of October 31, 2020 and 2019, 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.

Auditors' 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 auditors' 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.

Board of Governors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nantucket Community Sailing, Inc. as of October 31, 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.

PKF O'Connor Davies, LLP

February 19, 2021

Nantucket Community Sailing, Inc.

Statements of Financial Position

	October 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 390,747	\$ 160,834
Accounts receivable	25,007	51,456
Investments	123,735	116,987
Unconditional promises to give, net	160,700	237,705
Prepaid expenses	2,223	2,223
Asset held for sale	75,000	-
Cash held for endowment	201,451	184,082
Property and equipment, net	<u>3,960,008</u>	<u>4,195,604</u>
	<u>\$ 4,938,871</u>	<u>\$ 4,948,891</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 12,693	\$ 52,200
Deferred revenue	70,966	-
Notes payable	<u>935,910</u>	<u>800,000</u>
Total Liabilities	<u>1,019,569</u>	<u>852,200</u>
Net Assets		
Without donor restrictions	3,470,501	3,609,499
With donor restrictions	<u>448,801</u>	<u>487,192</u>
Total Net Assets	<u>3,919,302</u>	<u>4,096,691</u>
	<u>\$ 4,938,871</u>	<u>\$ 4,948,891</u>

Nantucket Community Sailing, Inc.

Statements of Activities

	Year Ended October 31, 2020			Year Ended October 31, 2019		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
REVENUE AND SUPPORT						
Program revenue	\$ 122,299	\$ -	\$ 122,299	\$ 449,582	\$ -	\$ 449,582
Less financial aid and scholarships	(22,200)	-	(22,200)	(90,108)	-	(90,108)
Net Program Revenue	100,099	-	100,099	359,474	-	359,474
Contributions	499,233	35,809	535,042	823,200	308,582	1,131,782
In-kind contributions	40,263	-	40,263	270,920	-	270,920
Membership fees	65,450	-	65,450	96,825	-	96,825
Sale of books	75	-	75	200	-	200
Rental revenue	119,566	-	119,566	77,282	-	77,282
Special event revenue	39,862	-	39,862	385,115	-	385,115
Investment income (loss)	(1,346)	-	(1,346)	15,754	-	15,754
Gain on sale of asset	19,713	-	19,713	-	-	-
Realized gain on sale of land held for sale	-	-	-	5,374	-	5,374
Net assets released from restrictions	74,200	(74,200)	-	827,423	(827,423)	-
Total Revenue and Other Support	<u>957,115</u>	<u>(38,391)</u>	<u>918,724</u>	<u>2,861,567</u>	<u>(518,841)</u>	<u>2,342,726</u>
EXPENSES						
Program Services	585,583	-	585,583	937,717	-	937,717
Management and General	285,690	-	285,690	268,293	-	268,293
Fundraising	224,840	-	224,840	684,023	-	684,023
Total Expenses	<u>1,096,113</u>	<u>-</u>	<u>1,096,113</u>	<u>1,890,033</u>	<u>-</u>	<u>1,890,033</u>
Change in Net Assets	<u>(138,998)</u>	<u>(38,391)</u>	<u>(177,389)</u>	<u>971,534</u>	<u>(518,841)</u>	<u>452,693</u>
NET ASSETS						
Beginning of year	<u>3,609,499</u>	<u>487,192</u>	<u>4,096,691</u>	<u>2,637,965</u>	<u>1,006,033</u>	<u>3,643,998</u>
End of year	<u>\$ 3,470,501</u>	<u>\$ 448,801</u>	<u>\$ 3,919,302</u>	<u>\$ 3,609,499</u>	<u>\$ 487,192</u>	<u>\$ 4,096,691</u>

Nantucket Community Sailing, Inc.

