

Newport Aquatic Center Treasurers Report # 1
10-20-2017

Introduction

The NAC is a 501(c)(3) tax exempt nonprofit corporation that I incorporated in March, 1981 when Billy and I formed the NAC-- Billy's idea and vision, and my legal assistance. I obtained for the NAC a Federal and State tax exempt status that was issued in 1983 and that status has been maintained in good standing with the IRS, the California Secretary of State, the California Attorney General's Office and the California Registry of Charitable Trusts ever since that time. The Federal Tax identification Number for the NAC is 953699894, and the NAC Federal Tax Returns are posted online and can be reviewed at <https://projects.propublica.org/nonprofits/organizations/953699894>.

Due to the remarkable success of the NAC operations over the last 20 years under the management of Billy, as overseen by the Board of Directors, there has been increased focus on the financial operations of the NAC and the policies, procedures and overall philosophy of how the NAC operates and how those operations relate to the Mission Statement. In light of this increased focus, the Board of Directors of the NAC is in the process of updating and revising numerous operating procedures, some of which are related to the methods of accounting and the extent and structure of future distribution of financial statements and periodic updates as to the general financial condition of the NAC.

As a result, I think it timely and appropriate to publish this first Treasurers Report so that all those interested in the financial operations at the NAC will be informed as to how the NAC developed and where it is going.

Current Financial Highlights

To begin, I have just been advised by our Auditors, Wertz and Company of Irvine, CA, that the NAC has received an unqualified Audit for the second year in a row. The annual NAC Audit is now required by the California Attorney General's Office as of 2015 in that the annual NAC gross receipts are in excess of \$2,000,000.00. In common parlance, an unqualified audit means that the NAC accounting procedures and maintenance of records as to income, expenses, tracking of fixed assets, and depreciation schedules are all in accordance with GAAP (Generally Accepted Accounting Principles).

The CPA for the NAC is Ken Carroll, who has prepared the tax returns for the NAC since 1998, and provides periodic advice regarding accounting procedures and maintenance of financial records. Ken also compiles and prepares the financial data for processing by the Auditors.

Attached to this Report is the NAC Balance Sheet dated September 30, 2017. As can be seen, the NAC is in very good shape financially, with cash in the bank of \$289,231.72, total fixed assets of \$1,617,386.16 (after depreciation), short term debt of \$137,704.30, and long term debt of \$100,354.84, which long term debt is covered by a major donor pledge for 2018.

Cash Receipts Procedures at the NAC

There have been questions recently from Board Members and from NAC Members about the policies and procedures NAC Staff use to process cash payments to the NAC. First, it is important to note that there have been no reported or discovered incidents of any cash being taken by any Staff or cash being unreported. There have been no suspicions by the Executive Director of any Staff members concerning such activity. As such, the NAC has no problems with cash payments. The Board is, however, revisiting the cash payment processing with a view to improving it, if necessary.

The NAC cash payment processing procedures are currently as follows:

The NAC Computerized Point of Sale System, fully implemented in 2012, only allows for the locked cash drawer to open when a transaction is processed or when the End of Day report is run. NAC Staff runs an End of Day report every night and reconciles cash, credit card receipts, and checks. All End of Day Reports, customer Credit Card Receipts, and Deposit Summaries are filed by day and kept in the office. On a rare occasion, which happens once a month on average, there is a discrepancy between the cash received and the End of Day report, which discrepancy, according to the bookkeeping records, varies from \$1.00 to \$20.00.

During peak rental hours, there is always more than one NAC Staff member working at the front desk to process cash, check, and credit card payments. NAC does not regularly maintain petty cash in the office. If needed for an event to make change, petty cash is acquired from the Bank and kept in a cash box during the event. There is a 24/7 surveillance system and the footage is periodically reviewed by the Executive Director.

Short Historical Overview

The NAC is a single, nonprofit, corporate business entity, and has, since its incorporation in 1981, operated financially as a single business entity. The NAC maintains a single corporate bank account into which all income, including dues and donations, are deposited. Any donations designated for a specific purpose are identified and restricted for the designated use. The procedures and documentation for restricted donations are handled by Kirsten Hermstad, the NAC Director of Marketing and Development. From this account expenses are paid, and all income and expenses are accounted for and reconciled, by the NAC Staff on a monthly basis. The Profit and Loss Statements, the Balance Sheet, and what the Board and Staff refer to as the "Internal Program Allocation of Income and Expenses" Report (IPA), are all based upon the Bank Statements from this account and processed and reviewed by NAC Staff and I for the Board to review and use.

For many years, and currently, the Board has not considered, and does not now consider, any one program at the NAC as a stand-alone program. Each program is an integral part of the NAC organization. The services and equipment each program provides to the participants are paid for from the available funds received from all program participants on a monthly basis. As a result of this single entity organizational structure, the Board many years ago adopted the IPA procedure and it is used by the Board as an internal monitoring device to determine how to allocate

income and expenses to each program based on how each program impacts the NAC total operating expenses. The greater the use of the NAC by a program, the greater the percentage of program available funds is internally allocated to the NAC operating and overhead expenses. This IPA process used by the Board has gone through a number of revisions as the NAC programs have expanded and the impact on the NAC by each program has changed. The Board is in the process of once again revising the IPA.

Ohana, the NAC, and Billy

Billy's vision for the NAC when he came to me in 1981 and asked me to help transform his vision into reality was based in large part on Ohana -- and Ohana is what makes the NAC what it is today and what it has been since Billy became the Executive Director in 1997. Success in sports and in life is based on people working together and having the sense that they belong to something greater than themselves -- that sense of family that we all want and need. Interest in human powered water sports is what brings people to the NAC -- Ohana is what keeps them there. Thanks to Billy and the entire NAC Staff for Ohana at the NAC.

Future Treasurers Reports

I will be posting another Treasurers Report in November. Anyone with specific questions may email them to me at jvclaw@sbcglobal.net and I will do my best to provide an answer.

Jon Van Cleave, NAC Treasurer

Newport Aquatic Center Preliminary Balance Sheet

As of September 30, 2017

Sep 30, 17

ASSETS

Current Assets

Checking/Savings	289,231.72
Accounts Receivable	-4,129.65
Other Current Assets	
Other Receivables	918.27
Payroll Service Customer Asset	-979.51
Undeposited Funds	4,661.20
Total Other Current Assets	<u>4,599.96</u>

Total Current Assets 289,702.03

Fixed Assets

Accumulated Depreciation	-2,425,091.96
Building	999,319.58
Computer Equipment	18,081.80

EQUIPMENT

Dragon Boat- Equipment	21,100.00
Jr. Rowing - Equipment	1,396,397.26
NAC General - Equipment	334,111.33
Outrigger - Equipment	269,484.11
Waterman - Equipment	78,954.68
WOW - Equipment	90,301.80
EQUIPMENT - Other	431,135.46

Total EQUIPMENT 2,621,484.64

Land 3,500.00

Leasehold Improvements 308,937.38

Vehicle 91,154.72

Total Fixed Assets 1,617,386.16

Other Assets 0.00

TOTAL ASSETS 1,907,088.19

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable	76,180.00
Credit Cards	60,524.30

Other Current Liabilities

Direct Deposit Liabilities	660.55
Payroll Liabilities	894.29
Promissory Note - Bill Grant	60,000.00
Promissory Note - James Netzer	38,800.00

Total Other Current Liabilities 100,354.84

Total Current Liabilities 237,059.14

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Equity

 Retained Earnings 1,297,748.61

 Net Income 372,280.44

Total Equity 1,670,029.05

TOTAL LIABILITIES & EQUITY 1,907,088.19