

RIVERFRONT RECAPTURE, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

RIVERFRONT RECAPTURE, INC.

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Independent Auditor's Report

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To the Board of Directors
Riverfront Recapture, Inc.
Hartford, Connecticut

We have audited the accompanying financial statements of Riverfront Recapture, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal 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 audit. We conducted our audit 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 auditors' 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 auditors consider 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 the Organization as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, during the year ended December 31, 2018 the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of Riverfront Recapture, Inc., as of December 31, 2017 were audited by other auditors whose report dated April 18, 2018 expressed an unmodified opinion on those statements.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 22, 2019

RIVERFRONT RECAPTURE, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 345,774	\$ 309,806
Grants receivable	40,894	29,070
Pledges and contributions receivable, net	56,897	198,665
Prepaid expenses	12,078	11,867
Accounts receivable	19,035	13,421
Investments	2,221,369	2,476,030
Equipment, net	<u>544,720</u>	<u>443,269</u>
Total Assets	\$ <u>3,240,767</u>	\$ <u>3,482,128</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 199,795	\$ 121,597
Refundable advances	5,075	26,950
Loan payable	<u>3,311</u>	<u>8,986</u>
Total liabilities	<u>208,181</u>	<u>157,533</u>
Net Assets		
Net assets without donor restrictions	1,473,971	1,599,291
Net assets with donor restrictions	<u>1,558,615</u>	<u>1,725,304</u>
Total net assets	<u>3,032,586</u>	<u>3,324,595</u>
Total Liabilities and Net Assets	\$ <u>3,240,767</u>	\$ <u>3,482,128</u>

The accompanying notes are an integral part of the financial statements

RIVERFRONT RECAPTURE, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions		
Support and revenue:		
Government grants	\$ 1,434,815	\$ 1,372,729
Contributions and grants	659,991	499,746
Program fees	629,473	579,634
Fundraising events and sponsorships, net	384,612	392,340
Other earned income, net	148,708	169,998
Net assets released from restrictions	<u>123,789</u>	<u>96,780</u>
Total support and revenue	<u>3,381,388</u>	<u>3,111,227</u>
Expenses:		
Program services	2,964,828	2,747,768
General and administration	104,938	105,802
Fundraising	<u>332,104</u>	<u>293,459</u>
Total expenses	<u>3,401,870</u>	<u>3,147,029</u>
Change in net assets without donor restrictions from operations	<u>(20,482)</u>	<u>(35,802)</u>
Other Changes in Net Assets Without Donor Restrictions		
Interest and dividend income, net	33,709	38,576
Realized and unrealized gains (losses) on investments	(147,153)	147,679
Gain on disposal of equipment	5,781	8,221
Miscellaneous	<u>2,825</u>	<u>475</u>
	<u>(104,838)</u>	<u>194,951</u>
Change in net assets without donor restrictions	<u>(125,320)</u>	<u>159,149</u>
Changes in Net Assets With Donor Restrictions		
Government grants	-	1,566
Contributions	71,556	130,862
Interest and dividend income	36,752	37,703
Realized and unrealized gains (losses) on investments	(151,208)	136,559
Net assets released from restrictions	<u>(123,789)</u>	<u>(96,780)</u>
Change in net assets with donor restrictions	<u>(166,689)</u>	<u>209,910</u>
Change in Net Assets	(292,009)	369,059
Net Assets - Beginning of Year	<u>3,324,595</u>	<u>2,955,536</u>
Net Assets - End of Year	<u>\$ 3,032,586</u>	<u>\$ 3,324,595</u>

