

**COMMUNITY ROWING, INC. AND SUBSIDIARY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED OCTOBER 31, 2014 AND 2013**

**COMMUNITY ROWING, INC. AND SUBSIDIARY  
TABLE OF CONTENTS  
YEARS ENDED OCTOBER 31, 2014 AND 2013**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES – COMMUNITY ROWING, INC.</b>	<b>20</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Rowing, Inc.  
Brighton, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Rowing, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of October 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

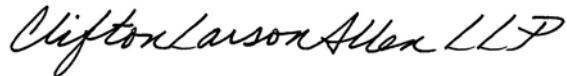
Board of Directors  
Community Rowing, Inc.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Rowing, Inc. and Subsidiary as of October 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information consisting of the statement of functional expenses for Community Rowing Inc. is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
January 31, 2015

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2014 AND 2013**

<b>ASSETS</b>	2014	2013
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 505,158	\$ 305,407
Investments, Board Designated	265,186	235,664
Investments	216,545	52,984
Program Receivables	28,058	84,528
Unconditional Promises to Give, Net	24,989	17,095
Prepaid Expenses and Other Current Assets	62,354	52,010
Total Current Assets	1,102,290	747,688
<b>PROPERTY AND EQUIPMENT</b>		
Building	15,844,025	15,839,919
Rowing Equipment	1,560,960	1,558,739
Furniture and Fixtures	106,460	135,964
Motor Vehicles	151,829	151,829
Construction in Progress - Launch Project	48,230	-
Total	17,711,504	17,686,451
Less: Accumulated Depreciation	(3,845,546)	(3,351,651)
Property and Equipment, Net	13,865,958	14,334,800
<b>OTHER ASSETS</b>		
Investments, Permanently Restricted	400,700	360,000
Computer Software, Net	1,954	5,304
Total Other Assets	402,654	365,304
Total Assets	\$ 15,370,902	\$ 15,447,792
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 93,993	\$ 135,882
Current Maturities of Long-Term Debt and Capital Lease Obligations	74,919	71,409
Current Portion of Deferred Revenue	50,004	50,004
Deferred Rent	51,926	46,617
Deposits	76,775	77,485
Accrued Expenses	2,732	2,900
Accrued Payroll	49,449	61,721
Total Current Liabilities	399,798	446,018
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue, Less Current Maturities	2,130,245	2,181,269
Notes Payable and Capital Lease Obligations, Less Current Maturities	102,660	177,316
Total Long-Term Liabilities	2,232,905	2,358,585
<b>NET ASSETS</b>		
Unrestricted	12,034,920	12,180,205
Temporarily Restricted	302,579	102,984
Permanently Restricted	400,700	360,000
Total Net Assets	12,738,199	12,643,189
Total Liabilities and Net Assets	\$ 15,370,902	\$ 15,447,792

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
YEAR ENDED OCTOBER 31, 2014**

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 955,600	\$ 210,167	\$ -	\$ 1,165,767
Program Fees	2,479,327	-	-	2,479,327
Less: Scholarships	(111,630)	-	-	(111,630)
Storage and Rental Fees	213,758	-	-	213,758
Membership Dues	223,335	-	-	223,335
Non-Cash Support	113,917	-	-	113,917
Special Events	110,957	-	-	110,957
Appropriation of Endowment Assets for Operations	4,000	-	-	4,000
Net Assets Released from Restrictions	50,000	(50,000)	-	-
Other Revenue	52,603	-	-	52,603
Total Revenue and Support	4,091,867	160,167	-	4,252,034
<b>EXPENSES</b>				
Program	2,911,547	-	-	2,911,547
General and Administrative	967,543	-	-	967,543
Fundraising	436,451	-	-	436,451
Total Expenses	4,315,541	-	-	4,315,541
<b>INCOME (LOSS) FROM OPERATIONS</b>	(223,674)	160,167	-	(63,507)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Rental Income	51,024	-	-	51,024
Net Investment Return	28,403	43,428	-	71,831
Appropriation of Endowment Assets for Operations	-	(4,000)	-	(4,000)
Contributions for Long-Term Purposes	-	-	40,700	40,700
Gain on Sale of Property and Equipment	7	-	-	7
Loss on Deconsolidation	(1,045)	-	-	(1,045)
Total Non-Operating Income	78,389	39,428	40,700	158,517
<b>CHANGE IN NET ASSETS</b>	(145,285)	199,595	40,700	95,010
Net Assets - Beginning of Year	12,180,205	102,984	360,000	12,643,189
<b>NET ASSETS - END OF YEAR</b>	\$ 12,034,920	\$ 302,579	\$ 400,700	\$ 12,738,199

