



Riverfront Recapture, Inc.
**Financial Statements and
Independent Auditor's Report**
December 31, 2017 and 2016

Riverfront Recapture, Inc.

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Independent Auditor's Report

To the Board of Directors
Riverfront Recapture, Inc.

We have audited the accompanying financial statements of Riverfront Recapture, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverfront Recapture, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Hartford, Connecticut
April 18, 2018

Riverfront Recapture, Inc.

**Statements of Financial Position
December 31, 2017 and 2016**

Assets

	Operations	Capital projects and endowment	Total	
			2017	2016
Cash and cash equivalents	\$ 227,368	\$ 82,438	\$ 309,806	\$ 156,283
Grants receivable	28,432	638	29,070	76,848
Pledges and contributions receivable, net	67,038	131,627	198,665	236,241
Due (to) from funds, net	(205,569)	205,569	-	-
Prepaid expenses	11,867	-	11,867	30,805
Accounts receivable	13,421	-	13,421	8,178
Investments	822,605	1,653,425	2,476,030	2,353,002
Equipment, net	443,269	-	443,269	282,043
Total assets	\$ 1,408,431	\$ 2,073,697	\$ 3,482,128	\$ 3,143,400

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 113,872	\$ 7,725	\$ 121,597	\$ 87,685
Refundable advances	26,950	-	26,950	85,517
Loan payable	8,986	-	8,986	14,662
Total liabilities	149,808	7,725	157,533	187,864

Commitments (Note 7)

Net assets

Unrestricted	960,527	-	960,527	859,209
Unrestricted - board designated	200,000	438,764	638,764	580,944
Temporarily restricted	98,096	1,410,097	1,508,193	1,302,595
Permanently restricted	-	217,111	217,111	212,788
Total net assets	1,258,623	2,065,972	3,324,595	2,955,536

Total liabilities and net assets	\$ 1,408,431	\$ 2,073,697	\$ 3,482,128	\$ 3,143,400
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See Notes to Financial Statements.

Riverfront Recapture, Inc.

Statements of Activities Years Ended December 31, 2017 and 2016

	Operations	Capital projects and endowment	Total	
			2017	2016
Changes in unrestricted net assets				
Support and revenue				
Government grants	\$ 1,360,277	\$ -	\$ 1,360,277	\$ 584,525
Contributions and grants	392,515	-	392,515	515,073
Fundraising events and sponsorships, net	392,340	-	392,340	384,649
Program fees	579,634	-	579,634	547,537
Other earned income, net	156,938	-	156,938	208,230
Total support and revenue	<u>2,881,704</u>	<u>-</u>	<u>2,881,704</u>	<u>2,240,014</u>
Net assets released from restrictions	10,500	207,231	217,731	421,451
Reallocation of investment income to support current operations and other transfers	<u>259,476</u>	<u>(259,476)</u>	<u>-</u>	<u>-</u>
Total unrestricted support and revenue	<u>3,151,680</u>	<u>(52,245)</u>	<u>3,099,435</u>	<u>2,661,465</u>
Expenses				
Program services				
Operations	2,571,534	-	2,571,534	2,078,227
Capital projects	-	176,234	176,234	326,431
General and administration	105,802	-	105,802	103,128
Fundraising	293,459	-	293,459	306,197
Total expenses	<u>2,970,795</u>	<u>176,234</u>	<u>3,147,029</u>	<u>2,813,983</u>
Income (loss) from operations	<u>180,885</u>	<u>(228,479)</u>	<u>(47,594)</u>	<u>(152,518)</u>
Other income (expense)				
Realized and unrealized gains	80,059	67,618	147,677	94,657
Interest and dividend income	19,895	18,681	38,576	42,090
Miscellaneous	20,479	-	20,479	7,774
Total other income	<u>120,433</u>	<u>86,299</u>	<u>206,732</u>	<u>144,521</u>
Increase (decrease) in unrestricted net assets	<u>301,318</u>	<u>(142,180)</u>	<u>159,138</u>	<u>(7,997)</u>
Changes in temporarily restricted net assets				
Government grants	-	14,018	14,018	256,334
Contributions	98,096	136,951	235,047	79,324
Interest and dividend income	-	37,703	37,703	34,675
Realized and unrealized gains	-	136,561	136,561	76,088
Net assets released from restrictions	<u>(10,500)</u>	<u>(207,231)</u>	<u>(217,731)</u>	<u>(421,451)</u>
Increase in temporarily restricted net assets	<u>87,596</u>	<u>118,002</u>	<u>205,598</u>	<u>24,970</u>
Changes in permanently restricted net assets				
Contributions	<u>-</u>	<u>4,323</u>	<u>4,323</u>	<u>3,774</u>
Increase in permanently restricted net assets	<u>-</u>	<u>4,323</u>	<u>4,323</u>	<u>3,774</u>
Change in net assets	388,914	(19,855)	369,059	20,747
Net assets, beginning	<u>869,709</u>	<u>2,085,827</u>	<u>2,955,536</u>	<u>2,934,789</u>
Net assets, end	<u>\$ 1,258,623</u>	<u>\$ 2,065,972</u>	<u>\$ 3,324,595</u>	<u>\$ 2,955,536</u>

