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2012



**Community Boating, Inc.  
Financial Statements  
For the Years Ended  
December 31, 2012 and 2011**

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**Community Boating, Inc.**

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Notes to Financial Statements



Melissa Gilroy, CPA

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(p) 781.696.4019

## Independent Auditor's Report

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

We have audited the accompanying financial statements of Community Boating, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Boating, Inc. as of December 31, 2012 and 2011 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.

A handwritten signature in cursive script that reads 'Melissa Gilroy'.

Melissa Gilroy, Certified Public Accountant  
Westwood, Massachusetts  
June 12, 2013

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**Community Boating, Inc.**

**Statements of Financial Position**

**As of December 31, 2012 and 2011**

**Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 294,609	\$ 144,390
Certificate of deposit	-	100,000
Accounts receivable, net	5,855	-
Inventories	7,242	4,056
Prepaid expenses and other current assets	15,195	19,547
<b>Total current assets</b>	<u>322,901</u>	<u>267,993</u>
<b>Fixed Assets</b>		
Property and equipment, net	<u>217,419</u>	<u>232,399</u>
<b>Other Assets</b>		
Investments	<u>1,005,381</u>	<u>863,483</u>
	<u>1,005,381</u>	<u>863,483</u>
<b>Total Assets</b>	<u>\$ 1,545,701</u>	<u>\$ 1,363,875</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 10,950	\$ 7,858
Deferred revenue	232,000	206,550
Accrued expenses and other current liabilities	41,943	37,814
<b>Total current liabilities</b>	<u>284,893</u>	<u>252,222</u>
<b>Net Assets</b>		
Unrestricted	198,243	164,010
Temporarily restricted	732,311	700,931
Permanently restricted	330,254	246,712
<b>Total net assets</b>	<u>1,260,808</u>	<u>1,111,653</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,545,701</u>	<u>\$ 1,363,875</u>

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## Community Boating, Inc.

### Statement of Activities and Changes in Net Assets

For the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
<b>Operating</b>				
<b>Revenue and Support</b>				
Membership fees	\$ 903,871	\$ -	\$ -	\$ 903,871
Other operating revenues	197,896	-	-	197,896
Contributions	272,307	70,906	-	343,213
Net assets released from restrictions	122,279	(122,279)	-	-
Nonoperating assets utilized for operations	31,926	-	-	31,926
Total revenue and support	<u>1,528,279</u>	<u>(51,373)</u>	<u>-</u>	<u>1,476,906</u>
<b>Expenses</b>				
<i>Program services:</i>				
Adult and High School program services	699,589	-	-	699,589
Junior boating program services	351,466	-	-	351,466
Universal access program services	108,435	-	-	108,435
Ancillary program services	65,932	-	-	65,932
Total program services	<u>1,225,422</u>	<u>-</u>	<u>-</u>	<u>1,225,422</u>
<i>Support Services:</i>				
Management, general and administrative	176,144	-	-	176,144
Fundraising	69,895	-	-	69,895
Total expenses	<u>1,471,461</u>	<u>-</u>	<u>-</u>	<u>1,471,461</u>
<b>Changes in net assets from operations</b>	56,818	(51,373)	-	5,445
<b>Non-operating</b>				
Net interest and dividends received	9,175	12,162	-	21,337
Net realized and unrealized gains / (losses)	-	70,591	-	70,591
Gain on sale of property and equipment	166	-	-	166
Endowment contributions	-	-	83,542	83,542
Nonoperating assets utilized for operations	(31,926)	-	-	(31,926)
Total	<u>(22,585)</u>	<u>82,753</u>	<u>83,542</u>	<u>143,710</u>
<b>Changes in Net Assets</b>	34,233	31,380	83,542	149,155
<b>Net Assets at Beginning of Year</b>	<u>164,010</u>	<u>700,931</u>	<u>246,712</u>	<u>1,111,653</u>
<b>Net Assets at End of Year</b>	<u>\$ 198,243</u>	<u>\$ 732,311</u>	<u>\$ 330,254</u>	<u>\$ 1,260,808</u>

See accompanying notes to the financial statements.