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES AND  
CHANGES IN NET ASSETS (CONTINUED)  
YEAR ENDED OCTOBER 31, 2013**

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 596,163	\$ 50,000	\$ -	\$ 646,163
Program Fees	2,460,169	-	-	2,460,169
Less: Scholarships	(71,160)	-	-	(71,160)
Storage and Rental Fees	217,973	-	-	217,973
Membership Dues	223,000	-	-	223,000
Non-Cash Support	61,149	-	-	61,149
Special Events	95,148	-	-	95,148
Appropriation of Endowment Assets for Operations	-	-	-	-
Net Assets Released from Restrictions	50,000	(50,000)	-	-
Other Revenue	41,731	-	-	41,731
Total Revenue and Support	3,674,173	-	-	3,674,173
<b>EXPENSES</b>				
Program	2,861,530	-	-	2,861,530
General and Administrative	1,095,359	-	-	1,095,359
Fundraising	284,609	-	-	284,609
Total Expenses	4,241,498	-	-	4,241,498
<b>LOSS FROM OPERATIONS</b>	(567,325)	-	-	(567,325)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Rental Income	51,024	-	-	51,024
Net Investment Return	248	37,181	-	37,429
Temporary Location Costs	(3,372)	-	-	(3,372)
Contributions for Long-Term Purposes	-	-	10,000	10,000
Gain on Sale of Property and Equipment	19,228	-	-	19,228
Total Non-Operating Income	67,128	37,181	10,000	114,309
<b>CHANGE IN NET ASSETS</b>	(500,197)	37,181	10,000	(453,016)
Net Assets - Beginning of Year	12,680,402	65,803	350,000	13,096,205
<b>NET ASSETS - END OF YEAR</b>	\$ 12,180,205	\$ 102,984	\$ 360,000	\$ 12,643,189

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 95,010	\$ (453,016)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Donated Property and Equipment	-	(46,395)
Gain on Sale of Property and Equipment	(7)	(19,228)
Cash Reduction as a Result of Deconsolidation	(11,870)	-
Loss on Deconsolidation	1,045	-
Unrealized and Realized Gains on Investments	(56,233)	(29,487)
Contributions for Long-Term Purposes	(40,700)	(10,000)
Depreciation and Amortization	580,557	583,420
Bad Debts	11,375	311,617
(Increase) Decrease in:		
Unconditional Promises to Give	(7,894)	217,304
Prepaid Expenses and Other Current Assets	(12,916)	15,120
Program Receivables	43,491	(158,201)
Increase (Decrease) in:		
Accounts Payable	(17,676)	26,825
Deferred Revenue	(51,024)	(51,024)
Deferred Rent	5,310	5,484
Deposits	(710)	(21,265)
Accrued Expenses	(168)	(17,100)
Accrued Payroll	(12,272)	(36,113)
Net Cash Provided by Operating Activities	525,318	317,941
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Property and Equipment	1,900	500
Purchases of Property and Equipment	(119,460)	(51,855)
Purchases of Investments	(306,863)	(210,032)
Sales of Investments	129,303	-
Net Cash Used by Investing Activities	(295,120)	(261,387)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long Term Debt	(71,147)	(63,276)
Contributions for Long-Term Purposes	40,700	10,000
Net Cash Used by Financing Activities	(30,447)	(53,276)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	199,751	3,278
Cash and Cash Equivalents - Beginning of Year	305,407	302,129
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 505,158	\$ 305,407

See accompanying Notes to Consolidated Financial Statements.



