

**BOSTON HARBOR  
ISLAND ALLIANCE, INC.**

**Financial Statements**

**March 31, 2015 and 2014**

**BOSTON HARBOR ISLAND ALLIANCE, INC.**

**March 31, 2015 and 2014**

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## **Independent Auditor's Report**

To the Board of Directors  
Boston Harbor Island Alliance, Inc.  
Boston, Massachusetts

We have audited the accompanying financial statements of Boston Harbor Island Alliance, Inc. (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 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 audits 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 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 Boston Harbor Island Alliance, Inc. as of March 31, 2015 and 2014, 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.

*Edelstein & Company LLP*

Boston, Massachusetts  
December 10, 2015

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Statements of Financial Position

March 31,

2015

2014

### Assets:

Cash	\$ 1,136,364	\$ 1,191,185
Restricted cash	19,950	169,669
Unconditional promises to give, net	200,332	355,663
Government grants receivable	-	6,592
Accounts receivable	-	9,173
Prepaid expenses	23,963	1,154
Intangible assets - in process	30,400	-
Furniture and equipment, net	8,012	5,327

### Total assets

\$ 1,419,021      \$ 1,738,763

### Liabilities and net assets

#### Liabilities:

Accounts payable and accrued expenses	\$ 41,801	\$ 63,045
Deferred revenue	174,220	-
Refundable advances	34,500	-

### Total liabilities

250,521      63,045

#### Net assets:

Unrestricted	213,286	174,198
Temporarily restricted	955,214	1,501,520

### Total net assets

1,168,500      1,675,718

### Total liabilities and net assets

\$ 1,419,021      \$ 1,738,763

**BOSTON HARBOR ISLAND ALLIANCE, INC.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended March 31,**

	<b>2015</b>			<b>2014</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>						
Contributions and grants	\$ 206,485	\$ 342,851	\$ 549,336	\$ 382,162	\$ 548,470	\$ 930,632
Government contracts	468,868	-	468,868	215,217	-	215,217
Special events, net of direct donor benefits of \$87,321 and \$56,254 for years ended March 31, 2015 and 2014, respectively	260,432	-	260,432	324,515	-	324,515
In-kind support	32,424	-	32,424	40,113	-	40,113
Earned income	114,644	-	114,644	253,525	-	253,525
Interest income	568	-	568	1,486	-	1,486
Loss on disposal of furniture and equipment	-	-	-	(13,348)	-	(13,348)
Net assets released from restrictions	889,157	(889,157)	-	1,611,305	(1,611,305)	-
<b>Total support and revenue</b>	<u>1,972,578</u>	<u>(546,306)</u>	<u>1,426,272</u>	<u>2,814,975</u>	<u>(1,062,835)</u>	<u>1,752,140</u>
<b>Expenses:</b>						
Program services	1,463,684	-	1,463,684	2,197,577	-	2,197,577
Management and general	221,980	-	221,980	286,839	-	286,839
Fundraising	247,826	-	247,826	267,722	-	267,722
<b>Total expenses</b>	<u>1,933,490</u>	<u>-</u>	<u>1,933,490</u>	<u>2,752,138</u>	<u>-</u>	<u>2,752,138</u>
<b>Change in net assets</b>	39,088	(546,306)	(507,218)	62,837	(1,062,835)	(999,998)
<b>Net assets, beginning of year</b>	<u>174,198</u>	<u>1,501,520</u>	<u>1,675,718</u>	<u>111,361</u>	<u>2,564,355</u>	<u>2,675,716</u>
<b>Net assets, end of year</b>	<u>\$ 213,286</u>	<u>\$ 955,214</u>	<u>\$ 1,168,500</u>	<u>\$ 174,198</u>	<u>\$ 1,501,520</u>	<u>\$ 1,675,718</u>

The accompanying notes are an integral part of these financial statements.

