

FINANCIAL REPORT
Audited
HUDSON RIVER SLOOP CLEARWATER, INC.
November 30, 2018

Audited for:

Board of Directors
Hudson River Sloop Clearwater, Inc.

Audited by:
RBT CPAs LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

TABLE OF CONTENTS

	Page
Independent Auditor's Report on the Financial Statements	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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 were engaged to audit the accompanying financial statements of Hudson River Sloop Clearwater, Inc. (the "Organization", a non-profit organization) as of November 30, 2018, 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient documentation to substantiate receivable and deferred revenue balances as of November 30, 2018. We were also unable to obtain sufficient documentation for certain revenues and expenses for the year ended November 30, 2018. We were unable to confirm or verify by alternative means the existence or completeness of receivables and deferred revenue included in the statement of financial position at a total amount of \$28,201 and \$6,480, respectively, as of November 30, 2018. We were also unable to confirm or verify the occurrence or completeness of certain revenues and expenses recorded for the year ended November 30, 2018. As a result of these matters, we were unable to determine whether accounts and grants receivable, deferred revenues and the elements making up the statements of activities, functional expenses and cash flows were materially correct as of and for the year ended November 30, 2018.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters*Prior Year Audit*

The financial statements of Hudson River Sloop Clearwater, Inc. as of and for the year ended November 30, 2017, were audited by us. We expressed an unmodified opinion on those financial statements.

Restatement of Prior Year Financial Statements

As discussed in Note 14 to the financial statements, the 2017 financial statements have been restated to record expenses and accrued liabilities in the proper period. Our opinion on the 2017 financial statements is not modified with respect to this matter.

RBT CPAs, LLP

Newburgh, NY
January 29, 2020

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF NOVEMBER 30	2018	Restated 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 107,857	\$ 148,294
Marketable Securities (Note 5)	416	99,512
Grants and Accounts Receivable	28,201	18,933
Prepaid Rent - Current Portion (Note 10)	-	3,922
Prepaid Insurance	12,334	19,844
Merchandise Inventory	5,933	18,515
Total Current Assets	154,741	309,020
Fixed Assets:		
Land	145,400	145,400
Leasehold Improvements	826,796	826,796
Sloop, Yawl, Boat and Boat Equipment	2,580,287	2,581,412
Furniture and Equipment	95,555	95,555
	3,648,038	3,649,163
Less: Accumulated Depreciation	1,604,443	1,424,859
	2,043,595	2,224,304
Other Assets:		
Deposits	2,570	2,570
Total Assets	\$ 2,200,906	\$ 2,535,894
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of Credit (Note 6)	\$ 50,000	\$ -
Current Portion of Long-Term Debt (Note 7)	30,640	29,294
Accounts Payable	8,204	38,888
Accrued Expenses (Note 8)	-	23,764
Deferred Program Revenue	6,480	41,353
Total Current Liabilities	95,324	133,299
Long-Term Liabilities:		
Long-Term Debt, Net of Current Portion (Note 7)	297,617	328,257
Due to Related Party (Note 9)	56,500	57,500
Total Liabilities	449,441	519,056
Net Assets:		
Unrestricted	1,751,465	2,016,838
Total Liabilities and Net Assets	\$ 2,200,906	\$ 2,535,894

See Notes to Financial Statements.