**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED OCTOBER 31, 2014 AND 2013**

	2014	2013
<b>SUPPLEMENTARY DISCLOSURES</b>		
Interest Paid	\$ 11,564	\$ 12,878
 Non-Cash Investing Activities:		
Changes to Property, Plant, and Equipment	\$ 109,860	\$ 238,740
Less: Donations of Property, Plant, and Equipment	-	(46,395)
Less: Amounts Financed Directly by Equipment Vendors	-	(103,490)
Less: Equipment Replaced by Vendor	-	(37,000)
Add: Reduction in Property and Equipment due to Deconsolidation	9,600	-
Cash Paid for Property, Plant, and Equipment	\$ 119,460	\$ 51,855
 Non-Cash Financing Transactions:		
Debt Incurred	\$ -	\$ 109,920
Less: Payments Directly to Equipment Vendors	-	(103,490)
Less: Prepaid Maintenance Charges on Vehicle Financing	-	(6,430)
Cash Proceeds from Debt	\$ -	\$ -

*See accompanying Notes to Consolidated Financial Statements.*

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Community Rowing, Inc. and Subsidiary (collectively the Organization) include the accounts of Community Rowing, Inc. and New Bedford Community Rowing, Inc., for the year ended October 31, 2013 and for Community Rowing, Inc. for the year ended October 31, 2014 (see Basis of Consolidation footnote below).

The Organization is a Massachusetts nonprofit company organized for the purpose of providing opportunities for instruction, training and competition in the sport of rowing to the community youth and adults, as well as the physically and mentally challenged youth and adults.

The Organization provides free opportunities to underserved populations, including youth at the Middle and High School levels in the Boston Public Schools, as well as free instruction for mentally and physically disabled youth and adults. In addition to these programs, the Organization provides free programming for Military Veterans. As part of its ongoing mission to make rowing available to the community, the Organization provides fee-based programming at all levels for individuals and hosts corporate events that develop teamwork to achieve specific goals.

Recognizing the strong need for coaches and leadership, the Organization provides extensive professional development opportunities for rowing coaches which include a year-long, master's level education program as well as weekly seminars and other educational opportunities that are open to the community.

**Basis of Consolidation**

Effective November 1, 2013, New Bedford Community Rowing, Inc. amended its by-laws to become a director based organization and, as such, Community Rowing, Inc. is no longer their sole corporate member. Consequently, New Bedford Community Rowing, Inc. has been deconsolidated from the financial statements of Community Rowing, Inc. in fiscal year 2014. The result of the deconsolidation was a loss of \$1,045 for the year ended October 31, 2014.

The consolidated financial statements for the year ended October 31, 2013, include the accounts of the above entities. All material inter-organization transactions, balances and investments have been eliminated.

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting.

**Revenue**

The Organization generates revenue primarily from program fees, contributions, membership dues, storage fees and rental fees.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Net Assets**

Net assets are classified into unrestricted, temporarily restricted and permanently restricted categories to properly disclose the nature and amount of resources that have been restricted in accordance with specified donor objectives. The net assets of the Organization are reported as follows:

**Unrestricted Net Assets**

Represent funds that are not subject to donor-imposed stipulations and may be designated for specific purposes by action of the board of directors.

**Temporarily Restricted Funds**

Represent funds subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support.

**Permanently Restricted Funds**

Represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be used for specific purposes.

**Use of Estimates**

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 the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates that were used.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three (3) months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes by donors, limiting their use are not considered cash and cash equivalents for purposes of financial statement presentation.

**Investments**

Investments are valued at fair value. Fair value is 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.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Investments (Continued)**

Investments in equities and fixed income securities that are traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using investment manager's best estimates. Investments in money market funds are valued based on cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on trading securities are included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

Declines in fair market values below original cost of individual securities are evaluated to determine if the declines are other-than-temporary impairments. Changes in the economic environment, earnings performance, general market conditions and the investor's ability to hold a security until the market recovers are indicators that are used. If the impairment is determined to be other-than-temporary, an impairment loss is recognized and the fair value of the investment becomes the new cost.