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Statements of Cash Flows

For the Years Ended March 31,

2015

2014

### Cash flows used in operating activities:

Change in net assets	\$ (507,218)	\$ (999,998)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,333	7,665
Bad debt expense	32,846	45,717
Loss on disposal of furniture and equipment	-	13,348
Changes in operating accounts:		
Unconditional promises to give	122,485	(40,776)
Government contracts receivable	6,592	(6,592)
Accounts receivable	9,173	11,297
Prepaid expenses	(22,809)	4,978
Accounts payable and accrued expenses	(21,244)	(10,010)
Deferred revenue	174,220	(148,000)
Refundable advances	34,500	-
<b>Net cash used in operating activities</b>	<u>(168,122)</u>	<u>(1,122,371)</u>

### Cash flows provided by investing activities:

Purchases of equipment	(6,018)	(9,650)
Purchases of intangible assets - in process	(30,400)	-
Proceeds from redemption of certificates of deposits	-	73,215
Proceeds from redemption of money market funds	149,719	899,520
<b>Net cash provided by investing activities</b>	<u>113,301</u>	<u>963,085</u>

**Decrease in cash** (54,821) (159,286)

**Cash, beginning of year** 1,191,185 1,350,471

**Cash, end of year** \$ 1,136,364 \$ 1,191,185

**BOSTON HARBOR ISLAND ALLIANCE, INC.**

**Statements of Functional Expenses  
For the Years Ended March 31, 2015 and 2014**

	<b>2015</b>						
	<b>Economic Development and Public Programs</b>	<b>Environment and Education</b>	<b>Park Promotion</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Contract and professional services	\$ 709,376	\$ -	\$ 377,569	\$ 1,086,945	\$ 30,610	\$ 1,713	\$ 1,119,268
Salaries, wages and benefits	139,312	7,202	80,291	226,805	104,504	126,748	458,057
Occupancy	428	81,849	-	82,277	17,073	-	99,350
Special event venue and equipment rental	-	-	-	-	-	56,558	56,558
Special event materials and supplies	-	-	-	-	-	50,927	50,927
Office expense and supplies	53,468	1,990	11,939	67,397	20,314	11,880	99,591
Insurance	260	-	-	260	13,300	-	13,560
Bad debt expense	-	-	-	-	32,846	-	32,846
Depreciation	-	-	-	-	3,333	-	3,333
<b>Total</b>	<b>\$ 902,844</b>	<b>\$ 91,041</b>	<b>\$ 469,799</b>	<b>\$ 1,463,684</b>	<b>\$ 221,980</b>	<b>\$ 247,826</b>	<b>\$ 1,933,490</b>
	<b>2014</b>						
	<b>Economic Development and Public Programs</b>	<b>Environment and Education</b>	<b>Park Promotion</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Contract and professional services	\$ 1,350,322	\$ 73	\$ 412,356	\$ 1,762,751	\$ 43,970	\$ 18,150	\$ 1,824,871
Salaries, wages and benefits	207,983	4,307	112,574	324,864	124,298	118,698	567,860
Occupancy	4,856	36,714	-	41,570	27,027	-	68,597
Special event venue and equipment rental	-	-	-	-	-	49,168	49,168
Special event materials and supplies	-	-	-	-	-	51,089	51,089
Office expense and supplies	49,447	6,695	9,780	65,922	23,921	30,617	120,460
Insurance	2,470	-	-	2,470	14,241	-	16,711
Bad debt expense	-	-	-	-	45,717	-	45,717
Depreciation	-	-	-	-	7,665	-	7,665
<b>Total</b>	<b>\$ 1,615,078</b>	<b>\$ 47,789</b>	<b>\$ 534,710</b>	<b>\$ 2,197,577</b>	<b>\$ 286,839</b>	<b>\$ 267,722</b>	<b>\$ 2,752,138</b>

The accompanying notes are an integral part of these financial statements.

# **BOSTON HARBOR ISLAND ALLIANCE, INC.**

## **Notes to Financial Statements**

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### **1. Organization Purpose**

Boston Harbor Island Alliance, Inc. (the “Organization”) is a not-for-profit organization whose principal objectives include the promotion of the use, enjoyment and awareness of the Boston Harbor Islands national park area by creating vibrant public spaces, facilities and programming on the islands, raising and managing the public and private resources necessary to do so. The Organization attracts private sector investment and support to improve public awareness and use of the Boston Harbor Islands national park area, and helps provide the necessary strategic and financial resources to develop and manage the park. Specifically, the Organization attracts and manages funds for access, recreational, and environmental programs and projects, and assists state and federal agencies with implementing services (e.g. water transportation, food and beverage, etc).

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

The net assets of the Organization are reported in three categories as follows:

- (1) Unrestricted net assets represent resources that are available for support of the Organization’s general operations.
- (2) Temporarily restricted net assets represent resources restricted by donors for a specific period or purpose.
- (3) Permanently restricted net assets represent resources which cannot be expended and the income derived from which is utilized in accordance with the donors’ stipulations.

