

Riverfront Recapture, Inc.
Report on Financial Statements
Years Ended December 31, 2008 and 2007

RIVERFRONT RECAPTURE, INC.

Index

	<u>Page</u>
Report of Independent Public Accountants	2
Statements of Financial Position December 31, 2008 and 2007	3
Statements of Activities Years Ended December 31, 2008 and 2007	4
Statement of Functional Expenses Year Ended December 31, 2008	5
Statement of Functional Expenses Year Ended December 31, 2007	6
Statements of Cash Flows Years Ended December 31, 2008 and 2007	7
Notes to Financial Statements	8-18

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, 2008 and 2007, 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, 2008 and 2007, 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, 2009 on our consideration of Riverfront Recapture, Inc.'s internal control over financial reporting and 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 important for assessing the results of our audit.

 J.H. Cohn LLP

Glastonbury, Connecticut
April 22, 2009

RIVERFRONT RECAPTURE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	Operations	Capital Projects and Endowment	Total	
			2008	2007
Cash and cash equivalents	\$ 819,644	\$ 85,853	\$ 905,497	\$ 569,390
Grants receivable	206,044	435,783	641,827	1,143,695
Pledges receivable, net	519,202	-	519,202	1,081,824
Due from funds, net	22,527	-	22,527	14,067
Prepaid expenses	76,182	-	76,182	79,196
Accounts receivable	36,890	-	36,890	68,832
Cash and cash equivalents - temporarily restricted	-	908,653	908,653	1,109,666
Investments	-	842,085	842,085	1,281,842
Equipment, net	267,043	-	267,043	156,566
Security deposit	11,046	-	11,046	16,046
Totals	\$ 1,958,578	\$ 2,272,374	\$ 4,230,952	\$ 5,521,124

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable and accrued liabilities	\$ 115,127	\$ 432,170	\$ 547,297	\$ 485,773
Deferred revenue	-	912,267	912,267	1,600,659
Refundable advances	67,322	-	67,322	81,803
Due to funds, net	-	22,527	22,527	14,067
Total liabilities	182,449	1,366,964	1,549,413	2,182,302
Commitments				
Net assets:				
Unrestricted	864,333	(39,855)	824,478	1,039,995
Unrestricted - board designated	480,000	385,333	865,333	1,028,163
Temporarily restricted	431,796	359,932	791,728	1,070,664
Permanently restricted	-	200,000	200,000	200,000
Total net assets	1,776,129	905,410	2,681,539	3,338,822
Totals	\$ 1,958,578	\$ 2,272,374	\$ 4,230,952	\$ 5,521,124

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2008 AND 2007

	Operations	Capital Projects and Endowment	Total	
			2008	2007
Changes in unrestricted net assets:				
Support and revenue:				
Government grants	\$ 549,973	\$ 688,392	\$ 1,238,365	\$ 1,202,187
Contributions and grants	497,929	210	498,139	1,685,990
Special events and sponsorships, net	534,818	-	534,818	573,761
Program fees	424,260	-	424,260	333,503
Concession revenue, net	327,575	-	327,575	344,838
Total support and revenue	2,334,555	688,602	3,023,157	4,140,279
Net assets released from restrictions	247,564	34,190	281,754	417,309
Reallocation of investment income to support current operations and other transfers	129,964	(129,964)	-	-
Total unrestricted support and revenue	2,712,083	592,828	3,304,911	4,557,588
Expenses:				
Program services	2,165,486	688,393	2,853,879	3,039,012
General and administration	167,380	-	167,380	170,669
Fundraising	370,189	-	370,189	354,212
Total expenses	2,703,055	688,393	3,391,448	3,563,893
Net income (loss) from operations	9,028	(95,565)	(86,537)	993,695
Other income (expense):				
Realized and unrealized losses	-	(321,193)	(321,193)	(30,037)
Investment income	13,672	15,711	29,383	35,686
Bad debt expense	-	-	-	(12,500)
Total other income (expense)	13,672	(305,482)	(291,810)	(6,851)
Increase (decrease) in unrestricted net assets	22,700	(401,047)	(378,347)	986,844
Changes in temporarily restricted net assets:				
Contributions	28,734	-	28,734	523,637
Investment income	-	21,853	21,853	18,447
Realized and unrealized gains (losses)	-	(47,769)	(47,769)	497
Net assets released from restrictions	(247,564)	(34,190)	(281,754)	(417,309)
Increase (decrease) in temporarily restricted net assets	(218,830)	(60,106)	(278,936)	125,272
Change in net assets	(196,130)	(461,153)	(657,283)	1,112,116
Net assets, beginning of year	1,972,259	1,366,563	3,338,822	2,226,706
Net assets, end of year	\$ 1,776,129	\$ 905,410	\$ 2,681,539	\$ 3,338,822

