

Riverfront Recapture, Inc.
Report on Financial Statements
Years Ended December 31, 2010 and 2009

RIVERFRONT RECAPTURE, INC.

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Report of Independent Public Accountants

To the Board of Directors
Riverfront Recapture, Inc.

We have audited the accompanying statements of financial position of Riverfront Recapture, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Riverfront Recapture, Inc.'s management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2011 on our consideration of Riverfront Recapture, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

 J.H. Cohn LLP

Glastonbury, Connecticut
April 22, 2011

RIVERFRONT RECAPTURE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	Operations	Capital Projects and Endowment	Total	
			2010	2009
Cash and cash equivalents	\$ 117,591	\$ 51,179	\$ 168,770	\$ 315,145
Grants receivable	137,222	103,028	240,250	580,316
Pledges receivable, net	336,647	-	336,647	423,548
Due from funds, net	-	8,996	8,996	47,783
Prepaid expenses	33,315	-	33,315	22,636
Accounts receivable	28,989	-	28,989	31,077
Cash and cash equivalents - restricted	-	61,102	61,102	109,386
Investments	842,737	1,178,089	2,020,826	1,835,788
Equipment, net	189,190	-	189,190	245,951
Security deposit	11,046	-	11,046	11,046
Totals	\$ 1,696,737	\$ 1,402,394	\$ 3,099,131	\$ 3,622,676

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable and accrued liabilities	\$ 105,015	\$ 129,724	\$ 234,739	\$ 107,990
Deferred revenue	-	36,302	36,302	545,169
Refundable advances	61,394	-	61,394	70,755
Due to funds, net	8,996	-	8,996	47,783
Total liabilities	175,405	166,026	341,431	771,697
Commitments				
Net assets:				
Unrestricted	738,483	-	738,483	816,523
Unrestricted - board designated	480,000	519,501	999,501	944,998
Temporarily restricted	302,849	516,867	819,716	889,458
Permanently restricted	-	200,000	200,000	200,000
Total net assets	1,521,332	1,236,368	2,757,700	2,850,979
Totals	\$ 1,696,737	\$ 1,402,394	\$ 3,099,131	\$ 3,622,676

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Operations	Capital Projects and Endowment	Total	
			2010	2009
Changes in unrestricted net assets:				
Support and revenue:				
Government grants	\$ 550,961	\$ 508,867	\$ 1,059,828	\$ 919,033
Contributions and grants	470,412	-	470,412	460,930
Special events and sponsorships, net	434,640	-	434,640	409,323
Program fees	467,845	-	467,845	462,005
Concession revenue, net	297,334	-	297,334	265,346
Total support and revenue	2,221,192	508,867	2,730,059	2,516,637
Net assets released from restrictions	70,000	127,472	197,472	307,556
Reallocation of investment income to support current operations and other transfers	41,819	(41,819)	-	-
Total unrestricted support and revenue	2,333,011	594,520	2,927,531	2,824,193
Expenses:				
Program services	2,104,993	590,547	2,695,540	2,429,453
General and administration	140,058	-	140,058	148,107
Fundraising	298,773	-	298,773	312,577
Total expenses	2,543,824	590,547	3,134,371	2,890,137
Income (loss) from operations	(210,813)	3,973	(206,840)	(65,944)
Other income:				
Realized and unrealized gains	78,917	54,573	133,490	104,820
Investment income	31,329	18,484	49,813	17,657
Insurance proceeds	-	-	-	15,177
Total other income	110,246	73,057	183,303	137,654
Increase (decrease) in unrestricted net assets	(100,567)	77,030	(23,537)	71,710
Changes in temporarily restricted net assets:				
Contributions	17,963	10,966	28,929	284,792
Investment income	-	25,841	25,841	23,023
Realized and unrealized gains	-	72,960	72,960	97,471
Net assets released from restrictions	(70,000)	(127,472)	(197,472)	(307,556)
Increase (decrease) in temporarily restricted net assets	(52,037)	(17,705)	(69,742)	97,730
Change in net assets	(152,604)	59,325	(93,279)	169,440
Net assets, beginning of year	1,673,936	1,177,043	2,850,979	2,681,539
Net assets, end of year	\$ 1,521,332	\$ 1,236,368	\$ 2,757,700	\$ 2,850,979

