

**COMMUNITY ROWING, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED OCTOBER 31, 2016 AND 2015**

**COMMUNITY ROWING, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Rowing, Inc.  
Brighton, Massachusetts

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

We have audited the accompanying financial statements of Community Rowing, Inc., which comprise the statements of financial position as of October 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 accounting 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 Community Rowing, Inc., as of October 31, 2016 and 2015, and the results of its operations and its 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 financial statements as a whole. The supplementary information consisting of the statements of functional expenses for Community Rowing Inc. is presented for purposes of additional analysis 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 as a whole.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
January 24, 2017

**COMMUNITY ROWING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,155,382	\$ 1,035,357
Investments, Board Designated	280,542	273,409
Investments	476,604	248,878
Program Receivables	124,760	112,542
Unconditional Promises to Give	46,857	213,564
Prepaid Expenses and Other Current Assets	185,974	151,388
Total Current Assets	2,270,119	2,035,138
<b>PROPERTY AND EQUIPMENT</b>		
Building	16,006,355	15,862,348
Rowing Equipment	2,273,710	2,646,102
Furniture and Fixtures	60,763	112,144
Motor Vehicles	136,409	151,829
Construction in Progress - Launch Project	53,855	79,777
Total	18,531,092	18,852,200
Less: Accumulated Depreciation	(4,647,639)	(4,378,713)
Property and Equipment, Net	13,883,453	14,473,487
<b>OTHER ASSETS</b>		
Investments, Permanently Restricted	400,700	400,700
Total Other Assets	400,700	400,700
Total Assets	\$ 16,554,272	\$ 16,909,325
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 198,031	\$ 154,037
Current Maturities of Long-Term Debt and Capital Lease Obligations	144,917	181,621
Current Portion of Deferred Revenue	80,004	50,004
Deposits	166,565	102,755
Accrued Expenses	-	13,723
Accrued Payroll	125,623	68,533
Total Current Liabilities	715,140	570,673
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue, Less Current Maturities	2,128,197	2,079,221
Deferred Rent	62,003	57,057
Notes Payable and Capital Lease Obligations, Less Current Maturities	822,369	1,172,615
Total Long-Term Liabilities	3,012,569	3,308,893
<b>NET ASSETS</b>		
Unrestricted	11,804,746	11,750,449
Temporarily Restricted	621,117	878,610
Permanently Restricted	400,700	400,700
Total Net Assets	12,826,563	13,029,759
Total Liabilities and Net Assets	\$ 16,554,272	\$ 16,909,325

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED OCTOBER 31, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 1,406,232	\$ 320,734	\$ -	\$ 1,726,966
Program Fees	3,153,968	-	-	3,153,968
Less: Financial Aid	(309,826)	-	-	(309,826)
Storage and Rental Fees	285,839	-	-	285,839
Membership Dues	327,690	-	-	327,690
Non-Cash Support	142,906	-	-	142,906
Special Events	85,825	-	-	85,825
Other Revenue	18,926	-	-	18,926
Appropriation of Endowment Assets for Operations	4,970	-	-	4,970
Net Assets Released from Restrictions	325,369	(325,369)	-	-
Total Revenue and Support	<u>5,441,899</u>	<u>(4,635)</u>	<u>-</u>	<u>5,437,264</u>
<b>EXPENSES</b>				
Program	4,476,202	-	-	4,476,202
General and Administrative	1,082,678	-	-	1,082,678
Fundraising	326,050	-	-	326,050
Total Expenses	<u>5,884,930</u>	<u>-</u>	<u>-</u>	<u>5,884,930</u>
<b>LOSS FROM OPERATIONS</b>	(443,031)	(4,635)	-	(447,666)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Rental Income	71,024	-	-	71,024
Net Investment Return	14,703	22,014	-	36,717
Contributions for Property and Equipment	44,695	-	-	44,695
Gain on Sale of Property and Equipment	97,004	-	-	97,004
Appropriation of Endowment Assets for Operations	-	(4,970)	-	(4,970)
Net Assets Released from Restriction	269,902	(269,902)	-	-
Total Non-Operating Income	<u>497,328</u>	<u>(252,858)</u>	<u>-</u>	<u>244,470</u>
<b>CHANGE IN NET ASSETS</b>	54,297	(257,493)	-	(203,196)
Net Assets - Beginning of Year	<u>11,750,449</u>	<u>878,610</u>	<u>400,700</u>	<u>13,029,759</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,804,746</u>	<u>\$ 621,117</u>	<u>\$ 400,700</u>	<u>\$ 12,826,563</u>

