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RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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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 statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 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 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, 2019 and 2018 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.

Changes in Accounting Principles

As discussed in Note 1, during the year ended December 31, 2019, RRI adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 16, 2020

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 400,890	$ 345,774
Grants receivable	55,950	55,894
Pledges and contributions receivable, net	88,297	41,897
Prepaid expenses	14,379	12,078
Accounts receivable	42,699	19,035
Investments	2,343,857	2,221,369
Land and equipment, net	1,263,849	544,720
Total Assets	$ 4,209,921	$ 3,240,767
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 181,802	$ 199,795
Refundable advances	39,755	5,075
Loan payable	125,000	3,311
Total liabilities	346,557	208,181
Net Assets		
Net assets without donor restrictions	2,232,422	1,473,971
Net assets with donor restrictions	1,630,942	1,558,615
Total net assets	3,863,364	3,032,586
Total Liabilities and Net Assets	$ 4,209,921	$ 3,240,767

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, 2019 AND 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Support and revenue:		
Government grants	$ 1,526,073	$ 1,434,815
Contributions and grants	1,392,545	639,091
Program fees	600,413	629,473
Fundraising events and sponsorships, net	400,541	405,512
Other earned income, net	170,654	148,708
Net assets released from restrictions	286,876	123,789
Total support and revenue	4,377,102	3,381,388
Expenses:		
Program services	3,352,624	2,964,828
General and administration	110,487	104,938
Fundraising	337,272	332,104
Total expenses	3,800,383	3,401,870
Change in net assets without donor restrictions from operations	576,719	(20,482)
Other Changes in Net Assets Without Donor Restrictions		
Interest and dividend income, net	28,100	33,709
Realized and unrealized gains (losses) on investments	140,989	(147,153)
Gain on disposal of equipment	9,843	5,781
Miscellaneous income	2,800	2,825
	181,732	(104,838)
Change in net assets without donor restrictions	758,451	(125,320)
Changes in Net Assets With Donor Restrictions		
Government grants	55,507	-
Contributions	108,871	71,556
Interest and dividend income	38,602	36,752
Realized and unrealized gains (losses) on investments	156,223	(151,208)
Net assets released from restrictions	(286,876)	(123,789)
Change in net assets with donor restrictions	72,327	(166,689)
Change in Net Assets	830,778	(292,009)
Net Assets - Beginning of Year	3,032,586	3,324,595
Net Assets - End of Year	$ 3,863,364	$ 3,032,586

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		
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund-raising	2019 Total
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 operations	455,365	-	47,299	502,664	-	-	502,664
Events and recreational programming	-	276,157	173,325	449,482	-	-	449,482
Design and construction	339,890	-	-	339,890	-	-	339,890
Insurance	110,789	13,821	90,202	214,812	1,375	5,558	221,745
Depreciation	55,316	635	62,089	118,040	200	810	119,050
Equipment rental and maintenance	10,066	4,402	47,974	62,442	821	10,842	74,105
Occupancy	26,109	7,588	26,438	60,135	2,393	9,676	72,204
Legal fees	56,293	-	-	56,293	-	-	56,293
Advertising and promotion	5,036	9,550	26,979	41,565	407	6,333	48,305
Accounting fees	9,934	2,939	12,138	25,011	712	2,878	28,601
Direct fundraising	-	-	-	-	-	19,284	19,284
Telephone	5,132	1,244	6,444	12,820	290	1,772	14,882
Conferences, conventions 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
Postage	99	246	161	506	197	5,585	6,288
Total Expenses	$ 1,755,752	$ 551,841	$ 1,045,031	$ 3,352,624	$ 110,487	$ 337,272	$ 3,800,383

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, 2018

	Program Services				Supporting Services		
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fund-raising	2018 Total
Compensation	$ 518,378	$ 182,741	$ 421,363	$ 1,122,482	$ 81,713	$ 232,721	$ 1,436,916
Employee benefits	47,288	29,946	31,577	108,811	9,829	19,460	138,100
Payroll taxes	46,317	16,369	37,649	100,335	7,301	20,793	128,429
Park operations	492,695	-	30,153	522,848	-	-	522,848
Events and recreational programming	-	220,226	155,762	375,988	-	-	375,988
Design and construction	204,929	-	-	204,929	-	-	204,929
Insurance	105,124	9,963	79,272	194,359	997	4,032	199,388
Depreciation	49,004	776	55,002	104,782	245	989	106,016
Equipment rental and maintenance	7,022	1,727	31,469	40,218	545	8,146	48,909
Occupancy	26,109	7,588	26,438	60,135	2,393	9,676	72,204
Legal fees	50,535	-	1,633	52,168	-	-	52,168
Advertising and promotion	4,263	11,311	8,680	24,254	378	6,378	31,010
Accounting fees	9,807	2,359	10,959	23,125	720	2,912	26,757
Direct fundraising	-	-	-	-	-	17,224	17,224
Telephone	4,781	1,016	6,414	12,211	321	1,860	14,392
Conferences, conventions and meetings	3,450	2,452	7,333	13,235	196	1,556	14,987
Supplies	1,820	529	1,843	4,192	167	674	5,033
Postage	96	178	82	356	133	5,683	6,172
Other professional services	400	-	-	400	-	-	400
Total Expenses	$ 1,572,018	$ 487,181	$ 905,629	$ 2,964,828	$ 104,938	$ 332,104	$ 3,401,870