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**Community Boating, Inc.**

**Statement of Activities and Changes in Net Assets**

**For the year ended December 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
<b>Operating</b>				
<b>Revenue and Support</b>				
Membership fees	\$ 885,342	\$ -	\$ -	\$ 885,342
Other operating revenues	145,592	-	-	145,592
Contributions	238,766	53,045	-	291,811
Net assets released from restrictions	34,019	(34,019)	-	-
Nonoperating assets utilized for operations	37,504	-	-	37,504
Total revenue and support	<u>1,341,223</u>	<u>19,026</u>	<u>-</u>	<u>1,360,249</u>
<b>Expenses</b>				
<i>Program services</i>				
Adult and High School program services	612,428	-	-	612,428
Junior boating program services	303,686	-	-	303,686
Universal access program services	101,513	-	-	101,513
Ancillary program services	61,667	-	-	61,667
Total program services	<u>1,079,294</u>	<u>-</u>	<u>-</u>	<u>1,079,294</u>
<i>Support Services:</i>				
Management, general and administrative	174,882	-	-	174,882
Fundraising	68,648	-	-	68,648
Total expenses	<u>1,322,824</u>	<u>-</u>	<u>-</u>	<u>1,322,824</u>
<b>Changes in net assets from operations</b>	18,399	19,026	-	37,425
<b>Non-operating</b>				
Net interest and dividends received	21,727	-	-	21,727
Net realized and unrealized gains (losses)	(11,083)	-	-	(11,083)
Gain on sale of property and equipment	1,000	-	-	1,000
Endowment contributions	-	-	25,035	25,035
Nonoperating assets utilized for operations	-	(37,504)	-	(37,504)
Total	<u>11,644</u>	<u>(37,504)</u>	<u>25,035</u>	<u>(825)</u>
<b>Change in Net Assets</b>	30,043	(18,478)	25,035	36,600
<b>Net Assets at Beginning of Year</b>	<u>133,967</u>	<u>719,409</u>	<u>221,677</u>	<u>1,075,053</u>
<b>Net Assets at End of Year</b>	<u>\$ 164,010</u>	<u>\$ 700,931</u>	<u>\$ 246,712</u>	<u>\$ 1,111,653</u>

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**Community Boating, Inc.**

**Statement of Functional Expenses**

**For the year ended December 31, 2012**

	<u>Program</u>				<u>Support</u>		2012 Total
	<u>Adult and High School</u>	<u>Junior Boating</u>	<u>Universal Access</u>	<u>Ancillary</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>Functional Expenses</b>							
Salaries	\$ 338,895	188,744	79,408	20,342	134,290	21,615	\$ 783,294
Payroll taxes and benefits	64,152	35,729	15,032	3,851	25,421	4,092	148,277
Fleet and facility expenses	140,261	61,712	6,637	8,321	8,419	8,420	233,770
Administrative expenses	97,528	40,638	3,251	4,877	8,014	3,128	162,436
Cost of goods sold	9,468	-	-	24,434	-	27,640	61,542
Depreciation	49,285	24,643	4,107	4,107	-	-	82,142
<b>Total Functional Expenses</b>	<b>\$ 699,589</b>	<b>351,466</b>	<b>108,435</b>	<b>65,932</b>	<b>\$ 176,144</b>	<b>69,895</b>	<b>\$ 1,471,461</b>

See accompanying notes to the financial statements.

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**Community Boating, Inc.**

**Statement of Functional Expenses**

**For the year ended December 31, 2011**

	<u>Program</u>				<u>Support</u>		2011 Total
	<u>Adult and High School</u>	<u>Junior Boating</u>	<u>Universal Access</u>	<u>Ancillary</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>Functional Expenses</b>							
Salaries	\$ 289,633	165,125	74,752	20,893	134,363	20,923	\$ 705,689
Payroll taxes and benefits	58,483	33,241	15,048	4,206	27,047	4,212	142,237
Fleet and facility expenses	99,632	43,976	4,799	5,967	5,838	5,840	166,052
Administrative expenses	105,790	38,189	3,055	4,583	7,634	7,638	166,889
Cost of goods sold	12,579	-	-	22,158	-	30,035	64,772
Depreciation	46,311	23,155	3,859	3,860	-	-	77,185
<b>Total Functional Expenses</b>	<b>\$ 612,428</b>	<b>303,686</b>	<b>101,513</b>	<b>61,667</b>	<b>\$ 174,882</b>	<b>68,648</b>	<b>\$ 1,322,824</b>

See accompanying notes to the financial statements.



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## Community Boating, Inc.

