

**Riverfront Recapture, Inc.**

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

**December 31, 2014 and 2013**

# Riverfront Recapture, Inc.

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## 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, 2014 and 2013, 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, 2014 and 2013, 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.



Hartford, Connecticut  
April 21, 2015

**Riverfront Recapture, Inc.**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

	<u>Assets</u>			
	<u>Operations</u>	<u>Capital Projects and Endowment</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 276,876	\$ 72,585	\$ 349,461	\$ 359,708
Grants receivable	97,062	-	97,062	121,843
Pledges and contributions receivable, net	129,335	337,141	466,476	162,976
Due (to) from funds, net	(150,836)	150,836	-	-
Prepaid expenses	19,175	-	19,175	18,210
Accounts receivable	3,243	-	3,243	12,307
Investments	643,402	1,606,022	2,249,424	2,139,013
Equipment, net	243,270	-	243,270	259,972
Total assets	<u>\$ 1,261,527</u>	<u>\$ 2,166,584</u>	<u>\$ 3,428,111</u>	<u>\$ 3,074,029</u>
 <u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 95,541	\$ -	\$ 95,541	\$ 108,924
Refundable advances	47,507	-	47,507	48,525
Loan payable	26,013	-	26,013	-
Total liabilities	<u>169,061</u>	<u>-</u>	<u>169,061</u>	<u>157,449</u>
 Commitments (Note 6)				
Net assets:				
Unrestricted	1,022,821	-	1,022,821	1,218,943
Unrestricted - board designated	-	592,356	592,356	589,356
Temporarily restricted	69,645	1,369,904	1,439,549	908,231
Permanently restricted	-	204,324	204,324	200,050
Total net assets	<u>1,092,466</u>	<u>2,166,584</u>	<u>3,259,050</u>	<u>2,916,580</u>
Total liabilities and net assets	<u>\$ 1,261,527</u>	<u>\$ 2,166,584</u>	<u>\$ 3,428,111</u>	<u>\$ 3,074,029</u>

See Notes to Financial Statements.

**Riverfront Recapture, Inc.**

**Statements of Activities  
Years Ended December 31, 2014 and 2013**

	Operations	Capital Projects and Endowment	Total	
			2014	2013
Changes in unrestricted net assets:				
Support and revenue:				
Government grants	\$ 553,995	\$ 40,060	\$ 594,055	\$ 517,562
Contributions and grants	445,263	-	445,263	464,927
Fundraising events and sponsorships, net	368,340	-	368,340	409,846
Program fees	474,871	-	474,871	441,020
Other earned income, net	243,507	-	243,507	341,807
Total support and revenue	<u>2,085,976</u>	<u>40,060</u>	<u>2,126,036</u>	<u>2,175,162</u>
Net assets released from restrictions	187,252	44,973	232,225	374,881
Reallocation of investment income to support current operations and other transfers	<u>61,209</u>	<u>(61,209)</u>	<u>-</u>	<u>-</u>
Total unrestricted support and revenue	<u>2,334,437</u>	<u>23,824</u>	<u>2,358,261</u>	<u>2,550,043</u>
Expenses:				
Program services:				
Operations	2,107,408	-	2,107,408	2,143,312
Capital projects	-	49,304	49,304	16,362
General and administration	120,933	400	121,333	135,874
Fundraising	336,003	-	336,003	320,808
Total expenses	<u>2,564,344</u>	<u>49,704</u>	<u>2,614,048</u>	<u>2,616,356</u>
Loss from operations	<u>(229,907)</u>	<u>(25,880)</u>	<u>(255,787)</u>	<u>(66,313)</u>
Other income:				
Realized and unrealized gains	7,312	8,762	16,074	139,730
Investment income	22,310	20,118	42,428	37,172
Insurance proceeds	4,163	-	4,163	-
Total other income	<u>33,785</u>	<u>28,880</u>	<u>62,665</u>	<u>176,902</u>
(Decrease) increase in unrestricted net assets	<u>(196,122)</u>	<u>3,000</u>	<u>(193,122)</u>	<u>110,589</u>
Changes in temporarily restricted net assets:				
Government grants	-	3,685	3,685	-
Contributions	215,000	497,974	712,974	50,982
Investment income	-	32,159	32,159	26,654
Realized and unrealized gains	-	14,725	14,725	108,011
Net assets released from restrictions	<u>(187,252)</u>	<u>(44,973)</u>	<u>(232,225)</u>	<u>(374,881)</u>
Increase (decrease) in temporarily restricted net assets	<u>27,748</u>	<u>503,570</u>	<u>531,318</u>	<u>(189,234)</u>
Changes in permanently restricted net assets:				
Contributions	-	4,274	4,274	50
Increase in permanently restricted net assets	<u>-</u>	<u>4,274</u>	<u>4,274</u>	<u>50</u>
Change in net assets	(168,374)	510,844	342,470	(78,595)
Net assets, beginning of year	<u>1,260,840</u>	<u>1,655,740</u>	<u>2,916,580</u>	<u>2,995,175</u>
Net assets, end of year	<u>\$ 1,092,466</u>	<u>\$ 2,166,584</u>	<u>\$ 3,259,050</u>	<u>\$ 2,916,580</u>