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Program services				General and administration	Fundraising	2017 Total	2016 Total
	Park management and development	Entertainment and events	Recreation and outdoor adventures	Total program services				
Compensation	\$ 476,823	\$ 167,532	\$ 445,100	\$ 1,089,455	\$ 77,457	\$ 200,891	\$ 1,367,803	\$ 1,351,457
Employee benefits	37,423	28,821	34,035	100,279	8,884	14,765	123,928	137,632
Payroll taxes	42,466	14,921	39,641	97,028	6,899	17,892	121,819	119,593
Occupancy	27,398	8,142	27,825	63,365	2,532	7,437	73,334	72,204
Supplies	1,810	538	1,838	4,186	167	491	4,844	4,328
Equipment rental and maintenance	13,281	3,905	32,963	50,149	1,215	3,567	54,931	79,955
Telephone	5,712	1,143	6,806	13,661	357	1,044	15,062	16,453
Insurance	102,867	13,542	84,485	200,894	699	5,091	206,684	197,058
Postage	127	279	186	592	202	7,799	8,593	9,798
Conferences, conventions and meetings	2,914	950	3,210	7,074	264	774	8,112	10,171
Depreciation	30,815	469	46,125	77,409	146	429	77,984	65,565
Accounting fees	9,837	2,523	10,768	23,128	741	2,188	26,057	24,645
Legal fees	48,657	-	-	48,657	4,928	-	53,585	4,830
Other professional services	28,404	2,402	8,207	39,013	747	2,194	41,954	38,910
Direct fundraising expenses	-	-	-	-	-	22,827	22,827	19,422
Design and construction	107,114	-	-	107,114	-	-	107,114	326,508
Park operations	449,266	-	21,980	471,246	-	-	471,246	84,707
Advertising and promotion	6,131	11,352	9,825	27,308	463	6,070	33,841	21,128
Events and recreational programming	-	217,672	109,538	327,210	-	-	327,210	229,619
Interest expense	-	-	-	-	101	-	101	-
Total expenses	\$ 1,391,045	\$ 474,191	\$ 882,532	\$ 2,747,768	\$ 105,802	\$ 293,459	\$ 3,147,029	\$ 2,813,983

