

HUDSON RIVER COMMUNITY SAILING INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

NOVEMBER 30, 2018 AND 2017

HUDSON RIVER COMMUNITY SAILING INC.

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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, 2018 and 2017, and the related statements of activities, 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.

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, 2018 and 2017, 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
August 28, 2019

Skody Scot & Company, CPAs, P.C.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 508,923	\$ 383,359
Certificate of deposit	60,050	60,050
Program revenue & other receivables	38,654	119,947
Contributions receivable	238,975	-
Government grants receivable	11,180	-
Prepaid expenses and other assets	33,885	24,447
Property and equipment, net	383,216	165,005
	\$ 1,274,883	\$ 752,808
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 72,356	\$ 86,511
Deferred income	131,713	93,944
Total liabilities	204,069	180,455
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	803,634	508,353
With donor restrictions	267,180	64,000
Total net assets	1,070,814	572,353
Total liabilities and net assets	\$ 1,274,883	\$ 752,808

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Program service revenue	\$ 477,674	\$ -	\$ 477,674	\$ 451,824	\$ -	\$ 451,824
Membership dues	203,723	-	203,723	183,185	-	183,185
Contributions	754,194	267,180	1,021,374	318,668	64,000	382,668
Government grants	32,340	-	32,340	65,289	-	65,289
Special events:						
Income	191,907	-	191,907	255,213	-	255,213
Less: direct costs	(40,862)	-	(40,862)	(41,243)	-	(41,243)
Net special event income	151,045	-	151,045	213,970	-	213,970
Interest income	65	-	65	110	-	110
Other income	3,430	-	3,430	10,528	-	10,528
Net assets released from restriction:						
Satisfaction of purpose restrictions	64,000	(64,000)	-	69,500	(69,500)	-
Total net assets released from restrictions	64,000	(64,000)	-	69,500	(69,500)	-
Total support and revenues	1,686,471	203,180	1,889,651	1,313,074	(5,500)	1,307,574
Expenses:						
Program Expenses:						
Youth program	567,806	-	567,806	584,407	-	584,407
Adult program	485,074	-	485,074	487,240	-	487,240
Total program expenses	1,052,880	-	1,052,880	1,071,647	-	1,071,647
Supporting Services:						
Management and general	99,930	-	99,930	96,839	-	96,839
Fundraising	238,380	-	238,380	148,449	-	148,449
Total expenses	1,391,190	-	1,391,190	1,316,935	-	1,316,935
Increase/(Decrease) In Net Assets	295,281	203,180	498,461	(3,861)	(5,500)	(9,361)
Net assets, beginning of year	508,353	64,000	572,353	512,214	69,500	581,714
Net assets, end of year	<u>\$ 803,634</u>	<u>\$ 267,180</u>	<u>\$ 1,070,814</u>	<u>\$ 508,353</u>	<u>\$ 64,000</u>	<u>\$ 572,353</u>

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENT OF EXPENSES
YEAR ENDED NOVEMBER 30, 2018**

	<u>Program Expenses</u>			<u>Supporting Services</u>		
	<u>Youth Program</u>	<u>Adult Program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 402,273	\$ 333,803	\$ 736,076	\$ 40,618	\$ 93,682	\$ 870,376
Payroll taxes and benefits	51,172	36,842	88,014	10,081	14,147	112,242
Outside contractors	-	-	-	14,928	89,596	104,524
Bank charges & credit card fees	2,143	6,563	8,706	419	7,330	16,455
Boat fuel	1,982	2,591	4,573	-	21	4,594
Boat ownership & charters	7,830	11,349	19,179	-	-	19,179
Boat repair and maintenance	6,206	5,256	11,462	-	-	11,462
Boat supplies & equipment	15,368	9,555	24,923	-	1	24,924
Depreciation and amortization	18,288	25,790	44,078	349	424	44,851
Dues, books and subscriptions	448	9,223	9,671	1,444	2,396	13,511
Insurance	20,488	17,607	38,095	3,464	4,113	45,672
Office supplies and expenses	1,954	1,956	3,910	965	7,965	12,840
Printing and copying	2,426	537	2,963	138	8,765	11,866
Professional fees	-	-	-	10,300	-	10,300
Program food and supplies	18,166	4,694	22,860	3,407	4,845	31,112
Rent and utilities	5,521	10,926	16,447	200	-	16,647
Repairs and maintenance	571	505	1,076	1,855	7	2,938
Staff development and training	3,845	2,312	6,157	-	3	6,160
Telephone and communications	-	-	-	6,060	-	6,060
Travel and meetings	8,092	4,171	12,263	2,898	5,067	20,228
Website hosting and maintenance	1,033	1,394	2,427	2,804	18	5,249
Total expenses	<u>\$ 567,806</u>	<u>\$ 485,074</u>	<u>\$ 1,052,880</u>	<u>\$ 99,930</u>	<u>\$ 238,380</u>	<u>\$ 1,391,190</u>

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENT OF EXPENSES
YEAR ENDED NOVEMBER 30, 2017**