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

	<u>Program Services</u>			<u>Total</u>	<u>General and Administration</u>	<u>Total Fundraising</u>	<u>Total</u>
	<u>Riverfront Park Development</u>	<u>Riverfront Rangers</u>	<u>River-related Programs</u>				
Compensation-officers and key personnel	\$ 69,676	\$ 15,698	\$ 40,453	\$ 125,827	\$ 58,324	\$ 40,453	\$ 224,604
Compensation-other staff	111,232	168,298	635,494	915,024	53,343	188,275	1,156,642
Pension expense	6,402	934	19,594	26,930	4,729	6,142	37,801
Employee benefits	19,790	2,197	47,730	69,717	9,525	16,907	96,149
Payroll taxes	17,095	17,387	63,873	98,355	10,552	21,614	130,521
Occupancy	10,461	7,063	35,025	52,549	8,759	20,215	81,523
Supplies	1,494	1,009	5,165	7,668	1,256	2,887	11,811
Equipment rental and maintenance	2,465	14,686	9,178	26,329	5,247	4,763	36,339
Telephone	1,165	2,840	8,979	12,984	976	2,252	16,212
Insurance	4,777	29,643	178,080	212,500	4,000	9,231	225,731
Postage	1,901	289	7,404	9,594	2,888	10,109	22,591
Conferences, conventions and meetings	686	502	3,180	4,368	574	1,326	6,268
Depreciation	2,529	21,887	57,262	81,678	2,118	4,887	88,683
Accounting fees	2,950	1,991	9,874	14,815	2,469	5,699	22,983
Legal fees	4,310	-	-	4,310	-	-	4,310
Other professional services	-	-	-	-	-	12,000	12,000
Direct fundraising expenses	-	-	-	-	-	17,383	17,383
Design and construction	684,823	-	-	684,823	-	-	684,823
Printing and publications	3,128	2,320	76,401	81,849	2,620	6,046	90,515
Park recreation and education	-	11,348	413,211	424,559	-	-	424,559
Total expenses	\$ 944,884	\$ 298,092	\$ 1,610,903	\$ 2,853,879	\$ 167,380	\$ 370,189	\$ 3,391,448

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007**

	<u>Program Services</u>			<u>Total</u>	<u>General and Administration</u>	<u>Total Fundraising</u>	<u>Total</u>
	<u>Riverfront Park Development</u>	<u>Riverfront Rangers</u>	<u>River-related Programs</u>				
Compensation-officers and key personnel	\$ 71,184	\$ 16,281	\$ 41,356	\$ 128,821	\$ 60,372	\$ 41,356	\$ 230,549
Compensation-other staff	117,172	192,369	637,918	947,459	54,965	169,007	1,171,431
Pension expense	5,858	915	15,736	22,509	4,245	4,688	31,442
Employee benefits	18,178	1,984	34,308	54,470	8,888	12,292	75,650
Payroll taxes	16,862	18,679	60,811	96,352	10,325	18,833	125,510
Occupancy	10,764	7,273	37,153	55,190	8,935	17,398	81,523
Supplies	1,582	1,069	5,569	8,220	1,314	2,556	12,090
Equipment rental and maintenance	3,025	5,501	12,978	21,504	4,692	4,889	31,085
Telephone	1,406	3,754	9,876	15,036	1,167	2,272	18,475
Insurance	6,998	45,169	175,471	227,638	5,809	11,311	244,758
Postage	1,502	230	9,310	11,042	3,075	7,590	21,707
Conferences, conventions and meetings	707	430	3,384	4,521	529	1,030	6,080
Depreciation	2,049	12,886	47,430	62,365	1,701	3,312	67,378
Accounting fees	5,409	2,433	6,590	14,432	1,585	3,086	19,103
Legal fees	10,920	-	-	10,920	-	-	10,920
Other professional services	-	340	8,000	8,340	-	-	8,340
Direct fundraising expenses	-	-	-	-	-	30,633	30,633
Design and construction	665,127	-	-	665,127	-	-	665,127
Printing and publications	9,580	2,496	212,077	224,153	3,067	23,959	251,179
Park recreation and education	-	8,609	452,304	460,913	-	-	460,913
Total expenses	\$ 948,323	\$ 320,418	\$ 1,770,271	\$ 3,039,012	\$ 170,669	\$ 354,212	\$ 3,563,893

