

COMMUNITY BOATING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009



COMMUNITY BOATING, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position December 31, 2010 and 2009	2
Statement of Activities For the year ended December 31, 2010	3
Statement of Activities For the year ended December 31, 2009	4
Statement of Functional Expenses For the year ended December 31, 2010	5
Statement of Functional Expenses For the year ended December 31, 2009	6
Statements of Cash Flows For the years ended December 31, 2010 and 2009	7
Notes to Financial Statements December 31, 2010 and 2009	8



Feeley & Driscoll, P.C.
Certified Public Accountants / Business Consultants

To the Board of Directors
Community Boating, Inc.
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statements of financial position of Community Boating, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Boating, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

May 20, 2011

Feeley & Driscoll, P.C.

COMMUNITY BOATING, INC.

Statements of Financial Position

December 31, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 187,849	\$ 74,770
Certificates of deposit	60,000	229,000
Accounts receivable	720	760
Inventories	5,101	8,124
Property and equipment, held for sale	500	500
Prepaid expenses and other current assets	21,578	19,761
Total current assets	<u>275,748</u>	<u>332,915</u>
Property and equipment, net	<u>197,444</u>	<u>213,949</u>
Other assets - Investments	<u>878,170</u>	<u>789,463</u>
Total assets	<u>\$ 1,351,362</u>	<u>\$ 1,336,327</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 11,864	\$ -
Deferred revenue	208,564	223,622
Accrued expenses and other current liabilities	55,881	41,546
Total current liabilities	<u>276,309</u>	<u>265,168</u>
Net assets:		
Unrestricted	133,967	156,580
Temporarily restricted	719,409	699,210
Permanently restricted	221,677	215,369
Total net assets	<u>1,075,053</u>	<u>1,071,159</u>
Total liabilities and net assets	<u>\$ 1,351,362</u>	<u>\$ 1,336,327</u>

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Statement of Activities

For the year ended December 31, 2010

OPERATING	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Membership fees	\$ 821,591	\$ -	\$ -	\$ 821,591
Other operating revenues	158,565	-	-	158,565
Contributions	120,647	124,041	6,308	250,996
	<u>1,100,803</u>	<u>124,041</u>	<u>6,308</u>	<u>1,231,152</u>
Net assets released from restrictions -				
Satisfaction of donor restrictions, operations	125,445	(125,445)	-	-
Total gains, revenues and other support	<u>1,226,248</u>	<u>(1,404)</u>	<u>6,308</u>	<u>1,231,152</u>
Expenses:				
Program services:				
Adult and High school program services	647,131	-	-	647,131
Junior boating program services	321,507	-	-	321,507
Universal access program	66,655	-	-	66,655
Ancillary services	82,522	-	-	82,522
	<u>1,117,815</u>	<u>-</u>	<u>-</u>	<u>1,117,815</u>
Supporting services:				
Management and general	166,487	-	-	166,487
Fundraising	47,533	-	-	47,533
Total expenses	<u>1,331,835</u>	<u>-</u>	<u>-</u>	<u>1,331,835</u>
Net (decrease) increase in net assets from operations	(105,587)	(1,404)	6,308	(100,683)
NONOPERATING				
Net interest and dividends received	2,384	21,603	-	23,987
Unrealized gains on investments	76,256	-	-	76,256
Realized gains on investments	3,758	-	-	3,758
Gain on sale of property and equipment	576	-	-	576
Increase in net assets from nonoperating activities	<u>82,974</u>	<u>21,603</u>	<u>-</u>	<u>104,577</u>
Change in net assets	<u>(22,613)</u>	<u>20,199</u>	<u>6,308</u>	<u>3,894</u>
Net assets, beginning of year	<u>156,580</u>	<u>699,210</u>	<u>215,369</u>	<u>1,071,159</u>
Net assets, end of year	<u>\$ 133,967</u>	<u>\$ 719,409</u>	<u>\$ 221,677</u>	<u>\$ 1,075,053</u>