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED OCTOBER 31, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 1,080,243	\$ 573,384	\$ -	\$ 1,653,627
Program Fees	2,653,731	-	-	2,653,731
Less: Financial Aid	(178,919)	-	-	(178,919)
Storage and Rental Fees	216,698	-	-	216,698
Membership Dues	281,545	-	-	281,545
Non-Cash Support	93,261	-	-	93,261
Special Events	107,577	-	-	107,577
Other Revenue	26,000	-	-	26,000
Appropriation of Endowment Assets for Operations	4,896	-	-	4,896
Net Assets Released from Restrictions	50,000	(50,000)	-	-
Total Revenue and Support	<u>4,335,032</u>	<u>523,384</u>	<u>-</u>	<u>4,858,416</u>
<b>EXPENSES</b>				
Program	3,676,832	-	-	3,676,832
General and Administrative	1,073,235	-	-	1,073,235
Fundraising	302,353	-	-	302,353
Total Expenses	<u>5,052,420</u>	<u>-</u>	<u>-</u>	<u>5,052,420</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(717,388)	523,384	-	(194,004)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Rental Income	51,024	-	-	51,024
Net Investment Return	18,467	15,417	-	33,884
Appropriation of Endowment Assets for Operations	-	(4,896)	-	(4,896)
Contributions for Property and Equipment	-	257,318	-	257,318
Contributions for Long-Term Purposes	-	-	-	-
Gain on Sale of Property and Equipment	148,234	-	-	148,234
Net Assets Released from Restriction	215,192	(215,192)	-	-
Total Non-Operating Income	<u>432,917</u>	<u>52,647</u>	<u>-</u>	<u>485,564</u>
<b>CHANGE IN NET ASSETS</b>	(284,471)	576,031	-	291,560
Net Assets - Beginning of Year	<u>12,034,920</u>	<u>302,579</u>	<u>400,700</u>	<u>12,738,199</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,750,449</u>	<u>\$ 878,610</u>	<u>\$ 400,700</u>	<u>\$ 13,029,759</u>

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ROWING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED OCTOBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (203,196)	\$ 291,560
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operations:		
Gain on Sale of Property and Equipment	(97,004)	(148,234)
Unrealized and Realized Gains on Investments	(15,055)	(7,464)
Contributions for Long-Term Purposes	(44,695)	(223,985)
Depreciation and Amortization	821,569	868,638
Bad Debts	10,330	11,559
(Increase) Decrease in:		
Unconditional Promises to Give	166,707	(188,575)
Prepaid Expenses and Other Current Assets	(34,586)	(89,034)
Program Receivables	(22,548)	(96,043)
Increase (Decrease) in:		
Accounts Payable	43,994	60,044
Deferred Revenue	78,976	(51,024)
Deferred Rent	4,946	5,131
Deposits	63,810	25,980
Accrued Expenses	(13,723)	10,991
Accrued Payroll	57,090	19,084
Net Cash Provided by Operating Activities	816,616	488,628
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Property and Equipment	134,021	156,123
Purchases of Property and Equipment	(268,553)	(230,599)
Purchases of Investments	(224,774)	(41,988)
Sales of Investments	4,970	8,896
Net Cash Used by Investing Activities	(354,336)	(107,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long Term Debt	(386,950)	(74,846)
Contributions for Long-Term Purposes	44,695	223,985
Net Cash Provided (Used) by Financing Activities	(342,255)	149,139
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	120,025	530,199
Cash and Cash Equivalents - Beginning of Year	1,035,357	505,158
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,155,382	\$ 1,035,357

See accompanying Notes to Consolidated Financial Statements.



