
**BOSTON HARBOR
ISLAND ALLIANCE, INC.**

Financial Statements

December 31, 2010

BOSTON HARBOR ISLAND ALLIANCE, INC.

December 31, 2010

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Boston Harbor Island Alliance, Inc., formerly Island Alliance, Inc. (a not-for-profit organization) as of December 31, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Boston Harbor Island Alliance, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, on our consideration of Boston Harbor Island Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Edelstein & Company LLP

Boston, Massachusetts
June 13, 2011

BOSTON HARBOR ISLAND ALLIANCE, INC.

Statement of Financial Position December 31, 2010

Assets

Current assets:

Cash	\$	974,063
Unconditional promises to give		1,698,648
Inventory		15,949
Prepaid expenses		1,909
Total current assets		<u>2,690,569</u>

Other assets:

Unconditional promises to give		264,720
Investments		8,390,248
Furniture and equipment, net of accumulated depreciation of \$52,810		<u>27,751</u>

Total assets		<u><u>\$ 11,373,288</u></u>
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Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$	<u>1,363,644</u>
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Net assets:

Unrestricted		257,657
Temporarily restricted		<u>9,751,987</u>
Total net assets		<u>10,009,644</u>

Total liabilities and net assets		<u><u>\$ 11,373,288</u></u>
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BOSTON HARBOR ISLAND ALLIANCE, INC.**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contributions and grants	\$ 6,471,530	\$ 2,113,226	\$ 8,584,756
Special events, net of expenses of \$97,689	193,151	-	193,151
In-kind support	408,974	-	408,974
Merchandise income	2,414	-	2,414
Tour fees	124,622	-	124,622
Investment income	61,063	(16,092)	44,971
Net assets released from restrictions	<u>2,725,695</u>	<u>(2,725,695)</u>	<u>-</u>
Total revenues	<u>9,987,449</u>	<u>(628,561)</u>	<u>9,358,888</u>
Expenses:			
Program services	9,202,289	-	9,202,289
Management and general	578,865	-	578,865
Fundraising	<u>196,106</u>	<u>-</u>	<u>196,106</u>
Total expenses	<u>9,977,260</u>	<u>-</u>	<u>9,977,260</u>
Change in net assets	10,189	(628,561)	(618,372)
Net assets, beginning of year	<u>247,468</u>	<u>10,380,548</u>	<u>10,628,016</u>
Net assets, end of year	<u>\$ 257,657</u>	<u>\$ 9,751,987</u>	<u>\$ 10,009,644</u>

BOSTON HARBOR ISLAND ALLIANCE, INC.

Statement of Functional Expenses For the Year Ended December 31, 2010

	Economic Development and Public Programs	Environment and Education	Park Promotion	Total Program	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 234,321	\$ 37,081	\$ 79,246	\$ 350,648	\$ 165,392	\$ 148,958	\$ 664,998
Contract and professional services	8,152,000	239,149	218,813	8,609,962	300,039	18,746	8,928,747
Supplies, postage and printing	58,162	11,691	10,437	80,290	330	17,336	97,956
Merchandise	1,976	-	-	1,976	-	-	1,976
Occupancy	-	-	-	-	69,000	-	69,000
Insurance	1,170	-	-	1,170	17,026	-	18,196
Depreciation	-	-	-	-	10,548	-	10,548
Interest	3,973	-	-	3,973	-	-	3,973
Marketing	-	-	82,566	82,566	-	-	82,566
Catering & meeting expense	14,768	1,192	1,787	17,747	754	4,262	22,763
Office expense	24,292	6,948	8,027	39,267	14,045	6,393	59,705
Travel and transportation	2,084	11,208	1,398	14,690	1,731	411	16,832
Total	\$ 8,492,746	\$ 307,269	\$ 402,274	\$ 9,202,289	\$ 578,865	\$ 196,106	\$ 9,977,260

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

BOSTON HARBOR ISLAND ALLIANCE, INC.