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Statement of Activities

For the year ended December 31, 2009

OPERATING	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Membership fees	\$ 828,810	\$ -	\$ 3,000	\$ 831,810
Other operating revenues	118,812	-	-	118,812
Contributions	146,515	125,770	15,720	288,005
	<u>1,094,137</u>	<u>125,770</u>	<u>18,720</u>	<u>1,238,627</u>
Net assets released from restrictions -				
Satisfaction of donor restrictions, operations	123,499	(123,499)	-	-
Total gains, revenues and other support	<u>1,217,636</u>	<u>2,271</u>	<u>18,720</u>	<u>1,238,627</u>
Expenses:				
Program services:				
Adult and High school program services	612,631	-	-	612,631
Junior boating program services	295,151	-	-	295,151
Universal access program	63,777	-	-	63,777
Ancillary services	73,154	-	-	73,154
	<u>1,044,713</u>	<u>-</u>	<u>-</u>	<u>1,044,713</u>
Supporting services:				
Management and general	159,130	-	-	159,130
Fundraising	48,946	-	-	48,946
Total expenses	<u>1,252,789</u>	<u>-</u>	<u>-</u>	<u>1,252,789</u>
Net (decrease) increase in net assets from operations	(35,153)	2,271	18,720	(14,162)
NONOPERATING				
Net interest and dividends received	4,235	20,881	-	25,116
Unrealized losses on investments	84,911	-	-	84,911
Loss on sale of property and equipment	(7,843)	-	-	(7,843)
	<u>81,303</u>	<u>20,881</u>	<u>-</u>	<u>102,184</u>
Net assets released from restrictions -				
Transfers	-	665,547	(665,547)	-
Increase (decrease) in net assets from nonoperating activities	<u>81,303</u>	<u>686,428</u>	<u>(665,547)</u>	<u>102,184</u>
Change in net assets	<u>46,150</u>	<u>688,699</u>	<u>(646,827)</u>	<u>88,022</u>
Net assets, beginning of year	<u>110,430</u>	<u>10,511</u>	<u>862,196</u>	<u>983,137</u>
Net assets, end of year	<u>\$ 156,580</u>	<u>\$ 699,210</u>	<u>\$ 215,369</u>	<u>\$ 1,071,159</u>

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Statement of Functional Expenses

For the year ended December 31, 2010

	Programs				Supporting Services		Total
	Adult and High School	Junior Boating	Universal Access	Ancillary	Management and General		
					General	Fundraising	
Salaries and wages	\$ 307,954	\$ 182,920	\$ 46,376	\$ 20,931	\$ 129,426	\$ 20,308	\$ 707,915
Payroll taxes and benefits	57,676	34,258	8,686	3,920	24,240	3,803	132,583
Physical plant expenses	95,015	42,361	4,830	5,859	5,146	5,147	158,358
Administrative expenses	127,963	39,812	3,070	4,605	7,675	7,675	190,800
Cost of goods sold	14,213	-	-	43,514	-	10,600	68,327
Depreciation and amortization	44,310	22,156	3,693	3,693	-	-	73,852
Total functional expenses	\$ 647,131	\$ 321,507	\$ 66,655	\$ 82,522	\$ 166,487	\$ 47,533	\$ 1,331,835
Percentage of total	48.59%	24.14%	5.00%	6.20%	12.50%	3.57%	100.00%

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Statement of Functional Expenses

For the year ended December 31, 2009

	Programs				Supporting Services		Total
	Adult and High School	Junior Boating	Universal Access	Ancillary	Management and General	Fundraising	
Salaries and wages	\$ 287,626	\$ 168,158	\$ 43,354	\$ 19,684	\$ 122,096	\$ 19,984	\$ 660,902
Payroll taxes and benefits	47,697	27,948	9,476	4,340	28,683	3,256	121,400
Physical plant expenses	89,516	39,582	4,354	5,389	5,176	5,177	149,194
Administrative expenses	131,513	37,237	2,889	4,334	3,175	7,224	186,372
Cost of goods sold	11,829	-	-	35,703	-	13,305	60,837
Depreciation and amortization	44,450	22,226	3,704	3,704	-	-	74,084
Total functional expenses	\$ 612,631	\$ 295,151	\$ 63,777	\$ 73,154	\$ 159,130	\$ 48,946	\$ 1,252,789
Percentage of total	48.90%	23.56%	5.09%	5.84%	12.70%	3.91%	100.00%

