

Riverfront Recapture, Inc.

**Financial Statements
and Independent Auditor's Report**

December 31, 2013 and 2012

Riverfront Recapture, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-22

Independent Auditor's Report

To the Board of Directors
Riverfront Recapture, Inc.

We have audited the accompanying financial statements of Riverfront Recapture, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverfront Recapture, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Glastonbury, Connecticut
April 11, 2014

Riverfront Recapture, Inc.
Statements of Financial Position
December 31, 2013 and 2012

	<u>Assets</u>			
	<u>Operations</u>	<u>Capital Projects and Endowment</u>	<u>Total</u>	
			<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 310,394	\$ 49,314	\$ 359,708	\$ 233,719
Grants receivable	121,843	-	121,843	69,989
Pledges and contributions receivable, net	115,841	47,135	162,976	592,860
Due from funds, net	72	(72)	-	-
Prepaid expenses	18,210	-	18,210	28,218
Accounts receivable	12,307	-	12,307	23,437
Investments	579,650	1,559,363	2,139,013	2,054,774
Equipment, net	259,972	-	259,972	202,142
Total assets	<u>\$ 1,418,289</u>	<u>\$ 1,655,740</u>	<u>\$ 3,074,029</u>	<u>\$ 3,205,139</u>
 <u>Liabilities and Net Assets</u> 				
Liabilities:				
Accounts payable and accrued liabilities	\$ 108,924	\$ -	\$ 108,924	\$ 146,794
Deferred revenue	-	-	-	1,534
Refundable advances	48,525	-	48,525	61,636
Total liabilities	<u>157,449</u>	<u>-</u>	<u>157,449</u>	<u>209,964</u>
Commitments (Note 6)				
Net assets:				
Unrestricted	1,218,943	-	1,218,943	1,166,231
Unrestricted - board designated	-	589,356	589,356	531,479
Temporarily restricted	41,897	866,334	908,231	1,097,465
Permanently restricted	-	200,050	200,050	200,000
Total net assets	<u>1,260,840</u>	<u>1,655,740</u>	<u>2,916,580</u>	<u>2,995,175</u>
Total liabilities and net assets	<u>\$ 1,418,289</u>	<u>\$ 1,655,740</u>	<u>\$ 3,074,029</u>	<u>\$ 3,205,139</u>

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statements of Activities
Years Ended December 31, 2013 and 2012**

	Operations	Capital Projects and Endowment	Total	
			2013	2012
Changes in unrestricted net assets:				
Support and revenue:				
Government grants	\$ 516,026	\$ 1,536	\$ 517,562	\$ 517,664
Contributions and grants	464,927	-	464,927	491,983
Special events and sponsorships, net	409,846	-	409,846	417,809
Program fees	441,570	-	441,570	401,834
Other earned income, net	349,997	-	349,997	306,197
Total support and revenue	<u>2,182,366</u>	<u>1,536</u>	<u>2,183,902</u>	<u>2,135,487</u>
Net assets released from restrictions	316,305	58,576	374,881	240,162
Reallocation of investment income to support current operations and other transfers	<u>58,434</u>	<u>(58,434)</u>	<u>-</u>	<u>-</u>
Total unrestricted support and revenue	<u>2,557,105</u>	<u>1,678</u>	<u>2,558,783</u>	<u>2,375,649</u>
Expenses:				
Program services:				
Operations	2,151,801	-	2,151,801	1,977,006
Capital projects	-	16,362	16,362	20,058
General and administration	125,984	10,000	135,984	122,333
Fundraising	320,949	-	320,949	310,285
Total expenses	<u>2,598,734</u>	<u>26,362</u>	<u>2,625,096</u>	<u>2,429,682</u>
Loss from operations	<u>(41,629)</u>	<u>(24,684)</u>	<u>(66,313)</u>	<u>(54,033)</u>
Other income:				
Realized and unrealized gains	74,616	65,114	139,730	136,361
Investment income	<u>19,725</u>	<u>17,447</u>	<u>37,172</u>	<u>47,645</u>
Total other income	<u>94,341</u>	<u>82,561</u>	<u>176,902</u>	<u>184,006</u>
Increase in unrestricted net assets	<u>52,712</u>	<u>57,877</u>	<u>110,589</u>	<u>129,973</u>
Changes in temporarily restricted net assets:				
Contributions	25,000	25,982	50,982	101,996
Investment income	-	26,654	26,654	28,134
Realized and unrealized gains	-	108,011	108,011	82,719
Net assets released from restrictions	<u>(316,305)</u>	<u>(58,576)</u>	<u>(374,881)</u>	<u>(240,162)</u>
Increase (decrease) in temporarily restricted net assets	<u>(291,305)</u>	<u>102,071</u>	<u>(189,234)</u>	<u>(27,313)</u>
Changes in permanently restricted net assets:				
Contributions	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>
Increase in permanently restricted net assets	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>
Change in net assets	<u>(238,593)</u>	<u>159,998</u>	<u>(78,595)</u>	<u>102,660</u>
Net assets, beginning of year	<u>1,499,433</u>	<u>1,495,742</u>	<u>2,995,175</u>	<u>2,892,515</u>
Net assets, end of year	<u>\$ 1,260,840</u>	<u>\$ 1,655,740</u>	<u>\$ 2,916,580</u>	<u>\$ 2,995,175</u>