Statement of Cash Flows For the Years Ended December 31, 2010

Cash flows used in operating activities:	
Change in net assets	\$ (618,372)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	10,548
Donated stock	(11,200)
Unrealized loss on investments	5,706
Realized loss (gain) on investments	186
Loss on disposal of furniture and equipment	1,728
Changes in operating accounts:	
Unconditional promises to give	(1,008,670)
Accounts receivable	2,500
Inventory	1,976
Prepaid expenses	(220)
Accounts payable and accrued expenses	526,085
Net cash used in operating activities	<u><u>(1,089,733)</u></u>
 Cash flows provided by investing activities:	
Purchase of furniture and equipment	(217)
Purchase of investments	(47,523)
Proceeds from redemption of investments	1,555,106
Net cash provided by investing activities	<u><u>1,507,366</u></u>
 Cash flows used in financing activities:	
Repayments on line of credit	<u>(230,481)</u>
 Increase in cash	187,152
 Cash, beginning of year	<u>786,911</u>
 Cash, end of year	<u><u>\$ 974,063</u></u>
 Supplemental financial information:	
 Cash paid during the year for interest	<u><u>\$ 3,973</u></u>

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

1. Organization Purpose

Boston Harbor Island Alliance, Inc., formerly known as 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). Of particular significance is the Organization's management of capital projects for both the National Park Service and the state Department of Conservation and Recreation. Accordingly, these can produce significant fluctuations in revenues and spending where funds are received in one year for a project and spent in future years.

During the year ended December 31, 2010, the Organization completed all of the permitting and agreements necessary to begin demolition, stabilization and renovation work at Fort Andrews on Peddocks Island, selected a winning bidder to be the general contractor and finished plans to proceed with the rehabilitation of at least one building, the demolition of 12 buildings, and the stabilization of 12 additional buildings. Work began in February, 2011. Also during the year ended December 31, 2010, the Organization completed all of the permitting necessary for the Boston Harbor Islands Pavilion on the Rose Kennedy Greenway and initiated construction through a contract with a general contractor. The project was completed on May 27, 2011.

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* - Net assets that are available for support of the Organization’s general operations.
- (2) *Temporarily restricted net assets* - Net assets restricted by donors for specific purposes or time restrictions.
- (3) *Permanently restricted net assets* - represent resources which cannot be expended. Income on these invested endowment funds is utilized in accordance with the donors’ stipulations.

The Organization had no permanently restricted net assets as of or for the year ended December 31, 2010.

Support and Revenues

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. The Organization has elected to report any restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Support and Revenues (continued)

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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Grants from state and federal sources that provide for cost sharing and reimbursement agreements are recognized as expenses are 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 related expenses.

Income from tour fees of the Islands and sales of merchandise 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.

Investment income, including dividends, interest, and realized and unrealized gains and losses are classified on the statement of activities as unrestricted unless restricted by donor or law. Changes in market value of mutual funds and realized gains and losses have been included in investment income in the statement of activities and changes in net assets.

Cash

Cash consists of money market and checking accounts. Typically the Organization's checking account balances exceed the amount insured by the federal government. If the institution were to fail and be seized by a federal or state agency, the funds in excess of the insured amount of \$250,000 might be unrecoverable.

Fair Value Measurements

The Fund values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty risk in its assessment of fair value.

Inventory

Inventory is valued at the lower of cost or market. The Organization sells merchandise at Boston's Fan Pier.

Furniture and Equipment

Furniture and equipment is stated at cost if purchased, or fair value if donated. Depreciation is computed over the estimated useful lives of the assets, five years, using the straight-line method.

