
**BOSTON HARBOR
ISLAND ALLIANCE, INC.**

Financial Statements

March 31, 2013

BOSTON HARBOR ISLAND ALLIANCE, INC.

March 31, 2013

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Independent Auditors' 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 statement of financial position as of March 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the fifteen months 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.

Auditors' 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 auditors' 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, 2013, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
October 11, 2013

BOSTON HARBOR ISLAND ALLIANCE, INC.

Statement of Financial Position

March 31, 2013

Assets

Cash	\$	1,350,471
Unconditional promises to give		360,604
Accounts receivable		20,470
Prepaid expenses		6,132
Investments		1,142,404
Furniture and equipment, net of accumulated depreciation of \$67,191		<u>16,690</u>
Total assets	\$	<u><u>2,896,771</u></u>

Liabilities and net assets

Liabilities:

Accounts payable and accrued expenses	\$	73,055
Deferred revenue		<u>148,000</u>
Total liabilities		<u><u>221,055</u></u>

Net assets:

Unrestricted		111,361
Temporarily restricted		<u>2,564,355</u>
Total net assets		<u><u>2,675,716</u></u>

Total liabilities and net assets	\$	<u><u>2,896,771</u></u>
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BOSTON HARBOR ISLAND ALLIANCE, INC.**Statement of Activities and Changes in Net Assets
For the Fifteen Months Ended March 31, 2013**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ 469,281	\$ 3,296,400	\$ 3,765,681
Special events, net of direct donor benefits of \$80,541	326,703	-	326,703
In-kind support	189,346	-	189,346
Earned income	281,147	-	281,147
Investment return	7,925	-	7,925
Net assets released from restrictions	3,863,004	(3,863,004)	-
Total support and revenue	5,137,406	(566,604)	4,570,802
Expenses:			
Program services	4,451,121	-	4,451,121
Management and general	358,743	-	358,743
Fundraising	477,389	-	477,389
Total expenses	5,287,253	-	5,287,253
Change in net assets	(149,847)	(566,604)	(716,451)
Net assets, beginning of year	261,208	3,130,959	3,392,167
Net assets, end of year	\$ 111,361	\$ 2,564,355	\$ 2,675,716

BOSTON HARBOR ISLAND ALLIANCE, INC.

**Statement of Functional Expenses
For the Fifteen Months Ended March 31, 2013**

	Economic Development and Public Programs	Environment and Education	Park Promotion	Total Program	Management and General	Fundraising	Total
Contract and professional services	\$ 3,128,902	\$ -	\$ 686,795	\$ 3,815,697	\$ 60,811	\$ 5,065	\$ 3,881,573
Salaries, wages and benefits	260,910	8,461	149,467	418,838	122,302	308,670	849,810
Occupancy	2,547	61,647	-	64,194	127,984	55	192,233
Supplies, postage and printing	66,581	-	24,631	91,212	2,796	37,127	131,135
Special events	-	-	-	-	-	95,959	95,959
Office expense	5,384	-	14,482	19,866	14,916	23,473	58,255
Insurance	10,616	-	-	10,616	14,251	-	24,867
Marketing	1,067	-	20,280	21,347	-	1,727	23,074
Catering and meeting expense	4,102	-	4,279	8,381	1,937	3,706	14,024
Depreciation	-	-	-	-	9,643	-	9,643
Travel and transportation	162	-	808	970	4,103	1,607	6,680
Total	<u>\$ 3,480,271</u>	<u>\$ 70,108</u>	<u>\$ 900,742</u>	<u>\$ 4,451,121</u>	<u>\$ 358,743</u>	<u>\$ 477,389</u>	<u>\$ 5,287,253</u>

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

BOSTON HARBOR ISLAND ALLIANCE, INC.

Statement of Cash Flows For the Fifteen Months Ended March 31, 2013

Cash flows used in operating activities:

Change in net assets	\$ (716,451)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	9,643
Unrealized gain on investments	(2,224)
Changes in operating accounts:	
Unconditional promises to give	96,967
Accounts receivable	17,297
Prepaid expenses	(4,721)
Accounts payable and accrued expenses	(1,800,034)
Deferred revenue	148,000
Net cash used in operating activities	<u>(2,251,523)</u>

Cash flows provided by investing activities:

Purchases of equipment	(5,220)
Purchases of investments	(4,136)
Proceeds from redemption of certificates of deposits	2,612,864
Net cash provided by investing activities	<u>2,603,508</u>

Increase in cash 351,985

Cash, beginning of year 998,486

Cash, end of year \$ 1,350,471

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

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).

On March 14, 2013, the Board of Directors approved a change to the Organization's fiscal year end, from December 31st to March 31st. Accordingly, these financial statements reflect the Organization's activities for the fifteen month period commencing January 1, 2012 and ending March 31, 2013.