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services					Total	General and Administration	Fundraising	Total
	Riverfront Park Development	Riverfront Rangers	River-related Programs	Total					
Compensation	\$ 176,827	\$ 211,430	\$ 665,231	\$ 1,053,488	\$ 96,113	\$ 194,221	\$ 1,343,822		
Employee benefits	22,646	6,814	44,368	73,828	11,059	21,457	106,344		
Payroll taxes	17,868	21,364	67,219	106,451	9,712	19,625	135,788		
Occupancy	16,689	7,862	33,914	58,465	6,853	16,205	81,523		
Supplies	1,252	945	1,190	3,387	824	2,614	6,825		
Equipment rental and maintenance	3,256	12,528	8,115	23,899	6,863	3,878	34,640		
Telephone	2,277	2,723	6,981	11,981	834	1,973	14,788		
Insurance	4,670	34,064	135,123	173,857	1,722	4,100	179,679		
Postage	1,072	164	4,433	5,669	1,650	12,358	19,677		
Conferences, conventions and meetings	328	504	1,971	2,803	216	510	3,529		
Depreciation	1,161	33,780	79,981	114,922	764	1,807	117,493		
Accounting fees	4,345	2,276	9,820	16,441	1,984	4,692	23,117		
Legal fees	1,345	25	109	1,479	22	52	1,553		
Other professional services	15,520	-	10,000	25,520	-	-	25,520		
Direct fundraising expenses	-	-	-	-	-	11,872	11,872		
Design and construction	564,334	-	-	564,334	-	-	564,334		
Printing and publications	2,190	1,654	77,661	81,505	1,442	3,409	86,356		
Park recreation and education	-	9,273	368,238	377,511	-	-	377,511		
Total expenses	\$ 835,780	\$ 345,406	\$ 1,514,354	\$ 2,695,540	\$ 140,058	\$ 298,773	\$ 3,134,371		

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services				Total	General and Administration	Fundraising	Total
	Riverfront Park Development	Riverfront Rangers	River-related Programs					
Compensation	\$ 171,293	\$ 213,830	\$ 606,638	\$ 991,761	\$ 100,479	\$ 184,936	\$ 1,277,176	
Employee benefits	22,507	2,423	44,107	69,037	10,380	20,793	100,210	
Payroll taxes	17,783	22,199	62,978	102,960	10,431	19,200	132,591	
Occupancy	11,542	7,981	34,801	54,324	8,929	18,271	81,524	
Supplies	1,267	876	3,957	6,100	980	2,006	9,086	
Equipment rental and maintenance	3,246	12,484	11,557	27,287	4,763	5,940	37,990	
Telephone	1,434	2,090	8,101	11,625	1,110	2,271	15,006	
Insurance	3,204	37,763	145,732	186,699	2,452	5,019	194,170	
Postage	1,163	178	10,054	11,395	1,796	7,980	21,171	
Conferences, conventions and meetings	225	201	677	1,103	174	356	1,633	
Depreciation	2,528	29,560	76,544	108,632	1,957	4,002	114,591	
Accounting fees	2,894	2,001	8,727	13,622	2,239	4,581	20,442	
Legal fees	4,151	185	805	5,141	207	423	5,771	
Other professional services	8,871	-	-	8,871	-	3,000	11,871	
Direct fundraising expenses	-	-	-	-	-	29,276	29,276	
Design and construction	366,537	-	-	366,537	-	-	366,537	
Printing and publications	2,857	2,071	116,945	121,873	2,210	4,523	128,606	
Park recreation and education	-	8,122	334,364	342,486	-	-	342,486	
Total expenses	\$ 621,502	\$ 341,964	\$ 1,465,987	\$ 2,429,453	\$ 148,107	\$ 312,577	\$ 2,890,137	

