

**RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**



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# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

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## **Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Riverfront Recapture, Inc. and Subsidiary (collectively, RRI), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to RRI's preparation and fair presentation of the consolidated 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 RRI'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of RRI as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

The financial statements as of December 31, 2019 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated April 16, 2020 expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
April 16, 2021

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 635,983	\$ 400,890
Grants receivable	229,062	55,950
Pledges and contributions receivable, net	9,494	88,297
Prepaid expenses	61,922	14,379
Accounts receivable	23,993	42,699
Investments	3,942,039	2,343,857
Land and equipment, net	<u>1,511,538</u>	<u>1,263,849</u>
<b>Total Assets</b>	<b>\$ <u>6,414,031</u></b>	<b>\$ <u>4,209,921</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 209,940	\$ 181,802
Refundable advances	263,247	39,755
Loan payable	-	125,000
Total liabilities	<u>473,187</u>	<u>346,557</u>
<b>Net Assets</b>		
Net assets without donor restrictions	2,697,406	2,232,422
Net assets with donor restrictions	<u>3,243,438</u>	<u>1,630,942</u>
Total net assets	<u>5,940,844</u>	<u>3,863,364</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>6,414,031</u></b>	<b>\$ <u>4,209,921</u></b>

The accompanying notes are an integral part of the consolidated financial statements

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Support and revenue:		
Government grants	\$ 1,250,668	\$ 1,526,073
Contributions and grants	823,205	1,392,545
Paycheck protection program contribution	307,817	-
Fundraising events and sponsorships, net	269,638	400,541
Program fees	174,025	600,413
Other earned income (expense), net	(13,685)	170,654
Net assets released from restrictions	83,995	286,876
Total support and revenue	<u>2,895,663</u>	<u>4,377,102</u>
Expenses:		
Program services	2,197,489	3,352,624
General and administration	103,619	110,487
Fundraising	204,592	337,272
Total expenses	<u>2,505,700</u>	<u>3,800,383</u>
Change in net assets without donor restrictions from operations	<u>389,963</u>	<u>576,719</u>
<b>Other Changes in Net Assets Without Donor Restrictions</b>		
Interest and dividend income, net	18,551	28,100
Realized and unrealized gains on investments	46,548	140,989
Gain on disposal of equipment	6,722	9,843
Miscellaneous income	3,200	2,800
	<u>75,021</u>	<u>181,732</u>
Change in net assets without donor restrictions	<u>464,984</u>	<u>758,451</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Government grants	8,033	55,507
Contributions	1,429,462	108,871
Interest and dividend income	33,293	38,602
Realized and unrealized gains on investments	225,703	156,223
Net assets released from restrictions	(83,995)	(286,876)
Change in net assets with donor restrictions	<u>1,612,496</u>	<u>72,327</u>
<b>Change in Net Assets</b>	2,077,480	830,778
<b>Net Assets - Beginning of Year</b>	<u>3,863,364</u>	<u>3,032,586</u>
<b>Net Assets - End of Year</b>	<u>\$ 5,940,844</u>	<u>\$ 3,863,364</u>

The accompanying notes are an integral part of the consolidated financial statements