The Organization had no permanently restricted net assets as of or for the years ended March 31, 2015 and 2014.

#### ***Support and Revenue***

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are classified as temporarily restricted are reclassified as unrestricted net assets upon satisfaction of the program restriction or expiration of the time restriction.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.



# **BOSTON HARBOR ISLAND ALLIANCE, INC.**

## **Notes to Financial Statements**

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

#### ***Support and Revenue (continued)***

Under the terms of cost reimbursement agreements, government contracts are recognized as expenses are incurred. Government contracts receivable represents amounts due on contracts in which costs have been incurred but not yet reimbursed as of March 31, 2015 and 2014. As of March 31, 2015, \$37,000 in government contracts are available to be drawn down upon once the associated expenses have been incurred.

The Organization conducts special events, including the annual regatta and a gala (including a silent auction). Revenues from special events are presented net of direct benefit to donors.

Earned income, which represents income from cruise and tour fees of the Islands and food and catering sales, are recorded when earned.

The Organization receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. Contributed assets are recorded at their fair market value on the date of contribution.

#### ***Cash***

Cash consists of money market and checking accounts.

#### ***Restricted Cash***

Restricted cash is comprised of funds remaining from a 2007 mitigation settlement to be used to support infrastructure improvements and public transportation to the Boston Harbor Islands, and maintained in a brokerage account.

#### ***Furniture and Equipment***

The cost of furniture and equipment purchased in excess of \$1,000 is capitalized. Depreciation is computed over the estimated useful life of five years using the straight-line method.

#### ***Intangible Assets – In Process***

Intangible assets – in process consists of website development costs for website improvements, which have not been completed as of March 31, 2015. Website development costs are capitalized if future benefits are deemed to exist beyond one year from the statement of financial position date. Intangible assets, once placed in service, are amortized using the straight-line method over the estimated useful life of three years.

#### ***Deferred Revenue***

Deferred revenue represents advances received on contracts from government agencies for which related expenses have yet to be incurred.

# **BOSTON HARBOR ISLAND ALLIANCE, INC.**

## **Notes to Financial Statements**

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

#### *Refundable Advances*

Support for special events is recognized in the period in which the events take place absent explicit donor representations that support is not contingent on the occurrence of the event. Refundable advances consist of sponsorships for special events occurring in the following year.

#### *Use of Estimates and Subsequent Events*

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on December 10, 2015, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

#### *Income Taxes*

The Organization's activities are described in Internal Revenue Code Section 501(c) (3) and, therefore, is exempt from federal income taxes. The Organization is also exempt from Massachusetts income taxes under Massachusetts General Law Chapter 180. Returns for tax years beginning with those filed for the year ended March 31, 2012 are open to examination.

#### *Reclassifications*

Certain amounts from 2014 have been reclassified on these financial statements in order to conform to 2015 presentation.

### **3. Unconditional Promises to Give and Accounts Receivable**

Unconditional promises to give, and accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that are still outstanding after management had used reasonable collection efforts are written off through a charge to the allowance and a credit to unconditional promises to give. During the years ended March 31, 2015 and 2014, unconditional promises to give and accounts receivable of \$32,846 and \$45,717, respectively, were written off and are reported as bad debt expense on the statements of functional expenses.

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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### 3. Unconditional Promises to Give and Accounts Receivable (continued)

Unconditional promises to give consist of the following at March 31:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year:		
Foundations	\$ 33,332	\$ 32,931
Corporations	22,000	77,560
Individuals	130,000	120,838
Total	<u>185,332</u>	<u>231,329</u>
Less: allowance for uncollectable promises to give	<u>(5,000)</u>	<u>(5,000)</u>
	<u>180,332</u>	<u>226,329</u>
Receivable between one and three years:		
Foundations	-	33,334
Individuals	20,000	100,000
Less: net present value discount (3%)	<u>-</u>	<u>(4,000)</u>
	<u>20,000</u>	<u>129,334</u>
	<u>\$ 200,332</u>	<u>\$ 355,663</u>

A net present value discount was not recorded as of March 31, 2015 given that the amount is immaterial.

