

HUDSON RIVER COMMUNITY SAILING INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

NOVEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 21, 2020

Skody Scot & Company, CPAs, P.C.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2019 AND 2018**

	2019	2018
ASSETS		
Cash	\$ 585,818	\$ 508,923
Certificates of deposit	160,208	60,050
Program revenue & other receivables	38,299	38,654
Contributions receivable	101,250	238,975
Government grants receivable	39,010	11,180
Prepaid expenses and other assets	43,500	33,885
Property and equipment, net	643,110	383,216
	\$ 1,611,195	\$ 1,274,883
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 124,570	\$ 72,356
Deferred income	168,070	131,713
Total liabilities	292,640	204,069
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	1,071,439	803,634
With donor restrictions	247,116	267,180
Total net assets	1,318,555	1,070,814
Total liabilities and net assets	\$ 1,611,195	\$ 1,274,883

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED NOVEMBER 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Program service revenue	\$ 578,217	\$ -	\$ 578,217	\$ 477,674	\$ -	\$ 477,674
Membership dues	243,669	-	243,669	203,723	-	203,723
Contributions	421,313	212,116	633,429	754,194	267,180	1,021,374
Government grants	39,010	-	39,010	32,340	-	32,340
Special events:						
Income	316,340	-	316,340	191,907	-	191,907
Less: direct costs	(40,717)	-	(40,717)	(40,862)	-	(40,862)
Net special event income	275,623	-	275,623	151,045	-	151,045
Investment income	1,584	-	1,584	65	-	65
Other income	10,821	-	10,821	3,430	-	3,430
Net assets released from restriction:						
Satisfaction of purpose restrictions	207,180	(207,180)	-	64,000	(64,000)	-
Expiration of time restrictions	25,000	(25,000)	-	-	-	-
Total net assets released from restriction	232,180	(232,180)	-	64,000	(64,000)	-
Total support and revenues	1,802,417	(20,064)	1,782,353	1,686,471	203,180	1,889,651
Expenses:						
Program Expenses:						
Youth program	670,886	-	670,886	567,806	-	567,806
Adult program	590,674	-	590,674	485,074	-	485,074
Total program expenses	1,261,560	-	1,261,560	1,052,880	-	1,052,880
Supporting Services:						
Management and general	113,926	-	113,926	99,930	-	99,930
Fundraising	159,126	-	159,126	238,380	-	238,380
Total expenses	1,534,612	-	1,534,612	1,391,190	-	1,391,190
Increase/(decrease) in net assets	267,805	(20,064)	247,741	295,281	203,180	498,461
Net assets, beginning of year	803,634	267,180	1,070,814	508,353	64,000	572,353
Net assets, end of year	\$ 1,071,439	\$ 247,116	\$ 1,318,555	\$ 803,634	\$ 267,180	\$ 1,070,814

See accompanying notes to the financial statements.

**HUDSON RIVER COMMUNITY SAILING INC.
STATEMENT OF EXPENSES
YEAR ENDED NOVEMBER 30, 2019**

	<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	\$ 462,725	\$ 375,888	\$ 838,613	\$ 52,110	\$ 110,377	\$ 1,001,100
Payroll taxes and benefits	54,903	44,642	99,545	7,349	14,178	121,072
Outside contractors	-	-	-	15,099	2,500	17,599
Bank charges & credit card fees	2,123	7,370	9,493	685	9,810	19,988
Boat fuel	1,523	2,765	4,288	55	112	4,455
Boat ownership & charters	4,415	22,373	26,788	-	86	26,874
Boat repair and maintenance	6,335	10,107	16,442	-	158	16,600
Boat supplies & equipment	30,244	23,715	53,959	-	341	54,300
Depreciation and amortization	28,322	40,465	68,787	171	1,325	70,283
Dues, books and subscriptions	1,587	11,446	13,033	996	818	14,847
Insurance	22,678	24,332	47,010	437	1,491	48,938
Office supplies and expenses	4,056	3,334	7,390	462	7,246	15,098
Printing and copying	1,159	791	1,950	54	739	2,743
Professional fees	-	-	-	11,550	-	11,550
Program food and supplies	30,820	6,513	37,333	5,017	4,207	46,557
Rent and utilities	3,326	4,316	7,642	9,750	73	17,465
Repairs and maintenance	492	589	1,081	1,215	15	2,311
Staff development and training	4,897	2,253	7,150	944	492	8,586
Telephone and communications	-	72	72	6,195	-	6,267
Travel and meetings	8,968	7,234	16,202	1,432	5,033	22,667
Website hosting and maintenance	2,313	2,469	4,782	405	125	5,312
Total expenses	<u>\$ 670,886</u>	<u>\$ 590,674</u>	<u>\$ 1,261,560</u>	<u>\$ 113,926</u>	<u>\$ 159,126</u>	<u>\$ 1,534,612</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>Total Expenses</u>
	<u>Youth Program</u>	<u>Adult Program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</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.
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 247,741	\$ 498,461
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	70,283	44,851
Donation of property and equipment	-	(2,900)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	52,214	(14,155)
Deferred income	36,357	37,769
Program revenue & other receivables	355	81,293
Contributions receivable	137,725	(238,975)
Government grants receivable	(27,830)	(11,180)
Prepaid expenses and other assets	(9,615)	(9,438)
Net cash provided/(used) by operating activities	<u>507,230</u>	<u>385,726</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(100,158)	-
Purchase of property and equipment	(330,177)	(260,968)
Sale of property and equipment	-	806
Net cash provided/(used) by investing activities	<u>(430,335)</u>	<u>(260,162)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	76,895	125,564
Cash at beginning of year	<u>508,923</u>	<u>383,359</u>
Cash at end of year	<u>\$ 585,818</u>	<u>\$ 508,923</u>
Supplemental information:		
Retirement of fully depreciated property & equipment	\$ 1,432	\$ 52,617