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED NOVEMBER 30	2018	Restated 2017
Revenues and Other Support:		
Individual Donations	\$ 539,680	\$ 826,958
Corporate, Foundation and Government Support	301,955	386,754
Education Program	304,213	318,589
Community Program	904,540	850,383
Special Events	188,398	112,888
In-Kind Donations	11,918	1,524
Other Income	2,615	84,145
Gifts from Estates and Trusts	-	11,030
Total Revenues and Other Support	2,253,319	2,592,271
Expenses and Losses:		
Program Services:		
Communications	38,257	63,702
Education	333,020	330,014
Environmental Action	97,689	108,861
Community Programs	897,396	831,961
Vessels	536,943	550,848
Total Program Services	1,903,305	1,885,386
Supporting Services:		
Management and General Expenses	360,373	387,912
Fundraising Expenses	255,095	274,998
Total Supporting Services	615,468	662,910
Total Expenses	2,518,773	2,548,296
Net (Gain)/Loss on Investments	(81)	1,344
Total Expenses and Losses	2,518,692	2,549,640
Change in Net Assets	(265,373)	42,631
Net Assets - Beginning	2,016,838	1,974,207
Net Assets - Ending	\$ 1,751,465	\$ 2,016,838

See Notes to Financial Statements.

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED NOVEMBER 30, 2018

	Program Services					Supporting Services			Total
	Communications	Education	Environmental Action	Community Programs	Vessels	Management & General	Fundraising		
Salaries	\$ 24,826	\$ 218,029	\$ 61,368	\$ 32,625	\$ 210,407	\$ 83,638	\$ 74,544	\$ 705,437	
Employee benefits	3,548	32,903	9,594	5,702	35,723	32,632	13,560	133,662	
Compensation and Related Expenses	28,374	250,932	70,962	38,327	246,130	116,270	88,104	839,099	
Travel and conferences	689	8,127	50	6,061	1,211	355	343	16,836	
Insurance	-	-	-	21,018	52,795	21,644	-	95,457	
Printing	-	300	-	7,325	-	239	15,445	23,309	
Equipment rental and maintenance	-	280	-	174,554	29,054	16,280	2,573	222,741	
Leased vessel	-	47,269	-	-	-	-	-	47,269	
Telephone	-	1,377	-	824	1,405	4,579	11	8,196	
Postage	-	7	-	106	-	7,208	5,105	12,426	
Professional services	-	200	13,000	-	-	101,474	-	114,674	
Program consultants	5,000	3,972	13,000	470,516	1,600	-	67,166	561,254	
Rent	-	-	-	-	-	15,840	-	15,840	
Utilities	-	54	-	-	11,045	5,616	-	16,715	
Merchandise inventory	-	-	-	36,679	841	4,025	-	41,545	
Food	74	1,899	237	61,146	12,055	337	5,118	80,866	
Operating supplies	-	10,371	440	7,373	19,545	1,365	2,829	41,923	
Office supplies	-	255	-	107	501	6,237	592	7,692	
Other rental fees	-	-	-	9,877	6,863	-	34,231	50,971	
Advertising	3,820	331	-	45,653	-	1,263	190	51,257	
Interest expense	-	-	-	618	-	18,196	-	18,814	
Bank charges and investment fees	-	1,537	-	15,171	-	10,063	29,217	55,988	
Registration, permits & licenses	-	301	-	1,861	2,964	624	3,492	9,242	
Special events	-	-	-	-	-	-	406	406	
Miscellaneous	300	4,011	-	180	1,755	-	273	6,519	
Total Expenses Before Depreciation	38,257	331,223	97,689	897,396	387,764	331,615	255,095	2,339,039	
Depreciation	-	1,797	-	-	149,179	28,758	-	179,734	
Total Expenses	\$ 38,257	\$ 333,020	\$ 97,689	\$ 897,396	\$ 536,943	\$ 360,373	\$ 255,095	\$ 2,518,773	

See Notes to Financial Statements.