Statement of Functional Expenses
Year Ended October 31, 2020

	Program Services	Management and General	Special Events	Fundraising	Total
Salaries and wages	\$ 274,904	\$ 85,908	\$ 47,249	\$ 21,477	\$ 429,538
Payroll taxes and employee benefits	<u>32,209</u>	<u>18,211</u>	<u>12,027</u>	<u>6,278</u>	<u>68,725</u>
	307,113	104,119	59,276	27,755	498,263
Rent	397	19,468	-	-	19,865
Telephone and utilities	18,323	18,592	-	-	36,915
Repairs and maintenance	42,414	-	-	-	42,414
Event costs	6,620	593	27,699	2,522	37,434
Credit card processing	6,553	-	6,554	-	13,107
Merchandise	-	-	38,148	-	38,148
Insurance	69,531	-	-	-	69,531
Supplies and other	30,736	26,179	35,680	1,232	93,827
Interest expense	-	34,272	-	-	34,272
Loss on impairment of asset held for sale	-	50,000	-	-	50,000
Depreciation	<u>103,896</u>	<u>32,467</u>	<u>17,857</u>	<u>8,117</u>	<u>162,337</u>
Total Expenses Before Allocation	585,583	285,690	185,214	39,626	1,096,113
Reclassification of special events to fundraising	<u>-</u>	<u>-</u>	<u>(185,214)</u>	<u>185,214</u>	<u>-</u>
Total Expenses	<u>\$ 585,583</u>	<u>\$ 285,690</u>	<u>\$ -</u>	<u>\$ 224,840</u>	<u>\$ 1,096,113</u>

Nantucket Community Sailing, Inc.

Statement of Functional Expenses
Year Ended October 31, 2019

	Program Services	Management and General	Special Events	Fundraising	Total
Salaries and wages	\$ 453,977	\$ 160,638	\$ 62,858	\$ 20,953	\$ 698,426
Payroll taxes and employee benefits	46,060	25,042	12,367	6,695	90,164
	<u>500,037</u>	<u>185,680</u>	<u>75,225</u>	<u>27,648</u>	<u>788,590</u>
Rent	5,335	-	-	-	5,335
Telephone and utilities	19,139	1,199	-	-	20,338
Repairs and maintenance	105,857	-	-	-	105,857
Event costs	9,903	2,351	268,179	4,971	285,404
Credit card processing	18,000	-	18,000	-	36,000
Merchandise	-	-	264,007	-	264,007
Insurance	82,831	-	-	-	82,831
Supplies and other	102,813	27,779	6,852	2,193	139,637
Reserve for uncollectible pledges	2,000	-	-	-	2,000
Interest expense	-	18,800	-	-	18,800
Depreciation	<u>91,802</u>	<u>32,484</u>	<u>12,711</u>	<u>4,237</u>	<u>141,234</u>
Total Expenses Before Allocation	937,717	268,293	644,974	39,049	1,890,033
Reclassification of special events to fundraising	<u>-</u>	<u>-</u>	<u>(644,974)</u>	<u>644,974</u>	<u>-</u>
Total Expenses	<u>\$ 937,717</u>	<u>\$ 268,293</u>	<u>\$ -</u>	<u>\$ 684,023</u>	<u>\$ 1,890,033</u>

Nantucket Community Sailing, Inc.

Statements of Cash Flows

	Year Ended October 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (177,389)	\$ 452,693
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated property and equipment	(11,200)	(45,048)
Depreciation	162,337	141,234
Impairment loss on asset held for sale	50,000	-
Gain on investment sale of land held for sale	-	(5,374)
Unrealized (gain) loss on investments	(6,748)	(9,329)
Gain on sale of asset	(19,713)	-
Contributions restricted for long-term purposes	(82,374)	(306,732)
Changes in operating assets and liabilities		
Accounts receivable	26,449	(22,607)
Unconditional promises to give	77,005	9,150
Prepaid expenses	-	(1,898)
Accounts payable and accrued expenses	(39,507)	(101,894)
Deferred revenue	70,966	-
Net Cash from Operating Activities	49,826	110,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land held for sale	-	645,374
Proceeds from sale of asset	20,200	-
Purchases of property and equipment	(41,028)	(1,424,504)
Net Cash from Investing Activities	(20,828)	(779,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	82,374	306,732
Repayments on notes payable	(13,390)	(1,540,516)
Proceeds from notes payable	149,300	1,500,000
Net Cash from Financing Activities	218,284	266,216
Net Change in Cash and Cash Equivalents	247,282	(402,719)
CASH AND CASH EQUIVALENTS		
Beginning of year	344,916	747,635
End of year	\$ 592,198	\$ 344,916

See Notes to Financial Statements

Nantucket Community Sailing, Inc.

Statements of Cash Flows

	Year Ended October 31,	
	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURE OF COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 390,747	\$ 160,834
Cash held for endowment	201,451	184,082
	<u>\$ 592,198</u>	<u>\$ 344,916</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of capitalized interest	\$ 34,272	\$ 15,662
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired and included in accounts payable and accrued expenses	-	17,909
Transfer of asset held for sale from property and equipment	125,000	-

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

1. Nature of Organization

Nantucket Community Sailing, Inc. (the “Organization”) is a not-for-profit corporation chartered under the laws of the Commonwealth of Massachusetts. The Organization was established for the purpose of providing affordable sailing instruction and access to water sports for the community of Nantucket. The Organization conducts educational programs on sailing and marine safety. The programs for the Organization are funded primarily from contributions, program revenue, special events and membership fees.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 these estimates.

