

HUDSON RIVER COMMUNITY SAILING INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

NOVEMBER 30, 2017 AND 2016

HUDSON RIVER COMMUNITY SAILING INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of November 30, 2017 and 2016	2
Statements of activities for the years ended November 30, 2017 and 2016	3
Statements of cash flows for the years ended November 30, 2017 and 2016	4
Statement of functional expenses for the year ended November 30, 2017 with comparative totals for 2016	5
Notes to financial statements	6 – 10



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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Hudson River Community Sailing Inc.

We have audited the accompanying financial statements of Hudson River Community Sailing Inc. (a nonprofit organization), which comprise the statements of financial position as of November 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 of 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson River Community Sailing Inc. as of November 30, 2017 and 2016, 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.

New York, NY
July 25, 2018

Skody Scot & Company, CPAs, P.C.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2017 AND 2016**

	2017	2016
ASSETS		
Cash	\$ 383,359	\$ 436,460
Certificate of deposit	60,050	-
Program revenue & other receivables	119,947	31,883
Contributions receivable	-	2,000
Prepaid expenses and other assets	24,447	12,335
Property and equipment, net	165,005	300,857
	\$ 752,808	\$ 783,535
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 86,511	\$ 110,513
Deferred income	93,944	91,308
Total liabilities	180,455	201,821
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	508,353	512,214
Temporarily restricted	64,000	69,500
Permanently restricted	-	-
Total net assets	572,353	581,714
Total liabilities and net assets	\$ 752,808	\$ 783,535

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Support and Revenues:		
Unrestricted:		
Program service revenue	\$ 451,824	\$ 423,055
Membership dues	183,185	196,016
Contributions	318,668	514,661
Government grants	65,289	29,706
Special events:		
Income	255,213	242,951
Less: direct costs	(41,243)	(35,435)
Net special event income	<u>213,970</u>	<u>207,516</u>
Interest income	110	65
Other income	10,528	9,977
Release of restricted assets	69,500	8,000
Temporarily Restricted:		
Contributions	64,000	69,500
Release of restricted assets	<u>(69,500)</u>	<u>(8,000)</u>
Total support and revenues	<u>1,307,574</u>	<u>1,450,496</u>
Expenses:		
Program Expenses:		
Youth program	584,407	479,669
Adult program	487,240	432,702
Total program expenses	<u>1,071,647</u>	<u>912,371</u>
Supporting Services:		
Management and general	96,839	95,873
Fundraising	148,449	105,629
Total expenses	<u>1,316,935</u>	<u>1,113,873</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	(3,861)	275,123
Temporarily restricted	(5,500)	61,500
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>(9,361)</u>	<u>336,623</u>
Net assets, beginning of year	<u>581,714</u>	<u>245,091</u>
Net assets, end of year	<u>\$ 572,353</u>	<u>\$ 581,714</u>

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (9,361)	\$ 336,623
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	89,797	25,001
Accrued interest on certificate of deposit	(50)	-
Donation of property and equipment	-	(164,350)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(24,002)	56,194
Deferred income	2,636	(13,003)
Program revenue & other receivables	(88,064)	(9,948)
Contributions receivable	2,000	2,050
Government grants receivable	-	3,499
Prepaid expenses and other assets	(12,112)	2,221
Net cash provided/(used) by operating activities	(39,156)	238,287
Cash flows from investing activities:		
Purchase of certificate of deposit	(60,000)	-
Purchase of property and equipment	(34,945)	(55,600)
Insurance proceeds from property & equipment damage	81,000	-
Net cash provided/(used) by investing activities	(13,945)	(55,600)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	(53,101)	182,687
Cash at beginning of year	436,460	253,773
Cash at end of year	\$ 383,359	\$ 436,460
Supplemental information:		
Retirement of fully depreciated property & equipment	\$ 137,000	\$ -

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED NOVEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR NOVEMBER 30, 2016**