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2013**

	Urban and Environmental Recapture		Entertainment and Events	Recreation and Outdoor Adventures	Total Program Services	General and Administration	Fundraising	Total
	Park Management and Development	Park Rangers						
Compensation	\$ 247,960	\$ 209,545	\$ 237,346	\$ 330,489	\$ 1,025,340	\$ 87,978	\$ 208,578	\$ 1,321,896
Employee benefits	35,105	16,433	33,701	11,922	97,161	11,169	20,289	128,619
Payroll taxes	21,818	23,951	22,679	34,971	103,419	7,741	18,395	129,555
Occupancy	13,303	6,278	16,925	15,741	52,247	5,202	14,935	72,384
Supplies	1,488	702	1,893	1,761	5,844	582	1,671	8,097
Equipment rental and maintenance	6,116	11,349	8,097	35,452	61,014	2,347	6,739	70,100
Telephone	1,282	2,163	1,631	3,962	9,038	501	1,439	10,978
Insurance	13,700	34,279	75,435	62,219	185,633	2,827	8,115	196,575
Postage	338	85	7,104	1,379	8,906	846	6,411	16,163
Conferences, conventions and meetings	1,153	594	2,229	2,133	6,109	451	1,295	7,855
Depreciation	6,609	4,706	17,804	67,477	96,596	1,132	3,251	100,979
Accounting fees	3,292	3,181	4,417	8,547	19,437	1,287	3,696	24,420
Legal fees	8,700	-	3,796	-	12,496	-	-	12,496
Other professional services	4,265	2,013	5,426	5,047	16,751	1,668	4,788	23,207
Direct fundraising expenses	-	-	-	-	-	-	14,879	14,879
Design and construction	16,337	-	-	-	16,337	-	-	16,337
Park operations	11,005	-	34,298	5,583	50,886	-	-	50,886
Advertising and promotion	5,761	3,921	51,753	22,792	84,227	2,253	6,468	92,948
Park recreation and education	-	9,737	257,368	49,617	316,722	-	-	316,722
Provision for uncollectible amounts	-	-	-	-	-	10,000	-	10,000
Total expenses	\$ 398,232	\$ 328,937	\$ 781,902	\$ 659,092	\$ 2,168,163	\$ 135,984	\$ 320,949	\$ 2,625,096

