

Riverfront Recapture, Inc.
Report on Financial Statements
Years Ended December 31, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008, 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 12, 2010 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 12, 2010

RIVERFRONT RECAPTURE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	<u>Operations</u>	<u>Capital Projects and Endowment</u>	<u>Total</u>	
			<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 303,675	\$ 11,470	\$ 315,145	\$ 905,497
Grants receivable	144,532	435,784	580,316	641,827
Pledges receivable, net	403,548	20,000	423,548	519,202
Due from funds, net	-	47,783	47,783	22,527
Prepaid expenses	22,636	-	22,636	76,182
Accounts receivable	31,077	-	31,077	36,890
Cash and cash equivalents - restricted	-	109,386	109,386	908,653
Investments	737,999	1,097,789	1,835,788	842,085
Equipment, net	245,951	-	245,951	267,043
Security deposit	11,046	-	11,046	11,046
Totals	<u>\$ 1,900,464</u>	<u>\$ 1,722,212</u>	<u>\$ 3,622,676</u>	<u>\$ 4,230,952</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable and accrued liabilities	\$ 107,990	\$ -	\$ 107,990	\$ 547,297
Deferred revenue	-	545,169	545,169	912,267
Refundable advances	70,755	-	70,755	67,322
Due to funds, net	47,783	-	47,783	22,527
Total liabilities	<u>226,528</u>	<u>545,169</u>	<u>771,697</u>	<u>1,549,413</u>
Commitments				
Net assets:				
Unrestricted	839,050	(22,527)	816,523	824,478
Unrestricted - board designated	480,000	464,998	944,998	865,333
Temporarily restricted	354,886	534,572	889,458	791,728
Permanently restricted	-	200,000	200,000	200,000
Total net assets	<u>1,673,936</u>	<u>1,177,043</u>	<u>2,850,979</u>	<u>2,681,539</u>
Totals	<u>\$ 1,900,464</u>	<u>\$ 1,722,212</u>	<u>\$ 3,622,676</u>	<u>\$ 4,230,952</u>

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2009 AND 2008

	Operations	Capital Projects and Endowment	Total	
			2009	2008
Changes in unrestricted net assets:				
Support and revenue:				
Government grants	\$ 551,934	\$ 367,099	\$ 919,033	\$ 1,238,365
Contributions and grants	460,930	-	460,930	498,139
Special events and sponsorships, net	409,323	-	409,323	534,818
Program fees	462,005	-	462,005	424,260
Concession revenue, net	265,346	-	265,346	327,575
Total support and revenue	2,149,538	367,099	2,516,637	3,023,157
Net assets released from restrictions	261,702	45,854	307,556	281,754
Reallocation of investment income to support current operations and other transfers	50,270	(50,270)	-	-
Total unrestricted support and revenue	2,461,510	362,683	2,824,193	3,304,911
Expenses:				
Program services	2,052,664	376,789	2,429,453	2,853,879
General and administration	148,107	-	148,107	167,380
Fundraising	312,577	-	312,577	370,189
Total expenses	2,513,348	376,789	2,890,137	3,391,448
Loss from operations	(51,838)	(14,106)	(65,944)	(86,537)
Other income (expense):				
Realized and unrealized gains (losses)	4,938	99,882	104,820	(321,193)
Investment income	6,440	11,217	17,657	29,383
Insurance proceeds	15,177	-	15,177	-
Total other income (expense)	26,555	111,099	137,654	(291,810)
Increase (decrease) in unrestricted net assets	(25,283)	96,993	71,710	(378,347)
Changes in temporarily restricted net assets:				
Contributions	184,792	100,000	284,792	28,734
Investment income	-	23,023	23,023	21,853
Realized and unrealized gains (losses)	-	97,471	97,471	(47,769)
Net assets released from restrictions	(261,702)	(45,854)	(307,556)	(281,754)
Increase (decrease) in temporarily restricted net assets	(76,910)	174,640	97,730	(278,936)
Change in net assets	(102,193)	271,633	169,440	(657,283)
Net assets, beginning of year	1,776,129	905,410	2,681,539	3,338,822
Net assets, end of year	\$ 1,673,936	\$ 1,177,043	\$ 2,850,979	\$ 2,681,539

See Notes to Financial Statements.