Change in Accounting Principle

Effective November 1, 2019, the Organization adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. As permitted by the new framework, the Organization elected not to adjust the promised amount of consideration for the effects of a significant financing component as all revenue is collected within one year or less. The Organization adopted ASC 606 using the modified retrospective approach. The adoption of ASC 606 had an immaterial impact on the Organization’s financial statements.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Change in Accounting Principle (continued)

In 2019, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU 2014-09 *Revenue from Contracts with Customers*). The ASU also aims to minimize diversity in the classification of grants and contracts that exists under current guidance with regards to exchange transactions and unconditional and conditional contributions. The adoption of the guidance related to contributions received under this ASU did not have a material impact on the financial statements or related disclosures.

Basis of Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-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.

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 and/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.

Cash and Cash Equivalents

Cash includes all monies contained in checking and money market accounts. For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity at the time of purchase of three months or less to be cash equivalents.

Accounts Receivable

The Organization carries its accounts receivable at net realizable value. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions. Allowance at October 31, 2020 and 2019 was \$1,000 and \$2,000.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

The Organization does not accrue interest on accounts receivable. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense.

Unconditional Promises to Give

Contributions, including unconditional promises to give, are measured at their fair value when received and considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is included in contribution revenue. Management elected not to record a discount on unconditional promises to give as it was determined to be immaterial.

Investments Valuation and Income Recognition

Investments are carried at fair value. Interest income is recorded on an accrual basis and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Realized and unrealized gain (losses) on investments are included in the change in net assets.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Exchange traded securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

Property and equipment that is purchased is recorded at cost. The Organization capitalizes any such purchases over \$5,000. Depreciation of property and equipment is provided over the estimated useful lives of the assets, which range from three to thirty-nine years, using the straight-line method. Leasehold improvements are amortized over the lesser of the useful lives of the assets or the term of the lease inclusive of expected renewals.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service, at which time the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Program Revenue

The Organization recognizes revenue for program services upon providing such services to program participants. The Organization may receive advances for certain program services and events applicable to the subsequent year. These amounts are recorded as deferred revenue in the year they are received and included in revenue when earned.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. General volunteer services do not meet these criteria for recognition in the financial statements.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Functional Expenses

The expenses incurred on behalf of the various programs and activities of the Organization have been summarized on a functional basis on the statements of activities and functional expenses. Accordingly, natural expenses attributable to more than one functional category are allocated using a variety of techniques such as square footage and time and effort.

Income Taxes and Accounting for Uncertainty in Income Taxes

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition and/or disclosure.

Accounting Pronouncement to be Adopted

In February 2016, FASB issued ASU 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statements of financial position through a right-of-use asset and a lease liability. The ASU is effective for years beginning after December 15, 2021 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 19, 2021.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. Balances are held in bank deposit accounts covered by the Depositor Insurance Fund, a private, industry-sponsored insurance company for Massachusetts chartered savings banks, which insures deposit balances above the FDIC insurance amount.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

4. Unconditional Promises to Give

The following is a summary of unconditional promises to give as of October 31:

	2020	2019
Unconditional promises to give due in:		
Less than one year	\$ 51,700	\$ 100,621
One to five years	110,000	139,084
Unconditional promises to give, gross	161,700	239,705
Allowance for uncollectible pledges	(1,000)	(2,000)
Unconditional promises to give, net	\$ 160,700	\$ 237,705

A discount to net present value was not recorded as it was determined by management of the Organization to be immaterial.

5. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of October 31, 2020:

	Level 1	Level 2	Level 3	Total
Exchange traded securities	\$ 123,735	\$ -	\$ -	\$ 123,735

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of October 31, 2019:

	Level 1	Level 2	Level 3	Total
Exchange traded securities	\$ 116,987	\$ -	\$ -	\$ 116,987

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

6. Property and Equipment

Property and equipment consists of the following as of October 31:

	<u>2020</u>	<u>2019</u>
Building	\$ 1,777,002	\$ 1,777,002
Leasehold improvements	1,377,579	1,377,579
Boats and equipment	1,298,022	1,302,678
Furniture and fixtures	12,406	12,406
Automobiles	40,631	40,631
Land	700,000	700,000
Construction in progress	<u>2,919</u>	<u>125,000</u>
	5,208,559	5,335,296
Accumulated depreciation	<u>(1,248,551)</u>	<u>(1,139,692)</u>
	<u>\$ 3,960,008</u>	<u>\$ 4,195,604</u>

