

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Riverfront Recapture, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Riverfront Recapture, Inc. and Subsidiary as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Riverfront Recapture, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Riverfront Recapture, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Riverfront Recapture, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Riverfront Recapture, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

West Hartford, Connecticut
April 15, 2024

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
Cash and Cash Equivalents	\$ 951,721	\$ 1,061,597
Grants Receivable	253,608	387,956
Pledges and Contributions Receivable, Net	172,332	119,449
Prepaid Expenses	43,141	71,184
Accounts Receivable	14,329	88,776
Investments	5,007,127	4,270,562
Land and Equipment, Net	1,891,552	1,913,686
Right of Use Asset - Operating, Net	83,332	154,760
Total Assets	\$ 8,417,142	\$ 8,067,970
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 242,993	\$ 377,717
Refundable Advances	32,656	14,168
Right of Use Liability - Operating	83,332	154,760
Total Liabilities	358,981	546,645
NET ASSETS		
Net Assets Without Donor Restrictions	3,199,882	3,171,311
Net Assets With Donor Restrictions	4,858,279	4,350,014
Total Net Assets	8,058,161	7,521,325
Total Liabilities and Net Assets	\$ 8,417,142	\$ 8,067,970

See accompanying Notes to Consolidated Financial Statements.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government Grants	\$ 1,750,978	\$ -	\$ 1,750,978
Contributions and Grants	528,600	255,891	784,491
Program Fees	521,247	-	521,247
Fundraising Events and Sponsorships, Net	349,799	-	349,799
Other Earned Income, Net	105,888	-	105,888
Net Assets Released from Restrictions	194,307	(194,307)	-
Total Support and Revenue	3,450,819	61,584	3,512,403
 EXPENSES			
Program Services	3,203,360	-	3,203,360
General and Administration	136,217	-	136,217
Fundraising	296,107	-	296,107
Total Expenses	3,635,684	-	3,635,684
 CHANGES IN NET ASSETS FROM OPERATIONS	(184,865)	61,584	(123,281)
 OTHER CHANGES IN NET ASSETS			
Interest and Dividend Income	70,897	114,571	185,468
Realized and Unrealized Gains on Investments	123,015	332,110	455,125
Gain on Disposal of Equipment	13,399	-	13,399
Miscellaneous Income	6,125	-	6,125
Total Other Changes in Net Assets	213,436	446,681	660,117
 CHANGE IN NET ASSETS	28,571	508,265	536,836
Net Assets - Beginning of Year	3,171,311	4,350,014	7,521,325
 NET ASSETS - END OF YEAR	\$ 3,199,882	\$ 4,858,279	\$ 8,058,161

See accompanying Notes to Consolidated Financial Statements.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government Grants	\$ 2,058,810	\$ -	\$ 2,058,810
Contributions and Grants	564,886	257,640	822,526
Program Fees	564,169	-	564,169
Fundraising Events and Sponsorships, Net	363,064	-	363,064
Other Earned Income, Net	111,097	-	111,097
Net Assets Released from Restrictions	157,853	(157,853)	-
Total Support and Revenue	3,819,879	99,787	3,919,666
 EXPENSES			
Program Services	3,481,329	-	3,481,329
General and Administration	131,138	-	131,138
Fundraising	283,745	-	283,745
Total Expenses	3,896,212	-	3,896,212
 CHANGES IN NET ASSETS FROM OPERATIONS	(76,333)	99,787	23,454
 OTHER CHANGES IN NET ASSETS			
Interest and Dividend Income	37,450	108,762	146,212
Realized and Unrealized Losses on Investments	(194,509)	(567,371)	(761,880)
Gain on Disposal of Equipment	1,881	-	1,881
Miscellaneous Income	23,366	-	23,366
Total Other Changes in Net Assets	(131,812)	(458,609)	(590,421)
 CHANGE IN NET ASSETS	(208,145)	(358,822)	(566,967)
 Net Assets - Beginning of Year	3,379,456	4,708,836	8,088,292
 NET ASSETS - END OF YEAR	\$ 3,171,311	\$ 4,350,014	\$ 7,521,325

