FINANCIAL REPORT
Audited

HUDSON RIVER SLOOP CLEARWATER, INC.

November 30, 2016

Audited for:

Board of Directors
Hudson River Sloop Clearwater, Inc.

Audited by:
RBT, CPAs LLP
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Newburgh, NY 12550
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hudson River Sloop Clearwater, Inc.
724 Wolcott Avenue
Beacon, NY 12508

Report on the Financial Statements

We have audited the accompanying financial statement of Hudson River Sloop Clearwater, Inc. ("the Organization", a non-profit organization) which comprise the statement of financial position as of November 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 controls 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.

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Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 13 to the financial statements, the Organization has suffered recurring reductions in operating revenues and its net assets are represented entirely by fixed assets with essentially no liquid assets. These issues raise substantial doubt about the Organization's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of November 30, 2016, 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.

RBT CPAs, LLP

Newburgh, NY
March 21, 2017

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENT OF FINANCIAL POSITION

AS OF NOVEMBER 30		2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	$	97,487
Grants and Accounts Receivable		10,500
Contributions Receivable (Note 4)		3,100
Prepaid Rent - Current Portion (Note 9)		15,840
Prepaid Insurance		32,465
Merchandise Inventory		18,234
Total Current Assets		177,626
Fixed Assets:		
Land		145,400
Leasehold Improvements		813,771
Sloop, Yawl, Boat and Boat Equipment		2,577,510
Furniture and Equipment		95,555
		3,632,236
Accumulated Depreciation		(1,260,883)
		2,371,353
Other Assets:		
Deposits		2,570
Prepaid Rent, Long-Term (Note 9)		3,922
Total Other Assets		6,492
Total Assets	$	2,555,471
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Lines of Credit (Note 5)	$	100,901
Current Portion of Long-Term Debt (Note 6)		43,238
Accounts Payable		82,919
Accrued Expenses (Note 7)		18,354
Deferred Program Revenue		13,500
Total Current Liabilities		258,912
Long-Term Liabilities:		
Long-Term Debt, Net of Current Portion (Note 6)		254,852
Due to Related Parties (Note 8)		67,500
Total Liabilities		581,264
Net Assets:		
Unrestricted		1,974,207
Total Liabilities and Net Assets	$	2,555,471

See Notes to Financial Statements

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED NOVEMBER 30	2016
Revenues, Gains and Other Support:	
Individual Donations	$ 555,881
Corporate, Foundation and Government Support	770,683
Education Program	269,109
Community Program	224,839
Special Events	27,868
In-Kind Donations	2,470
Other Income	68,406
Gifts from Estates and Trusts	4,706
Total Revenues, Gains and Other Support	1,923,962
Operating Expenses:	
Program Services:	
Communications	63,395
Education	301,279
Environmental Action	92,956
Community Programs	17,734
Vessels	582,182
Total Program Services	1,057,546
Supporting Services:	
Management and General Expenses	320,948
Fundraising Expenses	407,768
Total Supporting Services	728,716
Total Expenses	1,786,262
Change in Net Assets	137,700
Net Assets - Beginning	1,836,507
Net Assets - Ending	$ 1,974,207

See Notes to Financial Statements

HUDSON RIVER SLOOP CLEARWATER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED NOVEMBER 30, 2016

	Program Services					Supporting Services		
	Communications	Education	Environmental Action	Community Programs	Vessels	Management & General	Fundraising	Total
Salaries	$ 39,900	$ 213,533	$ 57,295	$ -	$ 151,643	$ 77,890	$ 86,803	**$ 627,064**
Employee benefits	7,267	40,242	11,169	-	61,567	19,117	12,140	**151,502**
Compensation and Related Expenses	47,167	253,775	68,464	-	213,210	97,007	98,943	**778,566**
Travel and conferences	-	8,135	19	-	3,979	180	820	**13,133**
Insurance	-	-	-	-	40,553	18,376	-	**58,929**
Printing	4,641	-	2,750	-	-	4,158	20,681	**32,230**
Equipment rental and maintenance	-	150	-	2,100	7,314	10,033	1,667	**21,264**
Leased vessel	-	-	-	-	71,725	-	-	**71,725**
Telephone	-	1,386	-	-	1,594	3,753	101	**6,834**
Postage	1,646	-	-	-	8	4,533	11,016	**17,203**
Professional services	-	410	13,836	192	13,547	76,068	5,886	**109,939**
Program consultants	4,762	28,739	3,358	15,091	740	12,300	75,492	**140,482**
Rent	-	-	-	-	-	15,840	-	**15,840**
Utilities	-	-	-	-	4,593	4,431	-	**9,024**
Merchandise inventory	-	-	-	-	-	7,856	1,443	**9,299**
Food	-	174	-	-	18,639	274	1,623	**20,710**
Operating supplies	-	3,890	4,529	-	44,408	1,169	2,921	**56,917**
Office supplies	-	248	-	-	-	3,103	129	**3,480**
Other rental fees	-	-	-	-	11,750	768	41,753	**54,271**
Advertising	5,179	1,042	-	90	295	688	1,808	**9,102**
Interest expense	-	-	-	-	734	14,773	-	**15,507**
Bank charges and investment fees	-	662	-	236	-	15,513	10,597	**27,008**
Registration, permits & licenses	-	10	-	-	8,489	1,240	600	**10,339**
Special events	-	-	-	-	-	-	15,947	**15,947**
Miscellaneous	-	1,075	-	25	47	522	682	**2,351**
In-kind services	-	-	-	-	-	1,238	507	**1,745**
Bad debt expense	-	-	-	-	-	-	115,152	**115,152**
Total Expenses Before Depreciation	63,395	299,696	92,956	17,734	441,625	293,823	407,768	**1,616,997**
Depreciation	-	1,583	-	-	140,557	27,125	-	**169,265**
Total Expenses	$ 63,395	$ 301,279	$ 92,956	$ 17,734	$ 582,182	$ 320,948	$ 407,768	**$ 1,786,262**

