

HUDSON RIVER SLOOP CLEARWATER, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2010

HUDSON RIVER SLOOP CLEARWATER, INC.
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NOVEMBER 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hudson River Sloop Clearwater, Inc.
724 Wolcott Avenue
Beacon, New York 12508

We have audited the accompanying statement of financial position of the Hudson River Sloop Clearwater, Inc. a nonprofit organization, as of November 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated March 2, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hudson River Sloop Clearwater, Inc. as of November 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Poughkeepsie, New York
February 25, 2011

Poughkeepsie Office

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HUDSON RIVER SLOOP CLEARWATER, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED NOVEMBER 30, 2009)

ASSETS		<u>2010</u>	<u>2009</u>
Current Assets:			
Cash and Cash Equivalents	\$	257,627	\$ 507,281
Investments		-	12,441
Grants and Accounts Receivable		83,150	156,582
Pledge Receivable		2,974	2,974
Prepaid Expenses		15,931	8,003
Merchandise Inventory		41,516	19,456
Total Current Assets		<u>401,198</u>	<u>706,737</u>
Non-Current Assets:			
Pledge Receivable		14,163	16,158
Beneficial Interest in Community Foundations of the Hudson Valley		287,067	-
Land		145,400	145,400
Property, Plant and Equipment - Net		855,760	678,396
Total Non-Current Assets		<u>1,302,390</u>	<u>839,954</u>
TOTAL ASSETS	\$	<u><u>1,703,588</u></u>	<u><u>\$ 1,546,691</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	\$	101,611	\$ 88,714
Accrued Expenses Payable		6,575	2,976
Accrued Vacation Payable		47,651	49,808
Refundable Advances		5,995	7,000
Lines of Credit Payable		10,531	214,128
Loan Payable		162,000	-
Total Current Liabilities		<u>334,363</u>	<u>362,626</u>
Net Assets:			
Unrestricted:			
Board Designated Endowment Fund		-	-
Undesignated		1,359,225	1,110,330
Restricted:			
Temporarily Restricted		10,000	73,735
Total Net Assets		<u>1,369,225</u>	<u>1,184,065</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,703,588</u></u>	<u><u>\$ 1,546,691</u></u>

The notes to the financial statements are an integral part of this statement.

HUDSON RIVER SLOOP CLEARWATER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED NOVEMBER 30, 2009)

	2010			
	Unrestricted	Temporarily Restricted	Total	2009
Revenue and Other Support:				
Individual Donations	\$ 499,414	\$ -	\$ 499,414	\$ 768,691
Corporate, Foundation and Government Support	572,199	55,000	627,199	457,714
Educational Program	626,116	-	626,116	316,957
Community Program	570,369	-	570,369	616,988
Special Events (Net of expense of \$568,020 for 2009)	-	-	-	733,458
Miscellaneous	9,434	-	9,434	16,806
Return on Investments	3,190	-	3,190	8,626
Change in Value of Beneficial Interest	31,662	-	31,662	-
Gain on Disposal of Equipment	-	-	-	3,900
Net Assets Released From Restrictions	118,735	(118,735)	-	-
Total Revenue and Other Support	2,431,119	(63,735)	2,367,384	2,923,140
Expenses:				
<u>Program Services:</u>				
Communication	102,640	-	102,640	231,288
Education	358,141	-	358,141	286,574
Environmental Action	166,881	-	166,881	162,596
Community Programs	700,284	-	700,284	661,601
Vessels	455,428	-	455,428	426,936
Total Program Services	1,783,374	-	1,783,374	1,768,995
<u>Support Services:</u>				
Management and General	304,530	-	304,530	231,723
Fundraising	94,320	-	94,320	79,336
Total Support Services	398,850	-	398,850	311,059
Total Expenses	2,182,224	-	2,182,224	2,080,054
Change in Net Assets	248,895	(63,735)	185,160	843,086
Net Assets at Beginning of Year	1,110,330	73,735	1,184,065	340,979
Net Assets at End of Year	\$ 1,359,225	\$ 10,000	\$ 1,369,225	\$ 1,184,065

The notes to the financial statements are an integral part of this statement.