See accompanying Notes to Consolidated Financial Statements.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services				Supporting Services		2023 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fundraising	
Compensation	\$ 763,400	\$ 193,565	\$ 307,381	\$ 1,264,346	\$ 94,008	\$ 173,822	\$ 1,532,176
Employee Benefits	69,952	33,589	19,353	122,894	16,496	22,984	162,374
Payroll Taxes	71,040	18,013	28,604	117,657	8,748	16,175	142,580
Park Maintenance	482,331	-	39,335	521,666	-	-	521,666
Insurance	230,193	8,536	96,055	334,784	2,108	4,578	341,470
Events and Recreational Programming	-	70,486	206,880	277,366	-	-	277,366
Design and Construction	191,081	-	-	191,081	-	-	191,081
Depreciation	67,099	546	59,745	127,390	188	405	127,983
Equipment and Technology	16,601	2,220	53,619	72,440	1,768	8,117	82,325
Occupancy	38,711	8,398	15,958	63,067	2,905	6,233	72,205
Advertising and Promotion	10,047	8,170	14,250	32,467	754	9,147	42,368
Accounting Fees	20,257	3,969	9,023	33,249	1,306	2,802	37,357
Legal Fees	27,216	-	-	27,216	1,826	-	29,042
Direct Fundraising Expenses	-	-	-	-	-	22,957	22,957
Bad Debt Expense	-	-	-	-	-	20,000	20,000
Telephone	7,106	1,359	2,552	11,017	275	1,586	12,878
Conferences and Meetings	2,222	406	821	3,449	3,096	1,426	7,971
Postage	51	213	347	611	119	4,927	5,657
Supplies	1,571	341	748	2,660	120	948	3,728
Other Professional Services	-	-	-	-	2,500	-	2,500
Total Expenses	1,998,878	349,811	854,671	3,203,360	136,217	296,107	3,635,684
Expenses Included with Revenues on the Consolidated Statements of Activities:							
Event Staff Compensation	-	1,062	-	1,062	-	6,507	7,569
Event and Program Expense	-	43,072	-	43,072	-	42,857	85,929
Processing Fees	-	28,689	-	28,689	-	4,795	33,484
Insurance	-	55	-	55	-	2,925	2,980
Other	-	614	-	614	-	216	830
Total Expenses Included in the Consolidated Statements of Activities	\$ 1,998,878	\$ 423,303	\$ 854,671	\$ 3,276,852	\$ 136,217	\$ 353,407	\$ 3,766,476

See accompanying Notes to Consolidated Financial Statements.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services		2022 Total
	Park Management and Development	Entertainment and Events	Recreation and Outdoor Adventures	Total	General and Administration	Fundraising	
Compensation	\$ 700,404	\$ 207,383	\$ 266,688	\$ 1,174,475	\$ 90,458	\$ 189,043	\$ 1,453,976
Employee Benefits	70,927	29,359	20,059	120,345	14,491	20,933	155,769
Payroll Taxes	68,988	20,427	26,268	115,683	8,910	18,620	143,213
Park Maintenance	503,711	-	30,997	534,708	-	-	534,708
Insurance	192,103	11,398	92,390	295,891	2,743	7,016	305,650
Events and Recreational Programming	-	105,595	306,086	411,681	-	-	411,681
Design and Construction	457,626	-	-	457,626	-	-	457,626
Depreciation	73,187	590	59,486	133,263	183	471	133,917
Equipment and Technology	28,067	4,123	50,147	82,337	1,288	9,480	93,105
Occupancy	38,168	9,325	14,351	61,844	2,912	7,448	72,204
Advertising and Promotion	8,601	9,038	16,118	33,757	589	7,116	41,462
Accounting Fees	15,127	3,103	6,912	25,142	938	2,401	28,481
Legal Fees	10,357	-	-	10,357	-	-	10,357
Direct Fundraising Expenses	-	-	-	-	-	14,160	14,160
Telephone	6,636	990	2,359	9,985	310	1,343	11,638
Conferences and Meetings	5,795	163	4,334	10,292	3,081	1,143	14,516
Postage	37	240	109	386	67	3,507	3,960
Other Professional Services	-	-	-	-	5,000	-	5,000
Supplies	2,194	537	826	3,557	168	1,064	4,789
Total Functional Expenses	<u>2,181,928</u>	<u>402,271</u>	<u>897,130</u>	<u>3,481,329</u>	<u>131,138</u>	<u>283,745</u>	<u>3,896,212</u>
Expenses Included with Revenues on the Consolidated Statements of Activities:							
Event Staff Compensation	-	14,891	-	14,891	-	808	15,699
Event and Program Expense	-	61,502	-	61,502	-	23,168	84,670
Processing Fees	-	5,263	-	5,263	-	10,863	16,126
Insurance	-	13,810	-	13,810	-	170	13,980
Other	-	122	-	122	-	430	552
Total Expenses Included in the Consolidated Statements of Activities	<u>\$ 2,181,928</u>	<u>\$ 497,859</u>	<u>\$ 897,130</u>	<u>\$ 3,576,917</u>	<u>\$ 131,138</u>	<u>\$ 319,184</u>	<u>\$ 4,027,239</u>