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services		2020 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund- raising	
Compensation	\$ 556,070	\$ 140,737	\$ 213,681	\$ 910,488	\$ 76,695	\$ 136,824	\$ 1,124,007
Employee benefits	57,199	24,127	25,898	107,224	11,422	14,210	132,856
Payroll taxes	51,664	13,076	19,853	84,593	7,126	12,712	104,431
Park maintenance	336,045	-	14,883	350,928	-	-	350,928
Insurance	118,684	3,449	82,362	204,495	1,206	2,299	208,000
Design and construction	159,789	-	-	159,789	-	-	159,789
Depreciation	55,238	572	71,100	126,910	218	415	127,543
Occupancy	31,526	9,199	21,311	62,036	3,499	6,669	72,204
Events and recreational programming	-	33,776	13,765	47,541	-	-	47,541
Equipment and technology	9,183	3,379	18,813	31,375	803	6,508	38,686
Accounting fees	13,713	3,379	8,669	25,761	1,278	2,436	29,475
Legal fees	17,512	-	-	17,512	-	-	17,512
Advertising and promotion	4,685	1,536	9,660	15,881	475	1,076	17,432
Telephone	6,437	1,686	5,160	13,283	584	2,193	16,060
Direct fundraising expenses	-	-	-	-	-	13,721	13,721
Bad debt expense	-	13,353	-	13,353	-	-	13,353
Other professional services	12,500	-	-	12,500	-	-	12,500
Property taxes	10,379	-	-	10,379	-	-	10,379
Postage	72	180	93	345	150	4,507	5,002
Conferences and meetings	607	248	530	1,385	67	838	2,290
Supplies	869	254	588	1,711	96	184	1,991
<b>Total Functional Expenses</b>	<b>1,442,172</b>	<b>248,951</b>	<b>506,366</b>	<b>2,197,489</b>	<b>103,619</b>	<b>204,592</b>	<b>2,505,700</b>
<b>Expenses included with revenue</b>							
Event staff compensation	-	11,243	-	11,243	-	-	11,243
Event and program expense	-	440	204	644	-	14,619	15,263
Insurance	-	9,351	-	9,351	-	-	9,351
Processing fees	-	1,343	1,805	3,148	-	759	3,907
Other	-	5,340	-	5,340	-	-	5,340
<b>Total Expenses</b>	<b>\$ 1,442,172</b>	<b>\$ 276,668</b>	<b>\$ 508,375</b>	<b>\$ 2,227,215</b>	<b>\$ 103,619</b>	<b>\$ 219,970</b>	<b>\$ 2,550,804</b>

The accompanying notes are an integral part of the consolidated financial statements

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services		2019 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund- raising	
Compensation	\$ 571,230	\$ 190,771	\$ 464,040	\$ 1,226,041	\$ 87,080	\$ 229,610	\$ 1,542,731
Employee benefits	54,331	25,401	41,150	120,882	8,780	20,265	149,927
Payroll taxes	50,756	16,951	41,232	108,939	7,737	20,402	137,078
Park maintenance	455,365	-	47,299	502,664	-	-	502,664
Insurance	110,789	13,821	90,202	214,812	1,375	5,558	221,745
Design and construction	339,890	-	-	339,890	-	-	339,890
Depreciation	55,316	635	62,089	118,040	200	810	119,050
Occupancy	26,109	7,588	26,438	60,135	2,393	9,676	72,204
Events and recreational programming	-	276,157	173,325	449,482	-	-	449,482
Equipment and technology	10,066	4,402	47,974	62,442	821	10,842	74,105
Accounting fees	9,934	2,939	12,138	25,011	712	2,878	28,601
Legal fees	56,293	-	-	56,293	-	-	56,293
Advertising and promotion	5,036	9,550	26,979	41,565	407	6,333	48,305
Telephone	5,132	1,244	6,444	12,820	290	1,772	14,882
Direct fundraising	-	-	-	-	-	19,284	19,284
Postage	99	246	161	506	197	5,585	6,288
Conferences and meetings	2,866	1,398	2,988	7,252	256	3,316	10,824
Supplies	2,540	738	2,572	5,850	239	941	7,030
<b>Total Expenses</b>	<b>1,755,752</b>	<b>551,841</b>	<b>1,045,031</b>	<b>3,352,624</b>	<b>110,487</b>	<b>337,272</b>	<b>3,800,383</b>
<b>Expenses included with revenue</b>							
Event staff compensation	-	21,340	-	21,340	-	666	22,006
Event and program expense	-	61,909	441	62,350	-	55,998	118,348
Insurance	-	12,443	-	12,443	-	43	12,486
Processing fees	-	6,904	4,856	11,760	-	2,220	13,980
Other	-	2,995	-	2,995	-	5	3,000
<b>Total Expenses</b>	<b>\$ 1,755,752</b>	<b>\$ 657,432</b>	<b>\$ 1,050,328</b>	<b>\$ 3,463,512</b>	<b>\$ 110,487</b>	<b>\$ 396,204</b>	<b>\$ 3,970,203</b>

The accompanying notes are an integral part of the consolidated financial statements