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2012**

	Urban and Environmental Recapture		Entertainment and Events	Recreation and Outdoor Adventures	Total Program Services	General and Administration	Fundraising	Total
	Park Management and Development	Park Rangers						
Compensation	\$ 242,007	\$ 210,298	\$ 237,034	\$ 300,011	\$ 989,350	\$ 85,812	\$ 202,103	\$ 1,277,265
Employee benefits	38,315	16,570	39,020	16,199	110,104	12,032	23,886	146,022
Payroll taxes	21,382	24,598	22,592	31,237	99,809	7,582	17,856	125,247
Occupancy	14,369	7,088	11,318	18,385	51,160	5,609	15,435	72,204
Supplies	1,171	578	922	1,498	4,169	456	1,258	5,883
Equipment rental and maintenance	3,384	9,472	3,065	14,768	30,689	1,321	3,635	35,645
Telephone	1,710	2,487	1,347	4,457	10,001	667	1,837	12,505
Insurance	9,937	32,270	71,613	43,031	156,851	1,426	3,924	162,201
Postage	462	115	4,996	1,262	6,835	1,155	8,903	16,893
Conferences, conventions and meetings	602	352	528	1,359	2,841	235	647	3,723
Depreciation	4,074	10,067	11,334	60,947	86,422	142	388	86,952
Accounting fees	5,466	6,028	4,543	11,780	27,817	2,134	5,872	35,823
Legal fees	-	-	1,200	-	1,200	-	-	1,200
Other professional services	8,450	4,168	6,657	10,812	30,087	3,298	9,078	42,463
Direct fundraising expenses	-	-	-	-	-	-	14,185	14,185
Design and construction	22,589	-	-	-	22,589	-	-	22,589
Park operations	724	-	27,491	6,980	35,195	-	-	35,195
Advertising and promotion	1,190	1,942	53,288	10,451	66,871	464	1,278	68,613
Park recreation and education	-	8,829	201,221	55,024	265,074	-	-	265,074
Total expenses	\$ 375,832	\$ 334,862	\$ 698,169	\$ 588,201	\$ 1,997,064	\$ 122,333	\$ 310,285	\$ 2,429,682

See Notes to Financial Statements.

Riverfront Recapture, Inc.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating activities:		
Change in net assets	\$ (78,595)	\$ 102,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(166,281)	(219,080)
Realized gain on investments	(81,460)	-
Depreciation	100,979	86,952
Receipts to increase permanent endowment	(50)	-
Gain on disposal of property	(8,500)	-
Uncollectible pledge receivable	10,000	-
Changes in operating assets and liabilities:		
Grants receivable	(51,854)	134,316
Pledges and contributions receivable	419,884	49,348
Prepaid expenses	10,008	10,589
Accounts receivable	11,130	14,700
Cash and cash equivalents - restricted	-	23,760
Security deposit	-	5,000
Accounts payable and accrued liabilities	(37,870)	37,667
Deferred revenue	(1,534)	(1,196)
Refundable advances	(13,111)	(38,241)
Net cash provided by operating activities	112,746	206,475
Investing activities:		
Purchase of equipment	(158,809)	(61,749)
Purchase of investments	(98,188)	(62,529)
Sale of investments	261,690	-
Proceeds from sale of equipment	8,500	-
Net cash provided by (used in) investing activities	13,193	(124,278)
Financing activities:		
Receipts to increase permanent endowment	50	-
Net increase in cash and cash equivalents	125,989	82,197
Cash and cash equivalents, beginning of year	233,719	151,522
Cash and cash equivalents, end of year	\$ 359,708	\$ 233,719

See Notes to Financial Statements.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 1 - Business and summary of significant accounting policies

Business activity

Riverfront Recapture, Inc. ("RRI") is a nonprofit corporation organized in 1981 for the purpose of improving public access to the Connecticut River ("Riverfront"). Through an innovative combination of urban and environmental recapture, recreation and outdoor adventures, as well as entertainment and events, RRI improves the region's quality of life and urban vitality for the community. RRI's efforts ensure private-public collaboration and positively impact the local economy by drawing local and out-of-state visitors to its parks.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. RRI reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by RRI is subject to explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of RRI or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by RRI and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law.