See accompanying Notes to Consolidated Financial Statements.

**RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 536,836	\$ (566,967)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	(455,125)	761,880
Depreciation	127,983	133,917
Bad Debt Expense	20,000	-
Gain on Disposal of Equipment	(13,399)	(1,881)
(Increase) Decrease in Operating Assets:		
Grants Receivable	134,348	313,890
Pledges and Contributions Receivable, Net	(72,883)	150,486
Prepaid Expenses	28,043	3,555
Accounts Receivable	74,447	(76,510)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(134,724)	(113,266)
Refundable Advances	18,488	(148,567)
Net Cash Provided by Operating Activities	<u>264,014</u>	<u>456,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Land and Equipment, Net	(92,450)	(235,712)
Net Purchases of Investments	<u>(304,225)</u>	<u>(217,136)</u>
Net Cash Used by Investing Activities	(396,675)	(452,848)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	<u>22,785</u>	<u>102,229</u>
Net Cash Provided by Financing Activities	<u>22,785</u>	<u>102,229</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,876)	105,918
Cash and Cash Equivalents - Beginning of Year	<u>1,061,597</u>	<u>955,679</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 951,721</u>	<u>\$ 1,061,597</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property Received in Exchange for Operating Lease	<u>\$ -</u>	<u>\$ 154,760</u>

See accompanying Notes to Consolidated Financial Statements.

**RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 NATURE OF 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

At the beginning of 2023, RRI adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. RRI adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Association's financial statements.

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 consolidated 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. The board designates a portion of funds for the purpose of functioning as an endowment. In 2019, the board designated \$200,000 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.

**RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Board-designated net assets as of December 31 are as follows:

	2023	2022
Board-Designated to Function as Endowment	\$ 449,478	\$ 393,877
Riverfront Innovation Fund	143,206	143,206
Total Designated Net Assets	\$ 592,684	\$ 537,083

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). 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 is also exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

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 nonprofit, 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.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pledges and Contributions, Including Governmental Grants and Contracts
(Continued)

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, 2023 and 2022 totaled \$1,898,665 and \$1,149,718, 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.

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.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Land and Equipment

RRI capitalizes all expenditures for equipment in excess of \$5,000 and having a useful life of three years or greater. Purchased equipment is recorded at cost, less accumulated depreciation. Donated equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are three 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 receives funding from a governmental partner for park operations and maintenance services. This support consisted of 34% and 31% of the total revenue for the years ended December 31, 2023 and 2022, respectively.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Allocation of Expenses

The costs 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, occupancy, postage and supplies.

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.

Leases

RRI leases office facilities. RRI determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and right-of-use (ROU) liabilities – operating, in the consolidated statements of financial position.

ROU assets represent RRI's right to use an underlying asset for the lease term and lease liabilities represent RRI's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that RRI will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. RRI has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

RRI has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

RRI's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, RRI has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities. The risk-free rate used of 1.04% was the U.S Treasury Rate as of January 1, 2022 for the remaining term of the lease.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through April 15, 2024, which represents the date the consolidated 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, nonprofits, or schools. Program fees include Adventure Teambuilding, Rowing, Dragon boating and the Dragon Boat Race, rowing clinics, 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 \$521,247 and \$564,169 for the years ended December 31, 2023 and 2022, respectively.

**RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Other Earned Income

RRI enters into contracts to provide various public and private events and festivals to the public. 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 \$105,888 and \$111,097 for the years ended December 31, 2023 and 2022, 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 Balance - January 1, 2022	\$ 12,266	\$ 11,200
Closing Balance - December 31, 2022	88,776	5,008
Increase (Decrease)	\$ 76,510	\$ (6,192)
Opening Balance - January 1, 2023	\$ 88,776	\$ 5,008
Opening Balance - December 31, 2023	14,329	23,734
Increase (Decrease)	\$ (74,447)	\$ 18,726

The balance of refundable advances at December 31, 2023, 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
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America 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, 2023 and 2022.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Description	2023			
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual Funds:				
Equities	\$ 3,642,028	\$ 3,642,028	\$ -	\$ -
Fixed Income	1,365,099	1,365,099	-	-
Total	<u>\$ 5,007,127</u>	<u>\$ 5,007,127</u>	<u>\$ -</u>	<u>\$ -</u>
Description	2022			
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual Funds:				
Equities	\$ 3,001,965	\$ 3,001,965	\$ -	\$ -
Fixed Income	1,268,597	1,268,597	-	-
Total	<u>\$ 4,270,562</u>	<u>\$ 4,270,562</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2023 and 2022, there is no outstanding balance under this agreement.

NOTE 4 PLEDGES AND CONTRIBUTIONS RECEIVABLE

Unconditional pledges and contributions receivable as of December 31 are expected to be collected as follows:

	2023	2022
Receivable in Less than One Year	\$ 150,999	\$ 29,449
Receivable in One to Five Years	41,333	90,000
Total	192,332	119,449
Less: Reserve for Uncollectible Contributions	20,000	-
Total Contributions Receivable	<u>\$ 172,332</u>	<u>\$ 119,449</u>

A reserve for uncollectible contributions was not deemed necessary for the year ended December 31, 2022.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LAND AND EQUIPMENT

Fixed assets as of December 31 include the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,382,945	\$ 1,335,468
Equipment, Fixtures, and Vehicles	1,955,588	1,961,845
Subtotal	<u>3,338,533</u>	<u>3,297,313</u>
Less: Accumulated Depreciation	1,446,981	1,383,627
Total	<u>\$ 1,891,552</u>	<u>\$ 1,913,686</u>

Depreciation expense charged to operations was \$127,983 and \$133,917 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 LEASES

RRI leases their office facility under a long-term, non-cancelable lease agreement. The lease expires February 28, 2025 and provides for a renewal option of four years. It is not reasonably certain that the four year renewal option will be exercised. Additionally, the agreements generally require RRI to pay certain property taxes and insurance costs.

The following table provides quantitative information concerning RRI's leases for the year ended December 31, 2023:

	<u>2023</u>	<u>2022</u>
Lease Cost:		
Operating Lease Cost	<u>\$ 72,204</u>	<u>\$ 72,204</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 72,204	\$ 72,204
Right-of-Use Assets Obtained in Exchange for New		
Operating Lease Liabilities	-	225,021
Weighted Average Remaining Lease Term - Operating Leases	1.1 years	2.1 years
Weighted Average Discount Rate - Operating Leases	1.04%	1.04%

A maturity analysis of annual undiscounted cash flows for operating lease liabilities as of December 31, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>2023</u>
2024	\$ 72,204
2025	11,600
Total Lease Payments	<u>83,804</u>
Less: Imputed Interest	(472)
Present Value of Lease Liabilities	<u>\$ 83,332</u>

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 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:

	2023	2022
Cash and Cash Equivalents	\$ -	\$ 258,865
Grants Receivable	253,608	387,956
Pledges and Contributions Receivable, Net	31,665	29,449
Accounts Receivable	14,329	88,776
Available Investments	710,131	276,245
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ 1,009,733	\$ 1,041,291