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,077,480	\$ 830,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(272,251)	(297,212)
Depreciation	127,543	119,050
Gain on disposal of equipment	(6,722)	(9,843)
(Increase) decrease in operating assets:		
Grants receivable	(173,112)	(56)
Pledges and contributions receivable, net	78,803	(46,400)
Prepaid expenses	(47,543)	(2,301)
Accounts receivable	18,706	(23,664)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	28,138	(17,993)
Refundable advances	223,492	34,680
Net cash provided by operating activities	<u>2,054,534</u>	<u>587,039</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of land and equipment, net	(368,510)	(828,336)
Net sales (purchases) of investments	<u>(2,630,452)</u>	<u>170,724</u>
Net cash used in investing activities	<u>(2,998,962)</u>	<u>(657,612)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan payable	-	125,000
Repayments on loan payable	(125,000)	(3,311)
Contributions restricted for long-term investment	<u>1,304,521</u>	<u>4,000</u>
Net cash provided by financing activities	<u>1,179,521</u>	<u>125,689</u>
<b>Net Increase in Cash and Cash Equivalents</b>	235,093	55,116
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>400,890</u>	<u>345,774</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 635,983</u>	<u>\$ 400,890</u>

The accompanying notes are an integral part of the consolidated financial statements

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

On September 5, 2019, Riverfront Land, Inc. (RLI) was established by RRI in order to serve as the supporting organization to RRI by acquiring, protecting, and improving certain parcels of land adjacent to the Connecticut River. RRI is the sole corporate member of RLI.

#### Financial Statement Presentation

The consolidated financial statements are prepared on a consolidated basis to include the transactions of RRI and RLI (collectively, RRI). All material intercompany balances and transactions have been eliminated from the financial statements. The consolidated financial statements of RRI have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of RRI are reported in the following net asset categories:

#### Net Assets without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors. Each year, the Board designates a portion of funds for the purpose of functioning as an endowment as well as a portion of funds for the Riverfront Innovation Fund. The Riverfront Innovation Fund (RIF) is designed to provide seed money for new RRI projects and programs. It seeks to support innovative ideas that will generate revenue to sustain the mission, attract additional people to RRI parks and enhance the image. Funds may be used to invest in, pilot, assess, and potentially expand revenue-generating enterprises and infrastructure ideas to support non-Riverfront-funded activity. Board-designated net assets as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board designated to function as endowment	\$ 422,945	\$ 417,012
Riverfront Innovation Fund	<u>153,340</u>	<u>153,340</u>
Total Designated Net Assets	<u>\$ 576,285</u>	<u>\$ 570,352</u>

#### Net Assets with Donor Restrictions

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

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Measure of Operations

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

### Tax Exempt Status

RRI is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). However, the operations of food, beverage and rental sales from private events qualify as unrelated business taxable income and to the extent that these operations generate income, they are subject to federal and state taxes. RRI's application for exemption from federal income taxes under the provision of Internal Revenue Code Section 501(c)(3) is pending.

### Cash and Cash Equivalents

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

### Pledges and Contributions, Including Governmental Grants and Contracts

In accordance with accounting principles generally accepted in the United States of America, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there is no commensurate value transferred between the resource provider and the organization. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

RRI reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

Conditional government grants and contracts not recognized as revenue as of December 31, 2020 and 2019 totaled \$1,842,089 and \$2,272,733, respectively. Government grants and contracts are conditioned on incurring qualified program expenses. See Note 12 for additional disclosures on capital projects associated with these conditional government grants.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. RRI received donated legal services in the amount of \$1,442 and \$46,173 for the years ended December 31, 2020 and 2019, respectively. This donation was included in revenue under contributions and grants and in expense under legal fees.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

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

### Land and Equipment

RRI capitalizes all expenditures for equipment in excess of \$2,500 and having a useful life of three years or greater. Purchased equipment is recorded at cost, less accumulated depreciation. Donated equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are 3 years for equipment, 10 years for boats, 5 to 10 years for vehicles and 10 years for fixtures. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

RRI reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, RRI reports expirations of donor restrictions of acquired long-lived assets when placed in service.

### Revenue Recognition

RRI recognizes revenue at an amount that reflects the consideration to which RRI expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) RRI satisfies a performance obligation

See Note 2 for details on how the above five-step process is applied to RRI's contracts with customers.