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Statements of Cash Flows

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,894	\$ 88,022
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions and investment income restricted for long-term investments	(27,911)	(39,601)
Donated property and equipment	-	(15,534)
Depreciation and amortization	73,852	74,084
Net unrealized gain on investments	(76,256)	(84,911)
Net realized gain on investments	(3,758)	-
Net (gain) loss on sale of property and equipment	(576)	531
Net loss on sale of property and equipment, held for sale	-	6,312
Net unrealized loss on property and equipment, held for sale	-	1,000
Increase (decrease) in cash resulting from a change in:		
Accounts receivable	40	13,350
Inventories	3,023	(1,406)
Prepaid expenses other current assets	(1,817)	403
Accounts payable	11,864	(7,063)
Deferred revenue	(15,058)	26,583
Accrued expenses and other current liabilities	14,335	3,912
Net cash (used in) provided by operating activities	<u>(18,368)</u>	<u>65,682</u>
Cash flows from investing activities:		
Proceeds from sale of investment securities	13,069	-
Purchases of investment securities	(21,762)	(41,920)
Redemption (purchases) of certificates of deposit	169,000	(229,000)
Proceeds from sale of property and equipment	6,100	1,576
Proceeds from sale of property and equipment, held for sale	-	35,200
Purchases of property and equipment	(62,871)	(49,635)
Net cash provided by (used in) investing activities	<u>103,536</u>	<u>(283,779)</u>
Cash flows from financing activities -		
Contributions and investment income restricted for long-term investments	27,911	39,601
Net cash provided by financing activities	<u>27,911</u>	<u>39,601</u>
Net increase (decrease) in cash and cash equivalents	113,079	(178,496)
Cash and cash equivalents, beginning of year	<u>74,770</u>	<u>253,266</u>
Cash and cash equivalents, end of year	<u>\$ 187,849</u>	<u>\$ 74,770</u>

See accompanying notes to financial statements.

COMMUNITY BOATING, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 1 - Organization

Community Boating, Inc. ("CBI" or the "Organization") is a not-for-profit organization whose mission is to advance sailing for all by minimizing economic and physical obstacles to sailing. In addition, CBI enhances the greater Boston community using sailing as a vehicle to empower its members to develop independence and self-confidence, improve communication, foster teamwork, and acquire a deeper understanding of community spirit and the power of volunteerism. From its boathouse on the Charles River lower basin in Boston, Massachusetts, CBI operates three (3) boating programs for its members: The Junior Program for youngsters aged 10-18, the High School Program for high school sailboat racing teams, and the Senior Program for adults. CBI also carries on boating-related ancillary activities, engages in general administrative activities and conducts fundraising activities. CBI also operates a Universal Access Program where CBI endeavors to help people with disabilities learn to sail or to simply enjoy sailing with specially adapted sailboats. All of CBI's programs and activities take place in Boston, Massachusetts, and the members served by its program are drawn primarily from the greater Boston metropolitan area.

The Organization's primary source of revenue is from fees charged for membership in the club and contributions from the general public.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by CBI in the preparation of the accompanying financial statements is set forth below:

Basis of Accounting - Financial statement presentation follows the requirements of Not-For-Profit Organizations. Under these requirements, the Organization is required to report information regarding the financial position and activities according to three (3) classes of net assets: unrestricted, temporarily restricted and permanently restricted. Under these provisions, net assets and revenues, expense, gains and losses are classified based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted - Net assets subject to donor imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently Restricted - Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of the assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents represent short-term, highly liquid investments with original maturities of three (3) months or less from the date of purchase.

Inventories - Inventories related to sales of sweatshirts, hats, gloves, and other sundry boating-related items are stated at lower of cost or market determined by the specific identification method.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Major renewals, additions and betterments are charged to the property accounts, while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred.

Depreciation and Amortization - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets.

<u>Description</u>	<u>Life in Years</u>
Boats	5-7 years
Sails	3 years
Office equipment	5 years
Marine equipment	5 years
Leasehold improvements	5 years
Maintenance equipment	5 years
Program equipment	5 years

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - Continued

Contributions - All donor contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restriction. In-kind rent, materials, and services contributed are recorded as contributions in revenues and other support at their fair market values on the date of receipt. The related expenses or assets are also recorded depending on the form of benefits received.

Revenue Recognition - Membership revenue is recognized when memberships are sold, since that is when CBI grants all membership privileges to its members. However, when memberships are sold with expiration dates that fall in the next fiscal year, a proportional fraction of the revenue from such memberships is not recognized immediately, but instead is deferred to the next fiscal year. For this purpose, full-year memberships are divided over twelve (12) months.

Income Taxes - CBI is a nonprofit organization, and is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made. Tax years from 2007 through the current year remain open for examination by Federal and state tax authorities.

Subsequent Events - CBI has evaluated subsequent events through May 20, 2011, which is the date the financial statements were available to be issued.