7. Asset Held for Sale

In 2018, the Organization purchased for \$125,000 an unassembled modular cold storage building with the purpose to complete construction and use. Such asset was included in construction In progress at October 31, 2019 as it remained unassembled as of that date. On September 2, 2020, the Organization entered into an agreement to sell the building for \$75,000, which is expected to be completed within fiscal year 2021. As a result of transferring the property to available for sale an impairment loss of \$50,000 was charged to general and administrative expenses in the statement of activities during the year ended October 31, 2020.

8. Line of Credit

The Organization has a line of credit agreement with a bank that allows for maximum borrowings of \$200,000. Borrowings under such note are due on demand with the agreement reviewable annually. Interest is payable at a per annum rate equal to 1.00% above the Wall Street Journal Prime Rate, with a floor of 4.25%. The interest rate on the line of credit at October 31, 2020 and 2019 was 4.25% and 5.75%. There were no borrowings outstanding as of October 31, 2020 and 2019. The line of credit is secured by all business assets of the Organization, except for the property securing the Organization's long-term debt.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

9. Long-Term Debt

Long term debt consisted of the following as of October 31:

	2020	2019
Note payable, bank with monthly payments of interest only at 4.25% through December 31, 2019. Commencing January 1, 2020, 4.25% fixed rate for the initial five years subject to conversion on May 31, 2023. The rate adjusts every five years to the then current Federal Home Loan Bank Boston 5 Year Classic Advanced Rate plus 1.75%. Monthly payments due of \$5,237 through date of maturity May 31, 2038 at which time all outstanding principal and interest is due. Such note is secured by property financed by borrowings.	\$ 786,610	\$ 800,000
1% note payable, bank, payable in monthly installments equal to the amount necessary to fully amortize the then-outstanding principal balance with a maturity date in April 2022. This loan is part of the Payroll Protection Program (PPP) through the Small Business Act. The Organization expects the loan to qualify for Section 1106 of the CARES Act and will be forgiven at the end of its term.	<u>149,300</u> <u>\$ 935,910</u>	<u>-</u> <u>\$ 800,000</u>

Commencing March 31, 2020, the Organization received an amendment to their note payable related to the mortgage of the building stating that the Organization will pay interest only on the unpaid balance for six months. Commencing September 30, 2020, payments will revert to principal and interest payments.

Aggregate maturities required on long-term debt as of October 31, 2020, are due in future years as follows:

2021	\$ 29,994
2022	31,294
2023	32,650
2024	34,065
2025	35,541
PPP loan expected to be forgiven	149,300
Thereafter	<u>623,066</u>
	<u>\$ 935,910</u>

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at October 31:

	2020	2019
Time or purpose restricted		
Homeport	\$ 65,005	\$ 124,205
Newhouse scholarship	50,238	50,238
Indian boat	2,100	2,100
Outrigger	2,067	2,067
Nantucket data platform	-	15,000
Sea bins project	25,440	-
	144,850	193,610
Held in perpetuity		
Scholarships	303,951	293,582
Total net assets with donor restrictions	\$ 448,801	\$ 487,192

The composition of the net assets released from donor restrictions is as follows for the years ended October 31:

	2020	2019
Time or purpose restricted		
Homeport	\$ 59,200	\$ 825,883
Newhouse scholarship	-	1,540
Nantucket data platform	15,000	-
Total net assets released from restriction	\$ 74,200	\$ 827,423

11. Special Events

The following is a summary of the special event revenues and expenses included in the statements of activities for the years ended October 31:

	2020	2019
Revenue and other support		
Contributions	\$ 192,925	\$ 444,539
In-kind contributions	29,063	228,128
Other revenues earned from special events	39,862	385,115
	261,850	1,057,782
Special event expenses	185,214	644,974
	\$ 76,636	\$ 412,808

Nantucket Community Sailing, Inc.

Notes to Financial Statements
October 31, 2020 and 2019

12. Operating Leases

The Organization rents its administrative location under a month-to-month agreement at the rate of \$1,500 per month through March 31, 2020 and \$1,800 per month thereafter. The Organization also has a ground lease with the Town of Nantucket which was renewed in 2017 for a term of ten years with the option to extend at periods of ten years, not to exceed ninety-nine years, at the rate of \$3,174 annually, which will increase at the end of the term based upon CPI during the extension period. At October 31, 2020 and 2019, the CPI adjusted annual rent is \$3,174. The fair value related to the lease has not been determined; therefore, no revenue and expense have been recorded in the statements of activities for the years ended October 31, 2020 and 2019. The total rent expense under these arrangements was \$3,174 for the years ended October 31, 2020 and 2019.