### Concentrations

RRI has a contract with a governmental partner for park operations and maintenance services. This funding consisted of 15% and 29% of the total revenue for the years ended December 31, 2020 and 2019, respectively.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Functional Allocation of Expenses

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

### Use of Estimates

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

### Reclassification

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

### Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 16, 2021, which represents the date the financial statements were available to be issued.

## NOTE 2 - REVENUES FROM CONTRACTS WITH CUSTOMERS

### Program Fees

RRI enters into written contracts or online registration to provide programs to participants, which may be individuals, companies, non-profits or schools. Program fees include Adventure Teambuilding, Riverfront Outdoors, Rowing, Dragon boating and the Dragon Boat Race, rowing clinics in Hartford and Glastonbury, the Head of the Riverfront Regatta, and various other programs. Contracts are created for certain programs and a deposit may be required to secure the program date, with full payment usually required before the start of the program. These are primarily the Adventure programs which are tailored to the clients' needs. An exception would be companies and recurring customers that are sometimes invoiced after the program. At contract inception, RRI assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, RRI considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. RRI satisfies its performance obligations for programs at the point in time when the program is held.

A majority of program fees are paid in advance as part of an online registration process, particularly all of the rowing activities, which make up a majority of this revenue.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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A full refund will be issued for withdrawals received in writing before the start of the program subject to certain restrictions or charges.

RRI recognized revenue for program fees at a point in time of \$174,025 and \$600,413 for the years ended December 31, 2020 and 2019.

### Other Earned Income

RRI enters into contracts to provide various festivals and events to the public, as well as private events such as weddings at the Boathouse. The payment terms and conditions vary by event based on the individual contract. At contract inception, RRI assesses the goods and services promised in its contracts with customers and identifies performance obligations for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, RRI considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. RRI determines that the completion of an event is the distinct good and service and represents a single performance obligation.

RRI satisfies its performance obligations for each event at a point in time when the event is held. RRI requires a deposit ranging from \$100 up to 50% of the charge, depending on the type of event. The remaining amount is generally due in full prior to the event or within 30 days. While certain deposits are nonrefundable, RRI uses its discretion on refund decisions as there are a variety of reasons an event or vendor's participation is canceled.

RRI recognized revenue (expense) from other earned income at a point in time of \$(13,685) and \$170,654 for the years ended December 31, 2020 and 2019, respectively.

The opening and closing balances of RRI's program fees accounts receivable and refundable advances are as follows:

	Program Fees Contract Balances	
	Receivables	Refundable Advances
Opening (January 1, 2019)	\$ 19,035	\$ -
Closing (December 31, 2019)	42,699	14,459
Increase (Decrease)	<u>23,664</u>	<u>14,459</u>
Opening (January 1, 2020)	42,699	14,459
Closing (December 31, 2020)	-	-
Increase (Decrease)	<u>(42,699)</u>	<u>(14,459)</u>

The balance of refundable advances at December 31, 2020, less any refunds, will be recognized as revenue during the period services are rendered. RRI applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

#### **Level 1**

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

#### **Level 2**

Inputs to the valuation methodology include:

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

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

#### **Level 3**

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

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

### **Financial Instruments Measured at Fair Value**

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

#### **Mutual Funds**

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

#### **Fixed Income Funds**

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

There have been no changes in the valuation methodologies used at December 31, 2020 and 2019.

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

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

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Description	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual funds:				
Equities	\$ 2,781,653	\$ 2,781,653	\$ -	\$ -
Fixed income	1,160,386	1,160,386	-	-
Total	\$ 3,942,039	\$ 3,942,039	\$ -	\$ -

Description	December 31, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual funds:				
Equities	\$ 1,597,200	\$ 1,597,200	\$ -	\$ -
Fixed income	746,657	746,657	-	-
Total	\$ 2,343,857	\$ 2,343,857	\$ -	\$ -

RRI maintains an agreement with a company which allows RRI to borrow money for up to 70% of its unrestricted investment balance, collateralized by its investment securities. As of December 31, 2020 and 2019, there is no outstanding balance under this agreement.

### NOTE 4 - PLEDGES AND CONTRIBUTIONS RECEIVABLE

Unconditional pledges and contributions receivable as of December 31, 2020 and 2019 are \$9,494 and \$88,297, respectively, and are expected to be collected in less than one year. An allowance for uncollectible accounts was not deemed necessary for the years ended December 31, 2020 and 2019.