**Unconditional Promises to Give and Contributions**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their 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 discount is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Property and Equipment**

Property and equipment are recorded at cost. Assets that cost over \$2,000 and have an estimated useful life of at least one year are capitalized. Donated property is recorded at its estimated fair value at the date of receipt. Gifts of long-lived assets are recorded at their fair market value at the date of donation and reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	39 Years
Rowing Equipment	5 Years
Furniture and Fixtures	5 - 7 Years
Furniture and Fixtures Under Capital Lease	5 Years
Motor Vehicles	5 Years
Motor Vehicles Under Capital Lease	5 Years

Depreciation expense, which includes depreciation for assets under capital leases, amounted to \$577,207 and \$580,070 for the years ended October 31, 2014 and 2013, respectively.

Property and equipment under capital leases has a cost basis of \$103,490 and accumulated depreciation of \$37,356 and \$16,658 for the years ended October 31, 2014 and 2013, respectively.

**Software**

Software with a historical cost of \$10,050 at October 31, 2014 and 2013, respectively, are amortized over a three-year period using the straight-line method. Accumulated amortization amounted to \$8,096 and \$4,746 as of October 31, 2014 and 2013, respectively. Amortization charged to operations amounted to \$3,350 for both 2014 and 2013. The estimated amortization amount to be charged to operations over the next year is \$1,954.

**Endowment**

The Board of Director's (the Board) classifies its endowment and related appreciation in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was signed into Massachusetts general law under G.L.c 180A. The Board has interpreted Massachusetts general law as requiring net realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board for expenditure unless the donor stipulated otherwise. Massachusetts general law allows the Board to appropriate as much of net appreciation of permanently restricted net assets as prudent considering the Organization's short and long-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Income Taxes**

The Organization is exempt from income tax pursuant to Section 501(c) (3) of the Internal Revenue Code. Tax years from October 31, 2011 through the current year remain open for examination by Federal and state tax authorities.

**Operations**

The statement of activities and changes in net assets includes excess (deficiency) of revenues and support over expenses from both non-operating and operating activities. Operating activities consist of those items attributable to program activities and support services for programs.

Investment activity, contributions for long-term purposes, and other items not related to the Organization's operations are reported as non-operating activities. Non-cash rental income originating from the amortization of the deferred rent pursuant to the sublease agreement described in Note 8 is treated as a non-operating activity. All other rental income is classified as an operating activity.

**Program Receivables**

Program receivables are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and trends. Credit is extended to participants and collateral is not required. The Organization determines delinquent accounts based on individual facts and circumstances. Historically, the Organization has not charged interest on accounts that are deemed to be delinquent. At October 31, 2014 and 2013 there was no allowance reflected against program receivables.

**Fair Value of Financial Instruments**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

***Level 1*** – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

***Level 2*** – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

***Level 3*** – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**COMMUNITY ROWING, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
OCTOBER 31, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Subsequent Events**

The Organization has evaluated the financial statements for subsequent event disclosures through January 31, 2015, the date when the consolidated financial statements were available to be issued. See additional information in Note 12 relating to subsequent events.

**NOTE 2 PROMISES TO GIVE**

Unconditional promises to give at October 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Unconditional Promises to Give	\$ 24,989	\$ 47,095
Less Allowance for Uncollectible Accounts	-	(30,000)
Net Unconditional Promises to Give	<u>\$ 24,989</u>	<u>\$ 17,095</u>

The reserve on doubtful accounts is based on collection experience and other circumstances that may affect the ability of donors to meet their obligations. Amounts are written off when they are determined to be uncollectible.

Net unconditional promises to give are expected to be collected within one year of December 31, 2014.

**NOTE 3 DEMAND NOTE PAYABLE TO A BANK**

For the year ended October 31, 2014, the Organization has a line of credit is with Cambridge Trust for \$200,000 with an interest rate of 5%. The line of credit is secured by a security interest in all assets of the Organization. The line of credit is subject to certain financial and reporting covenants. There was no outstanding balance on the line of credit as of October 31, 2014 and 2013.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 4 LONG-TERM DEBT**

The Organization is obligated under the following long-term debt:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Note payable in annual installments of \$53,890, including interest (5%) and principal, due February 1, 2016, and secured by equipment.	\$ 100,202	\$ 146,754
The Organization holds four capital leases with maturity dates ranging from May 2016 to January 2018 and payment amounts ranging from \$262 to \$820. These leases are secured by the capital assets that were leased.	<u>77,377</u>	<u>101,971</u>
Total Long-Term Debt	177,579	248,725
Less: Current Maturities	<u>74,919</u>	<u>71,409</u>
Long-Term Debt, Less Current Maturities	<u><u>\$ 102,660</u></u>	<u><u>\$ 177,316</u></u>