To ensure observance of limitations and restrictions placed on the use of resources available to RRI, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds which are established according to their nature and purpose and which are separately accounted for. The assets, liabilities and net assets of RRI are accounted for and reported in two self-balancing fund groups as follows:

- Operations - accounts for resources used in carrying on the operations of RRI in accordance with its stated purpose.
- Capital Projects and Endowment - includes resources that can be used for capital projects managed by RRI and endowment funds. The investment income may be used for operating purposes if such income has not been restricted by donors.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Tax exempt status

RRI is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, the operations of food, beverage, and rental sales from private events, and retail sales qualify as unrelated business taxable income and to the extent that these operations generate income, they will be subject to Federal and state taxes.

RRI has no unrecognized tax benefits at December 31, 2013 and 2012. RRI's Federal information returns prior to calendar year 2010 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If RRI had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents

For purposes of the statements of cash flows, RRI considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents were \$49,314 and \$30,062 as of December 31, 2013 and 2012, respectively.

Pledges, contributions and grants

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

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. Pledges received over future periods are presented at the present value of estimated future cash flows using a discount rate in accordance with accounting principles generally accepted in the United States of America.

Grants that are treated as exchange transactions are recorded as receivables in the year the commitment is made by the grantor and are deemed to be earned and reported as revenue and support when RRI has expended funds which meet the specific grant restrictions. Unexpended amounts are classified as deferred revenue in the accompanying financial statements.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Investments

RRI reports investments at their current fair value and reflects any gain or loss in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Sponsorships and other revenue

Sponsorship and concession revenue are recorded when the event occurs. Any sponsorship or concession revenue received in advance is classified as refundable advances in the accompanying financial statements.

Program fees are recorded when services are provided.

Allowances

Management believes that all receivables at December 31, 2013 will be collected. Bad debt expense was \$10,000 for the year ended December 31, 2013. RRI did not incur any bad debt expense for the year ended December 31, 2012.

Advertising

Advertising costs are expensed as incurred. Advertising expense included in advertising and promotion was \$89,970 and \$64,808 for the years ended December 31, 2013 and 2012, respectively.

Equipment

RRI capitalizes all expenditures for equipment in excess of \$1,000 and having a useful life of three years or greater. Purchased equipment is recorded at cost, less accumulated depreciation. Donated equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are 3 years for equipment and vehicles and 10 years for fixtures. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

RRI reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, RRI reports expirations of donor restrictions of acquired long-lived assets when placed in service.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Endowment and spending policy

RRI's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. RRI's investment and spending policy over endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, investments are intended to produce results that exceed the price and yield results of a target index while assuming a commensurate market level of investment risk. The target index is a weighted average of 70% S&P 500 Index return and 30% Lehman Brothers Aggregate Bond Index return. Allocations of endowment resources are specified by the Board at 5% of the average fair value of the preceding twelve quarters.

Expenses by function

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs, have been allocated among the programs and supporting services benefited.

Fundraising activities include the solicitation of government and foundation grants, corporate sponsorships and other contributed revenue from businesses and individuals, as well as the coordination of special events to attract public interest in the Riverfront. Certain direct and administrative costs have been allocated to fundraising expenses in the statements of functional expenses.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation relating to the statements of functional expenses.

Subsequent events

RRI has evaluated events and transactions for potential recognition or disclosure through April 11, 2014, which is the date the financial statements were available to be issued.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 2 - Concentrations

Concentrations of credit risk

The contributors to RRI are individuals, corporations and foundations primarily in the state of Connecticut.

RRI maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

RRI invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of RRI's investments which could materially affect amounts reported in the financial statements.