See Notes to Financial Statements

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30	2016
Cash Flows from Operating Activities:	
Change in Net Assets	$ 137,700
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:	
Depreciation	169,265
Donated Equipment	(725)
(Increase)/Decrease in:	
Grants and Accounts Receivable	118,112
Contributions Receivable	171,348
Prepaid Expenses	7,720
Merchandise Inventory	5,878
Deposits	(819)
Increase/(Decrease) in:	
Accounts Payable	(87,907)
Accrued Expenses	(1,439)
Deferred Program Revenue	11,000
Total Adjustments	392,433
Net Cash Provided by Operating Activities	530,133
Cash Flows from Investing Activities:	
Purchase of Fixed Assets	(630,652)
Net Cash Used in Investing Activities	(630,652)
Cash Flows from Financing Activities:	
Advances on Line of Credit	201,058
Repayments of Line of Credit	(275,157)
Proceeds from Notes Payable	333,000
Repayments of Notes Payable	(183,743)
Proceeds from Loan Payable, Related Parties	57,846
Net Cash Provided by Financing Activities	133,004
Net Increase in Cash	32,485
Cash and Cash Equivalents - Beginning	65,002
Cash and Cash Equivalents - Ending	$ 97,487
Supplemental Disclosure:	
Cash Paid for Interest	$ 15,507
Donated Services	$ 1,745
Donated Equipment	$ 725

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business:

Hudson River Sloop Clearwater, Inc. ("the Organization") is a nonprofit, 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.

2. Summary of Significant Accounting Policies:

Basis of Accounting
The Organization uses the accrual method of accounting which recognizes income when it is earned and expenses as they are incurred.

Pervasiveness of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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. The Organization has adopted a Board designated endowment fund policy, providing for the setting aside of funds for future operations.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization had only unrestricted net assets at November 30, 2016.

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

Cash and Cash Equivalents
The Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Grants and Accounts Receivable
The Organization conducts its activities under grants received from various state, local and private sources. Grants receivable are stated at the amount management expects to collect from outstanding balances. Revenue is recognized when the grant conditions are fulfilled, such as when program expenses for the grant are incurred. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of November 30, 2016, management has determined that an allowance is not necessary.

2. Summary of Significant Accounting Policies (continued):

Contributions Receivable
Unconditional promises to give are recognized as contributions in the period the promise is received. Unconditional promises that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on these amounts are computed using a risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as contributions until the conditions are substantially met.

Merchandise Inventory
Merchandise inventory consists of giftware, fish keys, and clothing and is stated at the lower of cost or market on a first-in, first-out basis.

Fixed Assets
Fixed assets are stated at cost. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. Additions, renewals, and improvements of property and equipment in excess of $500 are capitalized. Expenditures for maintenance and repairs are expensed as incurred. The cost of fixed assets retired or sold, together with the accumulated depreciation, are removed from the appropriate accounts and the resulting gain or loss is included in the Statements of Activities.

Donations of fixed assets 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 fixed assets 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 restricted net assets to unrestricted net assets at that time.

Contributions
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are received subject to certain donor stipulations are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions of non-cash assets are recorded at their fair value in the period received. Contributions of donated services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period provided as contribution income and as an expense on the Statements of Activities.

Functional Allocation of Expenses
The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Advertising
Advertising expenses are charged against income as incurred. Advertising costs for the year ended November 30, 2016 totaled $9,102.

Fair Value of Financial Instruments
The carrying amounts of the Organization's short-term financial instruments, including cash equivalents, receivables and payables arising in the ordinary course of business, approximate fair value due to the relatively short period of time between their origination and expected realization.