**COMMUNITY ROWING, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED OCTOBER 31, 2016 AND 2015**

	2016	2015
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ 43,844	\$ 23,707
Non-Cash Investing Activities:		
Changes to Property, Plant, and Equipment	\$ (268,553)	\$ (1,140,696)
Add: Amounts Financed by Bank	-	1,251,503
Less: Original Cost Basis of Disposals	-	(341,406)
Cash Payments for Property, Plant, and Equipment	\$ (268,553)	\$ (230,599)
Non-Cash Financing Transactions:		
Debt Incurred	\$ (386,950)	\$ 1,176,657
Less: Payments Directly by Bank	-	(1,251,503)
Cash Payments on Debt	\$ (386,950)	\$ (74,846)

**COMMUNITY ROWING, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016 AND 2015**

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

**Organization**

Community Rowing, Inc. (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 community youth and adults, as well as physically and intellectually 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 physically and intellectually challenged 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 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, facility usage fees, storage fees, and rental fees. Revenue is recognized as earned.

**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.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

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

**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.

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.

**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. At October 31, 2016 and 2015, management has deemed that no discount was deemed necessary. 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.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

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

**Unconditional Promises to Give and Contributions (Continued)**

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.

**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 shorter of the estimated useful lives of the related assets or the lease term 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 \$821,569 and \$866,684 for the years ended October 31, 2016 and 2015, respectively.

Property and equipment under capital leases has a cost basis of \$103,490 and accumulated depreciation of \$75,727 and \$58,053 for the years ended October 31, 2016 and 2015, respectively.

**Software**

Software with a historical cost of \$10,050 at October 31, 2016 and 2015, respectively, are amortized over a three-year period using the straight-line method. As of October 31, 2016 and 2015, the software is fully amortized.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

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

**Endowment**

The Board of Directors (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.

**Income Taxes**

The Organization is exempt from income tax pursuant to Section 501(c) (3) of the Internal Revenue Code.

**Operations**

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 two sublease agreements described in Note 8 are 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, 2016 and 2015 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.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

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

*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.

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.

**Reclassifications**

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation. There is no effect on the change in net assets previously reported.

**Subsequent Events**

The Organization has evaluated the financial statements for subsequent event disclosures through January 24, 2017, the date when the financial statements were available to be issued.

**NOTE 2 UNCONDITIONAL PROMISES TO GIVE**

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

	2016	2015
Unconditional Promises to Give	\$ 46,857	\$ 213,564
Less: Allowance for Uncollectible Accounts	-	-
Net Unconditional Promises to Give	<u>\$ 46,857</u>	<u>\$ 213,564</u>

The allowance for doubtful accounts is estimated 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. Management has deemed that an allowance was not necessary at both October 31, 2016 and 2015.

Net unconditional promises to give are expected to be collected in fiscal year-end 2017.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

**NOTE 3 LONG-TERM DEBT**

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

<u>Description</u>	<u>2016</u>	<u>2015</u>
Equipment Loan (see below)	\$ 941,963	\$ 1,251,503
Note payable in annual installments of \$53,890, including interest (5%) and principal, due March 1, 2016, and secured by equipment.	-	51,462
The Organization holds four capital leases with maturity dates ranging from May 2016 to January 2018 and payment amounts ranging from \$262 to \$820 and interest at 5%. These leases are secured by the capital assets that were leased.	<u>25,323</u>	<u>51,271</u>
Total Long-Term Debt	967,286	1,354,236
Less: Current Maturities	<u>144,917</u>	<u>181,621</u>
Long-Term Debt, Less Current Maturities	<u>\$ 822,369</u>	<u>\$ 1,172,615</u>