RIVERFRONT RECAPTURE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>			<u>Total</u>			<u>Total</u>
	<u>Riverfront Park Development</u>	<u>Riverfront Rangers</u>	<u>River-related Programs</u>		<u>General and Administration</u>	<u>Fundraising</u>	
Compensation	\$ 171,293	\$ 213,830	\$ 606,638	\$ 991,761	\$ 100,479	\$ 184,936	\$ 1,277,176
Pension expense	1,679	243	4,896	6,818	1,218	1,948	9,984
Employee benefits	20,828	2,180	39,211	62,219	9,162	18,845	90,226
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.

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

	<u>Program Services</u>			<u>Total</u>	<u>General and</u>		<u>Total</u>
	<u>Riverfront Park Development</u>	<u>Riverfront Rangers</u>	<u>River-related Programs</u>		<u>Administration</u>	<u>Fundraising</u>	
Compensation	\$ 180,908	\$ 183,996	\$ 675,947	\$ 1,040,851	\$ 111,667	\$ 228,728	\$ 1,381,246
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating activities:		
Change in net assets	\$ 169,440	\$ (657,283)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(181,672)	308,354
Realized (gain) loss on investments	(20,619)	60,608
Depreciation	114,591	88,683
Changes in operating assets and liabilities:		
Grants receivable	61,511	501,868
Pledges receivable	95,654	562,622
Prepaid expenses	53,546	3,014
Accounts receivable	5,813	31,942
Security deposit	-	5,000
Accounts payable and accrued liabilities	(439,307)	61,524
Deferred revenue	(367,098)	(688,392)
Refundable advances	3,433	(14,481)
Net cash provided by (used in) operating activities	<u>(504,708)</u>	<u>263,459</u>
Investing activities:		
Purchase of equipment	(93,499)	(199,160)
Purchase of investments	(1,065,013)	(346,051)
Sale of investments	273,601	416,846
Net cash used in investing activities	<u>(884,911)</u>	<u>(128,365)</u>
Net increase (decrease) in cash and cash equivalents	(1,389,619)	135,094
Cash and cash equivalents, beginning of year	<u>1,814,150</u>	<u>1,679,056</u>
Cash and cash equivalents, end of year	<u>\$ 424,531</u>	<u>\$ 1,814,150</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 adopted the new accounting for uncertainty in income taxes guidance on January 1, 2009. The guidance requires financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return along with any related interest and penalties. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and RRI has no unrecognized tax benefits at December 31, 2009. RRI's U.S. Federal information returns prior to calendar year 2006 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. As of December 31, 2009 and 2008, \$11,470 and \$808,449, 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.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Pledges, contributions and grants (concluded):

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.

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:

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.

Allowances:

Management believes that all receivables at December 31, 2009 will be collected. RRI did not incur any bad debt expense for the years ended December 31, 2009 and 2008.

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.

Advertising:

Advertising costs are expensed as incurred.

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 12, 2010, 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 30% and 45% of its total revenue from Federal, state and city grants or contracts for the years ended December 31, 2009 and 2008, respectively. A summary of RRI's agreements with governmental organizations is as follows:

Activity	Funding Source	Amounts	
		2009	2008
Riverfront rangers	Metropolitan District Commission*	\$ 292,990	\$ 274,832
River-related programs	City of Hartford*	207,514	209,140
River-related programs	City of East Hartford*	50,000	50,000
River-related programs	Miscellaneous	1,430	1,000
River-related programs	CT Commission on Culture and Tourism	-	15,000
Capital projects:			
Riverwalk North	Department of Economic and Community Development ("DECD")	304,491	453,978
Riverwalk South	DECD	56,749	234,415
Riverwalk Columbus Boulevard Bridge	DECD	5,859	-
		\$ 919,033	\$1,238,365

* 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, 2009 and 2008:

	Cost	Market	Unrealized Gain (Loss)
2009:			
Equity funds	\$ 689,320	\$ 736,362	\$ 47,042
Fixed income funds	1,080,996	1,099,426	18,430
Totals	\$ 1,770,316	\$ 1,835,788	65,472
2008:			
Equity funds	\$ 610,522	\$ 500,502	(110,020)
Fixed income funds	347,763	341,583	(6,180)
Totals	\$ 958,285	\$ 842,085	(116,200)
Net unrealized gain			\$ 181,672

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

	2009	2008
Interest and dividend income	\$ 40,680	\$ 51,236

Amounts are reported in the statements of activities as follows:

	2009	2008
Unrestricted investment income	\$ 17,657	\$ 29,383
Temporarily restricted investment income	23,023	21,853
Totals	\$ 40,680	\$ 51,236

Note 4 - Pledges receivable:

Pledges receivable are comprised of the following:

	2009	2008
Pledges receivable	\$ 473,162	\$ 597,838
Pledge discount (time)	(49,614)	(78,636)
	\$ 423,548	\$ 519,202

