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**BOSTON HARBOR  
ISLAND ALLIANCE, INC.**

**Financial Statements**

**March 31, 2014**

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**BOSTON HARBOR ISLAND ALLIANCE, INC.**

**March 31, 2014**

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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, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Edelstein & Company LLP*

Boston, Massachusetts  
September 11, 2014

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Statement of Financial Position

March 31, 2014

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### Assets:

Cash	\$ 1,191,185
Restricted cash	169,669
Unconditional promises to give	355,663
Government grants receivable	6,592
Accounts receivable	9,173
Prepaid expenses	1,154
Furniture and equipment, net of accumulated depreciation of \$9,667	<u>5,327</u>

**Total assets** \$ 1,738,763

### Liabilities and net assets

#### Liabilities:

Accounts payable and accrued expenses	<u>\$ 63,045</u>
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#### Net assets:

Unrestricted	174,198
Temporarily restricted	<u>1,501,520</u>
<b>Total net assets</b>	<u><u>1,675,718</u></u>

**Total liabilities and net assets** \$ 1,738,763

**BOSTON HARBOR ISLAND ALLIANCE, INC.****Statement of Activities and Changes in Net Assets  
For the Year Ended March 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>			
Contributions and grants	\$ 382,162	548,470	\$ 930,632
Government grants	215,217	-	215,217
Special events, net of direct donor benefits of \$56,254	324,515	-	324,515
In-kind support	40,113	-	40,113
Earned income	253,525	-	253,525
Investment return	1,486	-	1,486
Loss on disposal of furniture and equipment	(13,348)	-	(13,348)
Net assets released from restrictions	1,611,305	(1,611,305)	-
<b>Total support and revenue</b>	<u>2,814,975</u>	<u>(1,062,835)</u>	<u>1,752,140</u>
<b>Expenses:</b>			
Program services	2,197,577	-	2,197,577
Management and general	286,839	-	286,839
Fundraising	267,722	-	267,722
<b>Total expenses</b>	<u>2,752,138</u>	<u>-</u>	<u>2,752,138</u>
<b>Change in net assets</b>	62,837	(1,062,835)	(999,998)
<b>Net assets, beginning of year</b>	<u>111,361</u>	<u>2,564,355</u>	<u>2,675,716</u>
<b>Net assets, end of year</b>	<u>\$ 174,198</u>	<u>\$ 1,501,520</u>	<u>\$ 1,675,718</u>

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Statement of Cash Flows For the Year Ended March 31, 2014

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<b>Cash flows used in operating activities:</b>	
Change in net assets	\$ (999,998)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,665
Bad debt expense	45,717
Loss on disposal of furniture and equipment	13,348
Changes in operating accounts:	
Unconditional promises to give	(40,776)
Government grants receivable	(6,592)
Accounts receivable	11,297
Prepaid expenses	4,978
Accounts payable and accrued expenses	(10,010)
Deferred revenue	(148,000)
<b>Net cash used in operating activities</b>	<u>(1,122,371)</u>
<b>Cash flows provided by investing activities:</b>	
Purchases of equipment	(9,650)
Proceeds from redemption of certificates of deposits	972,735
<b>Net cash provided by investing activities</b>	<u>963,085</u>
<b>Decrease in cash</b>	(159,286)
<b>Cash, beginning of year</b>	<u>1,350,471</u>
<b>Cash, end of year</b>	<u>\$ 1,191,185</u>

**BOSTON HARBOR ISLAND ALLIANCE, INC.**

**Statement of Functional Expenses  
For the Year Ended March 31, 2014**

	<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, food, and entertainment	-	-	-	-	-	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 year ended March 31, 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. 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**

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

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

Under the terms of cost reimbursement agreements, government grants are recognized as expenses are incurred. Government grants receivable represents amounts due on grants in which costs have been incurred but not yet reimbursed as of March 31, 2014.

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 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 September 11, 2014, 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.

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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

#### *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 March 31, 2014. 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 during 2010 are open to examination.

### 3. Unconditional Promises to Give

Unconditional promises to give 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 year ended March 31, 2014, unconditional promises to give of \$45,717 were written off and are reported as bad debt expense on the statement of functional expenses.

Unconditional promises to give consist of the following at March 31, 2014:

Receivable in less than one year:

Foundations	\$ 32,931
Corporations	77,560
Individuals	120,838
Total	<u>231,329</u>
Less: Allowance for uncollectable promises to give	<u>(5,000)</u>
	<u>226,329</u>

Receivable between one and three years:

Foundations	33,334
Individuals	100,000
Less: net present value discount (3%)	<u>(4,000)</u>
	<u>129,334</u>
	<u>\$ 355,663</u>

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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### 4. In-Kind Gifts

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

Occupancy	\$ 13,249
Professional fees	19,029
Supplies	7,835
	<u>\$ 40,113</u>

The Organization utilized office space in a building owned by the National Park Service without charge through April 30, 2013; the value of the office space is reported at fair value.

The Organization received goods and services for the 5K Fun Run which was held during the year ended March 31, 2014. The amount contributed to this special event was \$7,645. The value of these goods and services is included as a component of special events - material and supplies in the statement of functional expenses.

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

### 5. Temporarily Restricted Net Assets

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

Mitigation funds	\$ 243,575
Park Promotion	184,988
Public access and safety	66,917
Boston Harbor Environmental Monitoring Project	1,752
Peddocks Trails Project	81,446
Pavilion operations	524,588
Public outreach and park development	202,254
Time restricted grant	196,000
	<u>\$ 1,501,520</u>

# BOSTON HARBOR ISLAND ALLIANCE, INC.

## Notes to Financial Statements

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

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

Mitigation funds	\$	878,167
Park Promotion		135,667
Public access and safety		17,276
Boston Harbor Environmental Monitoring Project		1,980
Peddocks Trails Project		94,041
Pavilion operations		81,404
Public outreach and park development		402,770
	\$	<u>1,611,305</u>

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

During the year ended March 31, 2014, 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. Rental expense for the year ended March 31, 2014 was \$13,403. Future minimum fee/rental payments under the reimbursement agreement are as follows:

Years ending March 31,	Amount
2015	\$ 18,639
2016	18,639
2017	18,639
2018	18,639
2019	1,553

During the Organization's office relocation, furniture and equipment having a cost of \$78,238 was disposed of, which resulted in a loss of \$13,348.

### 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 year ended March 31, 2014.

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

## **Notes to Financial Statements**

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### **8. 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, 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, 2014, the Organization had no outstanding balance on its line of credit.

### **9. Concentration Risks**

There was a concentration in revenue during the year ended March 31, 2014 in that the Organization received 18% of its total support from one funder. As of March 31, 2014, two funders comprised 72% 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.