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2016**

	Program services			Total program services	General and administration	Fundraising	Total
	Park management and development	Entertainment and events	Recreation and outdoor adventures				
Compensation	\$ 448,580	\$ 189,181	\$ 428,177	\$ 1,065,938	\$ 77,573	\$ 207,946	\$ 1,351,457
Employee benefits	44,468	34,349	33,126	111,943	8,502	17,187	137,632
Payroll taxes	39,695	16,741	37,890	94,326	6,866	18,401	119,593
Occupancy	26,591	10,087	23,413	60,091	2,598	9,515	72,204
Supplies	1,593	605	1,403	3,601	157	570	4,328
Equipment rental and maintenance	25,091	6,065	41,550	72,706	1,555	5,694	79,955
Telephone	6,058	1,487	7,122	14,667	383	1,403	16,453
Insurance	112,736	21,397	50,050	184,183	2,761	10,114	197,058
Postage	99	2,205	660	2,964	196	6,638	9,798
Conferences, conventions and meetings	2,164	833	6,194	9,191	210	770	10,171
Depreciation	25,515	1,462	36,832	63,809	377	1,379	65,565
Accounting fees	9,092	3,020	9,096	21,208	735	2,702	24,645
Legal fees	4,830	-	-	4,830	-	-	4,830
Other professional services	11,021	3,137	20,985	35,143	807	2,960	38,910
Direct fundraising expenses	-	-	-	-	-	19,422	19,422
Design and construction	326,508	-	-	326,508	-	-	326,508
Park operations	76,522	210	7,975	84,707	-	-	84,707
Advertising and promotion	4,180	7,389	7,655	19,224	408	1,496	21,128
Events and recreational programming	4,065	138,834	86,720	229,619	-	-	229,619
Total expenses	\$ 1,168,808	\$ 437,002	\$ 798,848	\$ 2,404,658	\$ 103,128	\$ 306,197	\$ 2,813,983

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 369,059	\$ 20,747
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized gain on investments	(100,318)	(67,338)
Realized gain on investments	(183,920)	(103,407)
Depreciation	77,984	65,565
Receipts to increase permanent endowment	(4,323)	(3,774)
Changes in operating assets and liabilities		
Grants receivable	47,778	(6,800)
Pledges and contributions receivable	37,576	56,292
Prepaid expenses	18,938	(14,397)
Accounts receivable	(5,243)	(712)
Accounts payable and accrued liabilities	33,912	(6,076)
Refundable advances	(58,567)	32,853
Net cash provided by (used in) operating activities	232,876	(27,047)
Cash flows from investing activities		
Purchase of equipment	(239,210)	(121,870)
Net proceeds from sale of investments	161,210	95,582
Net cash used in investing activities	(78,000)	(26,288)
Cash flows from financing activities		
Repayments of loan payable	(5,676)	(5,675)
Receipts to increase permanent endowment	4,323	3,774
Net cash used in financing activities	(1,353)	(1,901)
Net increase (decrease) in cash and cash equivalents	153,523	(55,236)
Cash and cash equivalents, beginning	156,283	211,519
Cash and cash equivalents, end	\$ 309,806	\$ 156,283
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 101	\$ -

See Notes to Financial Statements.

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 1 - Business and summary of significant accounting policies

Business activity

Riverfront Recapture, Inc. ("RRI") is a nonprofit corporation organized in 1981 for the purpose of improving public access to the Connecticut River ("Riverfront"). Through an innovative combination of urban and environmental recapture, recreation and outdoor adventures, as well as entertainment and events, RRI improves the region's quality of life and urban vitality for the community. RRI's efforts ensure private-public collaboration and positively impacts the local economy by drawing local and out-of-state visitors to its parks.

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 accounted for separately. 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.

In January 2017, the Board, as part of its approval of a new strategic plan, set aside \$200,000 of RRI's unrestricted net assets - operations into a board designated Innovation Fund. The Innovation Fund is intended to be used to fund start-up commercial concepts that can drive park usage and RRI revenue. As of December 31, 2017, no Innovation Fund money has been disbursed.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2017 and 2016

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, 2017 and 2016. RRI's federal information returns prior to calendar year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If RRI had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents

For purposes of the statements of cash flows, RRI considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents were \$82,438 and \$46,129 as of December 31, 2017 and 2016, respectively.

Pledges, contributions and grants

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Pledges received over future periods are presented at the present value of estimated future cash flows using a discount rate in accordance with accounting principles generally accepted in the United States of America.

Grants that are treated as exchange transactions are recorded as receivables in the year the commitment is made by the grantor and are deemed to be earned and reported as revenue and support when RRI has expended funds which meet the specific grant restrictions. Unexpended amounts are classified as deferred revenue in the accompanying financial statements.

Investments

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

Revenue

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

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2017 and 2016

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

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

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

Allowances

Management believes that all receivables at December 31, 2017 will be collected. Bad debt expense was \$0 for each of the years ended December 31, 2017 and 2016.