Note 3 - Property and Equipment Held for Sale

During the year ended December 31, 2007, CBI received donations of property and equipment that they intend to sell which is classified as held for sale. During 2010 and 2009, CBI revalued the assets held for sale to current fair value. Property and equipment classified as held for sale consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Cost basis of boats		
Sale of boats		
Unrealized loss on assets held for sale	\$ 500	\$ 43,012
	-	(41,512)
Fair market value of assets held for sale	<u>-</u>	<u>(1,000)</u>
	<u>\$ 500</u>	<u>\$ 500</u>

The unrealized loss on assets held for sale was included in the loss on sale of property and equipment in the statement of activities for the year ended December 31, 2009.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Boats	\$ 476,381	\$ 467,392
Sails	172,441	311,909
Marine equipment	81,038	78,291
Leasehold improvements	45,968	52,051
Maintenance equipment	16,702	16,702
Office equipment	15,896	83,526
Program equipment	7,830	10,630
	<u>816,256</u>	<u>1,020,501</u>
Less accumulated depreciation and amortization	<u>(618,812)</u>	<u>(806,552)</u>
	<u>\$ 197,444</u>	<u>\$ 213,949</u>

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$73,852 and \$74,084, respectively.

Note 5 - Investments

Investment securities are stated at fair value and consisted of the following at December 31:

	<u>2010</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain</u>
Money market accounts	\$ 28,656	\$ 28,656	\$ -
U.S. zero coupon bonds	9,979	9,979	-
Stocks, bonds and mutual funds	<u>809,619</u>	<u>839,535</u>	<u>29,916</u>
	<u>\$ 848,254</u>	<u>\$ 878,170</u>	<u>\$ 29,916</u>
	<u>2009</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Loss</u>
Money market accounts	\$ 25,252	\$ 25,252	\$ -
U.S. zero coupon bonds	9,851	9,851	-
Stocks, bonds and mutual funds	<u>795,724</u>	<u>754,360</u>	<u>(41,364)</u>
	<u>\$ 830,827</u>	<u>\$ 789,463</u>	<u>\$ (41,364)</u>

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 5 - Investments - Continued

Investment return is summarized as follows at December 31:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 23,987	\$ 25,116
Net realized and unrealized gains and losses	<u>80,014</u>	<u>84,911</u>
	<u>\$ 104,001</u>	<u>\$ 110,027</u>

Note 6 - Fair Value Measurements

The Financial Accounting Standard Board Accounting Standards Codification 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 as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- 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 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.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 6 - Fair Value Measurements - Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2010 and 2009.

Common stocks, corporate bonds, and U.S. zero coupon bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and money market accounts: Valued at the net asset value (NAV) of shares held by CBI at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CBI 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.

The following table sets forth by level, within the fair value hierarchy, CBI's assets at fair value as of December 31, 2010 and 2009:

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 28,656	\$ -	\$ -	\$ 28,656
U.S. zero coupon bonds	9,979	-	-	9,979
Common stock	187,158	-	-	187,158
Bonds	57,237	-	-	57,237
Mutual funds:				
Bond funds	203,188	-	-	203,188
International funds	116,466	-	-	116,466
Growth funds	112,464	-	-	112,464
Other funds	163,022	-	-	163,022
Total mutual funds	595,140	-	-	595,140
Total assets at fair value	\$ 878,170	\$ -	\$ -	\$ 878,170

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 6 - Fair Value Measurements - Continued

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 25,252	\$ -	\$ -	\$ 25,252
U.S. zero coupon bonds	9,851	-	-	9,851
Common stock	135,072	-	-	135,072
Bonds	57,643	-	-	57,643
Mutual funds				
Bond funds	232,388	-	-	232,388
International funds	105,574	-	-	105,574
Growth funds	80,788	-	-	80,788
Other funds	142,895	-	-	142,895
Total mutual funds	561,645	-	-	561,645
Total assets at fair value	\$ 789,463	\$ -	\$ -	\$ 789,463

Note 7 - Net Assets

Changes in Endowment net assets were as follows for the years ended December 31:

	2010	2009
	Permanently Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 215,369	\$ 862,196
Contributions	6,308	18,720
Other changes:		
Transfer to temporarily restricted net assets	-	(665,547)
Endowment net assets, end of year	\$ 221,677	\$ 215,369

Under the policy of CBI, the endowment assets are invested conservatively with the intent of providing a predictable stream of funding to programs supported by the endowment. CBI invests in common stocks, mutual funds, bonds and money market investments to achieve its long-term return objectives within limited risk constraints. Actual returns in any year may vary due to market fluctuations.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 7 - Net Assets - Continued

The Organization's Board of Directors has an investment policy which governs investments and the spending policy for its investment portfolio. Under this policy, up to five percent (5%) of the market value of the portfolio, determined quarterly and averaged over a period of three (3) years, may be used for operations. In accordance with generally accepted accounting principles and Massachusetts state law, appreciation (depreciation) on permanently restricted investments is included in temporarily restricted net assets.