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, 2023 and 2022, investments in the amount of \$1,165,731 and \$1,382,136, respectively, represent funds that are donor restricted for purpose or time and investments in the amount of \$2,511,978 and \$2,259,788, respectively, represent donor-restricted funds to be held in perpetuity. As of December 31, 2023 and 2022, RRI has a board-designated endowment of \$449,478 and \$393,877, 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, 2023 and 2022, RRI has a board-designated balance of \$143,206 and \$143,206, 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.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Endowment:		
Restricted in Perpetuity:		
Income Use Unrestricted	\$ 1,897,883	\$ 1,875,100
Income Use Restricted - Summer Music Concerts	100,000	100,000
Income Use Restricted - Rowing Scholarships	100,000	91,639
Accumulated Gains and Income Available for Appropriation by the Board of Directors	<u>414,095</u>	<u>193,049</u>
Total Endowment	2,511,978	2,259,788
Donor Restricted by Time or Purpose:		
Time Restricted	51,665	26,580
Other Net Assets With Donor Use Restrictions:		
Marfuggi Parks Projects	1,390,615	1,148,621
Rowing Programs	234,551	184,226
Riverfront Capital Projects	92,994	202,711
Youth Programs	<u>576,476</u>	<u>528,088</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,858,279</u>	<u>\$ 4,350,014</u>

NOTE 9 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>2023</u>	<u>2022</u>
Purpose:		
Riverfront Capital Projects	\$ 190,877	\$ 156,904
Rowing Programs	3,430	949
Total Net Assets Released	<u>\$ 194,307</u>	<u>\$ 157,853</u>

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 ENDOWMENT

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

As a result of this interpretation, RRI classifies as 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
DECEMBER 31, 2023 AND 2022

NOTE 10 ENDOWMENT (CONTINUED)

Changes in endowment net assets by type or fund are as follows for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2022	\$ 483,754	\$ 2,507,759	\$ 2,991,513
Investments Return:			
Investment Income	17,483	73,344	90,827
Net Realized and Unrealized Losses	(91,358)	(378,455)	(469,813)
Total Investment Loss	(73,875)	(305,111)	(378,986)
Contributions	-	102,229	102,229
Appropriation of Endowment Assets for Expenditure	(16,002)	(45,089)	(61,091)
Endowment Net Assets - December 31, 2022	393,877	2,259,788	2,653,665
Investments Return:			
Investment Income	18,310	77,457	95,767
Net Realized and Unrealized Gains	53,303	225,459	278,762
Total Investment Income	71,613	302,916	374,529
Contributions	-	22,785	22,785
Appropriation of Endowment Assets for Expenditure	(16,012)	(73,511)	(89,523)
Endowment Net Assets - December 31, 2023	\$ 449,478	\$ 2,511,978	\$ 2,961,456

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 ENDOWMENT (CONTINUED)

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 CTUPMIFA requires RRI to retain as a fund of perpetual duration. Deficiencies of this nature did not exist as of December 31, 2023. Deficiencies of this nature existed in one donor fund, which has an original gift value of \$100,000, a current fair value of \$91,639, and a deficiency of \$8,361 as of December 31, 2022.

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.

RIVERFRONT RECAPTURE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 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, 2023 and 2022 were \$15,788 and \$5,200, 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, 2023 and 2022 for these projects were \$77,491 and \$143,427, respectively. In 2021, RRI received a commitment from the U.S Environmental Protection Agency for \$500,000 for environmental remediation at Riverfront Land. Total expenses incurred as of December 31, 2023 and 2022 were \$4,388 and \$4,825, respectively. In 2023, RRI received a commitment from HUD in the amount of \$900,000 primarily for the masterplan and related costs for the future park at Riverfront Land. Total expenses incurred as of December 31, 2023 were \$73,562.

NOTE 12 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. During the year ended December 31, 2023, RRI amended the match to be 100% of employee contributions on the first 3% of salary and 50% of employee contributions for the next 6% of salary. Contribution expense recognized by RRI was \$47,766 and \$57,438 for the years ended December 31, 2023 and 2022, respectively.

NOTE 13 NEIGHBORHOOD ASSISTANCE FUNDING

RRI received Neighborhood Assistance Act Program funding for various projects including energy efficiency projects and the Boathouse HVAC project. During the year ended December 31, 2022, RRI was awarded \$16,002 project funding and expended \$34,904 in accordance with the assistance program. There were no amounts awarded or expended for the year ending December 31, 2023.

NOTE 14 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 \$699,550, of which approximately \$612,000 has been incurred through December 31, 2023.



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