Subsequent Events
The date to which events occurring after November 30, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 21, 2017, which is the date on which the financial statements were available to be issued.

2. Summary of Significant Accounting Policies (continued):

Income Taxes
The Organization files an annual form 990 as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As such, no federal or New York State taxes are paid by the Organization. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi).

The Organization adopted the provisions of accounting principles generally accepted in the United States of America regarding accounting for uncertain tax positions. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that would require adjustment to the financial statements in order to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years prior to 2013.

3. Cash and Cash Equivalents:
Cash and cash equivalents consisted of the following:

As of November 30		2016
Cash	$	88,714
Petty Cash		146
Money Market Funds		8,627
	$	97,487

4. Contributions Receivable:
Contributions receivable consisted of the following:

As of November 30		2016
Board member	$	3,100
Less: Current Portion		3,100
Long-Term Portion	$	-

5. Lines of Credit:
The Organization's lines of credit consisted of the following:

	Authorized	Outstanding
As of November 30	**2016**	
The Organization's line of credit with M&T Bank payable with interest of prime plus 3.50% (7.00% at November 30, 2016)	$ 175,000	$ 3,058
The Organization's line of credit with Ulster Savings Bank payable with interest of prime plus 1.00% (4.50% at November 30, 2016)	100,000	97,843
	$ 275,000	$ 100,901

6. Long-Term Debt:

The Organization's long-term debt, and collateral pledged thereon, consisted of the following:

As of November 30	2016
4.25% Note Payable to Ulster Savings Bank due in monthly payments of $4,590, including interest, through January 2023. The note is collateralized by the general assets of the Organization.	$ 298,090
Less: Current Maturities	43,238
Total	$ 254,852

Aggregate maturities required on long-term debt at November 30, 2016 are due in future years as follows:

2017	$	43,238
2018		45,112
2019		47,067
2020		49,106
2021		51,234
Thereafter		62,333
Total	$	298,090

7. Accrued Expenses:

Accrued expenses consisted of the following:

As of November 30		2016
Accrued Payroll	$	18,148
Payroll Taxes Payable		206
	$	18,354

8. Due to Related Parties:

There is an amount due to board members. There is currently no written repayment schedule.

9. Operating Leases:

City of Beacon, Building

The Organization leases a building under an operating lease with the City of Beacon. The lease expires November 30, 2019 with the option to renew for two additional successive periods of five years each. Rent is payable in monthly installments of $1,200 with an increase set every five years during the term of the lease with the first increase effective November 2014. However, rent will be reduced (and deemed paid) to the extent of the fair market value of certain improvements and renovations completed by the Organization on the leased property.

The Organization has recorded prepaid rent on its books for the costs of improvements and renovations incurred. The balance remaining as of November 30, 2016 amounted to $19,762. Rent expense for the year ended November 30, 2016 amounted to $15,840.

Kingston Home Port

The Organization leases a building under an operating lease with the Hudson River Maritime Museum. The lease is for a 10 year initial term through December 2023 with the option of two additional ten year renewals. The lease calls for annual rent of $1 and that the Organization pay for all utilities and services used during the time it occupies the property. The Organization leases the building from October through April in order to perform repairs to the Sloop Clearwater during the non-sailing season.

The Organization, as a condition of this lease agreement, cooperated with the design and construction of the building, incurring approximately $814,000 in costs which have been capitalized by the Organization. Depreciation expense related to this asset in the amount of approximately $27,000 has been included in the Statement of Activities for each of the years presented.

10. Concentrations of Credit Risk:

The Organization maintains its cash in accounts whose balances may exceed the insurance limits of the Federal Deposit Insurance Corporation at various times throughout the year. The Organization has experienced no losses related to cash balances in excess of federally insured limits.

11. Economic Dependency:

The Organization receives a substantial amount of its support from donations and grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities provided by the Organization.

12. Contingencies:

Grants received by the Organization are subject to audit and adjustment by the funding agency or its representative. If grant revenues are received for expenditures which are subsequently disallowed, the Organization may be required to repay the revenues to the funding agency.

13. Going Concern:

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Organization has suffered decreases in unrestricted net assets for three of the last five years, recurring reductions in operating revenues and as of November 30, 2016 its net assets are represented entirely by fixed assets with essentially no liquid assets. Based on these factors, the Organization’s cash flows may not be sufficient to timely satisfy its current liabilities.

The Organization’s ability to meet its current obligations as they become due is dependent on improving operations. Management has been actively meeting with an outside financial analyst to focus on the areas in need of improvement and management is currently developing plans to generate increased operating revenues and reduce operating costs. Management has also refinanced the Organization’s debt into a new debt instrument with longer repayment terms and a lower interest rate.

The ability of the Organization to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.