

Community Sailing New Orleans, Inc.

New Orleans, Louisiana

December 31, 2017

LeGlue & Company, CPAs, L.L.C.

July 31, 2018

Board of Trustees
Community Sailing New Orleans, Inc.

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of Community Sailing New Orleans, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

A handwritten signature in blue ink that reads "LeGlue & Company". The signature is written in a cursive, flowing style.

LeGlue & Company, CPAs, L.L.C.

STATEMENT OF FINANCIAL POSITION

Community Sailing New Orleans, Inc.

December 31, 2017

(See Independent Accountants' Review Report)

ASSETS

Current assets

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 183,419 |
| Prepaid expenses | <u>5,860</u> |
| Total current assets | <u>189,279</u> |

Noncurrent assets

| | |
|--|---------------------|
| Assets restricted to investment in land, buildings and equipment | 1,334,656 |
| Land, buildings and equipment - at cost, net | 57,496 |
| Development of property | <u>5,474</u> |
| Total noncurrent assets | <u>1,397,626</u> |
| Total assets | <u>\$ 1,586,905</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------|---------------------|
| Net assets: | |
| Without donor restrictions | \$ 310,947 |
| With donor restrictions | <u>1,275,958</u> |
| Total net assets | <u>\$ 1,586,905</u> |

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

Community Sailing New Orleans, Inc.

Year ended December 31, 2017

(See Independent Accountants' Review Report)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------------|
| <u>Revenues, gains, and other support</u> | | | |
| Contributions | \$ 18,100 | \$ 1,108,009 | \$ 1,126,109 |
| Investment return, net | 577 | 6,598 | 7,175 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 2,500 | (2,500) | - |
| Satisfaction of equipment and building restrictions | <u>57,496</u> | <u>(57,496)</u> | - |
| Total net assets released from restrictions | <u>59,996</u> | <u>(59,996)</u> | - |
| Total revenues, gains, and other support | <u>78,673</u> | <u>1,054,611</u> | <u>1,133,284</u> |
| <u>Expenses</u> | | | |
| Management and general | 6,197 | - | 6,197 |
| Fundraising | <u>23,658</u> | <u>-</u> | <u>23,658</u> |
| Total expenses | <u>29,855</u> | <u>-</u> | <u>29,855</u> |
| Change in net assets | 48,818 | 1,054,611 | 1,103,429 |
| <u>Net assets, beginning of year</u> | <u>262,129</u> | <u>221,347</u> | <u>483,476</u> |
| <u>Net assets, end of year</u> | <u>\$ 310,947</u> | <u>\$ 1,275,958</u> | <u>\$ 1,586,905</u> |

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Community Sailing New Orleans, Inc.

Year ended December 31, 2017

(See Independent Accountants' Review Report)

| | <u>Supporting Activities</u> | | |
|---------------------------|-----------------------------------|--------------------|-----------------------------|
| | <u>Management and General</u> | <u>Fundraising</u> | <u>Supporting Total</u> |
| Professional fees | \$ 1,500 | \$ 23,658 | \$ 25,158 |
| Insurance | 3,775 | - | 3,775 |
| Office expenses | <u>922</u> | <u>-</u> | <u>922</u> |
| Total functional expenses | <u>\$ 6,197</u> | <u>\$ 23,658</u> | <u>\$ 29,855</u> |

STATEMENT OF CASH FLOWS

Community Sailing New Orleans, Inc.

Year ended December 31, 2017

(See Independent Accountants' Review Report)

| | |
|---|---------------------|
| <u>Cash flows from operating activities</u> | |
| Change in net assets | \$ 1,103,429 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Prepaid expenses | (2,252) |
| Contributions restricted for capital expenditures | <u>(1,108,009)</u> |
| Total adjustments | <u>(1,110,261)</u> |
| Net cash used in operating activities | <u>(6,832)</u> |
| <u>Cash flows from investing activities</u> | |
| Purchases of property and equipment | (57,496) |
| Development of property | <u>(5,474)</u> |
| Net cash used in investing activities | <u>(62,970)</u> |
| <u>Cash flows from financing activities</u> | |
| Contributions for capital expenditures | <u>1,109,069</u> |
| Net cash provided by financing activities | <u>1,109,069</u> |
| <u>Net increase in cash and cash equivalents</u> | 1,039,267 |
| <u>Cash and cash equivalents, beginning of year</u> | <u>472,978</u> |
| <u>Cash and cash equivalents, end of year</u> | <u>\$ 1,512,245</u> |

See accompanying notes to financial statements.

Notes to Financial Statements

Community Sailing New Orleans, Inc.

Year ended December 31, 2017

Note 1

Organization

Community Sailing New Orleans, Inc. (CSNO) is a not-for-profit organization whose mission is to advance sailing for all by minimizing economic and physical obstacles to sailing. In addition, CSNO shall enhance the Greater New Orleans community by using sailing as a vehicle to empower its members to develop independence and self-confidence, improve communication, foster teamwork and acquire a deeper understanding of the environment, community spirit, and the power of volunteerism.

Currently, the primary sources of revenue for CSNO are private contributions and fundraising activities. Upon completion of the Phase I-A development of its facilities, which is anticipated in the fall of 2018, CSNO will also have membership and program revenues.