The following are the maturities of the note payable for the next two years:

<u>Year Ending October 31,</u>	<u>Amount</u>
2015	\$ 48,879
2016	51,323

The following are the future minimum lease payments and current maturity of the capital leases:

<u>Year Ending October 31,</u>	<u>Amount</u>
2015	\$ 26,039
2016	25,640
2017	19,433
2018	<u>6,265</u>
Total Future Minimum Lease Payments	77,377
Less Amounts Representing Interest	<u>(6,068)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 71,309</u></u>
Current Maturity of the Capital Lease Obligations	\$ 26,040



**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were comprised of the following at October 31:

	2014	2013
Program Services	\$ 50,000	\$ 50,000
Net Appreciation on Endowment	92,412	52,984
Innovation Fund	120,022	-
Boat Purchase	40,145	-
	<u>\$ 302,579</u>	<u>\$ 102,984</u>

**NOTE 6 ENDOWMENTS**

The Organization's endowment consists of three (3) funds. The first fund was established for a boathouse endowment fund, the income only of which shall be used for the maintenance and repair of the Organization's (i) Harry Parker Boathouse, (ii) Ruth W. Somerville Sculling Pavilion, (iii) adjacent docks and grounds, and (iv) successor facilities thereto. If all of those facilities are no longer in existence or are no longer used for the sport of rowing, it is the donor's desire that income from the endowment funds be used for maintenance or replacement of a community public access rowing facility in the Greater Boston area, preferably on the Charles River. The second fund was established to provide scholarships to defray or reduce program fees for qualifying participants. The third fund was established by the board of directors to be used for in the same manner as the boathouse endowment fund.

The changes in endowment net assets were the following for the year ended October 31, 2014 and 2013.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance, Year Ended October 31, 2013	\$ 43,326	\$ 15,803	\$ 350,000	\$ 409,129
Endowment Contributions	192,090	-	10,000	202,090
Net Appreciation on Endowment	248	37,181	-	37,429
Ending Balance, Year Ended October 31, 2013	<u>\$ 235,664</u>	<u>\$ 52,984</u>	<u>\$ 360,000</u>	<u>\$ 648,648</u>
Beginning Balance, Year Ended October 31, 2014	\$ 235,664	\$ 52,984	\$ 360,000	\$ 648,648
Endowment Contributions	-	-	40,700	40,700
Net Appreciation on Endowment	29,522	43,428	-	72,950
Appropriation of Endowment for Expenditure	-	(4,000)	-	(4,000)
Ending Balance, Year Ended October 31, 2014	<u>\$ 265,186</u>	<u>\$ 92,412</u>	<u>\$ 400,700</u>	<u>\$ 758,298</u>

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 6 ENDOWMENTS (CONTINUED)**

The donor and board purpose restrictions for the endowment funds were as follows as of October 31:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Boathouse Fund	\$ 265,186	\$ 72,931	\$ 300,700	\$ 638,817
Scholarship Fund	-	19,481	100,000	119,481
Totals	\$ 265,186	\$ 92,412	\$ 400,700	\$ 758,298

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Boathouse Fund	\$ 235,664	\$ 40,800	\$ 260,000	\$ 536,464
Scholarship Fund	-	12,184	100,000	112,184
Totals	\$ 235,664	\$ 52,984	\$ 360,000	\$ 648,648

**Boathouse Fund**

In accordance with the donor instrument for the boathouse endowment fund, the Organization, at its discretion, could use the \$250,000 of the donor's challenge grant originally intended for the boathouse endowment fund and apply those funds to the payment of the boathouse construction loan; provided, however that the Organization shall take an equivalent amount of funds from gifts to the Organization's boathouse campaign received by the Organization after the pay-off of the construction loan and shall apply such funds specifically to the boathouse endowment fund, so that the total amount of gifts allocated to the boathouse endowment fund as of December 31, 2012, shall not be less than \$250,000. The Organization decided to use the \$250,000 endowment towards paying off the boathouse construction loan during 2011. In 2012, the Organization amended the donor instrument to extend until June 30, 2013 the deadline to receive donations or to allocate unrestricted funds to make up the deficiency. Prior to June 30, 2013 the Organization fulfilled the terms of the donor instrument by restoring the full \$250,000 to the endowment from a combination of contributions, other unrestricted resources and investment income earned during the interim.