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 830,778	$ (292,009)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(297,212)	298,361
Depreciation	119,050	106,016
Gain on disposal of equipment	(9,843)	(5,781)
(Increase) decrease in operating assets:		
Grants receivable	(56)	(11,824)
Pledges and contributions receivable, net	(46,400)	141,768
Prepaid expenses	(2,301)	(211)
Accounts receivable	(23,664)	(5,614)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(17,993)	78,198
Refundable advances	34,680	(21,875)
Net cash provided by operating activities	587,039	287,029
Cash Flows from Investing Activities		
Purchases of land and equipment, net	(828,336)	(201,686)
Net sales (purchases) of investments	170,724	(48,939)
Net cash used in investing activities	(657,612)	(250,625)
Cash Flows from Financing Activities		
Proceeds from loan payable	125,000	-
Repayments on loan payable	(3,311)	(5,675)
Contributions restricted for long-term investment	4,000	5,239
Net cash provided by (used in) financing activities	125,689	(436)
Net Increase in Cash and Cash Equivalents	55,116	35,968
Cash and Cash Equivalents - Beginning of Year	345,774	309,806
Cash and Cash Equivalents - End of Year	$ 400,890	$ 345,774

The accompanying notes are an integral part of the consolidated 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 (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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in accordance with accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2014-09 for the year ended December 31, 2019. The amendments have been applied using the full retrospective method.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended December 31, 2019. The amendments have been applied using the full retrospective method.

There was no cumulative effect of applying ASU 2014-09 or ASU 2018-08.

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, 2019 and 2018 are as follows:

	2019	2018
Board designated to function as endowment	$ 417,012	$ 355,152
Riverfront Innovation Fund	153,340	200,000
Total Designated Net Assets	$ 570,352	$ 555,152

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.

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). RLI's application for exemption from federal income taxes under the provision of Internal Revenue Code Section 501(c)(3) is pending. 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.

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 ASU 2018-08, 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, 2019 and 2018 totaled $2,272,733 and $2,321,541, 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 $46,173 and $45,315 for the years ended December 31, 2019 and 2018, respectively. This donation was included in revenue under contributions and grants and in expense under legal fees.

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 29% and 38% of the total revenue for the years ended December 31, 2019 and 2018, respectively. The governmental partner has reduced their commitment for 2020 from $1,250,000 to $600,000.

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 consolidated financial statements, management has evaluated subsequent events through April 16, 2020, which represents the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. RRI derives a significant portion of its revenues from program participation and other events and activities. RRI has followed regulatory restrictions that have been imposed by the state which includes the mandatory closure of facilities through May 20, 2020. Such restrictions have resulted in employee furloughs. RRI is unable to determine the impact the outbreak might have on future operations.

In addition, subsequent to the consolidated balance sheet date, domestic and global investment markets have experienced significant volatility. This volatility is the result of numerous economic and political factors including the impact of the spread of the coronavirus. As a result, the current fair value of RRI's investments may be materially different from the amounts recorded in the consolidated financial statements as of December 31, 2019.

Lastly, as part of the CARES Act, RRI has applied for a Paycheck Protection Program loan. If approved, all or a portion of the loan may be forgivable with the remainder to be repaid in accordance with the terms of the loan.

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.

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 $600,413 and $629,473 for the years ended December 31, 2019 and 2018.

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 from other earned income at a point in time of $170,654 and $148,708 for the years ended December 31, 2019 and 2018, 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, 2018)	$ 13,420	$ 22,450
Closing (December 31, 2018)	19,035	-
Increase (Decrease)	5,615	(22,450)
Opening (January 1, 2019)	19,035	-
Closing (December 31, 2019)	42,699	14,459
Increase (Decrease)	23,664	14,459

The balance of refundable advances at December 31, 2019, 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.