Pledges receivable consist of:

Receivable in:		
Less than one year	\$ 138,662	\$ 158,338
One to five years	280,000	280,000
Greater than five years	54,500	159,500
	473,162	597,838
Less pledge discount (time)	(49,614)	(78,636)
	\$ 423,548	\$ 519,202
Current	\$ 138,662	\$ 158,338
Long-term	284,886	360,864
	\$ 423,548	\$ 519,202

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, 2009 and 2008 is comprised of the following:

	2009	2008
Equipment, fixtures and vehicles	\$ 824,652	\$ 765,154
Less accumulated depreciation	(578,701)	(498,111)
	\$ 245,951	\$ 267,043

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 \$81,524 and \$81,523 for the years ended December 31, 2009 and 2008, respectively. RRI leases office equipment under a noncancelable operating lease that expires in September 2013. Monthly rent expense was \$684 during 2009. Equipment lease expense for the years ending December 31, 2009 and 2008 was \$8,208 and \$5,424, respectively.

Future minimum rental payments required under these operating leases in the years subsequent to December 31, 2009 are as follows:

Year Ending December 31,	Amount
2010	\$ 89,731
2011	55,763
2012	8,208
2013	6,156
	\$ 159,858

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 expense was \$123,966 and \$87,285 for the years ended December 31, 2009 and 2008, respectively. Promotional advertising in the amounts of \$45,000 and \$0 were donated to RRI for the years ended December 31, 2009 and 2008, respectively. These donations were included in revenue under contributions and grants and in expense under printing and publications.

For the years ended December 31, 2009 and 2008 RRI received donated legal services in the amounts of \$2,350 and \$0, respectively. These donations were included in revenue under contributions and grants and in expense under legal fees.

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Pension plan:

RRI maintains 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 matched 50% of contributions up to 8% of eligible employees' salaries. Contributions are subject to a five year vesting schedule. RRI discontinued the employer matching contributions as of February 28, 2009. The pension contributions for 2009 and 2008 were \$4,788 and \$31,577, respectively and are included in pension expense in the statement of functional expenses.

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

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment (continued):

Endowment net asset composition by type of fund as of December 31, 2009 is 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 appreciation	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>

Endowment net asset composition by type of fund as of December 31, 2008 was 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
Total funds	<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 (continued):

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2009 and 2008 are as follows:

	2009	2008
General purposes	\$ 100,000	\$ 100,000
Summer music concerts	100,000	100,000
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Donor-restricted endowment funds classified as temporarily restricted net assets as of December 31, 2009 and 2008 are as follows:

	2009	2008
Inner-city youth programs	\$ 427,390	\$ 359,932
General purposes	9,598	-
Summer music concerts	7,274	-
	<u>\$ 444,262</u>	<u>\$ 359,932</u>

Spending policy amounts approved and transferred as of December 31, 2009 and 2008 are as follows:

	2009	2008
Unrestricted endowment funds	\$ 14,106	\$ 11,228
Purpose restricted endowment funds	36,164	34,190
Totals	<u>\$ 50,270</u>	<u>\$ 45,418</u>

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Endowment (concluded):

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 2008 year. There were no such deficiencies as of December 31, 2009.

Note 10 - Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2009 and 2008 are comprised of the following:

	2009	2008
Time restricted	\$ 445,196	\$ 431,796
Riverfront signage system project	90,310	-
Endowment funds - see Note 9	444,262	359,932
	\$ 889,458	\$ 791,728

Note 11 - Capital project:

RRI is currently undertaking a capital project for Riverwalk South in the amount of \$750,000. The project is in the initial phase and includes only preliminary design costs.

As of December 31, 2009, RRI has expended \$302,832 of funds it administers on the project listed above. The remaining costs of \$447,168 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 \$109,386 and \$908,653 as of December 31, 2009 and 2008, respectively.

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:

	2009	2008
Special events	\$162,815	\$286,466
Less event expenses	(52,992)	(80,498)
	109,823	205,968
Sponsorships	299,500	328,850
	\$409,323	\$534,818
Concession revenue	\$624,820	\$889,657
Less directly related expenses	(359,474)	(562,082)
	\$265,346	\$327,575

RIVERFRONT RECAPTURE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13 - Fair value measurements:

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

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

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

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

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

Financial assets carried at fair value at December 31, 2009 and 2008 are classified as Level 1 in both years. The amounts were \$1,835,788 and \$842,085 at December 31, 2009 and 2008, respectively.

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.