During the fiscal year ended October 31, 2015, the Organization entered into a credit facility with Brookline Bank with a maximum borrowing capacity of \$1,475,000. The facility consists of a line of credit that can be drawn down in three tranches for equipment purchases. The agreement contemplates that, at the end of each calendar year, the tranches would be converted into term loans having various maturities. The line of credit accrues interest on outstanding advances at the rate of LIBOR plus 2.2% (2.393% at October 31, 2015). The agreement provides that the first tranche will be converted into a term loan amortizing over ten years with level monthly payments of interest and principal, due October 2025. The first tranche accrues interest at the fixed rate of 3.75% annually (3.75% at October 31, 2016). Tranches two (draws through December 31, 2016) and three (draws through December 31, 2017) will be subject to variable interest rates and will amortize over seven years. Loans made under this credit facility are secured by all business assets of the Organization including equipment and monetary assets, not including the building. Under this credit facility, the Organization is subject to certain financial and reporting covenants.

The first tranche of the line of credit was drawn during the fiscal year for boat purchases in the amount of \$1,251,503. It was converted into a ten-year term loan in accordance with the provisions stated above on November 1, 2015. At October 31, 2016, there is approximately \$533,000 available for advances under the line of credit.

Interest expense on long-term debt amounted to \$43,844 and \$23,707 for the years ended October 31, 2016 and 2015, respectively.

**COMMUNITY ROWING, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016 AND 2015**

**NOTE 3 LONG-TERM DEBT (CONTINUED)**

The following are the maturities of the equipment loan and note payable for the next five years:

<u>Year Ending October 31,</u>	<u>Amount</u>
2017	\$ 126,083
2018	130,971
2019	135,968
2020	141,155
2021	146,541

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

<u>Year Ending October 31,</u>	<u>Amount</u>
2017	\$ 18,834
2018	6,489
Total Future Minimum Lease Payments	25,323
Less: Amounts Representing Interest	(2,774)
Present Value of Future Minimum Lease Payments	<u>\$ 22,549</u>
Current Maturity of the Capital Lease Obligations	<u>\$ 18,834</u>

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Program Services	\$ 128,992	\$ 76,197
Institute for Rowing Leadership	39,869	227,500
Let's Row Boston (Outreach)	191,742	249,172
Net Appreciation on Endowment	119,977	102,933
Innovation Fund	140,537	140,537
Boat Purchase and Debt Service	-	82,271
	<u>\$ 621,117</u>	<u>\$ 878,610</u>

The total value of the Innovation Fund as of October 31, 2016 was \$152,026.



**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

**NOTE 5 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 by the board of directors to function in the same manner as the boathouse endowment fund. The third fund was established to provide scholarships to defray or reduce program fees for qualifying participants.

The changes in endowment net assets were the following for the years ended October 31, 2016 and 2015.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance, Year Ended October 31, 2015	\$ 265,186	\$ 92,412	\$ 400,700	\$ 758,298
Endowment Contributions	-	-	-	-
Net Appreciation on Endowment	8,223	15,417	-	23,640
Appropriation of Endowment for Expenditure	-	(4,896)	-	(4,896)
Ending Balance, Year Ended October 31, 2015	<u>\$ 273,409</u>	<u>\$ 102,933</u>	<u>\$ 400,700</u>	<u>\$ 777,042</u>
Beginning Balance, Year Ended October 31, 2016	\$ 273,409	\$ 102,933	\$ 400,700	\$ 777,042
Endowment Contributions	-	-	-	-
Net Appreciation on Endowment	7,133	22,014	-	29,147
Appropriation of Endowment for Expenditure	-	(4,970)	-	(4,970)
Ending Balance, Year Ended October 31, 2016	<u>\$ 280,542</u>	<u>\$ 119,977</u>	<u>\$ 400,700</u>	<u>\$ 801,219</u>