HUDSON RIVER SLOOP CLEARWATER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED NOVEMBER 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 185,160	\$ 843,086
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows Provided by (Used For) Operating Activities:		
Realized Gain/Loss on Investments	(732)	832
Unrealized Gain/Loss on Investments	866	(3,959)
In-kind Donation of Capital Assets	-	(65,600)
Depreciation and Amortization	105,117	86,464
Gain on Disposal of Property and Equipment	-	(3,900)
(Increase)/Decrease in:		
Grants Receivable	73,432	(43,915)
Promise to Give	1,995	38,898
Prepaid Expenses	(7,928)	6,681
Merchandise Inventory	(22,060)	(12,193)
Increase/(Decrease) in:		
Accounts Payable	12,897	(89,028)
Accrued Expenses Payable	3,599	2,412
Accrued Vacation	(2,157)	12,430
Deferred Revenue	(1,005)	5,250
Net Cash Provided by Operating Activities	<u>349,184</u>	<u>777,458</u>
Cash Flows from Investing Activities:		
(Purchases of)/Proceeds from Investments, Net	12,309	4,715
(Increase) in Net Assets of Community Foundations of the Hudson Valley	(287,067)	-
Disposal of Property and Equipment	-	7,200
Purchase of Property and Equipment	(282,483)	(223,933)
Net Cash (Used) by Investing Activities	<u>(557,241)</u>	<u>(212,018)</u>
Cash Flows from Financing Activities:		
Lines of Credit - Net	(203,597)	(872)
Proceeds from Note Payable	162,000	-
(Repayment of) Note Payable- Related Party	-	(60,000)
Net Cash (Used) by Financing Activities	<u>(41,597)</u>	<u>(60,872)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(249,654)	504,568
Cash and Cash Equivalents, Beginning of Year	<u>507,281</u>	<u>2,713</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 257,627</u></u>	<u><u>\$ 507,281</u></u>
Other Supplemental Information:		
Interest Paid	<u><u>\$ 12,770</u></u>	<u><u>\$ 12,844</u></u>

The notes to the financial statements are an integral part of this statement.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Hudson River Sloop Clearwater, Inc. (the “Organization”) is a not-for-profit, member-supported, environmental education and advocacy organization dedicated to the restoration and protection of the Hudson River and similar waterways. The Organization owns and operates a sailing vessel named “Clearwater”, launched in 1969 as a floating classroom on the tidewater Hudson, New York Harbor and Long Island Sound.

The Organization’s educational efforts also include land-based field trips and classroom presentations, teacher workshops, and production of curriculum resource materials. The Organization’s environmental action staff conducts grassroots advocacy programs to further its goal of cleaning and preserving the Hudson River. The Organization also celebrates historic and cultural traditions of the Hudson Valley through special events.

Basis of Accounting

The financial statements of Hudson River Sloop Clearwater, Inc. have been prepared on the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded as incurred.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 1. Nature of Activities and Summary of Significant Accounting Policies
(continued)

Financial Statement Presentation

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) based upon the existence or absence of donor imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The cost of providing the Organization's various programs, supporting services and fundraising has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements include certain prior year comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Organization's financial statements for the year ended November 30, 2009, from which the comparative total amounts were derived.

Grants and Accounts Receivable

The Organization conducts its activities under grants received from various state, local and private sources. Revenue is recognized when the grant conditions are fulfilled, such as when program expenses for the grant are incurred.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 1. Nature of Activities and Summary of Significant Accounting Policies
(continued)

Property and Equipment

Property and equipment is stated at cost. Additions, renewals, and improvements of property and equipment, unless of relatively minor amounts, are capitalized. Expenditures for maintenance and repairs are expensed as incurred. The cost of property and equipment retired or sold, together with the accumulated depreciation or amortization, are removed from the appropriate accounts and the resulting gain or loss is included in the statement of activities.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily unrestricted net assets to unrestricted net assets at that time.

Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful lives of the related assets.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 1. Nature of Activities and Summary of Significant Accounting Policies
(continued)

Income Taxes

The Organization is a not-for-profit organization exempt from federal income and New York State taxes under the provisions of Internal Revenue Code Section 501 (c)(3) and the New York State tax code. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor any exposure to unrelated business income tax.

Merchandise Inventory

Merchandise inventory consists of giftware, fish keys, and clothing and is stated at the lower of cost or market.

Advertising

The Organization follows the policy of charging costs of advertising to expense as incurred. Advertising expense for the years ended November 30, 2010 and 2009 was \$70,513 and \$21,697, respectively.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 25, 2011.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 2. Pledge Receivable

The unconditional promises to give consist of the following as of November 30:

	<u>2010</u>	<u>2009</u>
Unconditional Pledge Receivable	\$ 20,818	\$ 23,792
Less: Unamortized discount	<u>(3,681)</u>	<u>(4,660)</u>
Net Unconditional Pledge Receivable	<u>17,137</u>	<u>19,132</u>
Amounts due in:		
Less than one year	\$ 2,974	\$ 2,974
One to five years	11,896	11,896
More than five years	<u>5,948</u>	<u>8,922</u>
Total amounts due	<u>\$ 20,818</u>	<u>\$ 23,792</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate 5.0%.

Note 3. Gifts in Kind

The Organization records the value of donated goods, facilities, and services when there is an objective basis to measure the fair value. The value of these contributions, as determined by the Organization, was \$24,555 and \$68,175 for the years ended November 30, 2010 and 2009, respectively. These amounts have been included in individual donations on the statement of activities. Not all contributions of services have been reflected in the financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Note 4. Property and Equipment

Property and equipment as of November 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Building and Improvements	\$ 14,400	\$ 12,000
Leasehold Improvements	90,511	61,901
Sloop, Yawl, Boat, and Boat Equipment	1,319,372	1,073,649
Furniture and Equipment	<u>158,203</u>	<u>160,193</u>
	1,582,486	1,307,743
Less: Accumulated Depreciation and Amortization	<u>(726,726)</u>	<u>(629,347)</u>
Property and Equipment- Net	<u>\$ 855,760</u>	<u>\$ 678,396</u>

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 4. Property and Equipment (continued)

Depreciation and amortization expense for the years ended November 30, 2010 and 2009 amounted to \$105,117 and \$86,464.

Note 5. Cash and Cash Equivalents and Investments

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The fair value of each financial instrument in the table below was measured using input guidance and valuation techniques. The following table sets forth estimated fair values (all Level I) for financial instruments at November 30, 2010, with comparative total for November 30, 2009:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 257,627	\$ 507,281
Investments:		
Mutual Funds	<u>-</u>	<u>12,441</u>
	<u>\$ 257,627</u>	<u>\$ 519,722</u>

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 5. Cash and Cash Equivalents and Investments (continued)

Investment return is summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 3,324	\$ 5,499
Realized Gain (Loss)	732	(832)
Unrealized Gain (Loss)	<u>(866)</u>	<u>3,959</u>
 Total Return on Investments	 <u>\$ 3,190</u>	 <u>\$ 8,626</u>

Investments expenses for the years ended November 30, 2010 and 2009 were \$717 and \$108, respectively.

Note 6. Lines of Credit

The Organization had two revolving lines of credit amounting to \$150,000 and \$75,000 with interest rates of prime plus 1% and prime plus 1.5%, respectively. Both lines of credit were collateralized by the general assets of the Organization. As of November 30, 2009, the outstanding balance on the lines was \$214,128. These lines of credit were closed out during the fiscal year ending November 30, 2010.

The Organization opened a new line of credit amounting to \$125,000 with an interest rate of prime plus .75% was opened during the fiscal year ending November 30, 2010. The line of credit was collateralized by the general assets of the Organization. As of November 30, 2010, the outstanding balance on the line was \$10,531.