Advertising

Advertising costs are expensed as incurred. Advertising expense included in advertising and promotion was \$26,438 and \$16,642 for the years ended December 31, 2017 and 2016, respectively.

Equipment

RRI capitalizes all expenditures for equipment in excess of \$1,000 and having a useful life of three years or greater. Purchased equipment is recorded at cost, less accumulated depreciation. Donated equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are 3 years for equipment, 10 years for boats, 5 to 10 years for vehicles and 10 years for fixtures. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

RRI reports gifts of land, buildings and equipment as 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 attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, investments are intended to produce results that exceed the price and yield results of a target index while assuming a commensurate market level of investment risk. Allocations of endowment resources are specified by the Board at 5% of the average fair value of the preceding twelve quarters.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Expenses by function

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fundraising activities include the solicitation of government and foundation grants, corporate sponsorships and other contributed revenue from businesses and individuals, as well as the coordination of fundraising events to attract public interest in the Riverfront.

Certain direct and administrative costs have been allocated to fundraising expenses in the statements of functional expenses.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

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

Subsequent events

RRI has evaluated events and transactions for potential recognition or disclosure through April 18, 2018, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Concentrations of credit risk

The contributors to RRI are individuals, corporations and foundations primarily in the State of Connecticut.

RRI maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

RRI invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of RRI's investments which could materially affect amounts reported in the financial statements.

RRI has a contract with a governmental partner for park operations and maintenance services. This funding consisted of 34% and 13% of the total revenue for the years ended December 31, 2017 and 2016, respectively.

Note 3 - Investments and fair value measurements

RRI values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements,

Riverfront Recapture, Inc.

**Notes to Financial Statements
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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, 2017 and 2016 are classified as Level 1 in both years. The amounts were \$2,476,030 and \$2,353,002 at December 31, 2017 and 2016, respectively. The following is a description of the valuation methodologies used for assets at fair value.

Mutual funds and fixed income funds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

There were no changes in the valuation methodologies during the current year.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although RRI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RRI's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended December 31, 2017 and 2016.

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

The following summarizes the relationship between the cost and market values as of December 31, 2017 and 2016:

2017	Cost	Market	Unrealized gain (loss)
Mutual funds			
International - emerging	\$ 160,563	\$ 210,408	\$ 49,845
Mid cap	34,472	86,404	51,932
Large cap	141,551	198,183	56,632
Small cap	64,338	124,444	60,106
International - developed	480,964	674,228	193,264
Domestic equity - all caps	182,957	314,027	131,070
Real estate	57,403	71,567	14,164
Total equities	<u>1,122,248</u>	<u>1,679,261</u>	<u>557,013</u>
Fixed income funds			
Corporate bonds	245,100	243,648	(1,452)
Global bonds	109,546	108,551	(995)
High yield bonds	144,435	153,499	9,064
General corporate / government	90,040	84,349	(5,691)
International bonds	115,115	117,182	2,067
Bond index	82,659	89,540	6,881
Total fixed income funds	<u>786,895</u>	<u>796,769</u>	<u>9,874</u>
Total	<u>\$ 1,909,143</u>	<u>\$ 2,476,030</u>	<u>\$ 566,887</u>
2016	Cost	Market	Unrealized gain (loss)
Mutual funds			
International - emerging	\$ 160,564	\$ 157,092	\$ (3,472)
Mid cap	26,195	99,979	73,784
Large cap	224,063	319,099	95,036
Small cap	64,215	114,548	50,333
International - developed	480,964	550,660	69,696
Domestic equity - all caps	224,438	359,543	135,105
Real estate	93,650	137,537	43,887
Total equities	<u>1,274,089</u>	<u>1,738,458</u>	<u>464,369</u>
Fixed income funds			
Corporate bonds	120,075	119,455	(620)
Bond index	82,658	88,708	6,050
Global bonds	60,021	59,760	(261)
High yield bonds	144,435	151,254	6,819
General corporate / government	90,040	82,378	(7,662)
International bonds	115,115	112,989	(2,126)
Total fixed income	<u>612,344</u>	<u>614,544</u>	<u>2,200</u>
Total	<u>\$ 1,886,433</u>	<u>\$ 2,353,002</u>	<u>\$ 466,569</u>
 Net unrealized gain for 2017			 <u>\$ 100,318</u>