### 4. Furniture and Equipment

At March 31, 2015 and 2014, furniture and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 14,972	\$ 8,654
Furniture	<u>6,340</u>	<u>6,340</u>
	21,312	14,994
Accumulated depreciation	<u>(13,300)</u>	<u>(9,667)</u>
	<u>\$ 8,012</u>	<u>\$ 5,327</u>

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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### 5. In-Kind Gifts

During the years ended March 31, 2015 and 2014, the Organization recognized income from contributed goods and services as follows:

	2015	2014
Occupancy	\$ -	\$ 13,249
Professional fees	9,187	19,029
Supplies	23,237	7,835
	<u>\$ 32,424</u>	<u>\$ 40,113</u>

The Organization received goods and services for the 5K Fun Run. The amounts contributed to this special event were \$10,429 and \$7,645 during the years ended March 31, 2015 and 2014, respectively. The value of these goods and services is included as a component of special events - materials and supplies in the statements of functional expenses.

A number of unpaid volunteers have also made significant contributions of time totaling an estimated 12,329 and 10,603 hours for the years ended March 31, 2015 and 2014, respectively, to work on the Organization's various programs and events. The value of this contributed time is not reported in these financial statements since it does not meet the specialized skills criteria described previously.

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds that are available for the following purposes at March 31, 2015 and 2014:

	2015	2014
Mitigation funds	\$ 1,367	\$ 243,575
Park Promotion	266,838	184,988
Public access and safety	46,156	66,917
Boston Harbor Environmental Monitoring Project	2,425	1,752
Peddocks Trails Project	8,125	81,446
Pavilion operations	444,120	524,588
Public outreach and park development	46,183	202,254
Time restricted grants	140,000	196,000
	<u>\$ 955,214</u>	<u>\$ 1,501,520</u>

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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### 6. Temporarily Restricted Net Assets (continued)

Net assets released from restrictions during the years ended March 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Mitigation funds	\$ 242,207	\$ 878,167
Park Promotion	163,127	135,667
Public access and safety	20,761	17,276
Boston Harbor Environmental Monitoring Project	14,838	1,980
Peddocks Trails Project	73,321	94,041
Pavilion operations	80,469	81,404
Public outreach and park development	174,434	402,770
Release of time restriction	120,000	-
	<u>\$ 889,157</u>	<u>\$ 1,611,305</u>

### 7. Office Relocation and Fee/Rental Payments

During the year ended March 31, 2014, the Organization executed a cost recovery agreement with National Park Service for use of the premises located in Boston, Massachusetts, as part of the larger cooperative management agreement. The agreement, which expires on April 30, 2018, sets forth the responsibilities that both the Organization and the National Park Service have with regard to the cooperative management of Boston Harbor Islands National Recreation Area. This agreement outlines the authority over the Islands as well as the work to be done on the Islands, among other provisions.

The agreement provides for the Organization to make quarterly fee/rental payments which are computed based on square footage of space occupied. Rental expense for the years ended March 31, 2015 and 2014 was \$18,639 and \$13,403, respectively, and is reported as a component of occupancy costs on the statements of functional expenses. Future minimum fee/rental payments under the reimbursement agreement are as follows:

<u>Years ending March 31,</u>	<u>Amount</u>
2016	\$ 18,639
2017	18,639
2018	18,639
2019	1,553

### 8. Retirement Plan

The Organization sponsors a defined contribution plan for all full-time employees. The plan is qualified under Internal Revenue Code Section 403(b) and the Employee Retirement Income Security Act. The Organization did not make contributions to the plan during the years ended March 31, 2015 and 2014.

# **BOSTON HARBOR ISLAND ALLIANCE, INC.**

## **Notes to Financial Statements**

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### **9. Line-of-Credit**

The Organization has a revolving line-of-credit agreement with its bank permitting advances up to the lesser of \$400,000 or the current balance of the Organization's brokerage account as of March 31, 2015 (\$19,950) and March 31, 2014 (\$169,609). The line-of-credit bears interest at the prime rate. The line of credit is secured and collateralized by these assets. As of March 31, 2015 and 2014, the Organization had no outstanding balance on its line of credit.

### **10. Concentration Risks**

There was a concentration risk in revenue during the years ended March 31, 2015 and 2014 in that the Organization received 27% and 18% of its total support from one funder and/or grantee. At March 31, 2015 and 2014, three funders and two funders comprised 87% and 72%, respectively, of the unconditional promises to give balance.

The Organization has a concentration of credit risk in that it maintains deposits with financial institutions 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.