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED NOVEMBER 30, 2017

	Program Services				Supporting Services			Total
	Communications	Education	Environmental	Community	Management		Fundraising	
			Action	Programs	Vessels	& General		
Salaries	\$ 30,388	\$ 218,448	\$ 61,495	\$ 34,649	\$ 196,977	\$ 105,785	\$ 96,234	\$ 743,976
Employee benefits	5,602	38,357	11,316	8,793	37,382	41,195	17,110	159,755
Compensation and Related Expenses	35,990	256,805	72,811	43,442	234,359	146,980	113,344	903,731
Travel and conferences	-	6,549	4,712	6,901	4,015	110	2,077	24,364
Insurance	-	-	-	21,134	55,595	21,244	-	97,973
Printing	11,494	209	294	6,413	-	449	36,201	55,060
Equipment rental and maintenance	-	1,640	-	157,132	970	28,800	2,572	191,114
Leased vessel	-	-	-	3,600	48,335	-	-	51,935
Telephone	-	1,319	-	1,491	1,568	4,927	-	9,305
Postage	618	-	-	172	-	3,114	9,681	13,585
Professional services	-	22,045	15,440	-	7,575	86,708	-	131,768
Program consultants	9,000	25,955	7,453	441,014	200	-	70,070	553,692
Rent	-	-	-	-	-	15,840	-	15,840
Utilities	-	357	-	-	9,484	5,216	-	15,057
Merchandise inventory	-	-	-	25,330	320	5,956	-	31,606
Food	-	241	1,016	58,076	16,095	676	3,870	79,974
Operating supplies	-	5,458	6,327	7,252	24,016	1,793	2,802	47,648
Office supplies	-	769	608	570	-	5,443	867	8,257
Other rental fees	-	-	200	-	8,250	600	18,986	28,036
Advertising	6,600	2,014	-	54,905	-	593	1,055	65,167
Interest expense	-	-	-	-	-	20,081	-	20,081
Bank charges and investment fees	-	860	-	2,736	-	9,557	9,530	22,683
Registration, permits & licenses	-	1,046	-	1,793	2,876	825	575	7,115
Special events	-	-	-	-	-	-	175	175
Miscellaneous	-	3,213	-	-	1,025	1,199	3,193	8,630
In-kind services	-	-	-	-	-	1,524	-	1,524
Bad debt expense	-	-	-	-	-	-	-	-
Total Expenses Before Depreciation	63,702	328,480	108,861	831,961	414,683	361,635	274,998	2,384,320
Depreciation	-	1,534	-	-	136,165	26,277	-	163,976
Total Expenses	\$ 63,702	\$ 330,014	\$ 108,861	\$ 831,961	\$ 550,848	\$ 387,912	\$ 274,998	\$ 2,548,296

See Notes to Financial Statements.

HUDSON RIVER SLOOP CLEARWATER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30	2018	Restated 2017
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (265,373)	\$ 42,631
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:		
Depreciation	179,734	163,976
Loss on Disposal of Assets	975	-
Donated Securities	(33,560)	(145,097)
Unrealized (Gain)/Loss on Investments	(1,150)	1,138
Realized Loss on Sale of Investment	1,069	206
<i>(Increase)/Decrease in:</i>		
Grants and Accounts Receivable	(9,268)	(8,433)
Contributions Receivable	-	3,100
Prepaid Expenses	11,432	28,461
Merchandise Inventory	12,582	(281)
<i>Increase/(Decrease) in:</i>		
Accounts Payable	(30,684)	(42,178)
Accrued Expenses	(23,764)	3,557
Deferred Program Revenue	(34,873)	27,853
Total Adjustments	72,493	32,302
Net Cash Provided/(Used In) by Operating Activities	(192,880)	74,933
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	-	(16,927)
Sale of Investments	132,737	44,241
Net Cash Provided by Investing Activities	132,737	27,314
Cash Flows from Financing Activities:		
Advances on Line of Credit	50,000	247,000
Repayments of Line of Credit	-	(250,901)
Repayments of Notes Payable	(29,294)	(37,539)
Repayments to Related Party	(1,000)	(10,000)
Net Cash Provided by/(Used in) Financing Activities	19,706	(51,440)
Net Increase/(Decrease) in Cash and Cash Equivalents	(40,437)	50,807
Cash and Cash Equivalents - Beginning	148,294	97,487
Cash and Cash Equivalents - Ending	\$ 107,857	\$ 148,294
Supplemental Disclosure:		
Cash Paid for Interest	\$ 18,814	\$ 16,542
Donated Services	\$ -	\$ 1,524
Donated Rent	\$ 11,918	\$ -
Donated Securities	\$ 33,560	\$ 145,097

Non-Cash Transactions:

During the year-ended November 30, 2017, the Organization refinanced a note and paid off its line of credit with a new loan in the amount of \$360,204. The balance paid off on the line of credit was \$97,000. The balance paid off on the long-term debt was \$263,204.