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

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

	2017	2016
Interest and dividend income	\$ 76,279	\$ 76,765

Amounts are reported in the statements of activities as follows for the years ended December 31:

	2017	2016
Unrestricted investment income	\$ 38,576	\$ 42,090
Temporarily restricted investment income	37,703	34,675
Total	\$ 76,279	\$ 76,765

RRI maintains an agreement with Pershing Advisor Solutions LLC which allows RRI to borrow money for up to 50% of its investment balance, collateralized by its investment securities. As of December 31, 2017, no amounts have been borrowed under this agreement.

Note 4 - Pledges and contributions receivable

Pledges and contributions receivable are comprised of the following:

	2017	2016
Contributions and pledge receivable	\$ 202,038	\$ 243,757
Contribution discount (time)	(3,373)	(7,516)
	198,665	\$ 236,241

Pledges and contributions receivable consist of receivable in:

	2017	2016
Less than one year	\$ 121,038	\$ 108,757
One to five years	81,000	135,000
	202,038	243,757
Less discounts (time)	(3,373)	(7,516)
	\$ 198,665	\$ 236,241
Current	\$ 121,038	\$ 108,757
Long-term	77,627	127,484
	\$ 198,665	\$ 236,241

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

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 5 - Equipment

Equipment at December 31, 2017 and 2016 is comprised of the following:

	<u>2017</u>	<u>2016</u>
Equipment, fixtures and vehicles	\$ 1,529,390	\$ 1,322,377
Less accumulated depreciation	<u>(1,086,121)</u>	<u>(1,040,334)</u>
	<u>\$ 443,269</u>	<u>\$ 282,043</u>

Note 6 - Loan payable

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

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

2018	\$ 5,676
2019	<u>3,310</u>
	<u>\$ 8,986</u>

Note 7 - Lease obligations

RRI leases office space under a noncancelable operating lease that was renegotiated and amended with an expiration date of February 2021 and has an option of a one five-year renewal. RRI is responsible for certain utilities and insurance costs. Monthly rent expense is \$6,100. Rent expense was \$73,204 for each of the years ended December 31, 2017 and 2016. RRI leases office equipment under a noncancelable operating lease agreement that expires August 2020. Monthly rent expense on the current office equipment lease is \$108. Equipment lease expense was \$2,526 and \$3,144, respectively, for the years ended December 31, 2017 and 2016.

Future minimum rental payments required under these operating leases in each of the years subsequent to December 31, 2017 are as follows:

2018	\$ 74,495
2019	74,495
2020	74,064
2021	<u>12,201</u>
	<u>\$ 235,255</u>

Note 8 - Donated assets and services

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

RRI received donated investment management services in the amount of \$10,729 and \$10,903 for the years ended December 31, 2017 and 2016, respectively. This donation was included in revenue under contributions and grants and in expense under other professional services.

Riverfront Recapture, Inc.

Notes to Financial Statements December 31, 2017 and 2016

RRI also received donated office furniture in the amount of \$20,675 for the year ended December 31, 2016. This donation was included in revenue under contributions and grants and in expense under equipment rental and maintenance.

RRI also received stock donations with the aggregate fair value of \$25,855 and \$39,127 during the years ended December 31, 2017 and 2016, respectively. Donated stocks are sold soon after receipt and are reflected as operating activities in the statements of cash flows.

RRI received donated legal services in the amount of \$48,097 and \$0 for the years ended December 31, 2017 and 2016, respectively. This donation was included in revenue under contributions and grants and in expense under legal fees.

Note 9 - Riverfront Recapture 401(k) Plan

RRI provides a 401(k) plan covering all eligible employees. An employee is eligible for participation by completing 1,000 hours of service and attaining the age of 21. Under this plan, eligible employees may elect to defer a portion of their salary subject to Internal Revenue Service and plan limits. This plan provides for discretionary employer matching and nonelective contributions. Employer contributions are subject to a five-year vesting schedule. No matches or nonelective contributions were provided in the years ended December 31, 2017 and 2016.

