

OCEAN BEACH AND BAY CLUB

FINANCIAL STATEMENTS

DECEMBER 31, 2018

OCEAN BEACH AND BAY CLUB

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Independent Accountants' Review Report

To the Board of Trustees
Ocean Beach and Bay Club

We have reviewed the accompanying financial statements of Ocean Beach and Bay Club (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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.

Accountants' 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.

Accountants' Conclusion

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



Report on 2017 Financial Statements

The 2017 financial statements of Ocean Beach and Bay Club were audited by other accountants and they expressed an unmodified opinion on them in their report dated July 20, 2018. They have not performed any auditing procedures since that date.

Supplementary Information

The supplementary information included in the schedule of general and administrative expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information and do not express an opinion on such information.

Corrado CPA, LLP

Ramsey, New Jersey

August 27, 2019



OCEAN BEACH AND BAY CLUB

STATEMENT OF FINANCIAL POSITION

	DECEMBER 31, 2018
ASSETS	
Current assets	
Cash and cash equivalents	\$ 344,815
Accounts receivable	54,677
Prepaid expenses	10,404
Total current assets	409,896
Property and equipment, net	415,038
Total assets	\$ 824,934
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 14,759
Payroll taxes payable	1,430
Total current liabilities	16,189
Deferred revenue	11,934
Total liabilities	28,123
Net assets without donor restrictions	796,811
Total liabilities and net assets	\$ 824,934

OCEAN BEACH AND BAY CLUB

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2018
Net Assets Without Donor Restrictions:	
Operating Activities:	
Support and revenue	
Assessments	\$ 516,038
Badges and decal income	188,744
Initiation fees	24,500
Fundraising and special events, net	43,484
Dues	20,733
Assessments - beach lease	10,140
Boat basin rental fees	700
Building permits	14,105
Lifeguard tournament	1,320
Merchandise revenue	6,711
Miscellaneous income	7,568
Sublease rent	778
Vendor contributions and outside services	10,092
Total support and revenue	844,913
General and administrative expenses	715,905
Change in net assets from operating activities	129,008
Nonoperating Activities:	
Interest income	2,848
Change in net assets	131,856
Net assets - beginning of year	664,955
Net assets - end of year	\$ 796,811

OCEAN BEACH AND BAY CLUB

STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 2018
Cash flows from operating activities	
Change in net assets	\$ 131,856
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>	
Depreciation and amortization	48,805
<i>(Increase) decrease in operating assets:</i>	
Accounts receivable	(21,117)
Prepaid expenses	(1,529)
Other assets	135
<i>Increase (decrease) in operating liabilities:</i>	
Accounts payable	5,561
Payroll taxes payable	(148)
Deferred revenue	(778)
Net cash provided by operating activities	162,785
Cash flows from investing activities	
Purchase of property and equipment	(129,229)
Net cash used in investing activities	(129,229)
Net increase in cash and cash equivalents	33,556
Cash and cash equivalents - beginning of year	311,259
Cash and cash equivalents - end of year	\$ 344,815

OCEAN BEACH AND BAY CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Note 1 – Nature of Organization

Ocean Beach and Bay Club (the "Club") is a non-profit organization and is located in Lavallette, New Jersey. The Club was incorporated in the State of New Jersey on September 21, 1951 to promote and protect the general welfare and property rights of the property owner members in their use and enjoyment of their property at the Club. The Club principally receives revenues from member assessments, badge sales and activity fees.

Note 2 - Summary of Significant Accounting Policies

New Accounting Pronouncement – In August 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) –Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 was effective for annual reporting periods issued for years beginning after December 31, 2017. Accordingly, the Club adopted ASU 2016-14 for its year ended December 31, 2018. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Club's adoption of ASU 2016-14 had no effect on the Club's total net assets or its changes in net assets for 2018 and 2017. The Club has adjusted the presentation of these statements accordingly.

Basis of accounting - The financial statements of the Club have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to not-for-profit organizations.

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. It is the Club's policy to report net assets with donor restrictions, the requirements of which are satisfied in the same year of donation in the without donor restrictions category.

The club had no net assets with donor restrictions as of December 31, 2018.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount 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.

OCEAN BEACH AND BAY CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue recognition - Contributions to the Club are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. All contributions are considered to be made without donor restrictions unless specifically restricted by time or by the donor. Contributions that are designated for future periods, are restricted by the donor for specific purposes, or are required to be maintained in perpetuity by the donor are reported as net assets with donor restrictions. Contributions are reported as without restrictions if the restriction expires in the year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Member assessments, badge sales and activity fees are recognized as revenue in the period in which it is earned. Rental income is recognized in the period in which it is earned. Revenue and expenses related to the sale of Club merchandise is reported net of discounts and taxes.

Cash and cash equivalents – Cash is comprised of available cash balances. The Club considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and equipment – The Club capitalizes all property and equipment expenditures with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

Depreciation – Depreciation is computed using the straight-line method for financial reporting purposes based on useful lives between five and twenty years. When assets are returned or otherwise disposed of, the property accounts are relieved of cost and accumulated depreciation, and any resulting gains or losses are credited or charged to income.