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating activities:		
Change in net assets	\$ (93,279)	\$ 169,440
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments	(186,940)	(181,672)
Realized gain on investments	(19,510)	(20,619)
Depreciation	117,493	114,591
Changes in operating assets and liabilities:		
Grants receivable	340,066	61,511
Pledges receivable	86,901	95,654
Prepaid expenses	(10,679)	53,546
Accounts receivable	2,088	5,813
Accounts payable and accrued liabilities	126,749	(439,307)
Deferred revenue	(508,867)	(367,098)
Refundable advances	(9,361)	3,433
Net cash used in operating activities	<u>(155,339)</u>	<u>(504,708)</u>
Investing activities:		
Purchase of equipment	(60,732)	(93,499)
Purchase of investments	(537,079)	(1,065,013)
Sale of investments	558,491	273,601
Net cash used in investing activities	<u>(39,320)</u>	<u>(884,911)</u>
Net decrease in cash and cash equivalents	(194,659)	(1,389,619)
Cash and cash equivalents, beginning of year	<u>424,531</u>	<u>1,814,150</u>
Cash and cash equivalents, end of year	<u>\$ 229,872</u>	<u>\$ 424,531</u>

See Notes to 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. RRI is developing, managing and programming a network of parks and recreational facilities in an effort to improve the quality of life for people who live and work in Greater Hartford, attract visitors from outside the region and generate private investment to create jobs and revitalize the economy of the region.

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

Note 1 - Business and summary of significant accounting policies (continued):

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, 2010 and 2009. RRI's U.S. Federal information returns prior to calendar year 2007 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 statement 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 \$51,179 and \$11,470, as of December 31, 2010 and 2009, 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 statement 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

Note 1 - Business and summary of significant accounting policies (continued):

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.

Fundraising:

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.

Allowances:

Management believes that all receivables at December 31, 2010 will be collected. RRI did not incur any bad debt expense for the years ended December 31, 2010 and 2009.

Advertising:

Advertising costs are expensed as incurred.

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. 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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Business and summary of significant accounting policies (concluded):

Equipment (concluded):

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 statement of functional expenses. Accordingly, certain costs, have been allocated among the programs and supporting services benefited.

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.

Subsequent events:

RRI has evaluated events and transactions for potential recognition or disclosure through April 22, 2011, which is the date the financial statements were available to be issued.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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 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 37% and 30% of its total revenue from Federal, state and city grants or contracts for the years ended December 31, 2010 and 2009, respectively. A summary of RRI's agreements with governmental organizations is as follows:

Activity	Funding Source	Amounts	
		2010	2009
Riverfront rangers	Metropolitan District Commission*	\$ 287,757	\$ 292,990
River-related programs	City of Hartford*	214,400	207,514
River-related programs	City of East Hartford*	40,000	50,000
River-related programs	Miscellaneous	680	1,430
River-related programs	CT Commission on Culture and Tourism	8,125	-
Capital projects:			
Riverwalk North	Department of Economic and Community Development ("DECD")	-	304,491
Riverwalk South	DECD	434,430	56,749
Riverwalk Columbus Boulevard Bridge	DECD	74,436	5,859
		<u>\$1,059,828</u>	<u>\$ 919,033</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

Note 3 - Investments and fair value measurement:

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.

The asset'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 the observable inputs and minimize the use of the unobservable outputs.

Financial assets carried at fair value at December 31, 2010 and 2009 are classified as Level 1 in both years. The amounts were \$2,020,826 and \$1,835,788 at December 31, 2010 and 2009, respectively.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodology used at December 31, 2010 and 2009.

