

COMMUNITY ROWING, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED OCTOBER 31, 2017 AND 2016

**COMMUNITY ROWING, INC.
TABLE OF CONTENTS
YEARS ENDED OCTOBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
STATEMENTS OF FUNCTIONAL EXPENSES	19

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, 2017 and 2016, 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 audits 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.

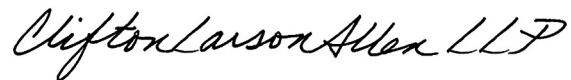
Board of Directors
Community Rowing, Inc.

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, 2017 and 2016, and the changes in its net assets 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
February 18, 2018

COMMUNITY ROWING, INC.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 920,473	\$ 1,155,382
Investments, Board Designated	337,035	280,542
Investments	563,841	476,604
Program Receivables	83,330	124,760
Unconditional Promises to Give	24,985	46,857
Prepaid Expenses and Other Current Assets	91,324	185,974
Total Current Assets	2,020,988	2,270,119
PROPERTY AND EQUIPMENT		
Building	16,010,216	16,006,355
Rowing Equipment	2,281,021	2,273,710
Furniture and Fixtures	69,045	60,763
Motor Vehicles	136,409	136,409
Construction in Progress - Launch Project	47,714	53,855
Total	18,544,405	18,531,092
Less: Accumulated Depreciation	(5,467,602)	(4,647,639)
Property and Equipment, Net	13,076,803	13,883,453
OTHER ASSETS		
Investments, Permanently Restricted	400,700	400,700
Total Other Assets	400,700	400,700
Total Assets	\$ 15,498,491	\$ 16,554,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 135,656	\$ 198,031
Current Maturities of Long-Term Debt	134,440	144,917
Current Portion of Deferred Revenue	86,004	80,004
Deposits and Other Liabilities	118,476	166,565
Accrued Payroll	104,347	125,623
Total Current Liabilities	578,923	715,140
LONG-TERM LIABILITIES		
Deferred Revenue, Less Current Maturities	2,047,173	2,128,197
Deferred Rent	66,759	62,003
Notes Payable, Less Current Maturities	590,511	822,369
Total Long-Term Liabilities	2,704,443	3,012,569
NET ASSETS		
Unrestricted	11,170,325	11,804,746
Temporarily Restricted	644,100	621,117
Permanently Restricted	400,700	400,700
Total Net Assets	12,215,125	12,826,563
Total Liabilities and Net Assets	\$ 15,498,491	\$ 16,554,272

See accompanying Notes to Financial Statements.

COMMUNITY ROWING, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED OCTOBER 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 1,109,291	\$ 243,919	\$ -	\$ 1,353,210
Program Fees	4,025,189	-	-	4,025,189
Less: Financial Aid	(431,075)	-	-	(431,075)
Storage and Rental Fees	309,484	-	-	309,484
Membership Dues	337,343	-	-	337,343
Noncash Support	102,939	-	-	102,939
Special Events	128,712	-	-	128,712
Other Revenue	29,405	-	-	29,405
Appropriation of Endowment				
Assets for Operations	5,321	-	-	5,321
Net Assets Released from Restrictions	320,734	(320,734)	-	-
Total Revenue and Support	<u>5,937,343</u>	<u>(76,815)</u>	<u>-</u>	<u>5,860,528</u>
EXPENSES				
Program	5,011,040	-	-	5,011,040
General and Administrative	1,280,009	-	-	1,280,009
Fundraising	476,985	-	-	476,985
Total Expenses	<u>6,768,034</u>	<u>-</u>	<u>-</u>	<u>6,768,034</u>
LOSS FROM OPERATIONS	(830,691)	(76,815)	-	(907,506)
NONOPERATING INCOME (EXPENSE)				
Rental Income	81,024	-	-	81,024
Net Investment Return	76,948	62,898	-	139,846
Contributions for Property and Equipment	-	73,950	-	73,950
Gain on Sale of Property and Equipment	6,569	-	-	6,569
Appropriation of Endowment				
Assets for Operations	-	(5,321)	-	(5,321)
Net Assets Released from Restriction	31,729	(31,729)	-	-
Total Nonoperating Income	<u>196,270</u>	<u>99,798</u>	<u>-</u>	<u>296,068</u>
CHANGE IN NET ASSETS	(634,421)	22,983	-	(611,438)
Net Assets - Beginning of Year	<u>11,804,746</u>	<u>621,117</u>	<u>400,700</u>	<u>12,826,563</u>
NET ASSETS - END OF YEAR	<u>\$ 11,170,325</u>	<u>\$ 644,100</u>	<u>\$ 400,700</u>	<u>\$ 12,215,125</u>