Note 7. Loan Payable

The Organization opened a twelve month term loan amounting to \$215,000 with an interest rate of prime plus .75% and maturing on March 3, 2011. Proceeds of the term loan were used to pay off and close the two lines of credit noted in Note 6. The line of credit was collateralized by the general assets of the Organization. As of November 30, 2010, the outstanding balance on the line was \$162,000.

HUDSON RIVER SLOOP CLEARWATER, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
NOVEMBER 30, 2010

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at November 30, 2010 and 2009 consist of the following

	<u>2010</u>	<u>2009</u>
Restricted to:		
Environmental Education Programs	<u>\$ 10,000</u>	<u>\$ 73,735</u>
 Total	 <u>\$ 10,000</u>	 <u>\$ 73,735</u>

Net assets released by incurring expenses satisfying the time and purpose restrictions specified by donors were \$118,735.

Note 9. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and investments. During the year, cash balances and investments may exceed federally insured limits. The Organization maintains its cash balances in a quality financial institution and its investments with a registered company. Plan management periodically evaluates the results of investments and the financial soundness of the registered investment company.

Note 10. Beneficial Interest in Assets Held by Community Foundations of the Hudson Valley

In May 2010, the Organization deposited funds into the Community Foundations of the Hudson Valley to establish an endowment fund. The Organization retains variance power to these funds and has the right to invade the principal of their investments based on the procedures adopted by the Organization's Board of Directors. Consequently, these funds are shown as Board Designated Reserve for Endowment in the net asset section of the financial statements. As of November 30, 2010, the Beneficial Interest in Assets Held by Community Foundations of the Hudson Valley was \$287,067. The Organization's Beneficial Interest in Assets Held by Community Foundations of the Hudson Valley consists of a transfer of assets of \$255,405 and interest and earnings of \$31,662.

SUPPLEMENTAL INFORMATION

	Program Services				Supporting Services								
	Environmental		Community	Management & General		Fundraising							
	Education	Action	Programs	Vessels									
Communication													
\$	43,968	\$	218,926	\$	112,988	\$	121,934	\$	59,975	\$	780,182	\$	694,259
Employee Benefits	10,131		51,936		27,753		43,201		11,918		202,030		186,419
Total Personnel and Related Costs	54,099		270,862		140,741		165,135		71,893		982,212		880,678
Travel	399		9,068		4,138		5,355		2,490		31,436		27,651
Insurance	507		1,722		811		18,520		-		53,774		53,774
Printing	26,873		369		499		6,815		8,499		52,156		67,942
Equipment Leases & Maintenance	1,040		4,648		1,664		83,271		-		96,571		79,440
Leased Vessel	-		-		-		10,200		-		89,319		68,300
Telephone	443		1,963		709		4,406		-		13,843		15,711
Postage	4,756		1,214		460		6,192		-		31,308		29,987
Professional Services	11,350		24,482		21,229		242,996		2,925		398,020		480,006
Utilities/Fuel	457		1,890		731		3,015		-		11,235		18,631
Merchandise Inventory	-		-		-		41,609		-		41,609		15,671
Food	-		8,832		180		38,331		-		66,828		79,261
Operating Supplies	135		7,178		628		14,168		-		60,683		55,065
Office Supplies	331		1,500		624		2,302		-		11,009		10,117
Rental Fees	-		330		-		741		-		9,579		34,279
Publications	50		760		150		-		-		2,085		966
Promotion	1,376		3,715		146		62,969		-		70,512		21,697
Interest Expense	-		-		-		-		-		12,770		12,844
Bank Charges/Investment Fees	-		45		-		8,485		-		22,693		29,147
Miscellaneous	50		1,232		45		5,061		-		9,600		6,158
Mailhouse Services	-		-		-		-		-		5,901		4,915
Medical Expense	-		-		-		-		-		2,117		1,350
Depreciation and Amortization	774		18,331		1,238		5,107		-		105,117		86,464
Total Expenses	\$ 102,640	\$ 358,141	\$ 166,881	\$ 700,284	\$ 455,428	\$ 304,530	\$ 94,320	\$ 2,182,224	\$ 2,080,054				

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