Income Taxes – The Club is exempt from income taxes under Section 501(c)(7) of the Internal Revenue Code. The Club may be subject to federal income taxes on gross income from an unrelated trade or business in excess of \$1,000.

As a result of audits by the Internal Revenue Service, the government continues to recognize the Club as exempt from federal income tax on its exempt function income. However, the Internal Revenue Service has determined that income from rentals, vending machines and badge sales is considered income from unrelated trade or business activity and is subject to taxation pursuant to Section 511 of the Internal Revenue Code. There were no federal income taxes on the unrelated income after allowance for related expenses for the year ended December 31, 2018.

The Club's management has considered its tax position and believes that all of the positions taken in its exempt Club tax returns are more likely than not to be sustained upon examination. As of December 31, 2018, the Club has no accrued interest or penalties related to uncertain tax positions. The current and prior three years remain subject to examination as of December 31, 2018.

OCEAN BEACH AND BAY CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Note 3 – Accounts Receivable

Accounts receivable consisted of delinquent dues from current and prior club members. The Club considers all account receivable to be collectible; therefore, no allowance for doubtful accounts have been included in the financial statements.

Note 4 – Property and Equipment

Property and equipment are summarized by major classifications as follows:

	2018
Bulkheading and moorings	\$ 437,759
Roadways	195,446
Autos and trucks	180,545
Club house and fixtures	16,848
Playground equipment	45,641
Beach equipment and fixtures	76,795
Land	28,270
Building improvements	90,701
Boats	13,628
General equipment	14,836
	<hr/> 1,100,469
Less: accumulated depreciation	<hr/> (685,431)
Property and equipment, net	<hr/> \$ 415,038 <hr/>

Depreciation expense was \$48,805 for the year ended December 31, 2018.

Note 5 – Deferred Revenue

Deferred revenue represents revenue for future periods which has been received in advance. In May 2004, the Club leased property to two tenants adjacent to their property for \$13,268 and \$10,000 each, respectively. These are thirty-year leases, with the money paid up front. Income is being recorded evenly on a thirty-year straight-line basis for the life of the leases.

Note 6 – Litigation, Claims, Commitments and Contingencies

In the ordinary course of its business, the Club may be a party to litigation. At December 31, 2018, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Club.

OCEAN BEACH AND BAY CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Note 7 - Concentration of Credit Risk and Other Financial Information

Cash - The Club maintains its cash in bank deposit accounts, which may exceed federally insured limits at times. The Club has not experienced any losses in such accounts and management believes that the Club is not exposed to any significant credit risk on cash.

Supplemental disclosures of cash flow information – Cash paid for the year ended December 31, 2018 consisted of the following:

Interest	\$	-
Taxes		-

Note 8 – Lease Obligations

The Club is committed under the following lease agreement:

<u>Property Leased</u>	<u>Term</u>	<u>Yearly Amount</u>	<u>Security or Collateral</u>
Beach land and walkways	Ninety-five years through December 29, 2051	\$9,780	None

Lease expense was \$9,780 for the year ended December 31, 2018.

The following is a schedule of minimum future lease payments as of December 31:

2019	\$	9,780
2020		9,780
2021		9,780
2022		9,780
2023		9,780
Thereafter		273,840
	\$	<u>322,740</u>

In the normal course of business, the Club enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

Note 9 – Subsequent Events

In preparing the financial statements, the Club has evaluated events and transaction for potential recognition or disclosure through August 27, 2019, the date that the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date through the date of the report that would require disclosure in the financial statements.

OCEAN BEACH AND BAY CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Note 10 – Liquidity and Availability of Resources

Total financial assets at year-end:	
Cash and cash equivalents	\$344,815
Accounts receivable, net	54,677
Prepaid expenses	10,404
Total financial assets at year-end	<u>\$409,896</u>
Less: amounts not available to be used within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$409,896</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Club receives member assessments, badge sales and activity fees which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Club manages its liquidity and operates within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that the need to fund unanticipated expenditures, if any will be met.

Note 11 – Fundraising and Special Events

Fundraising and special events generate revenue for the Club as well as raise awareness about the Club's mission. These events are incidental to the Club's central activities and do not happen regularly. This revenue is recorded net in the accompanying Statement of Activities.

OCEAN BEACH AND BAY CLUB

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR ENDED DECEMBER 31, 2018
General and administrative expenses	
Salaries - lifeguards	\$ 117,962
Salaries - beach patrol	49,446
Salaries - maintenance	54,956
Salaries - police	32,482
Salaries - office	41,925
Salaries - club house	8,642
Insurance	78,767
Professional fees	88,457
Depreciation	48,805
Taxes - payroll, sales and other	36,160
Repair and maintenance - roads, drains and lagoon	35,558
Repair and maintenance - general	14,859
Repair and maintenance - trucks	13,805
Repair and maintenance - beach	3,957
Repair and maintenance - clubhouse	2,725
Lifeguard expenses	14,182
Utilities and trash	17,367
Clubhouse expense and supplies	14,383
Stationery, printing and office expenses	14,756
Beach lease expense	9,780
Badges	7,997
Miscellaneous	567
Fuel expense	2,891
Dues and subscriptions	2,143
Bank service charges	803
Payroll fees	1,718
Computer expenses	812
Total general and administrative expenses	\$ 715,905