### NOTE 5 - LAND AND EQUIPMENT

Fixed assets as of December 31, 2020 and 2019 include the following:

	2020	2019
Land	\$ 942,591	\$ 665,893
Equipment, fixtures and vehicles	1,779,749	1,761,464
	2,722,340	2,427,357
Less accumulated depreciation	1,210,802	1,163,508
	\$ 1,511,538	\$ 1,263,849

Depreciation expense charged to operations was \$127,543 and \$119,050 for the years ended December 31, 2020 and 2019, respectively.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 6 - LOAN PAYABLE

In 2019, RRI entered into a bridge loan and promissory note with the Capital Region Development Authority (CRDA) to assist with financing the purchase of certain property in Hartford and Windsor. The bridge loan of \$125,000 was noninterest bearing with an original maturation date of December 13, 2019 and an extended maturation date of January 13, 2020. The loan was paid in full on January 10, 2020.

### 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. RRI is responsible for certain utilities and insurance costs. Monthly rent expense is \$6,017. Rent expense was \$72,204 for each of the years ended December 31, 2020 and 2019.

RRI leases office equipment under noncancelable operating lease agreements, including a copier that expires August 2020 and a mailing machine that expires October 2021. Monthly rent expense on the current office equipment leases are \$108 and \$155, respectively. Equipment lease expense was \$2,724 for each of the years ended December 31, 2020 and 2019.

Future minimum rental payments required under these operating leases are \$13,584 for the year ending December 31, 2021.

### NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 385,983	\$ 400,890
Grants receivable	229,062	55,950
Pledges and contributions receivable, net	9,494	88,297
Accounts receivable	24,340	42,699
Available investments	<u>122,616</u>	<u>142,563</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 771,495</u>	<u>\$ 730,399</u>

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Liquidity Management

RRI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, RRI invests cash in excess of weekly requirements in short- and long-term investments. Available investments represent funds within the investment portfolio that are not donor restricted or board designated. As of December 31, 2020 and 2019, investments in the amount of \$1,712,567 and \$1,404,592, respectively, represent funds that are donor restricted for purpose or time and investments in the amount of \$1,530,871 and \$226,350, respectively, represent donor-restricted funds to be held in perpetuity. As of December 31, 2020 and 2019, RRI has a board-designated endowment of \$422,945 and \$417,012, respectively. The board-designated endowment funds have the objective of providing a subsidy for programs and a reserve for future financial needs. In addition to this, as of December 31, 2020 and 2019, RRI has a board-designated balance of \$153,340, for the Riverfront Innovation Fund. With approval of the board, these funds could be drawn upon in the event of financial distress or an immediate liquidity need. A significant portion of RRI's funding is based on reimbursement after expenditures are made, which can result in large fluctuations in the cash balance. RRI maintains an agreement with a company which allows RRI to borrow money for up to 70% of its unrestricted investment balance, collateralized by its investment securities, that it could draw upon in the event of an unanticipated liquidity need. Management does not intend to borrow against the restricted investment balances.

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of RRI's net assets with donor restrictions at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment:		
Restricted in perpetuity:		
Income use unrestricted	\$ 1,430,871	\$ 126,350
Income use restricted - summer music concerts	100,000	100,000
Accumulated gains and income available for appropriation by the Board of Directors	<u>280,461</u>	<u>89,941</u>
Total endowment	<u>1,811,332</u>	<u>316,291</u>
Donor restricted by time or purpose:		
Time restricted	8,185	34,464
Other net assets with donor use restrictions:		
Marfuggi Parks Fund	457,028	441,509
Rowing programs	142,421	122,128
Riverfront capital projects	256,247	152,380
Youth programs	<u>568,225</u>	<u>564,170</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,243,438</u>	<u>\$ 1,630,942</u>

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Purpose:		
Riverfront capital projects	\$ 36,347	\$ 286,876
Passage of time	26,279	-
Rowing programs	11,204	-
Marfuggi Parks fund	<u>10,165</u>	<u>-</u>
Total Net Assets Released	<u>\$ 83,995</u>	<u>\$ 286,876</u>