**Investment and Spending Policy**

The Organization has adopted investment and spending policies for endowment assets that set prudent limits for both asset allocation and asset quality. The Organization's investment policy is designed to preserve capital while earning a return that equals or exceeds inflation. The endowment assets are invested in stock and bond mutual funds. The investment strategy is evaluated annually to meet the Organization's overall investment objectives.

The Board has stipulated that the permanently restricted and board restricted Boathouse funds combined must have at least \$1,000,000 in assets before any distributions can be made. As a result, no distributions were made in 2014 or 2013. For the Scholarship fund, the Board approved a \$4,000 distribution for the year ended December 31, 2014. In determining annual distributions, the board considers what is most prudent based on the ending fund balance and investment returns earned during the year.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 7    DONATED GOODS AND SERVICES**

The Organization received services including grant writing and legal services during the year ended October 31, 2014 without charge. The estimated fair value of the services has been reported as contribution revenue and expense. Both contribution revenue and expenses for the years ended October 31, 2014 and 2013 were recorded at \$11,600 and \$13,004, respectively.

Contributed goods and the associated expenses for the years ended October 31, 2014 and 2013 were recorded at \$102,317 and \$48,145, respectively.

**NOTE 8    LEASES**

**Lease Obligations**

The Organization entered into a lease (Ground Lease) with the Commonwealth of Massachusetts and the Department of Conservation and Recreation. The lease is for land at 100 Nonantum Road, Brighton, Massachusetts. The term of the lease is fifty (50) years with annual payments of \$5,000 beginning on the lease commencement date and increasing 3% every year. Rent expense is recognized on a straight-line basis which results in a timing difference between rent paid and rent expense recognized. The difference between rent paid and rent expense is recorded as deferred rent expense. Deferred rent expense amounted to \$51,926 and \$46,617 for the years ended October 31, 2014 and 2013, respectively. Lease expense for each of 2014 and 2013 was \$11,280.

**Rental Income**

Additionally, the Organization entered into a sub-lease agreement to the Ground Lease with an unrelated party. The lessee paid \$2,500,000 of rent prior to the commencement of lease. The initial rent payment was made to help with the construction of the Organization's building. The initial rent amount is reflected as deferred revenue and is being amortized into rental income over the life of the lease. Deferred revenue remaining at the years ended October 31, 2014 and 2013 was \$2,180,249 and \$2,231,273, respectively. Additional rent is assessed at a percentage of the Organization's operating expenses.

Storage and rental income under lease agreements is comprised of the above sub-lease, facilities, equipment rentals and boat storage. Operating storage and rental income amounted to \$213,758 and \$217,973 for the years ended October 31, 2014 and 2013, respectively. Non-operating rental income relating to the sub-lease agreement amounted to \$51,024 for both the years ended October 31, 2014 and 2013.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 8 LEASES (CONTINUED)**

The minimum rental commitments under the Ground Lease in which the Organization is the lessee are approximately as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2015	\$ 6,149
2016	6,334
2017	6,524
2018	6,720
2019	6,921
Thereafter	493,024
Total	<u>\$ 525,672</u>

**NOTE 9 RETIREMENT PLAN**

The Organization has a 403(B) Retirement Savings plan for qualified employees, as defined. In accordance with the terms of the plan, the Organization will match 100% of the employee's contribution up to 5% of the employee's annual salary. During the years ended October 31, 2014 and 2013, the Organization incurred \$39,309 and \$30,011, respectively, of matching contribution expense to the retirement plan.

**NOTE 10 CONCENTRATIONS OF CREDIT RISK**

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution that during the year may be in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category. As of October 31, 2014, the Organization had cash and cash equivalents in excess of FDIC limits of approximately \$247,000. During the year there may be times when uninsured cash is significantly higher.