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 June 13, 2011, the date these financial statements became available to be issued. No events have occurred subsequent to the balance sheet date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

The Organization has evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended December 31, 2010. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Returns for tax years beginning with those filed for the year ended December 31, 2007 are open to examination.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

3. Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2010:

Receivable in less than one year:	
Foundations	\$ 216,188
Corporations	10,000
Individuals	120,607
Government	<u>1,359,353</u>
Total	1,706,148
Less – allowance for uncollectable pledges	<u>(7,500)</u>
	<u>\$1,698,648</u>
Receivable between one and three years:	
Foundations	\$ 285,000
Less – net present value discount	<u>(20,280)</u>
Net pledges receivable between one and three years	<u>\$ 264,720</u>

The present value of estimated future cash flows has been determined utilizing a discount rate of approximately 4% for the year ended December 31, 2010.

4. In-Kind Gifts

During the year ended December 31, 2010, the Organization recognized income from contributed goods and services income as follows:

Advertising	\$ 4,300
Legal services	246,585
Office rent	69,000
Professional fees	84,629
Supplies	3,835
Water transportation	<u>625</u>
	<u>\$ 408,974</u>

The Organization's offices are located on property which is owned by the National Park Service. No rent is charged for the use of these offices. Therefore, the fair rental value of this office has been included as in-kind support in the statement of activities and as occupancy expense in the statement of functional expenses. The fair value of the contribution was computed on the basis of square feet of space occupied by the Organization and is estimated at \$69,000 for the year ended December 31, 2010.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

4. In-Kind Gifts (continued)

The Organization received goods and services for the annual gala dinner and Regatta which were held during the year ended December 31, 2010. The amount contributed to these special events was \$1,024 for the year ended December 31, 2010. The value of these goods and services is included as special events expense in the statement of activities and changes in net assets.

A number of unpaid volunteers have also made significant contributions of time totaling 4,124 hours for the year ended December 31, 2010 to work on the Organization's various programs. The value of this contributed time is not reflected in these financial statements since it does not meet the specialized skills criteria described previously.

5. Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis consisted of the following at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 3,973,763	\$ -
Certificates of deposit	-	4,410,679
Common stock	<u>5,806</u>	<u>-</u>
	<u>\$ 3,979,569</u>	<u>\$ 4,410,679</u>

6. Investments

Investments at December 31, 2010 are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 3,973,763	\$ 3,973,763
Certificates of deposit	4,410,679	4,416,000
Common stock	<u>5,806</u>	<u>5,826</u>
	<u>\$ 8,390,248</u>	<u>\$ 8,395,589</u>

Fair values of money market funds were derived from quoted net asset values as substantially all of these investments have maturity dates within one year from the date of purchase and active markets for these instruments exist. Fair values of certificates of deposit were determined at face value plus accrued interest. Common stock holdings are reported at quoted market prices.

The components of investment income for the year ended December 31, 2010 were as follows:

Interest and dividends	\$ 50,862
Realized losses on investments	(186)
Unrealized losses on investments	<u>(5,705)</u>
	<u>\$ 44,971</u>

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

7. 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 made no contributions to this plan during 2010.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 are comprised of term endowment funds that were available for the following purposes:

Restoration of Peddock's Island	\$ 8,192,811
Park promotion	247,157
Public access and safety	60,342
Youth Corps project	20,030
TDC Study	6,468
Boston Harbor Environmental Monitoring project	25,240
Boston Harbor Islands Curriculum project	3,099
Advisory Council	124
Pavilion Design	723,587
Public outreach and park development	<u>509,501</u>
	<u>\$ 9,788,359</u>

Net assets released from restrictions for the year ended December 31, 2010 are as follows:

Restoration of Peddock's Island	\$ 1,454,967
Park promotion	204,185
Public access and safety	192,982
Youth Corps project	40,933
Boston Harbor Environmental Monitoring project	32,113
Boston Harbor Islands Curriculum project	17,626
Advisory Council	462
Pavilion Design	8,338
Public outreach and park development	<u>774,089</u>
	<u>\$ 2,725,695</u>