	2017					2016	
	Program Expenses			Supporting Services		Total Expenses	
	Youth Program	Adult Program	Total Program	Management and General	Fundraising		
Salaries	\$ 407,498	\$ 289,429	\$ 696,927	\$ 46,279	\$ 85,667	\$ 828,873	\$ 701,494
Payroll taxes and benefits	46,369	39,368	85,737	6,865	8,644	101,246	88,382
Outside contractors	389	695	1,084	14,063	31,028	46,175	13,384
Bank charges & credit card fees	1,703	4,316	6,019	2,248	1,860	10,127	17,633
Boat fuel	1,727	2,434	4,161	-	48	4,209	3,660
Boat ownership & charters	6,041	13,837	19,878	-	28	19,906	26,226
Boat repair and maintenance	9,680	15,435	25,115	-	232	25,347	35,555
Boat supplies & equipment	6,566	14,492	21,058	-	204	21,262	42,585
Depreciation and amortization	35,975	51,708	87,683	917	1,197	89,797	25,001
Dues, books and subscriptions	1,890	7,448	9,338	1,061	301	10,700	10,344
Insurance	18,865	15,074	33,939	3,796	2,412	40,147	31,004
Office supplies and expenses	4,621	5,966	10,587	2,676	7,738	21,001	10,126
Printing and copying	2,270	1,477	3,747	5	639	4,391	5,350
Professional fees	-	-	-	10,000	-	10,000	10,000
Program food and supplies	20,262	4,961	25,223	4,526	5,643	35,392	29,147
Rent and utilities	5,575	8,729	14,304	325	952	15,581	19,580
Repairs and maintenance	1,005	775	1,780	79	-	1,859	8,163
Staff development and training	4,626	1,870	6,496	235	-	6,731	8,326
Telephone and communications	2,322	2,064	4,386	671	103	5,160	5,319
Travel and meetings	3,370	3,825	7,195	1,426	1,753	10,374	17,490
Website hosting and maintenance	3,653	3,337	6,990	1,667	-	8,657	5,104
Total expenses	<u>\$ 584,407</u>	<u>\$ 487,240</u>	<u>\$ 1,071,647</u>	<u>\$ 96,839</u>	<u>\$ 148,449</u>	<u>\$ 1,316,935</u>	<u>\$ 1,113,873</u>

See accompanying notes to the financial statements.

HUDSON RIVER COMMUNITY SAILING INC. NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Hudson River Community Sailing Inc. (Organization), a not-for-profit organization, was incorporated in the State of New York on December 18, 2007. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from program service revenue, contributions, membership dues, and special events.

The primary purpose of the Organization is to develop leadership and academic success in underserved New York City youth through sailing education and providing maritime education and recreation to the community at large. The Organization aims to accomplish this mission with its two major program areas which include the following:

Youth program:

The youth program develops the leadership and academic skills needed by students to become successful in school and the workplace. Along with academic enrichment in math and science, life skills, such as teamwork, self-reliance, persistence, and responsibility are taught through the mediums of sailing, boat operation, and boat building. The youth program consists of multiple projects which include, but are not limited to: **Sail Academy** - a 4- year-long after-school project offered in partnership with nine New York City public schools. Sail Academy begins with *Sailing by the Numbers* as students enter their first year of high school, providing the opportunity for the students to earn academic credit in mathematics and physical education. Year two, *Ocean Literacy*, has students studying the science of the Hudson, and learning to become good stewards as they advance their sailing skills. *First Mates* allows students in years three and four to specialize in the maritime areas that most interest them, while also receiving mentoring, college preparation, homework support, and career discovery; **Internships** - students assist in daily operations and boat maintenance in a structured program tiered for increasing responsibility and independence; **City Sail** - a fee-based, week-long summer youth camp which provides any student in grades 6 - 11, many of whom receive full or partial scholarships, the opportunity to learn to sail, develop leadership and teamwork, and understand basic scientific concepts related to sailing; and **Youth Racing** - a program which brings together a diverse cross-section of both public and private NYC schools to race on the Hudson river.