Government grants

RRI receives a significant amount of its support for capital projects, programs and activities in the form of grants or contracts from various governmental and quasi-governmental organizations. A significant reduction in the level of this support could have a material effect on RRI's ability to continue programs and activities. RRI received approximately 20% of its total revenue from Federal, state and city grants or contracts for the years ended December 31, 2013 and 2012. A summary of RRI's agreements with governmental organizations is as follows:

Activity	Funding Source	Amounts	
		2013	2012
Riverfront rangers	Metropolitan District Commission*	\$ 286,060	\$ 284,687
River-related programs	City of Hartford*	199,286	198,521
River-related programs	Town of East Hartford*	30,000	30,000
Disaster Assistance	Federal Emergency Management Act ("FEMA")	-	2,580
River-related programs	Miscellaneous	680	680
Capital projects:			
Riverwalk South	DECD	1,536	1,196
		<u>\$ 517,562</u>	<u>\$ 517,664</u>

* Service agreements to manage, maintain, operate and promote use of Riverfront parks on land owned by the municipalities.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 3 - Investments and fair value measurements

RRI values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1 Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, RRI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at December 31, 2013 and 2012 are classified as Level 1 in both years. The amounts were \$2,139,013 and \$2,054,774 at December 31, 2013 and 2012, respectively. The following is a description of the valuation methodologies used for assets at fair value.

Securities, mutual funds and bonds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

There were no changes in the valuation methodologies during the current year.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although RRI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

RRI's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended December 31, 2013 and 2012.

The following summarizes the relationship between the cost and market values as of December 31, 2013 and 2012:

	Cost	Market	Unrealized Gain (Loss)
<u>2013</u>			
Equities:			
International - developed	\$ 380,914	\$ 490,818	\$ 109,904
Large cap	139,891	214,932	75,041
Mid cap	191,858	358,138	166,280
Small cap	78,901	122,629	43,728
Balanced	176,239	199,676	23,437
Emerging markets	120,513	132,106	11,593
Real estate	68,572	108,059	39,487
Total equities	1,156,888	1,626,358	469,470
Fixed income:			
Intermediate term	172,698	175,756	3,058
High yield	106,415	119,994	13,579
Short term	100,050	99,934	(116)
Emerging markets	65,040	67,066	2,026
Foreign	50,075	49,905	(170)
Total fixed income	494,278	512,655	18,377
Totals	\$ 1,651,166	\$ 2,139,013	487,847
<u>2012</u>			
Equities:			
International - developed	\$ 413,250	\$ 475,540	62,290
Large cap	226,106	278,506	52,400
Mid cap	191,858	265,293	73,435
Small cap	78,901	89,143	10,242
Balanced	77,888	82,238	4,350
Emerging markets	120,513	139,018	18,505
Real estate	68,570	109,766	41,196
Total equities	1,177,086	1,439,504	262,418
Fixed income:			
Intermediate term	191,502	205,712	14,210
High yield	106,415	121,319	14,904
Short term	100,050	101,139	1,089
Emerging markets	65,040	78,348	13,308
Long term	43,040	57,566	14,526
Foreign	50,075	51,186	1,111
Total fixed income	556,122	615,270	59,148
Totals	\$ 1,733,208	\$ 2,054,774	321,566
Net unrealized gain for 2013			\$ 166,281

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2013 and 2012**

The following summarizes investment returns for the year ended December 31:

	2013	2012
Interest and dividend income	\$ 63,826	\$ 75,779

Amounts are reported in the statements of activities as follows:

	2013	2012
Unrestricted investment income	\$ 37,172	\$ 47,645
Temporarily restricted investment income	26,654	28,134
Totals	\$ 63,826	\$ 75,779

Note 4 - Pledges and contributions receivable

Pledges and contributions receivable are comprised of the following:

	2013	2012
Contributions receivable	\$ 74,502	\$ 312,500
Pledges receivable	89,616	294,139
Pledge discount (time)	(1,142)	(13,779)
	\$ 162,976	\$ 592,860

Pledges and contributions receivable consist of:

Receivable in:		
Less than one year	\$ 135,601	\$ 331,040
One to five years	28,517	275,599
	164,118	606,639
Less pledge discount (time)	(1,142)	(13,779)
	\$ 162,976	\$ 592,860
Current	\$ 135,601	\$ 331,040
Long-term	27,375	261,820
	\$ 162,976	\$ 592,860

Pledges receivable for more than one year are discounted at various rates ranging from 3.25% to 5.5%.