The accompanying notes are an integral part of the financial statements

RIVERFRONT RECAPTURE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services		2018 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund- raising	
Compensation	\$ 518,378	\$ 182,741	\$ 421,363	\$ 1,122,482	\$ 81,713	\$ 232,721	\$ 1,436,916
Employee benefits	47,288	29,946	31,577	108,811	9,829	19,460	138,100
Payroll taxes	46,317	16,369	37,649	100,335	7,301	20,793	128,429
Park operations	492,695	-	30,153	522,848	-	-	522,848
Events and recreational programming	-	220,226	155,762	375,988	-	-	375,988
Design and construction	204,929	-	-	204,929	-	-	204,929
Insurance	105,124	9,963	79,272	194,359	997	4,032	199,388
Depreciation	49,004	776	55,002	104,782	245	989	106,016
Occupancy	26,109	7,588	26,438	60,135	2,393	9,676	72,204
Legal fees	50,535	-	1,633	52,168	-	-	52,168
Equipment rental and maintenance	7,022	1,727	31,469	40,218	545	8,146	48,909
Advertising and promotion	4,263	11,311	8,680	24,254	378	6,378	31,010
Accounting fees	9,807	2,359	10,959	23,125	720	2,912	26,757
Direct fundraising	-	-	-	-	-	17,224	17,224
Conferences, conventions and meetings	3,450	2,452	7,333	13,235	196	1,556	14,987
Telephone	4,781	1,016	6,414	12,211	321	1,860	14,392
Postage	96	178	82	356	133	5,683	6,172
Supplies	1,820	529	1,843	4,192	167	674	5,033
Other professional services	400	-	-	400	-	-	400
Total Expenses	\$ 1,572,018	\$ 487,181	\$ 905,629	\$ 2,964,828	\$ 104,938	\$ 332,104	\$ 3,401,870

The accompanying notes are an integral part of the financial statements

RIVERFRONT RECAPTURE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services		2017 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund- raising	
Compensation	\$ 476,823	\$ 167,532	\$ 445,100	\$ 1,089,455	\$ 77,457	\$ 200,891	\$ 1,367,803
Employee benefits	37,423	28,821	34,035	100,279	8,884	14,765	123,928
Payroll taxes	42,466	14,921	39,641	97,028	6,899	17,892	121,819
Park operations	449,266	-	21,980	471,246	-	-	471,246
Events and recreational programming	-	217,672	109,538	327,210	-	-	327,210
Design and construction	107,114	-	-	107,114	-	-	107,114
Insurance	102,867	13,542	84,485	200,894	699	5,091	206,684
Depreciation	30,815	469	46,125	77,409	146	429	77,984
Occupancy	27,398	8,142	27,825	63,365	2,532	7,437	73,334
Legal fees	48,657	-	-	48,657	4,928	-	53,585
Equipment rental and maintenance	13,281	3,905	32,963	50,149	1,215	3,567	54,931
Advertising and promotion	6,131	11,352	9,825	27,308	463	6,070	33,841
Accounting fees	9,837	2,523	10,768	23,128	741	2,188	26,057
Direct fundraising	-	-	-	-	-	22,827	22,827
Conferences, conventions and meetings	2,914	950	3,210	7,074	264	774	8,112
Telephone	5,712	1,143	6,806	13,661	357	1,044	15,062
Postage	127	279	186	592	202	7,799	8,593
Supplies	1,810	538	1,838	4,186	167	491	4,844
Interest expense	-	-	-	-	101	-	101
Other professional services	28,404	2,402	8,207	39,013	747	2,194	41,954
Total Expenses	\$ 1,391,045	\$ 474,191	\$ 882,532	\$ 2,747,768	\$ 105,802	\$ 293,459	\$ 3,147,029

The accompanying notes are an integral part of the financial statements

RIVERFRONT RECAPTURE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (292,009)	\$ 369,059
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	298,361	(284,238)
Depreciation	106,016	77,984
Gain on disposal of equipment	(5,781)	(8,221)
(Increase) decrease in operating assets:		
Grants receivable	(11,824)	47,778
Pledges and contributions receivable, net	141,768	37,576
Prepaid expenses	(211)	18,938
Accounts receivable	(5,614)	(5,243)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	78,198	33,912
Refundable advances	(21,875)	(58,567)
Net cash provided by operating activities	<u>287,029</u>	<u>228,978</u>
Cash Flows from Investing Activities		
Purchases of equipment	(201,686)	(230,989)
Net sales (purchases) of investments	(48,939)	156,887
Net cash used in investing activities	<u>(250,625)</u>	<u>(74,102)</u>
Cash Flows from Financing Activities		
Repayments on loan payable	(5,675)	(5,676)
Contributions restricted for long-term investment	5,239	4,323
Net cash used in financing activities	<u>(436)</u>	<u>(1,353)</u>
Net Increase in Cash and Cash Equivalents	35,968	153,523
Cash and Cash Equivalents - Beginning of Year	<u>309,806</u>	<u>156,283</u>
Cash and Cash Equivalents - End of Year	<u>\$ 345,774</u>	<u>\$ 309,806</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 101</u>