During 2009, amounts previously classified as permanently restricted net assets have been reclassified as temporarily restricted net assets as agreed to by the Commonwealth of Massachusetts. The transferred assets, which amount to \$665,547, are still to be used to provide income for the maintenance, support, and improvement of the operations, programs, facilities and equipment of the Organization.

CBI's temporarily restricted net assets consisted of resources available to meet current expenses, but only in accordance with purpose restrictions specified by donors at December 31, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Endowment to support activities of CBI	\$ 656,352	\$ 676,671
Docks	37,750	-
Ocean sailing scholarships	12,841	7,355
Outreach program	-	6,397
Other	12,466	8,787
	<u>\$ 719,409</u>	<u>\$ 699,210</u>

CBI's permanently restricted net assets as of December 31, 2010 and 2009 consisted of endowment funds that must be invested in perpetuity to provide a permanent source of income to defray future costs associated with providing program services as follows:

	<u>2010</u>	<u>2009</u>
Racing coach - junior program	\$ 116,710	\$ 115,210
Ocean sailing scholarships - junior members	42,460	42,260
Endowment to support activities of CBI	34,246	33,820
Junior boating program	18,087	15,105
Memberships for persons of limited means	8,498	7,498
Sailing opportunities for the physically challenged	1,676	1,476
	<u>\$ 221,677</u>	<u>\$ 215,369</u>

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 8 - Operating Leases

CBI occupies a boathouse and docks on the Charles River in Boston, Massachusetts under a management agreement with the Commonwealth of Massachusetts Department of Conservation and Recreation. This management agreement may be terminated at any time by either party, effective upon written notice. CBI is not charged for the use of these facilities, but is responsible for the utilities, normal maintenance, and custodial services. In these financial statements for the years ended December 31, 2010 and 2009, CBI recorded in-kind rent revenue and expense totaling \$56,652.

CBI has an obligation under an operating lease for office equipment at December 31, 2010. The lease expires in March 2013. This lease requires monthly payments of approximately \$123. Total lease expense was \$1,481 for the years ended December 31, 2010 and 2009. Future minimum payments under the remaining operating lease are as follows:

2011	\$	1,481
2012		1,481
2013		370
		<hr/>
	\$	3,332
		<hr/> <hr/>

Note 9 - Concentrations

CBI has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2012. CBI had no deposits in excess of FDIC insurance limitations at December 31, 2010 and 2009.

COMMUNITY BOATING, INC.

Notes to Financial Statements - Continued

December 31, 2010 and 2009

Note 10 - Retirement Plan

CBI participates in a Savings Incentive Match Plan for Employees ("SIMPLE") IRA Plan which qualifies under Section 403(b) of the Internal Revenue Code. Under the plan, full-time employees meeting certain requirements can elect to contribute to a deferred compensation arrangement in lieu of salary payments, subject to maximum IRS limitations. Each year, CBI may make discretionary contributions, as defined in the plan's provisions. During the year ended December 31, 2010, CBI matched 100% of employee pre-tax deferrals up to three percent (3%) of compensation. CBI's contribution to the SIMPLE plan was \$12,695 and \$10,375 for the years ended December 31, 2010 and 2009, respectively.

Note 11 - In-Kind Contributions

During 2010 and 2009, professional services, including volunteer teaching and legal services, were contributed to the Organization and are included in program expenses and management and general on the statement of activities.

	2010		
	Contributions Received	Expensed Immediately	Retained as Net Assets
Professional services	\$ 25,693	\$ 25,693	\$ -
Materials and equipment	10,000	10,000	-
Facilities rent	56,652	56,652	-
	<u>\$ 92,345</u>	<u>\$ 92,345</u>	<u>\$ -</u>
	2009		
	Contributions Received	Expensed Immediately	Retained as Net Assets
Professional services	\$ 25,800	\$ 25,800	\$ -
Materials and equipment	26,014	12,862	13,152
Facilities rent	56,652	56,652	-
	<u>\$ 108,466</u>	<u>\$ 95,314</u>	<u>\$ 13,152</u>

CBI offers discounted memberships to certain individuals in the full time adult and junior program. The full membership price is included with membership fees on the statements of activities, and the discounted portion is presented as part of administrative program expenses. Total discounted memberships were \$37,291 and \$43,007 for the years ended December 31, 2010 and 2009, respectively.