See Notes to Financial Statements.

HUDSON RIVER SLOOP CLEARWATER, INC.

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 conduct 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. There are currently no funds set aside at November 30, 2018.

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, 2018 and 2017.

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.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reported in the Statement of Activities.

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, 2018 and 2017, management has determined that an allowance is not necessary.

HUDSON RIVER SLOOP CLEARWATER, INC.

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 net realizable value 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 years ended November 30, 2018 and 2017 were \$51,257 and \$65,167, respectively.

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, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 29, 2020, which is the date on which the financial statements were available to be issued.

HUDSON RIVER SLOOP CLEARWATER, INC.

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 2015.

3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following:

As of November 30	2018	2017
Cash	\$ 86,485	\$ 147,616
Petty Cash	846	146
Undeposited Funds	2,070	-
Money Market Funds	18,456	532
	\$ 107,857	\$ 148,294

4. Investment in Marketable Securities:

The following is a summary of the Organization's investment in available-for-sale securities:

	Cost	Net Unrealized Gain	Net Unrealized (Loss)	Fair Market Value
As of November 30				
		2018		
U.S. Corporate Equity Securities	\$ 404	\$ 12	\$ -	\$ 416

	Cost	Net Unrealized Gain	Net Unrealized (Loss)	Fair Market Value
As of November 30				
				2017
U.S. Corporate Equity Securities	\$ 100,650	\$ -	\$ (1,138)	\$ 99,512

5. Fair Value Measurements:

The estimated carrying and fair values of the Organization's financial instruments are as follows:

	2018		2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
U.S. Corporate Equity Securities	\$ 404	\$ 416	\$ 100,650	\$ 99,512

HUDSON RIVER SLOOP CLEARWATER, INC.

5. Fair Value Measurements (continued):

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

To determine the appropriate levels, the Organization performed a detailed analysis of the assets and liabilities that are subject to fair value measurement in accordance with accounting principles generally accepted in the United States of America.

For the valuation of securities at November 30, 2018 and 2017, the Organization used quoted market prices (Level 1).

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy. For the years ended November 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

November 30, 2018				
	Total	Level 1	Level 2	Level 3
U.S. Corporate Equity Securities	\$ 416	\$ 416	\$ -	\$ -

November 30, 2017				
	Total	Level 1	Level 2	Level 3
U.S. Corporate Equity Securities	\$ 99,512	\$ 99,512	\$ -	\$ -

6. Line of Credit:

The Organization's line of credit consisted of the following:

	Authorized	Outstanding
As of November 30	2018	
The Organization's line of credit with Ulster Savings Bank payable with interest of prime plus 1.00% (6.25% at November 30, 2018)	\$ 50,000	\$ 50,000
As of November 30	2017	
The Organization's line of credit with Ulster Savings Bank payable with interest of prime plus 1.00% (5.25% at November 30, 2017)	\$ 50,000	\$ -

HUDSON RIVER SLOOP CLEARWATER, INC.