The accompanying notes are an integral part of the financial statements

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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 impacts the local economy by drawing local and out-of-state visitors to its parks.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended December 31, 2018. The amendments have been retrospectively applied with the exception of disclosures on liquidity and availability of resources for the year ended December 31, 2017.

Financial Statement Presentation

The financial statements of RRI have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of RRI are reported in the following net asset categories:

Net Assets without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors. For the years ended December 31, 2018 and 2017, the Board has designated \$355,152 and \$438,761 of net assets without donor restrictions to function as endowment funds. In addition to this, for the years ended December 31, 2018 and 2017 the Board of Directors has designated a total amount of \$200,000 of net assets without donor restrictions to develop the Innovation Fund. The Riverfront Innovation Fund (RIF) is designed to provide seed money for new RRI projects and programs. It seeks to support innovative ideas that will generate revenue to sustain the mission, attract additional people to RRI parks and enhance the image. Funds may be used to invest in, pilot, assess, and potentially expand revenue-generating enterprises and infrastructure ideas to support non-Riverfront funded activity

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Net Assets with Donor Restrictions

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure 2) contributions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Measure of Operations

The change in net assets without donor restrictions from operations excludes interest and dividend income, realized and unrealized (loss) gains, loss on sale of equipment and miscellaneous income.

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 qualify as unrelated business taxable income and to the extent that these operations generate income, they are subject to federal and state taxes.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less, exclusive of cash held by brokers, which are treated as investments. RRI maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the RRI's deposits are not subject to significant credit risk.

Pledges, Contributions and Grants

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. RRI reports nongovernmental contributions and grants of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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.

Government grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Donated 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 legal services in the amount of \$45,315 and \$48,097 for the years ended December 31, 2018 and 2017, respectively. This donation was included in revenue under contributions and grants and in expense under legal fees.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gain (loss) include RRI's gains and losses on investments bought and sold as well as held during the year. These amounts are reported in the statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions as appropriate based on any donor stipulations or law.

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, 10 years for boats, 5 to 10 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.

RRI reports gifts of land, buildings and equipment as support without donor restrictions 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.

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.

Program 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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Concentrations

RRI has a contract with a governmental partner for park operations and maintenance services. This funding consisted of 38% of the total revenue for each of the years ended December 31, 2018 and 2017.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories or expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied and determined by management. The expenses that are allocated based upon time and effort include compensation and benefits, insurance, depreciation, equipment rental and maintenance, advertising and promotion, accounting fees, conferences, conventions and meetings, telephone, postage and supplies. The expenses related to occupancy are allocated based upon square footage.

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 in the financial statements. Actual results could differ from those estimates.

Reclassification

Certain prior year financial information has been reclassified to conform to the current year presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 22, 2019, which represents the date the financial statements were available to be issued.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that RRI has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for financial instruments measured at fair value:

Mutual Funds

Mutual funds are valued at the quoted price of shares reported in the active market in which the mutual funds are traded.

Fixed Income Funds

Fixed income is valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the valuation methodologies used at December 31, 2018 and 2017.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Financial assets in the amounts of \$2,221,369 and \$2,476,030 are carried at fair value as of December 31, 2018 and 2017, respectively, and are classified as Level 1. The balance as of December 31, 2018 is comprised of \$1,383,449 of equity mutual funds and \$837,920 of fixed income equity funds. The balance as of December 31, 2017 is comprised of \$1,679,261 of equity mutual funds and \$796,769 of fixed income equity funds.