### Statements of Cash Flows

For the years ended December 31, 2012 and 2011

Cash Flows from Operating Activities	2012	2011
Changes in Net Assets	\$ 149,155	\$ 36,600
Adjustments to reconcile change in net assets to cash provided by operations		
Contributions and investment income restricted for long-term investments	(21,337)	(21,727)
Depreciation	82,142	77,185
Donated property and equipment	-	(37,000)
Net realized and unrealized (gain) / loss on investments	(70,591)	11,083
Net gain on sale of property and equipment	(166)	(1,000)
Increase (decrease) in cash resulting from a change in:		
Accounts receivable	(5,906)	720
Inventories	(3,186)	1,045
Prepaid expenses and other current assets	4,403	2,531
Accounts payable	3,092	(8,654)
Deferred revenue	25,450	(1,214)
Accrued expenses and other current liabilities	4,129	(14,219)
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>167,185</b>	<b>45,350</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(140,307)	(65,948)
Proceeds from the sale of investments	69,000	69,552
Redemption (Purchase) of certificates of deposit, net	100,000	(40,000)
Proceeds from sale of property and equipment	4,401	7,935
Purchases of property and equipment	(71,397)	(82,075)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(38,303)</b>	<b>(110,536)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions and investment income restricted for long-term investments	21,337	21,727
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>21,337</b>	<b>21,727</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>150,219</b>	<b>(43,459)</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>144,390</b>	<b>187,849</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 294,609</b>	<b>\$ 144,390</b>

See accompanying notes to the financial statements.

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## Community Boating, Inc. Notes to Financial Statements

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### 1. Nature of the Business

Community Boating, Inc. ("CBI" or the "Organization") is a non-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 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 Adult Program for adults. CBI also carries on boating related ancillary activities, engages in general administrative activities, and conducts fundraising activities. Additionally, CBI operates a Universal Access Program to help people with disabilities learn to sail or 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 primarily drawn from the greater Boston Metropolitan area.

### 2. Summary of Significant Accounting Policies

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in three categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

#### *Unrestricted*

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

#### *Temporarily Restricted*

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Temporarily restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted.

#### *Permanently Restricted*

Permanently restricted net assets are those subject to a donor-imposed restriction which requires the corpus to be invested in perpetuity to produce income for general or specific purposes. Generally, donors of these assets permit the Organization to use part or all of the income earned on related investments for general or specific purposes.

#### **Use of Estimates**

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

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**Community Boating, Inc.**  
**Notes to the Financial Statements**

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**2. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents.

**Accounts Receivable**

The Organization carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of December 31, 2012 and 2011, management has estimated the allowance to be immaterial.

The Organization does not have a policy to accrue interest on accounts receivable. The Organization has no policies requiring collateral or other security to secure the accounts receivable.

**Inventories**

Inventory consists of sweatshirts, hats, gloves, and other sundry boating items which are stated at the lower of cost or market by the specific identification method.

**Property and Equipment**

Property and equipment is stated at cost at the time of acquisition or fair market value at the time of donation. Donated assets are considered unrestricted support unless the donor has restricted the donated asset for a specific purpose. Expenditures for maintenance and repairs are charged to expenses as incurred; major renewals, additions and betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Boats	5-7 years
Sails	3 years
Equipment	5 years
Improvements	5 years

**Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis amongst its various programs and other activities. All of the Organization's allocated expenditures have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. "Management, general and administrative expenses" include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and include those costs related to the internal management and accounting for program services. Fundraising costs include all activities related to maintaining contributor information, writing grant proposals, coordinating and managing volunteer instructors and activities, distribution of materials and other similar projects related to the procurement of funds.

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**Community Boating, Inc.**  
**Notes to the Financial Statements**

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2. **Summary of Significant Accounting Policies (continued)**

**Contributions**

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues in the year received in accordance with the donor requirements. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restriction. Contributions receivable are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value upon the date of receipt. The related expenses are also recorded in accordance with the form of benefits received.

**Investments**

Investments are stated at fair market value, including unrealized gains and losses and are generally determined based on quoted market values in active markets. Gains and losses on sales of securities are determined based on the trade day price and are recorded in the statement of activities in the period in which the securities are sold. Dividend and interest income is recognized as earned. Unless otherwise restricted by the donor, the Board or state law, investment income and net unrealized and realized gains are recorded as increases in unrestricted net assets. Investments income and gains / losses with underlying donor restrictions are allocated based on the total balance of investments applicable to the respective asset totals.

**Donated Materials, Facilities and Services**

Donated materials, facilities and services are recorded at the estimated fair value of facility space and services provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. Descriptions of items donated are discussed in more detail in Footnote 10.

**Advertising Costs**

Advertising costs are charged to operations as incurred. Advertising costs amounted to \$27,023 and \$28,070, respectively, for the years ended December 31, 2012 and 2011.

**Revenue Recognition**

Membership revenue is recognized upon granting of membership privileges by CBI which occurs upon the sale of a membership. However, when membership terms extend beyond the fiscal year end, a proportional fraction of revenue is deferred in accordance with GAAP. Other operating revenue consists primarily of retail sales of merchandise such as hats and sweatshirts, parking fees, event income, and fees for locker rentals and is recognized as earned.