See Notes to Financial Statements.

**Riverfront Recapture, Inc.**

**Statement of Functional Expenses  
Year Ended December 31, 2014**

	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total Program Services	General and Administration	Fundraising	Total
Compensation	\$ 454,548	\$ 222,552	\$ 369,497	\$ 1,046,597	\$ 87,089	\$ 211,908	\$ 1,345,594
Employee benefits	51,510	26,909	18,570	96,989	9,402	16,757	123,148
Payroll taxes	44,177	21,598	36,093	101,868	7,018	17,118	126,004
Occupancy	18,907	15,717	16,718	51,342	4,824	16,038	72,204
Supplies	1,557	1,079	1,148	3,784	331	1,101	5,216
Equipment rental and maintenance	17,358	4,858	26,622	48,838	1,491	4,956	55,285
Telephone	3,258	2,085	5,072	10,415	640	2,127	13,182
Insurance	68,265	60,795	63,095	192,155	2,710	9,008	203,873
Postage	491	3,762	1,635	5,888	982	7,749	14,619
Conferences, conventions and meetings	1,048	886	1,843	3,777	253	843	4,873
Depreciation	15,267	14,480	81,723	111,470	1,649	5,478	118,597
Accounting fees	6,443	4,302	7,206	17,951	1,321	4,390	23,662
Legal fees	10,317	-	-	10,317	115	-	10,432
Other professional services	7,139	5,935	6,313	19,387	1,822	6,056	27,265
Direct fundraising expenses	-	-	-	-	-	28,199	28,199
Design and construction	47,844	-	-	47,844	-	-	47,844
Park operations	14,065	46,207	7,381	67,653	-	-	67,653
Advertising and promotion	5,039	27,904	18,301	51,244	1,286	4,275	56,805
Park recreation and education	6,721	155,362	107,110	269,193	-	-	269,193
Provision for uncollectible amounts	-	-	-	-	400	-	400
<b>Total expenses</b>	<b>\$ 773,954</b>	<b>\$ 614,431</b>	<b>\$ 768,327</b>	<b>\$ 2,156,712</b>	<b>\$ 121,333</b>	<b>\$ 336,003</b>	<b>\$ 2,614,048</b>

See Notes to Financial Statements.

**Riverfront Recapture, Inc.**

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

	<u>Park Management and Development</u>	<u>Entertainment and Events</u>	<u>Recreation and Outdoor Adventures</u>	<u>Total Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 457,339	\$ 229,716	\$ 330,434	\$ 1,017,489	\$ 87,866	\$ 208,438	\$ 1,313,793
Employee benefits	51,538	33,701	11,922	97,161	11,169	20,290	128,620
Payroll taxes	45,769	22,679	34,516	102,964	7,741	18,395	129,100
Occupancy	19,581	16,925	15,741	52,247	5,202	14,935	72,384
Supplies	2,190	1,893	1,761	5,844	582	1,671	8,097
Equipment rental and maintenance	17,462	8,095	29,363	54,920	2,347	6,737	64,004
Telephone	3,445	1,631	3,962	9,038	501	1,439	10,978
Insurance	47,979	75,250	62,219	185,448	2,827	8,115	196,390
Postage	423	7,104	1,379	8,906	846	6,411	16,163
Conferences, conventions and meetings	1,747	2,229	2,133	6,109	452	1,295	7,856
Depreciation	11,315	17,804	67,477	96,596	1,132	3,251	100,979
Accounting fees	6,473	4,417	8,547	19,437	1,288	3,696	24,421
Legal fees	8,700	3,796	-	12,496	-	-	12,496
Other professional services	6,278	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	9,682	51,753	22,792	84,227	2,253	6,468	92,948
Park recreation and education	9,737	257,367	55,714	322,818	-	-	322,818
Provision for uncollectible amounts	-	-	-	-	10,000	-	10,000
<b>Total expenses</b>	<b><u><u>\$ 727,000</u></u></b>	<b><u><u>\$ 774,084</u></u></b>	<b><u><u>\$ 658,590</u></u></b>	<b><u><u>\$ 2,159,674</u></u></b>	<b><u><u>\$ 135,874</u></u></b>	<b><u><u>\$ 320,808</u></u></b>	<b><u><u>\$ 2,616,356</u></u></b>

See Notes to Financial Statements.