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating activities:		
Change in net assets	\$ (657,283)	\$ 1,112,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	308,354	48,935
Realized loss (gain) on investments	60,608	(19,395)
Depreciation	88,683	67,378
Bad debt expense	-	12,500
Changes in operating assets and liabilities:		
Grants receivable	501,868	899,154
Pledges receivable	562,622	(543,974)
Prepaid expenses	3,014	98,916
Accounts receivable	31,942	(25,054)
Security deposit	5,000	(10,000)
Accounts payable and accrued liabilities	61,524	(132,771)
Deferred revenue	(688,392)	(642,830)
Refundable advances	(14,481)	15,785
Net cash provided by operating activities	<u>263,459</u>	<u>880,760</u>
Investing activities:		
Purchase of equipment	(199,160)	(146,997)
Purchase of investments	(346,051)	(421,237)
Sale of investments	416,846	29,708
Net cash used in investing activities	<u>(128,365)</u>	<u>(538,526)</u>
Net increase in cash and cash equivalents	135,094	342,234
Cash and cash equivalents, beginning of year	<u>1,679,056</u>	<u>1,336,822</u>
Cash and cash equivalents, end of year	<u>\$ 1,814,150</u>	<u>\$ 1,679,056</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 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.

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.

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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Cash and cash equivalents:

For purposes of the statement of cash flows, RRI considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. As of December 31, 2008 and 2007, \$808,449 and \$22,868, respectively, were cash equivalents.

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 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.

Investments:

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

Sponsorships:

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

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 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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Allowances:

Management believes that all receivables at December 31, 2008 will be collected. Bad debt expense for the years ended December 31, 2008 and 2007 was \$0 and \$12,500, 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. 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. 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 income for the period.

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

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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

New accounting pronouncements:

Fair value measurements:

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157 "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In early 2008, the FASB issued Staff Position ("FSP") FAS-157-2, "Effective Date of FASB Statement No. 157", which delays by one year, the effective date of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities. RRI has adopted the portion of SFAS 157 that has not been delayed as of the beginning of its 2008 calendar year and plans to adopt the balance of its provisions as of the beginning of its 2009 calendar year.

Accounting for uncertainty in income taxes:

In June 2006, FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - An Interpretation of SFAS No. 109," was issued. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FSP FIN 48-3 deferred adoption for most nonpublic enterprises to annual periods beginning after December 15, 2008. Many not-for-profit entities have not previously applied the provisions of SFAS No. 109 and during the deferral period the FASB plans to issue guidance on how to apply the provisions of FIN 48 to these entities. RRI, pursuant to the FSP, has elected to defer its application until its required effective date of January 1, 2009. Management does not expect the adoption of FIN 48 to have a material effect on the financial condition or the results of operations of RRI.