9. Concentrations

There was a concentration in revenue during the year ended December 31, 2010 in that the Organization received \$6.8 million (or 72% of its total support) from government sources to be used for island infrastructure improvements and public transportation to the Boston Harbor Islands. For the year ended December 31, 2010, two funders comprised 77% of unconditional promises to give.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

10. Line-of-Credit

The Organization has a revolving line-of-credit agreement with its bank permitting advances up to \$275,000. Advances bear interest at the prime rate. The line of credit is secured and collateralized by the investment assets of the Organization. During the year ended December 31, 2010, the Organization paid off outstanding borrowings on the line of credit of \$230,481.

11. Commitments

The Organization has entered into agreements to construct a new visitor center and food service facility at George's Island, and to build the Harbor Park Pavilion on the Rose Kennedy Greenway. Both projects have been primarily funded through grants from the National Park Service. As of December 31, 2010, additional construction costs to be incurred in subsequent periods are estimated at approximately \$2 million.

The Organization has entered into agreements to provide transportation to the islands, and food, beverage, and other services to the islands' visitors. Funding for these services is derived from grants with state and federal agencies.

12. Contingency

In June 2009 a former vendor filed a \$500,000 arbitration demand against the Organization, claiming breach of contract. Management has proceeded to contest the vendor's claim vigorously with the assistance of counsel, the services of which were rendered pro-bono (see Note 4). In 2010, the final arbitration decision was ruled in favor of the Organization. The arbiter's award of \$10,000 to the Organization, which was not believed to be collectible by management, has not been recorded as a receivable at December 31, 2010.

BOSTON HARBOR ISLAND ALLIANCE, INC.

**Supplementary Schedule of Expenditures of Federal Awards –
Not-For-Profit Organizations
For the Year Ended December 31, 2010**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Numbers</u>	<u>Federal Expenditures</u>
Department of the Interior/ Boston Harbor Islands Program Cluster:			
Harbor Park Pavilion	N/A	H2011091744	\$ 3,164,012
Biodiversity	N/A	H4506050650	8,437
Safe Visitor Access	N/A	H1727100008	147,810
Safe Visitor Access	N/A	H1727050006	<u>158,018</u>
			<u>\$ 3,478,277</u>

NOTE 1: Basis of Presentation

The accompanying Supplementary Schedule of Expenditures of Federal Awards – Not-For-Profit Organizations, includes federal assistance activity of Boston Harbor Island Alliance, Inc. and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Not-For-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of Boston Harbor Island Alliance, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated June 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Boston Harbor Island Alliance, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boston Harbor Island Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boston Harbor Island Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Edelstein & Company LLP

Boston, Massachusetts

June 13, 2011

**BOSTON HARBOR ISLAND ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No

Type of report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with 510(a) of OMB Circular A-133?	No
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Identification of major programs:

<u>Federal CFDA</u>	<u>Federal Award Numbers</u>	<u>Name of Federal Program or Cluster</u>
		Boston Harbor Islands
		Program Cluster:
N/A	H2011091744	Harbor Park Pavilion
N/A	H4506050650	Biodiversity
N/A	H1727100008	Safe Visitor Access
N/A	H1727050006	Safe Visitor Access

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Boston Harbor Island Alliance, Inc. did not qualify as a low-risk auditee.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Boston Harbor Island Alliance, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Boston Harbor Island Alliance, Inc.'s major federal programs for the year ended December 31, 2010. Boston Harbor Island Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Boston Harbor Island Alliance, Inc.'s management. Our responsibility is to express an opinion on Boston Harbor Island Alliance, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boston Harbor Island Alliance, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boston Harbor Island Alliance, Inc.'s compliance with those requirements.

In our opinion, Boston Harbor Island Alliance, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

The management of Boston Harbor Island Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boston Harbor Island Alliance, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boston Harbor Island Alliance, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Edelstein & Company LLP

Boston, Massachusetts
June 13, 2011