**Riverfront Recapture, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

	2014	2013
Operating activities:		
Change in net assets	\$ 342,470	\$ (78,595)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(34,336)	(166,281)
Realized loss on investments	3,537	(81,460)
Depreciation	118,597	100,979
Receipts to increase permanent endowment	(4,274)	(50)
Gain on disposal of property	(2,500)	(8,500)
Uncollectible pledge receivable	400	10,000
Changes in operating assets and liabilities:		
Grants receivable	24,781	(51,854)
Pledges and contributions receivable	(303,900)	419,884
Prepaid expenses	(965)	10,008
Accounts receivable	9,064	11,130
Accounts payable and accrued liabilities	(13,383)	(37,870)
Deferred revenue	-	(1,534)
Refundable advances	(1,018)	(13,111)
Net cash provided by operating activities	138,473	112,746
Investing activities:		
Purchase of equipment	(73,517)	(158,809)
Purchase of investments	(79,612)	(98,188)
Sale of investments	-	261,690
Proceeds from sale of equipment	2,500	8,500
Net cash (used in) provided by investing activities	(150,629)	13,193
Financing activities:		
Repayments of loan payable	(2,365)	-
Receipts to increase permanent endowment	4,274	50
Net cash provided by financing activities	1,909	50
Net (decrease) increase in cash and cash equivalents	(10,247)	125,989
Cash and cash equivalents, beginning of year	359,708	233,719
Cash and cash equivalents, end of year	\$ 349,461	\$ 359,708
Supplemental disclosures of noncash investing and financing activities:		
Purchase of equipment	\$ 101,895	\$ 158,809
Amount financed through note payable	(28,378)	-
Net cash paid for purchase of equipment	\$ 73,517	\$ 158,809

See Notes to Financial Statements.



## Riverfront Recapture, Inc.

### Notes to Financial Statements December 31, 2014 and 2013

#### 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, 2014 and 2013**

#### **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, 2014 and 2013. RRI's Federal information returns prior to calendar year 2011 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 \$72,585 and \$49,314 as of December 31, 2014 and 2013, 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, 2014 and 2013

#### **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.

#### **Revenue**

Fundraising events and sponsorships, net – includes revenue from fundraising events held by RRI, the largest event being the annual Big Mo'. Such revenue is shown net of direct costs incurred for the events. Sponsorships are secured for the fundraising events as well as the various public events, such as Riverfest.

Program fees – fees are charged for certain activities including the Rowing, Adventure and Dragon Boat programs.

Other earned income, net – includes activities such as Boathouse private events, public event revenue such as vendor fees and alcohol sales, excursion boat docking fees and facility fees from outside event promoters.

Revenue for all of these activities is recorded when the event occurs or when services are provided. Any revenue received in advance is classified as refundable advances in the accompanying financial statements.

#### **Allowances**

Management believes that all receivables at December 31, 2014 will be collected. Bad debt expense was \$400 and \$10,000 for the years ended December 31, 2014 and 2013, respectively.

#### **Advertising**

Advertising costs are expensed as incurred. Advertising expense included in advertising and promotion was \$54,130 and \$89,970 for the years ended December 31, 2014 and 2013, 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, 5 years for 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.

## **Riverfront Recapture, Inc.**

### **Notes to Financial Statements December 31, 2014 and 2013**

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.

#### **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 fundraising 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 prior year information has been reclassified to conform to the current year presentation. Reclassifications are related to certain expenses being reclassified from fundraising expense to be net with other earned income. Additionally, expense categories in the Statement of Functional Expenses for Park Management and Development and Park Rangers have been combined into one category entitled Park Management and Development.

## Riverfront Recapture, Inc.

### Notes to Financial Statements December 31, 2014 and 2013

#### Subsequent events

RRI has evaluated events and transactions for potential recognition or disclosure through April 21, 2015, which is the date the financial statements were available to be issued.