Note 10 - Endowment

RRI's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, RRI classifies as 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
December 31, 2017 and 2016**

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 674,882	\$ 217,111	\$ 891,993
Board-designated endowment funds	638,764	-	-	638,764
Total funds	<u>\$ 638,764</u>	<u>\$ 674,882</u>	<u>\$ 217,111</u>	<u>\$ 1,530,757</u>

Endowment net asset composition by type of fund as of December 31, 2016 was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 593,698	\$ 212,788	\$ 806,486
Board-designated endowment funds	580,944	-	-	580,944
Total funds	<u>\$ 580,944</u>	<u>\$ 593,698</u>	<u>\$ 212,788</u>	<u>\$ 1,387,430</u>

Changes in endowment net assets for the year ended December 31, 2017 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 580,944	\$ 593,698	\$ 212,788	\$ 1,387,430
Contributions	-	-	4,323	4,323
Investment income	18,681	26,079	-	44,760
Net realized and unrealized appreciation	67,618	94,355	-	161,973
Amounts appropriated for expenditure	<u>(28,479)</u>	<u>(39,250)</u>	<u>-</u>	<u>(67,729)</u>
Endowment net assets, end of year	<u>\$ 638,764</u>	<u>\$ 674,882</u>	<u>\$ 217,111</u>	<u>\$ 1,530,757</u>

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

Changes in endowment net assets for the year ended December 31, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of	\$ 551,928	\$ 552,940	\$ 209,014	\$ 1,313,882
Contributions	-	-	3,774	3,774
Investment income	18,214	25,319	-	43,533
Net realized and unrealized appreciation	38,108	54,371	-	92,479
Amounts appropriated for expenditure	<u>(27,306)</u>	<u>(38,932)</u>	<u>-</u>	<u>(66,238)</u>
Endowment net assets, end of year	<u>\$ 580,944</u>	<u>\$ 593,698</u>	<u>\$ 212,788</u>	<u>\$ 1,387,430</u>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
General purposes	\$ 117,111	\$ 112,788
Summer music concerts	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 217,111</u>	<u>\$ 212,788</u>

Endowment funds classified as temporarily restricted net assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Inner-city youth programs	\$ 578,359	\$ 526,008
General purposes	51,356	35,664
Summer music concerts	<u>45,167</u>	<u>32,026</u>
Total	<u>\$ 674,882</u>	<u>\$ 593,698</u>

Spending policy amounts approved and transferred as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted endowment funds	\$ 28,479	\$ 27,306
Purpose-restricted endowment funds	<u>39,250</u>	<u>38,932</u>
Total	<u>\$ 67,729</u>	<u>\$ 66,238</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, 2017 and 2016.

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are comprised of the following:

	2017	2016
Marfuggi parks fund	\$ 401,221	\$ 343,957
Rowing programs	98,096	-
Hartford for Public Giving grant	-	10,500
Riverfront capital projects	333,994	354,440
Endowment funds - see Note 10	674,882	593,698
	\$ 1,508,193	\$ 1,302,595

Note 12 - Capital project

In 2015, RRI received a commitment from the State of Connecticut in the amount of \$1.5 million to continue the design and permitting phase of the Riverwalk South project as well as constructing a temporary walkway. Total expenses incurred as of December 31, 2017 and 2016 were \$14,018 and \$209,990, respectively.

Note 13 - Fundraising events, sponsorships and other earned income

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

	2017	2016
Fundraising events	\$ 217,966	\$ 184,401
Less event expenses	(53,536)	(51,389)
	164,430	133,012
Sponsorships	227,910	251,637
	\$ 392,340	\$ 384,649
Other earned income		
Private events	\$ 84,506	\$ 124,708
License fees and other	25,894	28,214
Public events	208,626	208,615
Less related direct expenses	(162,088)	(153,307)
	\$ 156,938	\$ 208,230

Riverfront Recapture, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 14 - Neighborhood Assistance Funding

RRI received Neighborhood Assistance Act Program funding for the Riverfront Park Lighting-Energy Efficiency Improvement Project. During the years ended December 31, 2017 and 2016, RRI was awarded \$95,998 and \$104,440 project funding and expended \$48,118 and \$104,440, respectively, in accordance with the assistance program.

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