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.

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.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. 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, 2019 and 2018, all receivables are expected to be received and accordingly, no provision for uncollectible receivables has been recorded.

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 or amortization. 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. Amortization 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). Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

The policy of the Organization is to sell donated investments soon after receipt and consider them cash donations valued at the sale price.

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, or unconditional promises to give are received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Certain government grants are conditioned upon the incurrence of allowable qualifying expenses in compliance with specific grant provisions. At November 30, 2019 and 2018, government grants totaling \$39,410 and \$39,010, respectively, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not been met. At November 30, 2019 and 2018, the Organization did not have any other conditional pledges that were not recognized.

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 2019 and 2018 covering the respective 2020 and 2019 membership period have been recorded as deferred income.

The Organization receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred income.

The Organization receives grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

**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 - Receivables

As of November 30, 2019 and 2018, receivables are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 178,559	\$ 253,809
In one to two years	-	35,000
	<u>\$ 178,559</u>	<u>\$ 288,809</u>

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

Note 4 - Property and Equipment

Property and equipment by major class consisted of the following at November 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Boats and boat equipment	\$ 782,969	\$ 469,590
Office equipment	4,270	4,270
Furniture and fixtures	1,200	2,632
Leasehold improvements	<u>83,660</u>	<u>66,862</u>
	872,099	543,354
Less: Accumulated depreciation and amortization	<u>(228,989)</u>	<u>(160,138)</u>
	<u>\$ 643,110</u>	<u>\$ 383,216</u>

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

Note 5 - Government Grants

During the years ended November 30, 2018 and 2017, the Organization was awarded grants by the U.S. Department of Veterans Affairs. Total revenue recognized under the grants during the years ended November 30, 2019 and 2018, amounted to \$39,010 and \$32,340, respectively.

Note 6 - Net Assets

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, 2019 and 2018, net assets without donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Board-designated non-operating reserves	\$ 100,000	\$ 100,000
Undesignated	971,439	703,634
	<u>\$1,071,439</u>	<u>\$ 803,634</u>

As of November 30, 2019 and 2018, net assets with donor restrictions are available in future years for the following:

	<u>2019</u>	<u>2018</u>
Youth development program	\$ 70,500	\$ 85,000
STEM to Stern campaign	151,616	132,180
Fiscal year 2019 activities	-	25,000
Fiscal year 2020 activities	25,000	25,000
	<u>\$ 247,116</u>	<u>\$ 267,180</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.

Note 7 - Concentrations

The Organization maintains its cash and certificates of deposit in various accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts may have exceeded the insured limits during the years ended November 30, 2019 and 2018.

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

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, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 585,818	\$ 508,923
Certificates of deposit	160,208	60,050
Receivables	<u>178,559</u>	<u>288,809</u>
Total financial assets	924,585	857,782
Less those unavailable for general expenditures within one year:		
Receivables collectible beyond one year	-	(35,000)
Board-designated non-operating reserves	<u>(100,000)</u>	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 824,585</u>	<u>\$ 722,782</u>

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through August 21, 2020, which is the date the financial statements were available to be issued.