RRI maintains an agreement with a company which allows RRI to borrow money for up to 70% of its unrestricted investment balance, collateralized by its investment securities. As of December 31, 2018 and 2017, \$- and \$60,000 have been borrowed, respectively. The 2017 borrowing was repaid within two weeks resulting in interest expense of \$101.

NOTE 3 - PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable as of December 31, 2018 and 2017 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 56,897	\$ 121,038
Receivable in one to five years	-	81,000
Total contributions receivable	<u>56,897</u>	<u>202,038</u>
Less discount to present value	<u>-</u>	<u>3,373</u>
Net Pledges and Contributions Receivable	<u>\$ 56,897</u>	<u>\$ 198,665</u>

Pledges to be received in more than one year are discounted at a rate of 3.25% for the year ended December 31, 2017. An allowance for uncollectible accounts was not deemed necessary for the years ended December 31, 2018 and 2017.

NOTE 4 - EQUIPMENT

Equipment at December 31, 2018 and 2017 is comprised of the following:

	<u>2018</u>	<u>2017</u>
Equipment, fixtures and vehicles	\$ 1,637,320	\$ 1,529,390
Less accumulated depreciation	<u>1,092,600</u>	<u>1,086,121</u>
	<u>\$ 544,720</u>	<u>\$ 443,269</u>

Depreciation expense charged to operations was \$106,016 and \$77,984 for the years ended December 31, 2018 and 2017, respectively.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOAN PAYABLE

RRI maintains a noninterest bearing loan payable due in monthly installments of \$473 through July 2019. This loan is secured by a vehicle. The remaining future maturities as of December 31, 2019 is \$3,311.

NOTE 6 - LEASE OBLIGATIONS

RRI leases office space under a noncancelable operating lease that was renegotiated and amended with an expiration date of February 2021 and has an option of one five-year renewal. RRI is responsible for certain utilities and insurance costs. Monthly rent expense is \$6,017. Rent expense was \$72,204 for each of the years ended December 31, 2018 and 2017.

RRI leases office equipment under noncancelable operating lease agreements, including a copier that expires August 2020 and a mailing machine that expires October 2021. Monthly rent expense on the current office equipment leases are \$108 and \$155, respectively. Equipment lease expense was \$3,150 and \$4,215 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rental payments required under these operating leases in each of the years subsequent to December 31, 2018 are as follows:

Year Ending December 31

2019	\$	75,360
2020		74,928
2021		<u>13,584</u>
	\$	<u><u>163,872</u></u>

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

RRI's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$	345,774
Grants receivable		40,894
Pledges and contributions receivable, net		56,897
Accounts receivable		19,035
Available investments		<u>107,601</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	<u><u>570,201</u></u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Liquidity Management

RRI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, RRI invests cash in excess of weekly requirements in short- and long-term investments. Available investments represent funds within the investment portfolio that are not donor restricted or board designated. As of December 31, 2018, investments in the amount of \$1,336,265 represent funds that are donor restricted for purpose or time and investments in the amount of \$222,350 represent donor-restricted funds to be held in perpetuity. As of December 31, 2018, RRI has a board-designated endowment of \$355,152. The board-designated endowment funds have the objective of providing a subsidy for programs and a reserve for future financial needs. In addition to this, as of December 31, 2018, the board has designated \$200,000 for the Innovations Fund. With approval of the board, these funds could be drawn upon in the event of financial distress or an immediate liquidity need. A significant portion of RRI's funding is based on reimbursement after expenditures are made, which can result in large fluctuations in the cash balance. RRI maintains an agreement with a company which allows RRI to borrow money for up to 70% of its unrestricted investment balance, collateralized by its investment securities, that it could draw upon in the event of an unanticipated liquidity need.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of RRI's net assets with donor restrictions at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment:		
Restricted in perpetuity:		
Income use unrestricted	\$ 122,350	\$ 117,111
Income use restricted - summer music concerts	100,000	100,000
Accumulated gains and income available for appropriation by the Board of Directors	<u>55,092</u>	<u>96,523</u>
Total endowment	277,442	313,634
Other net assets with donor use restrictions:		
Marfuggi Parks Fund	354,476	401,220
Rowing programs	104,130	101,163
Riverfront capital projects	320,178	330,928
Youth programs	<u>502,389</u>	<u>578,359</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,558,615</u>	<u>\$ 1,725,304</u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the following purpose or time restrictions:

	<u>2018</u>	<u>2017</u>
Purpose:		
Marfuggi parks fund	\$ 11,422	\$ -
Rowing programs	14,733	-
Riverfront capital projects	<u>97,634</u>	<u>96,780</u>
Total Net Assets Released	<u>\$ 123,789</u>	<u>\$ 96,780</u>

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.

As a result of this interpretation, RRI classifies as net assets with donor restrictions (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 as permanent endowment is classified as net assets with donor restrictions 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

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets by type of fund are as follows for the years ended December 31, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2017	\$ 580,944	\$ 280,479	\$ 861,423
Investment return:			
Investment income	18,681	9,165	27,846
Net realized and unrealized gains	67,619	33,127	100,746
Total investment return	<u>86,300</u>	<u>42,292</u>	<u>128,592</u>
Contributions	<u>-</u>	<u>4,323</u>	<u>4,323</u>
Appropriation of endowment assets for expenditure	<u>(28,483)</u>	<u>(13,460)</u>	<u>(41,943)</u>
Other transfers	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Endowment net assets - December 31, 2017	<u>438,761</u>	<u>313,634</u>	<u>752,395</u>
Investment return:			
Investment income	17,875	8,805	26,680
Net realized and unrealized losses	(72,796)	(36,352)	(109,148)
Total investment loss	<u>(54,921)</u>	<u>(27,547)</u>	<u>(82,468)</u>
Contributions	<u>-</u>	<u>5,239</u>	<u>5,239</u>
Appropriation of endowment assets for expenditure	<u>(28,688)</u>	<u>(13,884)</u>	<u>(42,572)</u>
Endowment Net Assets - December 31, 2018	<u>\$ 355,152</u>	<u>\$ 277,442</u>	<u>\$ 632,594</u>

Funds with Deficiencies

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 CTPMIFA requires RRI to retain as a fund of perpetual duration. There were no deficiencies of this nature that were reported in net assets with donor restrictions as of December 31, 2018 and 2017.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Return Objectives and Risk Parameters

RRI has adopted investment and spending policies for endowment assets that 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. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. RRI expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RRI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RRI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

RRI's investment and spending policy over endowment assets attempts 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. Allocations of endowment resources are specified by the Board up to 5% of the average fair value of the preceding twelve quarters. RRI has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 11 - CAPITAL PROJECT

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 Riverwalk South project as well as constructing a temporary walkway. Total expenses incurred as of December 31, 2018 and 2017 were \$21,575 and \$14,018, respectively. In 2018, the State Bond Commission authorized two additional grants, \$1 million for planning and development of riverfront property in north Hartford to be acquired in 2019 and \$1.32 million for a variety of repairs and improvements to Great River Park in East Hartford. Once the funding agreements have been executed, revenue will be recognized as expenses are incurred. Total 2018 expenses for these projects were \$18,459 and \$0-, respectively.

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NOTE 12 - RIVERFRONT RECAPTURE 401(K) PLAN

RRI provides a 401(k) plan covering all eligible 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 year ended December 31, 2017. For the year ended December 31, 2018, RRI instituted an ongoing match of 50% of employee contributions up to a maximum of 3% of salary. Contribution expense recognized by RRI was \$27,075.

NOTE 13 - NEIGHBORHOOD ASSISTANCE FUNDING

RRI received Neighborhood Assistance Act Program funding for the Riverfront Park Lighting - Energy Efficiency Improvement Project. During the years ended December 31, 2018 and 2017, RRI was awarded \$34,158 and \$95,998 project funding and expended \$47,880 and \$48,118, respectively, in accordance with the assistance program.