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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments and fair value measurement (concluded):

The following summarizes the relationship between the cost and market values as of December 31, 2010 and 2009:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
2010:			
Equities:			
International	\$ 378,249	\$ 466,687	\$ 88,438
Value	269,103	369,514	100,411
Blended	211,584	194,926	(16,658)
Emerging markets	120,513	150,483	29,970
Real estate	68,570	89,846	21,276
Total equities	<u>1,048,019</u>	<u>1,271,456</u>	<u>223,437</u>
Fixed income:			
Short term	264,643	266,514	1,871
Intermediate return	191,182	197,196	6,014
High yield	106,415	117,054	10,639
Emerging markets	65,040	69,573	4,533
Long term	43,040	49,555	6,515
Foreign	50,075	49,478	(597)
Total fixed income	<u>720,395</u>	<u>749,370</u>	<u>28,975</u>
Totals	<u>\$ 1,768,414</u>	<u>\$ 2,020,826</u>	<u>252,412</u>
2009:			
Equity funds	\$ 689,320	\$ 736,362	47,042
Fixed income funds	1,080,996	1,099,426	18,430
Totals	<u>\$1,770,316</u>	<u>\$ 1,835,788</u>	<u>65,472</u>
Net unrealized gain			<u>\$ 186,940</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	<u>\$ 75,654</u>	<u>\$ 40,680</u>

Amounts are reported in the statements of activities as follows:

	<u>2010</u>	<u>2009</u>
Unrestricted investment income	<u>\$ 49,813</u>	<u>\$ 17,657</u>
Temporarily restricted investment income	<u>25,841</u>	<u>23,023</u>
Totals	<u>\$ 75,654</u>	<u>\$ 40,680</u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Pledges receivable:

Pledges receivable are comprised of the following:

	2010	2009
Pledges receivable	\$ 368,298	\$ 473,162
Pledge discount (time)	(31,651)	(49,614)
	\$ 336,647	\$ 423,548
Pledges receivable consist of:		
Receivable in:		
Less than one year	\$ 103,798	\$ 138,662
One to five years	264,500	280,000
Greater than five years	-	54,500
	368,298	473,162
Less pledge discount (time)	(31,651)	(49,614)
	\$ 336,647	\$ 423,548
Current	\$ 103,798	\$ 138,662
Long-term	232,849	284,886
	\$ 336,647	\$ 423,548

Pledges receivable for more than one year are discounted at 5.5%.

Note 5 - Equipment:

Equipment at December 31, 2010 and 2009 is comprised of the following:

	2010	2009
Equipment, fixtures and vehicles	\$ 885,384	\$ 824,652
Less accumulated depreciation	(696,194)	(578,701)
	\$ 189,190	\$ 245,951

Note 6 - Lease obligations:

RRI leases office space under a noncancelable operating lease that expires in July 2011. Monthly rent expense is \$6,794 and RRI is responsible for certain utilities and insurance costs. Rent expense was \$81,523 and \$81,524 for the years ended December 31, 2010 and 2009, respectively. RRI leases office equipment under a noncancelable operating lease that expires in September 2013. Monthly rent expense is \$684. Equipment lease expense for both of the years ending December 31, 2010 and 2009 was \$8,208.

Future minimum rental payments required under these operating leases in the years subsequent to December 31, 2010 are as follows:

Year Ending December 31,	Amount
2011	\$ 55,763
2012	8,208
2013	6,156
	\$ 70,127

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 - Donated assets and services/advertising:

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

Advertising expense was \$84,466 and \$123,966 for the years ended December 31, 2010 and 2009, respectively. Promotional advertising in the amount of \$45,000 was donated to RRI for the year ended December 31, 2009. These donations were included in revenue under contributions and grants and in expense under printing and publications. There were no donations of promotional advertising for the year ended December 31, 2010.

For the year ended December 31, 2010, RRI received donated investment management services in the amount of \$8,000. This donation was included in revenue under contributions and grants and in expense under other professional services. For the year ended December 31, 2010, RRI received donated consulting services in the amount of \$2,000. This donation was included in revenue under contributions and grants and in expense under other professional services. There were no donations of management or consulting services for the year ended December 31, 2009.

For the year ended December 31, 2009, RRI received donated legal services in the amount of \$2,350. These donations were included in revenue under contributions and grants and in expense under legal fees. There were no donated legal services for the year ended December 31, 2010.

Note 8 - Pension plan:

Effective January 1, 2010, RRI provided 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, 2010, RRI did not match or provide a nonelective contribution.