Adult program:

The Adult program consists of: **Community Sailing** - a fee-based sailing and membership program which offers adults a *US Sailing* sanctioned community sailing center, sailing lessons and classes. Fees and dues from this program are used to subsidize the costs of the projects which are provided to underserved youth at reduced or no cost through the Youth program; and **Soldiers Under Sail** - an adaptive sailing program for veterans delivered in partnership with the local veteran's administration.

**HUDSON RIVER COMMUNITY SAILING INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Purchased property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are stated at fair value on the date of donation, less accumulated depreciation. Depreciation of equipment and furniture is computed by the straight-line method over the estimated useful life of the asset. Depreciation of leasehold improvements is computed by the straight-line method over the estimated useful life of the improvement or the term of the lease (whichever is shorter). Website design is amortized by the straight-line method over the life of the asset. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Receivables

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable 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. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. At November 30, 2017 and 2016, all receivables are expected to be received within one year and accordingly, no provision for uncollectible receivables has been recorded.

**HUDSON RIVER COMMUNITY SAILING INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Membership dues are recognized as revenue based on the membership period covered by the individual member's dues. Consequently, all dues and fees received in 2017 and 2016 covering the respective 2018 and 2017 membership period has been classified and reflected on the statements of financial position as deferred income.

The Organization received grants from a governmental agency. In accordance with the grant provisions, the Organization either receives grant funds following the disbursement of approved expenses or is authorized to receive funds in advance of anticipated expenditures. All unreimbursed expenses as of period-end are recorded as grant receivables and all advanced funds not expended are recorded as refundable advances.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Donated Services

Many individuals volunteer their time to perform a variety of tasks that assist the Organization. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the recognition criteria in accordance with GAAP.

**HUDSON RIVER COMMUNITY SAILING INC.
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at November 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Boats and boat equipment	\$ 243,937	\$ 355,937
Office equipment	4,270	4,270
Furniture and fixtures	2,632	2,632
Leasehold improvements	66,862	56,917
Website design	<u>19,102</u>	<u>19,102</u>
	336,803	438,858
Less: Accumulated depreciation and amortization	(<u>171,798</u>)	(<u>138,001</u>)
	<u>\$ 165,005</u>	<u>\$ 300,857</u>

During the year ended November 30, 2016, the Organization received a 39 foot cruising yacht (Beneteau Cyclades 39 cruising sloop) as a donation. The yacht was appraised at \$137,000. During the year ended November 30, 2017, the yacht was destroyed in a hurricane. Insurance proceeds were received.

Note 4 - Concentrations

The Organization maintains its cash and certificate of deposit in various accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts may have exceeded the insured limits during the years ended November 30, 2017 and 2016.

Note 5 - Commitments and Contingencies

The Organization leases office and program space under non-cancelable operating leases. As of November 30, 2017, minimum aggregate annual rentals are as follows:

Year ended November 30, 2018	\$ 4,680
2019	390

Total rent and utilities expense charged to operations for the years ended November 30, 2017 and 2016 was \$15,581 and \$19,580, respectively.

Note 6 - Government Grants

During the years ended November 30, 2016 and 2015, the Organization was awarded grants by the U.S. Department of Veterans Affairs and the U.S. Department of Commerce. Total expenditures under the grants during the years ended November 30, 2017 and 2016 amounted to \$65,289 and \$29,706, respectively.

**HUDSON RIVER COMMUNITY SAILING INC.
NOTES TO FINANCIAL STATEMENTS**

Note 7 - Restrictions on Net Assets

As of November 30, 2017 and 2016, temporarily restricted net assets are available in future years for the following purposes:

	<u>2017</u>	<u>2016</u>
Youth development program	\$ 56,000	\$ 58,000
Youth development program – uptown expansion	-	3,500
Equipment and furnishings	<u>8,000</u>	<u>8,000</u>
	<u>\$ 64,000</u>	<u>\$ 69,500</u>

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through July 25, 2018, which is the date the financial statements were available to be issued.