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 fifteen month period ended March 31, 2013.

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. 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.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Support and Revenue (continued)

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 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.

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.

Investments

Investments is comprised of resources restricted for purposes as stipulated by donors and consist of money market funds and certificates of deposit. Money market funds are reported based on quoted net asset values as substantially all of these investments have maturity dates within one year from the date of purchase. Certificates of deposit are valued at face value plus accrued interest.

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.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates and Subsequent Events (continued)

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on October 11, 2013, the date these financial statements became available to be issued. Subsequent to the statement of financial position date, the Organization executed a lease agreement with National Park Service for office space, as disclosed in Note 11.

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.

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, 2012 and for the short period January 1, 2013 to March 31, 2013. 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, 2009 are open to examination.

3. Unconditional Promises to Give

Unconditional promises to give consist of the following at March 31, 2013:

Receivable in less than one year:

Foundations	\$ 35,000
Foundations - Gala	5,000
Corporations	31,219
Corporations - Gala	12,500
Individuals	63,130
Individuals - Gala	74,500
Government	114,857
Total	<u>336,206</u>

Less: Allowance for uncollectable pledges	<u>(5,000)</u>
	<u>331,206</u>

Receivable between one and three years:

Foundations	20,000
Individuals	10,000

Less: net present value discount	<u>(602)</u>
	<u>29,398</u>

	<u>\$ 360,604</u>
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The present value of estimated future cash flows has been determined utilizing a discount rate of approximately 3%.

BOSTON HARBOR ISLAND ALLIANCE, INC.

Notes to Financial Statements

4. Deferred Revenue

Deferred revenue consists of receipts in the current fiscal year for special events taking place in the following fiscal year. Accordingly, approximately \$148,000 of cash receipts and receivables received in support of the 2013 Gala event have been reported as deferred revenue in these financial statements.

5. In-Kind Gifts

During the fifteen month period ended March 31, 2013, the Organization recognized income from contributed goods and services as follows:

Rent	\$ 121,319
Office equipment usage	6,665
Professional fees	42,750
Supplies	18,612
	<u>\$ 189,346</u>

The Organization utilizes office space in a building owned by the National Park Service without charge; the value of the office space is reported at fair value.

The Organization received goods and services for the Regatta which was held during the fifteen month period ended March 31, 2013. The amount contributed to this special event was \$3,700. 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 2,552 hours for the fifteen month period ended March 31, 2013 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.

6. Investments

Investments at March 31, 2013 is summarized as follows:

Money market funds	\$ 1,069,189
Certificates of deposit	73,215
	<u>\$ 1,142,404</u>

The components of investment return for the fifteen month period ended March 31, 2013 were as follows:

Interest and dividends	\$ 5,701
Unrealized gain on investments	2,224
	<u>\$ 7,925</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 the plan during the fifteen month period ended March 31, 2013.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at March 31, 2013 are comprised of term endowment funds that were available for the following purposes:

Mitigation funds	\$	1,121,742
Park Promotion		123,218
Public access and safety		44,193
Boston Harbor Environmental Monitoring Project		999
Peddocks Trails Project		50,487
Pavilion operations		605,993
Public outreach and park development		598,024
Time restricted grant		19,699
	\$	<u>2,564,355</u>

Net assets released from restrictions during the fifteen month period ended March 31, 2013 are as follows:

Mitigation funds	\$	1,141,140
Park Promotion		151,056
Public access and safety		303,178
Boston Harbor Environmental Monitoring Project		4,853
Peddocks Trails Project		13
Pavilion operations		73,204
Public outreach and park development		2,183,773
TDC Study		5,787
	\$	<u>3,863,004</u>

9. Concentration Risks

There was a concentration in revenue during the fifteen month period ended March 31, 2013 in that the Organization received \$2.8 million (or 67% of its total support) from government sources to be used for island infrastructure improvements and public transportation to the Boston Harbor Islands. As of March 31, 2013, two funders comprised 53% of unconditional promises to give.

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.

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 \$400,000, which bears interest at the prime rate. The line of credit is secured and collateralized by the investment assets of the Organization. As of March 31, 2013, the Organization has no outstanding balance on its line of credit.

11. Subsequent Events

Subsequent to year end, the Organization relocated to another office in Boston, Massachusetts and executed a cost recovery agreement with National Park Service effective May 1, 2013 for use of the premises, 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 the 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. Future minimum fee/rental payments under the reimbursement agreement are as follows:

2014	\$ 17,086
2015	18,639
2016	18,639
2017	18,639
2018	18,639
Thereafter	\$ 1,553