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2013 and 2012**

Note 5 - Equipment

Equipment at December 31, 2013 and 2012 is comprised of the following:

	<u>2013</u>	<u>2012</u>
Equipment, fixtures and vehicles	\$ 1,102,528	\$ 1,051,628
Less accumulated depreciation	<u>(842,556)</u>	<u>(849,486)</u>
	<u>\$ 259,972</u>	<u>\$ 202,142</u>

Note 6 - Lease obligations

RRI leases office space under a noncancelable operating lease that was renegotiated and amended with an expiration date of February 2016. The amended lease has one five-year renewal option. RRI is responsible for certain utilities and insurance costs. Monthly rent expense is \$6,100. Rent expense was \$73,204 for the years ended December 31, 2013 and 2012. RRI leases office equipment under a noncancelable operating lease agreement that expires August 2017. Monthly rent expense on the current office equipment lease is \$262. Equipment lease expense was \$6,738 and \$7,956 for the years ended December 31, 2013 and 2012, respectively.

Future minimum rental payments required under these operating leases in the years subsequent to December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 76,348
2015	76,348
2016	15,345
2017	<u>2,096</u>
	<u>\$ 170,137</u>

Note 7 - License agreement

Effective February 24, 2012, RRI entered into a license agreement with a third-party for exclusive use of the community room of the boathouse for private events. Under the agreement, RRI received fixed monthly license payments for use of the property plus additional operation and maintenance costs. The agreement commenced on March 1, 2012 and was to expire on December 31, 2014. The agreement also provided for commission income of 5% of licensee's gross revenue in excess of \$700,000 calculated annually. No commission income was earned in 2013 and 2012. License and maintenance fee income was \$163,699 and \$138,903 for the years ended December 31, 2013 and 2012, respectively. The fee income is included in the statements of activities as other earned income.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Effective December 1, 2013, the third-party terminated the license fee agreement with RRI and is no longer paying fixed monthly balances. The termination was mutually agreed upon by both parties with no stipulations on either side. No future minimum license and common area maintenance payments will be received.

Note 8 - Donated assets and services

Donated assets are recognized at their estimated fair value. General volunteer services do not meet the criteria for recognition in the financial statements.

RRI received donated investment management services in the amount of \$10,141 and \$9,552 for the years ended December 31, 2013 and 2012, respectively. This donation was included in revenue under contributions and grants and in expense under other professional services.

RRI also received stock donations with the aggregate fair value of \$25,604 and \$9,112 during the years ended December 31, 2013 and 2012, respectively. RRI adopted the provisions of ASU 2012-05, Statement of Cash Flows (Topic 230): *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* in 2013. Donated stocks are sold as soon as possible and reflected as operating activities in the statement of cash flows.

Note 9 - Pension plan

RRI provides a 401(k) plan covering all eligible non-union employees. An employee is eligible for participation by completing 1,000 hours of service and attaining the age of 21. Under this plan, eligible employees may elect to defer a portion of their salary subject to Internal Revenue Service and plan limits. This plan provides for discretionary employer matching and nonelective contributions. Employer contributions are subject to a five-year vesting schedule. For the year ended December 31, 2012, the Organization provided a discretionary match up to 3% of employee contributions. Expenses related to the match totaled \$27,853 for the year ended December 31, 2012. No matches or nonelective contributions were provided in 2013.