Endowment fund accounting:

In August 2008, FASB issued FSP FAS 117-1 "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" which provides guidance on the net asset classification of donor-restricted endowment funds for applicable entities and improves disclosures about RRI's endowment funds. The provisions of this FSP are effective for fiscal years ending after December 15, 2008.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Reclassification:

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

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 45% and 35% of its total revenue from Federal, state and city grants or contracts for the years ended December 31, 2008 and 2007, respectively. A summary of RRI's agreements with governmental organizations is as follows:

Activity	Funding Source	Amounts	
		2008	2007
Riverfront rangers	Metropolitan District Commission*	\$ 274,832	\$ 300,156
River-related programs	City of Hartford*	209,140	208,452
River-related programs	City of East Hartford*	50,000	50,000
River-related programs	Miscellaneous	1,000	750
River-related programs	CT Commission on Culture & Tourism	15,000	-
Capital projects:			
Riverwalk North	Department of Economic and Community Development ("DECD")	453,978	592,039
Riverwalk South	DECD	234,415	50,568
Riverwalk Columbus Boulevard Bridge	DECD	-	222
		<u>\$1,238,365</u>	<u>\$1,202,187</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:

The following summarizes the relationship between the cost and market values as of December 31, 2008 and 2007:

	Cost	Market	Unrealized Gain (Loss)
2008:			
Equity funds	\$ 610,522	\$ 500,502	\$ (110,020)
Bond funds	347,763	341,583	(6,180)
Totals	\$ 958,285	\$ 842,085	(116,200)
2007:			
Equity funds	\$ 713,984	\$ 904,001	190,017
Bond funds	375,704	377,841	2,137
Totals	\$ 1,089,688	\$ 1,281,842	192,154
Net unrealized loss			\$ (308,354)

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

	2008	2007
Interest and dividend income	\$ 51,236	\$ 54,133

Amounts are reported in the statements of activities as follows:

	2008	2007
Unrestricted investment income	\$ 29,383	\$ 35,686
Temporarily restricted investment income	21,853	18,447
Totals	\$ 51,236	\$ 54,133

Note 4 - Pledges receivable:

Pledges receivable are comprised of the following:

	2008	2007
Pledges receivable	\$ 597,638	\$ 1,189,194
Pledge discount (time)	(78,636)	(107,370)
	\$ 519,202	\$ 1,081,824

Pledges receivable consist of:

Receivable in:		
Less than one year	\$ 158,338	\$ 654,694
One to five years	280,000	280,000
Greater than five years	159,500	254,500
	597,838	1,189,194
Less pledge discount (time)	(78,636)	(107,370)
	\$ 519,202	\$ 1,081,824
Current	\$ 158,338	\$ 654,694
Long-term	360,864	427,130
	\$ 519,202	\$ 1,081,824

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

RIVERFRONT RECAPTURE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Equipment:

Equipment at December 31, 2008 and 2007 is comprised of the following:

	2008	2007
Equipment and vehicles	\$ 765,154	\$ 600,828
Less accumulated depreciation	(498,111)	(444,262)
	\$ 267,043	\$ 156,566

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 for each of the years ended December 31, 2008 and 2007. RRI leases office equipment under a noncancelable operating lease that expires in June 2013. In July 2008, rent expense increased from \$220 to \$684. Equipment lease expense for the years ending December 31, 2008 and 2007 was \$5,424 and \$2,640, respectively.

Future minimum rental payments required under these operating leases are as follows:

Year Ending December 31,	Amount
2009	\$ 89,731
2010	89,731
2011	55,763
2012	8,208
2013	4,104
	\$ 247,537

Note 7 - Donated assets and services/advertising:

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

Advertising costs are expensed as incurred. Advertising expense was \$87,285 and \$248,897 for the years ended December 31, 2008 and 2007, respectively. Promotional advertising in the amount of \$97,060 was donated to RRI for the year ended December 31, 2007. These donations were included in revenue under contributions and grants and in expense under printing and publications.

Note 8 - Pension plan:

RRI has a Money Purchase Pension Plan for all eligible employees. An employee is eligible for participation by completing 1,000 hours of service and attaining the age of 21. RRI matches 50% of contributions up to 8% of eligible employees' salaries. Contributions are subject to a five year vesting schedule. The pension contributions for 2008 and 2007 were \$31,577 and \$29,567, respectively and are included in pension expense in the statement of functional expenses.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment:

As stated in Note 1, RRI has adopted the guidance in FSP FAS 117-1 to classify its net assets of donor restricted endowment funds. 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 applicable laws and regulations.