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## Community Boating, Inc. Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### Income Taxes

The Corporation is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income tax is included in the financial statements.

The Organization adopted the provisions in GAAP, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure requirements for uncertain tax positions. The adoption of this provision did not have a material impact on the Organization's financial statements. The three prior tax years through the current year remain open for examination by the Federal and State tax authorities.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

### 3. Fair Value Measurements

The Organization follows the authoritative guidance for fair value measurements relating to financial and nonfinancial assets and liabilities, including presentation of required disclosures in its financial statements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy, which requires maximizing the use of observable inputs when measuring fair value. The three levels of inputs that may be used are:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets.

Level 2 – Inputs that are observable either directly or indirectly such as quoted prices for similar assets or liabilities in either active or inactive markets, observable assets or liabilities other than quoted prices, inputs derived principally from or corroborated by observable market data by correlation or other means. CBI does not hold any investments requiring valuation with Level 2 inputs.

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. CBI does not hold any investments requiring valuation with Level 3 inputs.

The asset and liability fair value measurement level within the 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.

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**Community Boating, Inc.**  
**Notes to the Financial Statements**

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**3. Fair Value Measurements - continued**

The 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, 2012 and 2011. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value measurements. Further, CBI believes its valuation techniques 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 as of the reporting date.

*Common stocks* – 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 December 31, 2012 and 2011.

The following fair value hierarchy table presents information about the Organization's assets measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at December 31, 2012 and 2011:

*As of December 31, 2012 and 2011:*

	<b>2012</b>	<b>2011</b>
<u>Asset Description</u>	<u>Level 1</u>	<u>Level 1</u>
Money Market Accounts	\$ 21,460	\$ 977
Common Stock	330,172	249,594
Mutual Funds	653,749	612,912
Total assets at fair value	<u>\$ 1,005,381</u>	<u>\$ 863,483</u>

There were no liabilities requiring fair value measurement and disclosure in accordance with GAAP. Additionally, there were no nonrecurring assets or liabilities requiring fair value measurement as of December 31, 2012 and 2011.

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**Community Boating, Inc.**  
**Notes to the Financial Statements**

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**4. Investments**

Investments are stated at fair market value and include investment returns as follows:

*As of December 31, 2012:*

<u>Description</u>	<u>2012</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain</u>
Stocks, Bonds, and Mutual Funds	\$ 1,075,849	\$ 983,921	\$ 91,928
Money Market Accounts	21,460	21,460	-
Total	<u>\$ 1,097,309</u>	<u>\$ 1,005,381</u>	<u>\$ 91,928</u>

*As of December 31, 2011:*

<u>Description</u>	<u>2011</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain</u>
Stocks, Bonds, and Mutual Funds	\$ 873,150	\$ 862,506	\$ 10,644
Money Market Accounts	977	977	-
Total	<u>\$ 874,127</u>	<u>\$ 863,483</u>	<u>\$ 10,644</u>

Investment returns are summarized as follows at December 31:

	<u>2012</u>	<u>2011</u>
Net Realized and Unrealized Gains and (Losses)	\$ 70,591	\$ (11,083)
Interest and Dividend Income	21,337	21,727
Total	<u>\$ 91,928</u>	<u>\$ 10,644</u>

**5. Property and equipment**

Property and equipment as of December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Boats	\$ 529,829	\$ 525,190
Sails	253,326	212,553
Marine Equipment	92,594	85,861
Leasehold Improvements	45,968	45,968
Maintenance Equipment	43,589	30,689
Office Equipment	15,896	15,896
Program Equipment	10,967	10,967
	<u>992,169</u>	<u>927,124</u>
Less accumulated depreciation	<u>(774,750)</u>	<u>(694,725)</u>
	<u>\$ 217,419</u>	<u>\$ 232,399</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$82,142 and \$77,185, respectively.

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**Community Boating, Inc.**  
**Notes to the Financial Statements**

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**6. Temporarily Restricted Net Assets**

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 of the market value of the portfolio, determined quarterly and averaged over a period of three years, may be used for operations. In accordance with GAAP and Massachusetts state law, appreciation (depreciation) on permanently restricted net asset investments is considered temporarily restricted net assets.

As of December 31, 2012 and 2011, temporary net assets were available for the following purposes and released from restrictions as a result of either satisfying the restricted purpose or by the occurrence of other events specified by donors:

Description	As of 12/31/2011	Released from restriction	Additions	As of 12/31/2012
Endowment assets (Note 7)	644,155	(31,926)	82,753	694,982
Capital purchases and program specific	56,776	(90,353)	70,906	37,329
	<u>700,931</u>	<u>(122,279)</u>	<u>153,659</u>	<u>732,311</u>

Included in temporarily restricted net assets are temporarily restricted endowment assets, described above, as support activities for CBI.