The Organization has promises to give in the amount of \$24,989 as of the year ended October 31, 2014 that will be received in future years.

**NOTE 11 FAIR VALUE MEASUREMENT**

The Organizations use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organizations measure fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2014 AND 2013**

**NOTE 11 FAIR VALUE MEASUREMENT (CONTINUED)**

The following table presents the Organizations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of October 31, 2014 and 2013.

	2014			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments at Fair Value:				
Money Market Funds	\$ -	\$ -	\$ -	\$ -
Fixed Income Funds	438,762	-	438,762	-
Equities	443,669	443,669	-	-
Total Investments at Fair Value	<u>\$ 882,431</u>	<u>\$ 443,669</u>	<u>\$ 438,762</u>	<u>\$ -</u>
	2013			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments at Fair Value:				
Money Market Funds	\$ 253,100	\$ 253,100	\$ -	\$ -
Fixed Income	196,677	-	196,677	-
Equities	198,871	198,871	-	-
Total Investments at Fair Value	<u>\$ 648,648</u>	<u>\$ 451,971</u>	<u>\$ 196,677</u>	<u>\$ -</u>

Total investment income, gains, and losses for the years ended October 31, 2014 and 2013 were as follows:

	2014	2013
Interest and Dividend Income	16,965	7,959
Realized and Unrealized Gains	54,866	29,470
Net Investment Return	<u>\$ 71,831</u>	<u>\$ 37,429</u>

**NOTE 12 SUBSEQUENT EVENTS**

On December 24, 2014, a bridge demand line of credit was executed with Brookline Bank to borrow up to \$900,000 at the Wall Street Journal's prime rate, as defined in the agreement, however not less than 3.25%. The bridge agreement is an accommodation by the lender to facilitate a substantial order and manufacturing of rowing equipment and will be merged into a joint line of credit and term loan facility which the Organization is currently negotiating with Brookline Bank. This facility will have a maximum borrowing limit of \$1,475,000 and will provide that advances made under the line of credit can be rolled into a term loan facility having a ten year term. Subsequent to the execution of the bridge loan, the line of credit agreement with Cambridge Trust (as described in Note 3) was terminated.

**COMMUNITY ROWING, INC. AND SUBSIDIARY**  
**STATEMENTS OF FUNCTIONAL EXPENSES – COMMUNITY ROWING, INC.**  
**YEARS ENDED OCTOBER 31, 2014 AND 2013**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2014</u>	<u>2013</u>
<b>PROGRAM EXPENSES</b>		
Salaries	\$ 1,193,525	\$ 1,087,275
Depreciation and Amortization	580,557	583,420
Regatta Costs	459,308	489,424
Transportation	261,498	191,167
Insurance	101,263	108,498
Payroll Taxes	112,906	109,023
Bad Debt	-	73,675
Boat Maintenance and Supplies	63,028	68,790
Third Party Registration Fees	3,616	3,276
Rental Equipment and Other Supplies	36,637	38,886
Staff and Volunteer Development	11,099	12,418
Gas and Oil	23,160	20,265
Miscellaneous	64,950	34,808
Total Program Expenses	<u>\$ 2,911,547</u>	<u>\$ 2,820,925</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries	\$ 376,717	\$ 315,978
Employee Benefits	165,998	141,599
Rent and Utilities	85,951	83,129
Office	87,933	84,090
Legal	62,134	66,112
Payroll Tax	18,072	17,775
Accounting	24,085	21,800
Office Supplies	25,061	28,044
Telephone	23,421	19,560
Computer	25,218	17,480
Payroll Services	6,148	6,658
Dues and Subscriptions	32,539	13,218
Bank Charges	10,487	14,269
Interest Expense	11,564	12,878
Bad Debt	11,375	237,417
Miscellaneous	840	4,018
Total General and Administrative Expenses	<u>\$ 967,543</u>	<u>\$ 1,084,025</u>
<b>FUNDRAISING EXPENSE</b>		
Salaries	\$ 159,211	\$ 155,769
Marketing and Public Relations	237,151	97,166
Payroll Taxes	34,918	29,528
Annual Appeal Direct Costs	5,171	2,146
Total Fundraising Expenses	<u>\$ 436,451</u>	<u>\$ 284,609</u>