Endowment net asset composition by type of fund as of December 31, 2007 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 420,038	\$ 200,000	\$ 620,038
Board-Designated Endowment Funds	1,028,163	-	-	1,028,163
Total funds	<u>\$ 1,028,163</u>	<u>\$ 420,038</u>	<u>\$ 200,000</u>	<u>\$ 1,648,201</u>

Changes in Endowment net assets for the year ended December 31, 2008 is as follows:

Endowment net assets, beginning of year	\$ 1,028,163	\$ 387,867	\$ 200,000	\$ 1,616,030
Net asset reclassification based on change in law	-	32,171	-	32,171
Endowment net assets after reclassification	1,028,163	420,038	200,000	1,648,201
Investment income	14,868	21,853	-	36,721
Net realized and unrealized depreciation	(164,007)	(47,769)	-	(211,776)
Contributions	210	-	-	210
Adjustments to pledges receivable	(20,000)	-	-	(20,000)
Amounts appropriated for expenditure	(11,228)	(34,190)	-	(45,418)
Endowment net assets, end of year	<u>\$ 848,006</u>	<u>\$ 359,932</u>	<u>\$ 200,000</u>	<u>\$ 1,407,938</u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment (concluded):

Endowment net asset composition by type of fund as of December 31, 2008 is as follows:

Endowment net asset composition by type of fund as of December 31, 2008 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (17,327)	\$ 359,932	\$ 200,000	\$ 542,605
Board-Designated Endowment Funds	865,333	-	-	865,333

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2008 and 2007 are as follows:

	2008	2007
General purposes	\$ 100,000	\$ 100,000
Summer music concerts	100,000	100,000
	\$ 200,000	\$ 200,000

Donor-restricted endowment funds classified as temporarily restricted net assets as of December 31, 2008 and 2007 are as follows:

	2008	2007
Inner-city youth programs	\$ 359,932	\$ 387,867
Portion of permanently restricted endowment funds subject to time restriction without purpose restriction	-	32,171
Totals	\$ 359,932	\$ 420,038

Spending policy amounts approved and transferred as of December 31, 2008 and 2007 are as follows:

	2008	2007
Unrestricted endowment funds	\$ 11,228	\$ 15,142
Purpose restricted endowment funds	34,190	25,515
Totals	\$ 45,418	\$ 40,657

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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$17,327 as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations that occurred during the year. There were no such deficiencies as of December 31, 2007.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10 - Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2008 and 2007 are comprised of the following:

	2008	2007
Time restricted	\$ 431,796	\$ 650,626
Endowment funds - see Note 9	359,932	420,038
	\$ 791,728	\$ 1,070,664

Note 11 - Capital projects:

RRI is currently undertaking the following capital projects:

	Estimated Total Project Costs	Funds Administered by RRI	Funds Administered by the City of Hartford
Riverwalk North and Embayment	\$6,799,000	\$3,900,000	\$2,899,000
Riverwalk South *	750,000	750,000	-
	\$7,549,000	\$4,650,000	\$2,899,000

As of December 31, 2008, RRI has expended \$3,841,593 of funds it administers on the projects listed above. The remaining costs of \$808,407 will be funded by grants from the Department of Economic and Community Development.

* Only includes preliminary design costs. The funding for the construction is currently being coordinated. This amount includes \$750,000 authorized by the Bond Commission on March 24, 2005.

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:

	2008	2007
Special events	\$286,466	\$346,510
Less event expenses	(80,498)	(109,549)
	205,968	236,961
Sponsorships	328,850	336,800
	\$534,818	\$573,761
Concession revenue	\$889,657	\$974,047
Less directly related expenses	(562,082)	(629,209)
	\$327,575	\$344,838

RIVERFRONT RECAPTURE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13 - Fair value measurements:

As stated in Note 1, on January 1, 2008, the Organization adopted the methods of fair value as described in SFAS 157 to value its financial assets and liabilities. As defined in SFAS 157, fair value is 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, SFAS 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs 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, the Organization 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, 2008 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3
Securities	\$842,085	\$ -	\$ -

Securities 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.