7. Long-Term Debt:

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

<u>As of November 30</u>	<u>2018</u>	<u>2017</u>
4.50% Note Payable to Ulster Savings Bank due in monthly payments of \$3,733, including interest, through October 2027. The note is collateralized by the general assets of the Organization.	\$ 328,257	\$ 357,551
Less: Current Maturities	<u>30,640</u>	<u>29,294</u>
Total	\$ 297,617	\$ 328,257

Aggregate maturities required on long-term debt at November 30, 2018 are due in future years as follows:

2019	\$ 30,640
2020	32,048
2021	33,520
2022	35,060
2023	36,671
Thereafter	<u>160,318</u>
Total	\$ 328,257

8. Accrued Expenses:

Accrued expenses consisted of the following:

<u>As of November 30</u>	<u>2018</u>	<u>Restated 2017</u>
Accrued Payroll	\$ -	\$ 4,909
Unemployment Audit Liability	-	18,855
	<u>\$ -</u>	<u>\$ 23,764</u>

9. Due to Related Party:

During the year ended November 30, 2016, a board member issued a loan to the Organization. There is currently no written repayment schedule and no signed loan agreement. The balance was \$56,500 and \$57,500 for the years ended November 30, 2018 and 2017, respectively.

10. 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. Although the prepaid rent was fully amortized during the current fiscal year, the City of Beacon did not charge the Organization for the remaining amount of rent due during the year ended November 30, 2018. This amount of unpaid rent totaled \$11,918 and is recorded as an in-kind donation on the Statement of Activities.

The Organization recorded prepaid rent on its books for the costs of improvements and renovations incurred. The balance remaining as of November 30, 2018 and 2017 amounted to \$0 and \$3,922, respectively. Rent expense for the years ended November 30, 2018 and 2017 amounted to \$15,840 and \$15,840, respectively.

Minimum rent payments for the remaining life of the lease are as follows:

2019	<u>\$ 15,840</u>
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HUDSON RIVER SLOOP CLEARWATER, INC.

10. Operating Leases (continued):

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 \$813,771 in costs which have been capitalized by the Organization. Depreciation expense related to this asset in the amount of \$27,125 has been included in the Statement of Activities for each of the years presented.

11. Concentration 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.

12. 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.

13. 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.

14. Restatement of 2017 Financial Statements:

During the 2018 audit, it was noted that the expense relating to an unemployment insurance audit that was finalized in November 2017 was improperly recorded as an expense when paid during the 2018 fiscal year. As a result of this error, expenses and accrued liabilities were understated and net assets were overstated by \$18,855 as of November 30, 2017. The 2017 financial statements have been restated to reflect this correction.

15. New Accounting Standards:

Financial Statement Presentation

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The Organization will be required to adjust its financial statements accordingly, applying the changes retrospectively to the comparative period presented effective for fiscal year 2019. The new standard will change the following aspects of the Organization's financial statements:

- The unrestricted net asset class will be renamed net assets without donor restrictions.
- The restricted net asset class will be renamed net assets with donor restrictions.
- The financial statements will include a new disclosure about liquidity and availability of resources.

Revenue Recognition

FASB Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers is effective, and will be adopted by the Organization, for fiscal year 2020. The new standard requires significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses. Implementation of the standard will require certain retrospective adjustments at the time of application.

The standard also requires significantly more qualitative and quantitative disclosures. Included in these are revenue recognized from contracts with customers; impairment losses recognized on receivables arising from contracts with customers; disaggregated revenues based on significant economic factors; opening and closing balances of contract assets, liabilities, and receivables from contracts with customers; methods of satisfying performance obligations; significant payment terms; nature of goods and services; obligations for returns and warranties; and significant judgments related to the timing of recognizing revenue.

15. New Accounting Standards (continued):

Leases

FASB Accounting Standard Update No. 2016-02, Leases is effective, and will be adopted by the Organization, for fiscal year 2022. The new standard establishes two categories of leases – operating and financing – and requires lessees to recognize a right-of-use asset and a liability for all leases in both categories. Implementation of the standard will require certain retrospective adjustments at the time of application. Management is currently evaluating the impact of this standard on its financial reporting.

16. Going Concern:

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. The Organization has suffered a loss from operations and a significant decrease in cash from operating activities; has maximized its line of credit borrowings; and is delinquent on several bills. This situation raises substantial doubt about the Organization's ability to continue as a going concern.