#### 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 24% and 20% of its total revenue from Federal, state and city grants or contracts for the years ended December 31, 2014 and 2013, respectively. A summary of RRI's agreements with governmental organizations is as follows:

Activity	Funding Source	Amounts	
		2014	2013
Riverfront-related programs	Metropolitan District Commission*	\$ 310,000	\$ 286,060
River-related programs	City of Hartford*	213,955	199,286
River-related programs	Town of East Hartford*	30,000	30,000
River-related programs	Miscellaneous	40	680
Capital projects:			
Riverside Park			
Piling Replacement	City of Hartford	40,060	-
Wharf Contribution	Town of East Hartford	3,685	-
Riverwalk South	DECD	-	1,536
		<u>\$ 597,740</u>	<u>\$ 517,562</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, 2014 and 2013

#### **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, 2014 and 2013 are classified as Level 1 in both years. The amounts were \$2,249,424 and \$2,139,013 at December 31, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013.

The following summarizes the relationship between the cost and market values as of December 31, 2014 and 2013:

	Cost	Market	Unrealized Gain (Loss)
<u>2014</u>			
Equities:			
International - developed	\$ 380,914	\$ 459,912	\$ 78,998
Large cap	139,891	234,948	95,057
Mid cap	81,859	164,633	82,774
Domestic equity - all caps	115,153	218,277	103,124
Small cap	78,901	124,921	46,020
Emerging markets	120,513	127,108	6,595
Real estate	68,572	137,811	69,239
Total equities	<u>985,803</u>	<u>1,467,610</u>	<u>481,807</u>
Balanced	<u>247,160</u>	<u>273,440</u>	<u>26,280</u>
Fixed income:			
Intermediate term	172,698	178,092	5,394
High yield	106,415	115,608	9,193
Short term	100,050	100,027	(23)
Emerging markets	65,040	63,556	(1,484)
Foreign	50,075	51,091	1,016
Total fixed income	<u>494,278</u>	<u>508,374</u>	<u>14,096</u>
Totals	<u>\$ 1,727,241</u>	<u>\$ 2,249,424</u>	<u>522,183</u>
<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
Emerging markets	120,513	132,106	11,593
Real estate	68,572	108,059	39,487
Total equities	<u>980,649</u>	<u>1,426,682</u>	<u>446,033</u>
Balanced	<u>176,239</u>	<u>199,676</u>	<u>23,437</u>
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	<u>494,278</u>	<u>512,655</u>	<u>18,377</u>
Totals	<u>\$ 1,651,166</u>	<u>\$ 2,139,013</u>	<u>487,847</u>
Net unrealized gain for 2014			<u>\$ 34,336</u>

**Riverfront Recapture, Inc.**

**Notes to Financial Statements  
December 31, 2014 and 2013**

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

	2014	2013
Interest and dividend income	\$ 74,587	\$ 63,826

Amounts are reported in the statements of activities as follows:

	2014	2013
Unrestricted investment income	\$ 42,428	\$ 37,172
Temporarily restricted investment income	32,159	26,654
Totals	\$ 74,587	\$ 63,826

In 2014, RRI entered into an agreement with Pershing Advisor Solutions LLC which allows the Organization to borrow money for up to 50% of its investment balance, collateralized by its investment securities. As of December 31, 2014, no amounts have been borrowed under this agreement.

**Note 4 - Pledges and contributions receivable**

Pledges and contributions receivable are comprised of the following:

	2014	2013
Contributions receivable	\$ 431,015	\$ 74,502
Contribution discount (time)	(20,457)	-
Pledges receivable	56,183	89,616
Pledge discount (time)	(265)	(1,142)
	\$ 466,476	\$ 162,976

Pledges and contributions receivable consist of:

Receivable in:		
Less than one year	\$ 235,921	\$ 135,601
One to five years	251,277	28,517
	487,198	164,118
Less discounts (time)	(20,722)	(1,142)
	\$ 466,476	\$ 162,976
Current	\$ 235,921	\$ 135,601
Long-term	230,555	27,375
	\$ 466,476	\$ 162,976

Pledges receivable for more than one year are discounted at 3.25%.



**Riverfront Recapture, Inc.**

**Notes to Financial Statements  
December 31, 2014 and 2013**

**Note 5 - Equipment**

Equipment at December 31, 2014 and 2013 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Equipment, fixtures and vehicles	\$ 1,192,069	\$ 1,102,528
Less accumulated depreciation	<u>(948,799)</u>	<u>(842,556)</u>
	<u>\$ 243,270</u>	<u>\$ 259,972</u>

**Note 6 - Loan Payable**

In 2014 RRI entered into a noninterest bearing loan payable due in monthly installments of \$473 through July 2019. This loan is secured by a vehicle.