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, 2019 and 2018.

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.

Financial assets in the amounts of $2,343,857 and $2,221,369 are carried at fair value as of December 31, 2019 and 2018, respectively, and are classified as Level 1. The balance as of December 31, 2019 is comprised of $1,597,200 of equity mutual funds and $746,657 of fixed income equity funds. The balance as of December 31, 2018 is comprised of $1,383,449 of equity mutual funds and $837,920 of fixed income equity funds.

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, 2019 and 2018, there is no outstanding balance under this agreement.

NOTE 4 - PLEDGES AND CONTRIBUTIONS RECEIVABLE

Unconditional pledges and contributions receivable as of December 31, 2019 and 2018 are $88,297 and $41,897, 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, 2019 and 2018.

NOTE 5 - LAND AND EQUIPMENT

Fixed assets as of December 31, 2019 and 2018 include the following:

	2019	2018
Land	$ 665,893	$ -
Equipment, fixtures and vehicles	1,761,464	1,637,320
	2,427,357	1,637,320
Less accumulated depreciation	1,163,508	1,092,600
	$ 1,263,849	$ 544,720

Depreciation expense charged to operations was $119,050 and $106,016 for the years ended December 31, 2019 and 2018, respectively.

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. The bridge loan of $125,000 is 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 subsequent to year end 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, 2019 and 2018.

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 and $3,150 for the years ended December 31, 2019 and 2018, respectively.

Future minimum rental payments required under these operating leases in each of the years subsequent to December 31, 2019 are as follows:

Year Ending December 31	
2020	$ 74,928
2021	13,584
	$ 88,512

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:

	2019	2018
Cash and cash equivalents	$ 400,890	$ 345,774
Grants receivable	55,950	40,894
Pledges and contributions receivable, net	88,297	56,897
Accounts receivable	42,699	19,035
Available investments	142,563	107,601
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 587,836	$ 462,600

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, 2019 and 2018, investments in the amount of $1,404,592 and $1,336,265, respectively, represent funds that are donor restricted for purpose or time and investments in the amount of $226,350 and $222,350, respectively, represent donor-restricted funds to be held in perpetuity. As of December 31, 2019 and 2018, RRI has a board-designated endowment of $417,012 and $355,152, 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, 2019 and 2018, RRI has a board-designated balance of $153,340 and $200,000, respectively, 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, 2019 and 2018:

	2019	2018
Endowment:		
Restricted in perpetuity:		
Income use unrestricted	$ 126,350	$ 122,350
Income use restricted - summer music concerts	100,000	100,000
Accumulated gains and income available for appropriation by the Board of Directors	89,941	55,092
Total endowment	316,291	277,442
Donor restricted by time or purpose:		
Time restricted	34,464	-
Other net assets with donor use restrictions:		
Marfuggi Parks Fund	441,509	354,476
Rowing programs	122,128	104,130
Riverfront capital projects	152,380	320,178
Youth programs	564,170	502,389
Total Net Assets With Donor Restrictions	$ 1,630,942	$ 1,558,615

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:

	2019	2018
Purpose:		
Marfuggi Parks fund	$ -	$ 11,422
Rowing programs	-	14,733
Riverfront capital projects	286,876	97,634
Total Net Assets Released	$ 286,876	$ 123,789

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

Changes in endowment net assets by type of fund are as follows for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - January 1, 2018	$ 438,761	$ 313,634	$ 752,395
Investment return:			
Investment income	17,875	8,805	26,680
Net realized and unrealized losses	(72,796)	(36,352)	(109,148)
Total investment loss	(54,921)	(27,547)	(82,468)
Contributions	-	5,239	5,239
Appropriation of endowment assets for expenditure	(28,688)	(13,884)	(42,572)
Endowment net assets - December 31, 2018	355,152	277,442	632,594
Investment return:			
Investment income	16,603	9,086	25,689
Net realized and unrealized gains	68,033	37,266	105,299
Total investment gains	84,636	46,352	130,988
Contributions	-	4,000	4,000
Appropriation of endowment assets for expenditure	(22,776)	(11,503)	(34,279)
Endowment Net Assets - December 31, 2019	$ 417,012	$ 316,291	$ 733,303

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, 2019 and 2018.

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 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, 2019 and 2018 were $10,368 and $21,575, 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, 2019 and 2018 for these projects were $48,809 and $18,459, 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 $28,906 and $27,076 for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, RRI was awarded $12,143 and $34,158 project funding and expended $31,275 and $47,880, respectively, in accordance with the assistance program.