RRI maintained a Money Purchase Pension Plan for all eligible employees. An employee was eligible for participation by completing 1,000 hours of service and attaining the age of 21. RRI discontinued the employer matching contributions as of February 28, 2009. The pension contribution for 2009 was \$4,788 and was included in employee benefits in the statement of functional expenses.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - 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, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 509,769	\$ 200,000	\$ 709,769
Board designated endowment funds	999,501	-	-	999,501
Total funds	\$ 999,501	\$ 509,769	\$ 200,000	\$ 1,709,270

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment (continued):

Changes in Endowment net assets for the year ended December 31, 2010 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 944,998	\$ 444,262	\$ 200,000	\$ 1,589,260
Investment income	18,484	25,841	-	44,325
Net realized and unrealized appreciation	54,573	72,960	-	127,533
Amounts appropriated for expenditure	(18,554)	(33,294)	-	(51,848)
Endowment net assets, end of year	<u>\$ 999,501</u>	<u>\$ 509,769</u>	<u>\$ 200,000</u>	<u>\$ 1,709,270</u>

Endowment net asset composition by type of fund as of December 31, 2009 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 444,262	\$ 200,000	\$ 644,262
Board designated endowment funds	944,998	-	-	944,998
Total funds	<u>\$ 944,998</u>	<u>\$ 444,262</u>	<u>\$ 200,000</u>	<u>\$ 1,589,260</u>

Changes in Endowment net assets for the year ended December 31, 2009 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 848,006	\$ 359,932	\$ 200,000	\$ 1,407,938
Investment income	15,664	23,023	-	38,687
Net realized and unrealized depreciation	95,434	97,471	-	192,905
Amounts appropriated for expenditure	(14,106)	(36,164)	-	(50,270)
Endowment net assets, end of year	<u>\$ 944,998</u>	<u>\$ 444,262</u>	<u>\$ 200,000</u>	<u>\$ 1,589,260</u>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2010 and 2009 are as follows:

	2010	2009
General purposes	\$ 100,000	\$ 100,000
Summer music concerts	100,000	100,000
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment (concluded):

Donor-restricted endowment funds classified as temporarily restricted net assets as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Inner-city youth programs	\$ 470,847	\$ 427,390
General purposes	20,741	9,598
Summer music concerts	18,181	7,274
	<u>\$ 509,769</u>	<u>\$ 444,262</u>

Spending policy amounts approved and transferred as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Unrestricted endowment funds	\$ 18,554	\$ 14,106
Purpose restricted endowment funds	33,294	36,164
Totals	<u>\$ 51,848</u>	<u>\$ 50,270</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, 2010 and 2009.

Note 10 - Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2010 and 2009 are comprised of the following:

	<u>2010</u>	<u>2009</u>
Time restricted	\$ 302,849	\$ 354,886
Riverfront signage system project	7,098	90,310
Endowment funds - see Note 9	509,769	444,262
	<u>\$ 819,716</u>	<u>\$ 889,458</u>

Note 11 - Capital project:

RRI is currently undertaking 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.

As of December 31, 2010, RRI has expended \$713,698 of funds it administers on the project listed above. The remaining costs of \$36,302 will be funded by grants from the Department of Economic and Community Development ("DECD").

The terms of the DECD grants require the maintenance of separate cash accounts which were \$61,102 and \$109,386 as of December 31, 2010 and 2009, respectively.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12 - Special events, sponsorships and concession revenue:

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

	<u>2010</u>	<u>2009</u>
Special events	\$ 211,227	\$ 162,815
Less event expenses	<u>(63,837)</u>	<u>(52,992)</u>
	147,390	109,823
Sponsorships	<u>287,250</u>	<u>299,500</u>
	<u>\$ 434,640</u>	<u>\$ 409,323</u>
Concession revenue	\$ 659,403	\$ 624,820
Less directly related expenses	<u>(362,069)</u>	<u>(359,474)</u>
	<u>\$ 297,334</u>	<u>\$ 265,346</u>