**7. Endowment Assets**

Effective June 30, 2009, the Commonwealth of Massachusetts adopted the *Uniform Prudent Management of Institutional Funds Act ("UPMIFA")*, which governs Massachusetts charitable organizations with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Board of Directors of the Organization has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the Organization to adopt investment and spending policies that preserve the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. Although the Organization has a long-term fiduciary duty to the donors for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard under UPMIFA.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor.



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**7. Endowment Assets (continued)**

With regard to endowment losses or appropriations in excess of fair value of the original gift, in accordance with GAAP, the portion of a donor restricted endowment is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the Organization to hold in perpetuity. In the absence of donor stipulations or law to the contrary, losses and appropriations of a donor restricted endowment reduce temporarily restricted net assets to the extent that donor imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors of the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Organization and the donor-restricted endowment funds
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization, and
- The investment policies of the Organization.

To meet that objective, the Organization's policies limit the spending of the investment income and appreciation to 5.0% of the average market value of such investments. It has been the Organization's policy to reinvest the endowment funds' appreciation, unless necessary for current operations. CBI invests its permanently restricted net assets 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.

The following is a summary of the Organization's donor restricted endowment related activities for the year ended December 31, 2012 and 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment as of 12/31/2011	\$ (9,175)	644,155	246,712	\$ 881,692
Contributions	-	-	83,542	83,542
Investment returns	9,175	82,753	-	91,928
Appropriations for expenditures	-	(31,926)	-	(31,926)
Endowment as of 12/31/2012	\$ -	694,982	330,254	\$ 1,025,236

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**Community Boating, Inc.**  
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**7. Endowment Assets (continued)**

Endowment funds consist of the following:

Description	As of 12/31/2011	Contributions	Investment returns	Releases	As of 12/31/2012
Boating Programs	\$ 607,851	20,015	61,707	(28,124)	\$ 661,449
Junior Programs	91,085	625	9,279	(3,802)	97,187
Bemis - Jr Program Race Coach	116,760	2,000	12,296	-	131,056
Glass - Special Need Memberships	9,877	-	896	-	10,773
Norman Priebatsch - Windsurfing	-	60,852	1,905	-	62,757
Elwell - Junior Ocean Sailing Scholarship	53,760	50	5,665	-	59,475
Universal Access Program	2,359	-	180	-	2,539
Total	<u>\$ 881,692</u>	<u>83,542</u>	<u>91,928</u>	<u>(31,926)</u>	<u>\$ 1,025,236</u>

**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 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, maintenance expenses under \$500, and custodial services of the facilities. Included in these financial statements are in-kind rent contributions (and the related rent expense) amounting to \$120,000 and \$56,652 for the years ended December 31, 2012 and 2011.

In addition, CBI has an obligation under an operating lease for office equipment. The lease expires in September 2016. The lease requires monthly payments of approximately \$177. Total rental expense amounted to \$1,688 and \$1,481 for the years ended December 31, 2012 and 2011, respectively. Future minimum payments under the lease are as follows:

2013	2,124
2014	2,124
2015	2,124
2016	<u>1,593</u>
	<u>\$7,965</u>

**9. Retirement Plan**

The Organization participates in a Savings Incentive Match Plan ("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, 2011 and 2010, CBI matched 100% of employee pre-tax deferrals up to three percent of compensation. CBI's contribution to the SIMPLE plan was \$11,365 and \$12,084 for the years ended December 31, 2012 and 2011, respectively.

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**10. In-Kind Contributions**

For the years ended December 31, 2012 and 2011, total in-kind donations that were also expensed immediately consisted of the following:

	<u>2012</u>	<u>2011</u>
Facilities Rent (Footnote 8)	\$ 120,000	\$ 60,000
Professional Services	45,332	30,832
Materials and Equipment	-	10,000
	<u>\$ 167,344</u>	<u>\$ 102,843</u>

Additionally, during 2011, CBI received a donated boat with a fair value of \$37,000 that has been included on the Statement of Financial Position.

**11. 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). As of December 31, 2012 and 2011, CBI had no deposits in excess of FDIC insurance limits.

**12. Subsequent Events**

The Organization adopted the required GAAP disclosure guidance related to *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued and requires disclosure of the date through which an entity has evaluated subsequent events. Management has determined that no subsequent events requiring disclosure have occurred as of June 12, 2013, which is the date financial statements were available to be issued.