### NOTE 11 - ENDOWMENT

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

As a result of this interpretation, RRI classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by RRI in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, RRI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of RRI and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of RRI
7. The investment policies of RRI

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in endowment net assets by type of fund are as follows for the years ended December 31, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2019	\$ 355,152	\$ 277,442	\$ 632,594
Investment return:			
Investment income	16,603	9,086	25,689
Net realized and unrealized losses	<u>68,033</u>	<u>37,266</u>	<u>105,299</u>
Total investment loss	<u>84,636</u>	<u>46,352</u>	<u>130,988</u>
Contributions	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Appropriation of endowment assets for expenditure	<u>(22,776)</u>	<u>(11,503)</u>	<u>(34,279)</u>
Endowment net assets - December 31, 2019	<u>417,012</u>	<u>316,291</u>	<u>733,303</u>
Investment return:			
Investment income	9,494	15,582	25,076
Net realized and unrealized gains	<u>22,098</u>	<u>183,072</u>	<u>205,170</u>
Total investment gains	<u>31,592</u>	<u>198,654</u>	<u>230,246</u>
Contributions	<u>-</u>	<u>1,304,521</u>	<u>1,304,521</u>
Appropriation of endowment assets for expenditure	<u>(25,659)</u>	<u>(8,134)</u>	<u>(33,793)</u>
Endowment Net Assets - December 31, 2020	<u>\$ 422,945</u>	<u>\$ 1,811,332</u>	<u>\$ 2,234,277</u>

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires RRI to retain as a fund of perpetual duration. There were no deficiencies of this nature that were reported in net assets with donor restrictions as of December 31, 2020 and 2019.

### Return Objectives and Risk Parameters

RRI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that RRI must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. RRI expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

### **Strategies Employed for Achieving Objectives**

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

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

RRI's investment and spending policy over endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, investments are intended to produce results that exceed the price and yield results of a target index while assuming a commensurate market level of investment risk. Allocations of endowment resources are specified by the board up to 5% of the average fair value of the preceding twelve quarters. RRI has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

### **NOTE 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, 2020 and 2019 were \$-0- and \$10,368, respectively. In 2018, the State Bond Commission authorized two additional grants, \$1 million for planning and development of riverfront property in north Hartford acquired in 2019 and \$1.32 million for a variety of repairs and improvements to Great River Park in East Hartford. Total expenses incurred as of December 31, 2020 and 2019 for these projects were \$430,644 and \$48,809, respectively.

### **NOTE 13 - 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. During the year ended December 31, 2018, RRI instituted an ongoing match of 50% of employee contributions up to a maximum of 3% of salary. Contribution expense recognized by RRI was \$22,693 and \$28,906 for the years ended December 31, 2020 and 2019, respectively.

# RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 14 - NEIGHBORHOOD ASSISTANCE FUNDING

RRI received Neighborhood Assistance Act Program funding for various projects including energy efficiency projects and the Boathouse HVAC project. During the years ended December 31, 2020 and 2019, RRI was awarded \$14,301 and \$12,143 project funding and expended \$218 and \$31,275, respectively, in accordance with the assistance program.

### NOTE 15 - COMMITMENTS AND CONTINGENCIES

During 2020, RRI entered into a contract with a professional engineer to provide services related to the development of the land purchased in 2019. The contract calls for costs totaling approximately \$367,000, of which approximately \$211,000 has been incurred through December 31, 2020.

### NOTE 16 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, starting on March 13, 2020, RRI closed its offices and most staff worked remotely. As of April 3, 2020, most program staff were furloughed, however the parks remained open and operated according to government guidelines. Park Rangers and Maintenance staff continued to work. As of July 2020, a limited Rowing program returned and other virtual programming was created. All in-person public and private events, as well as volunteer groups and the Riverfront Adventure program were canceled in 2020. The parks remained open and maintained for passive recreation with some restrictions to keep the public and staff safe.

On April 29, 2020, RRI received a Paycheck Protection Program (PPP) loan of \$307,817 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which RRI considers to be a conditional contribution under the governmental grant model. The contribution has a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary ranges during a measurement period. Management considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended December 31, 2020, the Organization recognized the full loan balance as contribution revenue based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through December 31, 2020. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.