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

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 498,461	\$ (9,361)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	44,851	89,797
Accrued interest on certificate of deposit	-	(50)
Donation of property and equipment	(2,900)	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(14,155)	(24,002)
Deferred income	37,769	2,636
Program revenue & other receivables	81,293	(88,064)
Contributions receivable	(238,975)	2,000
Government grants receivable	(11,180)	-
Prepaid expenses and other assets	(9,438)	(12,112)
Net cash provided/(used) by operating activities	<u>385,726</u>	<u>(39,156)</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(60,000)
Purchase of property and equipment	(260,968)	(34,945)
Sale of property and equipment	806	-
Insurance proceeds from property & equipment damage	-	81,000
Net cash provided/(used) by investing activities	<u>(260,162)</u>	<u>(13,945)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	125,564	(53,101)
Cash at beginning of year	<u>383,359</u>	<u>436,460</u>
Cash at end of year	<u>\$ 508,923</u>	<u>\$ 383,359</u>
Supplemental information:		
Retirement of fully depreciated property & equipment	\$ 52,617	\$ 137,000

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 Chelsea** - a 4 year-long after-school program offered in partnership with seven New York City public high schools. Year 1 provides the opportunity for students to learn to sail and build small wooden boats, while earning an elective credit. Year 2 has students studying the science of the Hudson and learning to become good stewards as they advance sailing skills. Years 3 and 4 allow students to specialize in maritime areas that most interest them (e.g. racing, navigation, boat building), while also receiving post-secondary counseling, college preparation, and career discovery; **Sail Academy Inwood** – a multi-year after-school program that offers STEM enrichment and social emotional learning at local middle schools; **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 for children aged 9 - 17; and **Youth Racing** - a program which brings together a diverse cross-section of both public and private NYC schools to learn fundamentals and compete.

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.

Change in Accounting Principle

In fiscal year 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the fiscal year 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

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 (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) 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 (endowment), where the donor stipulates that resources be maintained in perpetuity.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017, all receivables are expected to be received and accordingly, no provision for uncollectible receivables has been recorded.

Revenue Recognition

All 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 revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 2018 and 2017 covering the respective 2019 and 2018 membership period have 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 either refundable advances or revenue with donor restrictions.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses based on estimated time and effort and boat-related expenses, insurance, depreciation, office supplies and expenses, rent and utilities, travel and meetings, and various other expenses 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.

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at November 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Boats and boat equipment	\$ 469,590	\$ 243,937
Office equipment	4,270	4,270
Furniture and fixtures	2,632	2,632
Leasehold improvements	66,862	66,862
Website design	<u>-</u>	<u>19,102</u>
	543,354	336,803
Less: Accumulated depreciation and amortization	<u>(160,138)</u>	<u>(171,798)</u>
	<u>\$ 383,216</u>	<u>\$ 165,005</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.

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

Note 4 - Receivables

As of November 30, 2018 and 2017, receivables are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 253,809	\$ 119,947
In two years	<u>35,000</u>	<u>-</u>
	<u>\$ 288,809</u>	<u>\$ 119,947</u>

Due to low interest rates on November 30, 2018, management has determined it is not necessary to record a discount on long-term receivables because the discount would be immaterial.

Note 5 - Government Grants

During the years ended November 30, 2017 and 2016, 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, 2018 and 2017 amounted to \$32,340 and \$65,289, respectively.

Note 6 - Net Assets with Restrictions

During fiscal year 2018, the Organization's Board of Directors designated \$100,000 of net assets without donor restrictions as non-operating reserve funds. As of November 30, 2018 and 2017, net assets without donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Board-designated non-operating reserves	\$ 100,000	\$ -
Undesignated	<u>703,634</u>	<u>508,353</u>
	<u>\$ 803,634</u>	<u>\$ 508,353</u>

As of November 30, 2018 and 2017, net assets with donor restrictions are available in future years for the following:

	<u>2018</u>	<u>2017</u>
Youth development program	\$ 85,000	\$ 56,000
Equipment and furnishings	-	8,000
STEM to Stern campaign	132,180	-
Fiscal year 2019 activities	25,000	-
Fiscal year 2020 activities	<u>25,000</u>	<u>-</u>
	<u>\$ 267,180</u>	<u>\$ 64,000</u>

The STEM to Stern campaign will build capacity by investing in infrastructure and launching a second youth development program. The campaign focuses on two primary areas of growth: fleet expansion across locations, and program and infrastructure development at its Inwood location.

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

Note 7 - 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, 2018 and 2017.

Note 8 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. 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 to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of November 30, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2018	2017
Financial assets:		
Cash	\$ 508,923	\$ 383,359
Certificate of deposit	60,050	60,050
Receivables	288,809	119,947
Total financial assets	857,782	563,356
Less those unavailable for general expenditures within one year:		
Receivables collectible beyond one year	(35,000)	-
Board-designated non-operating reserves	(100,000)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 722,782	\$ 563,356

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through August 28, 2019, which is the date the financial statements were available to be issued.