Note 2

Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

For the year ended December 31, 2017, management has elected to early adopt ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This amendment changes the presentation on the statement of financial position to two asset classes as opposed to the currently required three classes. That is, CSNO will report amounts for net assets with donor restrictions and net assets without donor restrictions and the statement of activities will present the change in each of the two classes rather than the currently required three classes. In addition, this amendment provides enhanced disclosures about the composition and usage of net assets with donor restrictions and qualitative information about the management of liquid resources and the ability to meet cash needs for general expenditures within one year of the balance sheet date. Accordingly, net assets of the organization are classified and reported as follows:

Note 2

(Continued)

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents represent short-term, highly liquid investments with original maturities of three (3) months or less from the date of purchase.

Contributions

All donor contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restriction.

Contributions Receivable

The receipt of unconditional promises to give with payments due in future periods is reported as with donor restrictions, unless explicit donor stipulations or circumstances surrounding the receipt of the promise makes it clear that the donor intended it to be used to support activities of the current period. Unconditional promises to give are reported at carrying value which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Depreciation and Amortization

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

| <u>Description</u> | <u>Useful Life</u> |
|--------------------|--------------------|
| Floating docks | 15 years |

Note 2

(Continued)

There was no depreciation or amortization for the year ended December 31, 2017.

Income Taxes

CSNO is a nonprofit organization and is exempt from Federal and State income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

Management has reviewed all tax positions taken in filings with the taxing authorities and believes that there would be no resulting adjustment to taxes owed should these positions be examined. Tax filings during the years ended December 31, 2014, 2015, and 2016 are still subject to review by the taxing authority.

Use 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.

Note 3

Assets Restricted to Investment in Land, Building, and Equipment

As of December 31, 2017, assets restricted to investment in land, building, and equipment are as follows:

| | <u>Amount:</u> |
|---|---------------------|
| Cash and cash equivalents | \$ 1,328,826 |
| Contributions receivable, due within one year | <u>5,830</u> |
| Total | <u>\$ 1,334,656</u> |

These assets are reclassified from current to long term in an amount equal to the contributions restricted by donors for use in Phase I-A construction and the acquisition of certain equipment. Since these funds are not available for current operations, they are presented as a long-term asset.

Note 3

(Continued)

Based on past history and assessment of the donors involved, management expects all of the contributions receivable to be collected as promised; therefore, no allowance for uncollectable receivables has been established.

Note 4

Land, Building, and Equipment

Land, building, and equipment consist of the following as of December 31, 2017:

| <u>Description</u> | <u>Amount</u> |
|--|------------------|
| Floating docks | \$ 57,496 |
| Less accumulated depreciation | <u>-</u> |
| Total land, building, and equipment, net | <u>\$ 57,496</u> |

Note 5

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2017:

Subject to expenditures for a specific purpose:

| | <u>Amount</u> |
|--|---------------------|
| Phase I-A construction | \$ 956,978 |
| Purchase of boats and equipment | 108,424 |
| Rent payments | <u>210,556</u> |
| Total net assets with donor restrictions | <u>\$ 1,275,958</u> |

Note 6

Commitments

CSNO entered into an operating lease agreement with the New Orleans Municipal Yacht Harbor Management Corporation, a public benefit corporation of the City of New Orleans, for property and boat slips (not yet constructed) located in the Municipal Yacht Harbor. This lease requires monthly payments of \$2,500, payable one month in advance, and are to begin no later than January 1, 2018. This lease agreement can be terminated by CSNO by advanced written notice. The monthly lease payments will increase by five percent of the annual rent every five years. The term of the lease is sixty-five years.

Future minimum payments under this operating lease for the next five years is as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2018 | \$ 30,000 |
| 2019 | 30,000 |
| 2020 | 30,000 |
| 2021 | 30,000 |
| 2022 | <u>30,000</u> |
| Total | <u>\$ 150,000</u> |

Note 7

Liquidity

Financial assets available for general expenditure within one year as of December 31, 2017 are as follows:

| | <u>Amount</u> |
|---------------------------|------------------|
| Cash and cash equivalents | <u>\$183,419</u> |

CSNO is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CSNO must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CSNO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8

Cash and Restricted Cash

The following table provides reconciliation of cash and cash restricted for Phase I-A construction and equipment acquisition within the statement of financial position that reconciles to the total of the same amounts shown in the statement of cash flows as of December 31, 2017:

| | <u>Amount</u> |
|--|---------------------|
| Cash and cash equivalents | \$ 183,419 |
| Cash restricted for Phase I-A construction and equipment acquisition | <u>1,328,826</u> |
| Total cash and restricted cash shown in statement of cash flows | <u>\$ 1,512,245</u> |

Note 9

Concentrations

CSNO has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). CSNO had deposits of \$1,262,245 in excess of FDIC insurance limitations at December 31, 2017.

Note 10

Subsequent events

Management has evaluated subsequent events through the date that the financial statements were issued, July 31, 2018, and determined that the following events require disclosure.

CSNO has begun construction of Phase I-A of its facility in 2018 and has incurred approximately \$494,000 in construction costs through July 31, 2018. Total costs for Phase I-A construction is expected to be approximately \$940,000.

CSNO has begun acquiring coach boats, sailboats and related equipment in 2018 and has incurred approximately \$184,000 in costs through July 31, 2018. Total costs for boats and related equipment is expected to be approximately \$300,000.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.