A summary of the amount of future maturities for long-term debt as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 5,676
2016	5,676
2017	5,676
2018	5,676
2019	<u>3,309</u>
	<u>\$ 26,013</u>

**Note 7 - 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, 2014 and 2013. 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 \$3,217 and \$6,738 for the years ended December 31, 2014 and 2013, respectively.

Future minimum rental payments required under these operating leases in the years subsequent to December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 76,348
2016	15,345
2017	<u>2,096</u>
	<u>\$ 93,789</u>

## Riverfront Recapture, Inc.

### Notes to Financial Statements December 31, 2014 and 2013

#### **Note 8 - 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. License and maintenance fee income was \$163,699 for the year ended December 31, 2013. The fee income is included in the statements of activities as other earned income. Effective December 1, 2013, the third-party terminated the license fee agreement with RRI and is no longer paying fixed monthly balances.

#### **Note 9 - 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 \$10,694 and \$10,141 for the years ended December 31, 2014 and 2013, 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 \$23,030 and \$25,604 during the years ended December 31, 2014 and 2013, 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 10 - 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. No matches or nonelective contributions were provided in the years ended December 31, 2014 and 2013.

## Riverfront Recapture, Inc.

### Notes to Financial Statements December 31, 2014 and 2013

#### Note 11 - 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.

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, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 608,487	\$ 204,324	\$ 812,811
Board designated endowment funds	<u>592,356</u>	<u>-</u>	<u>-</u>	<u>592,356</u>
Total funds	<u>\$ 592,356</u>	<u>\$ 608,487</u>	<u>\$ 204,324</u>	<u>\$ 1,405,167</u>

**Riverfront Recapture, Inc.**

**Notes to Financial Statements  
December 31, 2014 and 2013**

Changes in endowment net assets for the year ended December 31, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 589,356	\$ 604,412	\$ 200,050	\$ 1,393,818
Contributions	-	-	4,274	4,274
Investment income	20,118	27,546	-	47,664
Net realized and unrealized appreciation	8,762	11,858	-	20,620
Amounts appropriated for expenditure	<u>(25,880)</u>	<u>(35,329)</u>	<u>-</u>	<u>(61,209)</u>
Endowment net assets, end of year	<u>\$ 592,356</u>	<u>\$ 608,487</u>	<u>\$ 204,324</u>	<u>\$ 1,405,167</u>

Endowment net asset composition by type of fund as of December 31, 2013 was 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, 2014 and 2013**

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>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
General purposes	\$ 104,324	\$ 100,050
Summer music concerts	<u>100,000</u>	<u>100,000</u>
Totals	<u>\$ 204,324</u>	<u>\$ 200,050</u>

Endowment funds classified as temporarily restricted net assets as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Inner-city youth programs	\$ 536,342	\$ 533,629
General purposes	37,526	36,845
Summer music concerts	<u>34,619</u>	<u>33,938</u>
Totals	<u>\$ 608,487</u>	<u>\$ 604,412</u>

## Riverfront Recapture, Inc.

### Notes to Financial Statements December 31, 2014 and 2013

Spending policy amounts approved and transferred as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted endowment funds	\$ 25,880	\$ 24,683
Purpose restricted endowment funds	<u>35,329</u>	<u>33,751</u>
Totals	<u>\$ 61,209</u>	<u>\$ 58,434</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, 2014 and 2013

#### Note 12 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Marfuggi parks fund	\$ 299,776	\$ 261,922
Marketing and branding initiatives	37,453	41,897
Executive transition and operations	31,609	-
Riverfront stage canopy and lighting project	462,224	-
Endowment funds - see Note 11	<u>608,487</u>	<u>604,412</u>
	<u>\$ 1,439,549</u>	<u>\$ 908,231</u>

#### Note 13 - 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 2015, 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. No expenses have been incurred as of December 31, 2014.

Riverfront Recapture, Inc.

Notes to Financial Statements  
December 31, 2014 and 2013

**Note 14 - Fundraising events, sponsorships and other earned income**

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

	<u>2014</u>	<u>2013</u>
Fundraising events	\$ 165,674	\$ 161,243
Less event expenses	<u>(52,984)</u>	<u>(47,897)</u>
	112,690	113,346
Sponsorships	<u>255,650</u>	<u>296,500</u>
	<u>\$ 368,340</u>	<u>\$ 409,846</u>
Other earned income:		
Private events	\$ 112,499	\$ 169,641
License fees and other	28,500	34,500
Public events	219,160	206,181
Less directly related expenses	<u>(116,652)</u>	<u>(68,515)</u>
	<u>\$ 243,507</u>	<u>\$ 341,807</u>