Note 10 - Endowment

RRI's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

As a result of this interpretation, RRI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RRI in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, RRI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of RRI and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of RRI
7. The investment policies of RRI

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 604,412	\$ 200,050	\$ 804,462
Board designated endowment funds	<u>589,356</u>	<u>-</u>	<u>-</u>	<u>589,356</u>
Total funds	<u>\$ 589,356</u>	<u>\$ 604,412</u>	<u>\$ 200,050</u>	<u>\$ 1,393,818</u>

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2013 and 2012**

Changes in endowment net assets for the year ended December 31, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 531,479	\$ 525,472	\$ 200,000	\$ 1,256,951
Contributions	-	-	50	50
Investment income	17,446	23,814	-	41,260
Net realized and unrealized appreciation	65,114	88,877	-	153,991
Amounts appropriated for expenditure	<u>(24,683)</u>	<u>(33,751)</u>	<u>-</u>	<u>(58,434)</u>
Endowment net assets, end of year	<u>\$ 589,356</u>	<u>\$ 604,412</u>	<u>\$ 200,050</u>	<u>\$ 1,393,818</u>

Endowment net asset composition by type of fund as of December 31, 2012 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 525,472	\$ 200,000	\$ 725,472
Board designated endowment funds	<u>531,479</u>	<u>-</u>	<u>-</u>	<u>531,479</u>
Total funds	<u>\$ 531,479</u>	<u>\$ 525,472</u>	<u>\$ 200,000</u>	<u>\$ 1,256,951</u>

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2013 and 2012**

Changes in endowment net assets for the year ended December 31, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 478,700	\$ 453,558	\$ 200,000	\$ 1,132,258
Investment income	19,731	26,931	-	46,662
Net realized and unrealized appreciation	56,147	76,639	-	132,786
Amounts appropriated for expenditure	<u>(23,099)</u>	<u>(31,656)</u>	<u>-</u>	<u>(54,755)</u>
Endowment net assets, end of year	<u>\$ 531,479</u>	<u>\$ 525,472</u>	<u>\$ 200,000</u>	<u>\$ 1,256,951</u>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
General purposes	\$ 100,050	\$ 100,000
Summer music concerts	<u>100,000</u>	<u>100,000</u>
Totals	<u>\$ 200,050</u>	<u>\$ 200,000</u>

Endowment funds classified as temporarily restricted net assets as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Inner-city youth programs	\$ 533,629	\$ 481,265
General purposes	36,845	23,412
Summer music concerts	<u>33,938</u>	<u>20,795</u>
Totals	<u>\$ 604,412</u>	<u>\$ 525,472</u>

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Spending policy amounts approved and transferred as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted endowment funds	\$ 24,683	\$ 23,099
Purpose restricted endowment funds	<u>33,751</u>	<u>31,656</u>
Totals	<u>\$ 58,434</u>	<u>\$ 54,755</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires RRI to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013 and 2012.

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2013 and 2012 are comprised of the following:

	<u>2013</u>	<u>2012</u>
Marfuggi parks fund	\$ 261,922	\$ 237,581
Marketing and branding initiatives	41,897	234,766
Time restricted	-	98,436
Riverfront signage system project	-	1,210
Endowment funds - see Note 10	<u>604,412</u>	<u>525,472</u>
	<u>\$ 908,231</u>	<u>\$ 1,097,465</u>

Note 12 - Capital project

RRI has a capital project for Riverwalk South. The project is in the initial phase and includes only preliminary design costs in the amount of \$750,000, which was fully expended as of December 31, 2013.

In 2014, RRI received a commitment from the State of Connecticut in the amount of \$1.5 million to continue the design and permitting phase of the project as well as constructing a temporary walkway.

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2013 and 2012**

Note 13 - Special events, sponsorships and other earned income

Special events, sponsorships and other earned income are shown net of related expenses in the statements of activities. Actual amounts are as follows:

	2013	2012
Special events	\$ 161,243	\$ 186,235
Less event expenses	<u>(47,897)</u>	<u>(44,226)</u>
	113,346	142,009
Sponsorships	<u>296,500</u>	<u>275,800</u>
	<u>\$ 409,846</u>	<u>\$ 417,809</u>
Other earned income:		
Concession revenue	\$ 5,942	\$ 267,436
License fees and other	199,079	178,454
Public events	205,301	173,122
Less directly related expenses	<u>(60,325)</u>	<u>(312,815)</u>
	<u>\$ 349,997</u>	<u>\$ 306,197</u>