The donor restricted and board designated endowment funds were classified as follows as of October 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Boathouse Fund	\$ 280,542	\$ 101,341	\$ 300,700	\$ 682,583
Scholarship Fund	-	18,636	100,000	118,636
Totals	<u>\$ 280,542</u>	<u>\$ 119,977</u>	<u>\$ 400,700</u>	<u>\$ 801,219</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Boathouse Fund	\$ 273,409	\$ 84,525	\$ 300,700	\$ 658,634
Scholarship Fund	-	18,408	100,000	118,408
Totals	<u>\$ 273,409</u>	<u>\$ 102,933</u>	<u>\$ 400,700</u>	<u>\$ 777,042</u>

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

**NOTE 5    ENDOWMENTS (CONTINUED)**

**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 2016 or 2015. For the Scholarship fund, the Board approved distributions of \$4,970 and \$4,896 for the years ended October 31, 2016 and 2015, respectively. In determining annual distributions, the Board considers what is most prudent based on the ending fund balance and investment returns earned during the year.

**NOTE 6    DONATED GOODS AND SERVICES**

The Organization received program coaching and legal services during the year ended October 31, 2016 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, 2016 and 2015 were recorded at \$83,377 and \$37,726, respectively.

Contributed goods and the associated expenses for the years ended October 31, 2016 and 2015 were recorded at \$59,529 and \$55,535, respectively.

**NOTE 7    LEASES**

**Lease Obligations**

**Ground Lease for the Harry Parker Boathouse**

The Organization entered into a lease (Ground Lease for Harry Parker Boathouse) effective June 26, 2007 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 difference in the rent paid and the rent expense recognized during the fiscal year.

The cumulative impact of these differences is reflected as a liability on the statement of financial position. Lease expense was \$11,280 for the years ended October 31, 2016 and 2015.

**COMMUNITY ROWING, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016 AND 2015**

**NOTE 7 LEASES (CONTINUED)**

**Lease Obligations (Continued)**

**Stoller Boathouse Lease**

The Organization entered into a lease effective March 29, 2016 with an unrelated party for a boathouse located in Auburndale, Massachusetts (the Stoller Boathouse Lease). The term of the lease is five (5) years with the first lease payment of \$160,000, on the lease commencement date, to cover the first two years and annual payments of \$80,000 to cover years three through five. Rent expense is recognized on a straight-line basis, which results in a difference in the rent paid and the rent expense recognized during the fiscal year. The cumulative impact of these differences is reflected as a liability on the Statement of Financial Position. Lease expense was \$53,333 for the year ended October 31, 2016.

The minimum rental commitments under both Leases are approximately as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2017	\$ 6,524
2018	86,720
2019	86,921
2020	87,129
2021	7,343
Thereafter	484,887
Total	<u>\$ 759,524</u>

**Rental Income**

**Ground Lease for Harry Parker Boathouse**

The Organization entered into a sub-lease agreement effective December 6, 2007 to the Ground Lease for the Harry Parker Boathouse 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, 2016 and 2015 was \$2,078,201 and \$2,129,225, respectively. Additional rent is assessed at a percentage of the Organization's operating expenses.

Storage and rental income consists of the cash portion of the sub lease described above, leasing of premises for events, equipment rentals and boat storage. These activities generated \$285,839 and \$216,698 for the years ended October 31, 2016 and 2015, respectively.

Rental income related to the sublease agreement has been classified as non-operating in the Statement of Activities and Changes in Net Assets. Non-operating rental income relating to the sub-lease agreement amounted to \$51,024 for both years ended October 31, 2016 and 2015.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

**NOTE 7 LEASES (CONTINUED)**

**Rental Income (Continued)**

**Stoller Boathouse Lease**

The Organization entered into a five (5) year sub-lease agreement effective March 29, 2016 related to the Stoller Boathouse Lease with an unrelated third party. The lessee paid \$60,000 at the commencement of lease and paid an additional \$90,000 in September 2016 which constituted full payment of the base rent for the term of the lease. The rent amount is reflected as deferred revenue and is being amortized into rental income over the life of the lease. Deferred revenue remaining for the year ended October 31, 2016 was \$130,000. Additional rent is assessed at a percentage of the Organization's operating expenses.