Additionally, the Organization renewed their noncancelable operating lease for an automobile. The renewed lease expires in February 2023. Total rent expense under this agreement was \$4,664 and \$5,191 for the years ended October 31, 2020 and 2019.

Lastly, the Organization has a noncancelable operating lease for a copier expiring in November 2023. The rent expense under this agreement was \$2,040 for both years ending October 31, 2020 and 2019.

The following is a schedule by years of future minimum payments on the above noncancelable operating lease:

2021	\$ 10,403
2022	10,358
2023	4,630
2024	3,174
2025	3,174
	<u>\$ 31,739</u>

13. In-kind Contributions

In addition to direct financial support, the Organization is supported by the community in many ways. Contributed services of volunteers are an important part of the resources needed to achieve the Organization's mission.

For the years ended October 31, 2020 and 2019, the Organization received approximately \$22,000 and \$225,000 of donated merchandise used in special events. For the years ended October 31, 2020 and 2019, the Organization also received donated property that has been capitalized as part of property and equipment in the accompanying statements of financial position valued at approximately \$11,000 and \$45,000.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
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13. In-kind Contributions (*continued*)

The Organization also has a number of leases and licensing agreements required in its programs to store and repair boats and maintain access to waterways. The Organization pays a nominal amount for such leases and licensing agreements. As the in-kind value of these services is difficult to measure and considered to be immaterial, the Organization has not included them in in-kind contributions.

14. Partnership in Limited Liability Corporation

The Organization is a 33% partner in a limited liability corporation called Nantucket Race Week, LLC (NRW). NRW was established as a potential strategic affiliation to operate a regatta on Nantucket. Since its inception, NRW has been inactive, and no transactions were entered into with NRW during the years ended October 31, 2020 and 2019.

15. Pension Plan

The Organization maintains a Simple IRA plan (the "Plan") that covers all eligible employees as defined by the Plan. The Organization makes nonelective contributions to the Plan up to a limit of 2% of the employee's salary. The Organization's contributions amounted to \$7,800 and \$11,154 for the years ended October 31, 2020 and 2019.

16. Endowment

The Organization received cash in the amount of \$10,369 and \$184,082 for the years ended October 31, 2020 and 2019, for the purpose establishing an endowment to fund scholarships with such amounts included in cash held for endowment at October 31, 2020 and 2019. The expectation that these amounts will be transferred to investments in fiscal year 2021 once the board of directors has established the necessary policies required under Uniform Prudent Management of Institutional Funds Act. The Organization has no funds in deficiency at October 31, 2020 and 2019. At October 31, 2020, the Organization has \$102,500 in unconditional promises to give for the endowment included on the accompanying statement of financial position.

17. Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Nantucket Community Sailing, Inc.

Notes to Financial Statements
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17. Financial Assets and Liquidity Resources (*continued*)

As of October 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and property and equipment costs were as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 390,747	\$ 160,834
Accounts receivable	25,007	51,456
Unconditional promises to give	160,700	237,705
Investments	123,735	116,987
Cash held for endowment	<u>201,451</u>	<u>184,082</u>
Total financial assets available within one year	901,640	751,064
Other Liquidity resources:		
Available borrowings on line of credit	200,000	200,000
Less: Financial Assets with:		
Donor-imposed restrictions as to time and/or purpose	<u>(448,801)</u>	<u>(487,192)</u>
Total financial assets and liquid resources available within one year	<u>\$ 652,839</u>	<u>\$ 463,872</u>

The Organization is typically able to manage liquidity with its cash reserves, however, should those reserves prove inadequate, the Organization has a line of credit with a bank upon which funds can be drawn (Note 8).

18. Commitment

On April 2020 the Organization entered into an agreement approximating \$41,000 to purchase five boats in the subsequent year.

19. Contingency

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the Organization's operating results in the reporting period. During the reporting period management took actions to mitigate any uncertainty. Although it is not certain that these efforts will continue to be successful, management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis.

20. Subsequent Events (*Not Disclosed Elsewhere*)

On February 7, 2021 the Organization obtained a second PPP loan totaling \$146,078. The note bears interest at 1%. The Organization expects the loan to also qualify for Section 1106 of the CARES Act and will be forgiven at the end of its term.

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