Rental income related to the sublease agreement has been classified as non-operating in the Statement of Activities and Changes in Net Assets. Non-operating rental income relating to the sub-lease agreement amounted to \$20,000 for the year ended October 31, 2016.

**NOTE 8 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, 2016 and 2015, the Organization incurred \$59,074 and \$50,435, respectively, of matching contribution expense to the retirement plan.

**NOTE 9 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, 2016, the Organization had cash and cash equivalents in excess of FDIC limits of approximately \$1,072,000. During the year, there may be times when uninsured cash is significantly higher.

The Organization has investments in the amount of \$1,157,846 held by one custodian.

The Organization has promises to give in the amount of \$46,857 and program receivables in the amount of \$124,760 at October 31, 2016, that will be received in future years.

During the year ended October 31, 2016, 28% of contribution and support revenue was received from one donor.

**COMMUNITY ROWING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2016 AND 2015**

**NOTE 10 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.

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, 2016 and 2015.

	2016			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
Investments at Fair Value:				
Fixed Income Funds	\$ 585,344	\$ 585,344	\$ -	\$ -
Equities	572,502	572,502	-	-
Total Investments at Fair Value	<u>\$ 1,157,846</u>	<u>\$ 1,157,846</u>	<u>\$ -</u>	<u>\$ -</u>
	2015			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Total	Level 1	Level 2	Level 3	
Investments at Fair Value:				
Fixed Income	\$ 456,026	\$ 456,026	\$ -	\$ -
Equities	466,961	466,961	-	-
Total Investments at Fair Value	<u>\$ 922,987</u>	<u>\$ 922,987</u>	<u>\$ -</u>	<u>\$ -</u>

Total investment income, gains, and losses for the years ended October 31, 2016 and 2015 were as follows:

	2016	2015
Interest and Dividend Income	\$ 21,852	\$ 21,339
Realized and Unrealized Gains	14,865	12,545
Net Investment Return	<u>\$ 36,717</u>	<u>\$ 33,884</u>

**COMMUNITY ROWING, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED OCTOBER 31, 2016 AND 2015**

	2016	2015
<b>PROGRAM EXPENSES</b>		
Salaries	\$ 1,982,554	\$ 1,279,514
Payroll Taxes	168,624	118,134
Employee Benefits	176,418	38,839
Depreciation and Amortization	821,569	868,638
Regatta Costs	678,533	642,015
Transportation	112,099	102,632
Insurance	58,936	54,790
Rental Equipment and Other Supplies	149,832	98,763
Boat Maintenance and Supplies	55,217	47,386
Miscellaneous	44,153	80,100
Staff and Volunteer Development	56,946	28,942
Gas and Oil	15,699	17,317
Bad Debt	10,330	11,559
Consulting	14,233	22,000
Boathouse Rental Fees	53,333	-
Marketing and Public Relations	77,726	266,203
Total Program Expenses	\$ 4,476,202	\$ 3,676,832
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries	\$ 368,251	\$ 399,673
Payroll Tax	31,321	38,439
Employee Benefits	14,141	124,341
Rent and Utilities	121,805	113,432
Legal	127,563	74,961
Office	60,770	93,174
Insurance	64,629	56,168
Computer	40,619	27,733
Dues and Subscriptions	27,011	26,162
Interest Expense	43,844	23,707
Professional Fees	18,627	15,060
Accounting	30,697	22,950
Telephone	27,106	21,656
Office Supplies	31,377	17,340
Bank Charges	13,462	11,472
Payroll Services	7,455	6,283
Marketing and Public Relations	53,397	-
Miscellaneous	603	684
Total General and Administrative Expenses	\$ 1,082,678	\$ 1,073,235
<b>FUNDRAISING EXPENSE</b>		
Salaries	\$ 204,510	\$ 158,812
Payroll Taxes	17,394	27,219
Employee Benefits	18,198	15,433
Miscellaneous	7,545	4,109
Marketing and Public Relations	78,403	89,296
Annual Appeal Direct Costs	-	7,484
Total Fundraising Expenses	\$ 326,050	\$ 302,353