See accompanying Notes to 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	
REVENUE AND SUPPORT				
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
Noncash 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>
EXPENSES				
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>
LOSS FROM OPERATIONS	(443,031)	(4,635)	-	(447,666)
NONOPERATING INCOME (EXPENSE)				
Rental Income	71,024	-	-	71,024
Net Investment Return	14,703	22,014	-	36,717
Appropriation of Endowment				
Assets for Operations	-	(4,970)	-	(4,970)
Contributions for Property and Equipment	44,695	-	-	44,695
Contributions for Long-Term Purposes	-	-	-	-
Gain on Sale of Property and Equipment	97,004	-	-	97,004
Net Assets Released from Restriction	269,902	(269,902)	-	-
Total Nonoperating Income (Expense)	<u>497,328</u>	<u>(252,858)</u>	<u>-</u>	<u>244,470</u>
CHANGE IN NET ASSETS	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>
NET ASSETS - END OF YEAR	<u>\$ 11,804,746</u>	<u>\$ 621,117</u>	<u>\$ 400,700</u>	<u>\$ 12,826,563</u>

See accompanying Notes to Financial Statements.

COMMUNITY ROWING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (611,438)	\$ (203,196)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operations:		
Gain on Sale of Property and Equipment	(6,569)	(97,004)
Unrealized and Realized Gains on Investments	(112,274)	(15,055)
Contributions for Long-Term Purposes	(73,950)	(44,695)
Donated Investments	(9,275)	-
Depreciation and Amortization	819,963	821,569
Bad Debts	12,883	10,330
(Increase) Decrease in:		
Unconditional Promises to Give	21,872	166,707
Prepaid Expenses and Other Current Assets	94,650	(34,586)
Program Receivables	28,547	(22,548)
Increase (Decrease) in:		
Accounts Payable	(62,375)	43,994
Deferred Revenue	(75,024)	78,976
Deferred Rent	4,756	4,947
Deposits and Other Liabilities	(48,089)	63,810
Accrued Expenses	-	(13,723)
Accrued Payroll	(21,276)	57,090
Net Cash Provided (Used) by Operating Activities	(37,599)	816,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Property and Equipment	23,808	134,021
Purchases of Property and Equipment	(30,552)	(268,553)
Purchases of Investments	(27,502)	(224,774)
Sales of Investments	5,321	4,970
Net Cash Used by Investing Activities	(28,925)	(354,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(242,335)	(386,950)
Contributions for Long-Term Purposes	73,950	44,695
Net Cash Used by Financing Activities	(168,385)	(342,255)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(234,909)	120,025
Cash and Cash Equivalents - Beginning of Year	1,155,382	1,035,357
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 920,473	\$ 1,155,382
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 33,588	\$ 43,844

See accompanying Notes to Financial Statements.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

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.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

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

Net Assets (Continued)

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.

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.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

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

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, 2017 and 2016, management has deemed that no discount was deemed necessary as it was not material. 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 and changes in net assets 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
Motor Vehicles	5 Years

Depreciation expense amounted to \$819,963 and \$821,569 for the years ended October 31, 2017 and 2016, respectively.

Software

Software with a historical cost of \$10,050 at October 31, 2017 and 2016, respectively, are amortized over a three-year period using the straight-line method. As of October 31, 2017 and 2016, the software is fully amortized.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

**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 nonoperating activities. Noncash rental income originating from the amortization of the deferred rent pursuant to two sublease agreements described in Note 7 are treated as a nonoperating 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, 2017 and 2016, 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:

**COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016**

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

Fair Value of Financial Instruments (Continued)

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.

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 February 18, 2018, 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:

	<u>2017</u>	<u>2016</u>
Unconditional Promises to Give	\$ 24,985	\$ 46,857
Less: Allowance for Uncollectible Accounts	-	-
Net Unconditional Promises to Give	<u>\$ 24,985</u>	<u>\$ 46,857</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, 2017 and 2016.

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

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE 3 NOTES PAYABLE

The Organization is obligated under the following notes payable:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Equipment Loan (see below)	\$ 724,951	\$ 941,963
The Organization financed two vehicles both with a maturity date of January 2018; payment amounts are approximately \$820 a month for each vehicle; and interest at 5%. Both notes were paid in full as of October 31, 2017.	-	25,323
Total Notes Payable	<u>724,951</u>	<u>967,286</u>
Less: Current Maturities	<u>134,440</u>	<u>144,917</u>
Notes Payable, Less Current Maturities	<u>\$ 590,511</u>	<u>\$ 822,369</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 originally accrued interest on outstanding advances at the rate of LIBOR plus 2.2%. 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, 2017 and 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, 2017, there is approximately \$750,000 available for advances under the line of credit. There have been no draws on tranches two or three as of October 31, 2017.

Required payments on the term loan are \$13,308 monthly and, as of fiscal year end, there were 60 payments remaining. The Organization made discretionary payments in 2017 and 2016 of \$90,000 and \$200,000, respectively that were applied to the outstanding balance.

Interest expense on notes payable amounted to \$33,588 and \$43,844 for the years ended October 31, 2017 and 2016, respectively.

**COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016**

NOTE 3 NOTES PAYABLE (CONTINUED)

The following are the maturities of notes payable for the next five years:

<u>Year Ending October 31,</u>	<u>Amount</u>
2018	\$ 134,440
2019	139,569
2020	144,894
2021	150,422
2022	155,626

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Program Services	\$ 64,706	\$ 128,992
Institute for Rowing Leadership	73,140	39,869
Let's Row Boston (Outreach)	114,213	191,742
Net Appreciation on Endowment	177,554	119,977
Innovation Fund	140,537	140,537
Boat Purchases	73,950	-
Total Temporarily Restricted Net Assets	<u>\$ 644,100</u>	<u>\$ 621,117</u>

The total value of the Innovation Fund as of October 31, 2017 and 2016 was \$170,133 and \$152,026, respectively.

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 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.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE 5 ENDOWMENTS (CONTINUED)

The changes in endowment net assets were the following for the years ended October 31, 2017 and 2016.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance - November 1, 2015	\$ 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 - October 31, 2016	<u>280,542</u>	<u>119,977</u>	<u>400,700</u>	<u>801,219</u>
Beginning Balance - November 1, 2016	280,542	119,977	400,700	801,219
Endowment Contributions	-	-	-	-
Net Appreciation on Endowment	56,493	62,898	-	119,391
Appropriation of Endowment for Expenditure	-	(5,321)	-	(5,321)
Ending Balance - October 31, 2017	<u>\$ 337,035</u>	<u>\$ 177,554</u>	<u>\$ 400,700</u>	<u>\$ 915,289</u>

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

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Boathouse Fund	\$ 337,035	\$ 149,944	\$ 300,700	\$ 787,679
Scholarship Fund	-	27,610	100,000	127,610
Total	<u>\$ 337,035</u>	<u>\$ 177,554</u>	<u>\$ 400,700</u>	<u>\$ 915,289</u>
	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Boathouse Fund	\$ 280,542	\$ 101,341	\$ 300,700	\$ 682,583
Scholarship Fund	-	18,636	100,000	118,636
Total	<u>\$ 280,542</u>	<u>\$ 119,977</u>	<u>\$ 400,700</u>	<u>\$ 801,219</u>

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.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE 5 ENDOWMENTS (CONTINUED)

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 2017 or 2016. For the scholarship fund, the Board approved distributions of \$5,321 and \$4,970 for the years ended October 31, 2017 and 2016, 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, 2017 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, 2017 and 2016 were recorded at \$56,863 and \$83,377, respectively.

Contributed goods and the associated expenses for the years ended October 31, 2017 and 2016 were recorded at \$46,076 and \$59,529, 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 an asset on the statement of financial position. Lease expense was \$11,280 for the years ended October 31, 2017 and 2016.

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 \$80,000 and \$53,333 for the years ended October 31, 2017 and 2016, respectively.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE 7 LEASES (CONTINUED)

Lease Obligations (Continued)

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

<u>Year Ending October 31.</u>	<u>Amount</u>
2018	86,720
2019	86,921
2020	87,129
2021	7,343
2022	7,563
Thereafter	477,513
Total	<u>\$ 753,189</u>

Rental Income

Ground Lease for the 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, 2017 and 2016 was \$2,027,177 and \$2,078,201, 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 \$309,484 and \$285,839 for the years ended October 31, 2017 and 2016, respectively.

Rental income related to the sublease agreement has been classified as nonoperating in the statement of activities and changes in net assets. Nonoperating rental income relating to the sub-lease agreement amounted to \$51,024 for both years ended October 31, 2017 and 2016.

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 years ended October 31, 2017 and 2016 was \$100,000 and \$130,000, respectively. Additional rent is assessed at a percentage of the Organization's operating expenses.

COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

NOTE 7 LEASES (CONTINUED)

Rental Income (Continued)

Stoller Boathouse Lease (Continued)

Rental income related to the sublease agreement has been classified as nonoperating in the statement of activities and changes in net assets. Nonoperating rental income relating to the sub-lease agreement amounted to \$30,000 and \$20,000 for the years ended October 31, 2017 and 2016, respectively.

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, 2017 and 2016, the Organization incurred \$71,043 and \$59,074, 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, 2017, the Organization had cash and cash equivalents in excess of FDIC limits of approximately \$719,000. During the year, there may be times when uninsured cash is significantly higher.

The Organization has investments in the amount of \$1,292,301 held by one custodian.

The Organization has promises to give in the amount of \$24,985 and program receivables in the amount of \$83,330 at October 31, 2017, that will be received in future years.

During the year ended October 31, 2017, 35% of contribution and support revenue was received from one donor.

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.

**COMMUNITY ROWING, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016**

NOTE 10 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, 2017 and 2016.

	2017			
	Total	Level 1	Level 2	Level 3
Investments at Fair Value:				
Fixed Income Funds	\$ 647,265	\$ 647,265	\$ -	\$ -
Equities	654,311	654,311	-	-
Total Investments at Fair Value	<u>\$ 1,301,576</u>	<u>\$ 1,301,576</u>	<u>\$ -</u>	<u>\$ -</u>
	2016			
	Total	Level 1	Level 2	Level 3
Investments at Fair Value:				
Fixed Income	\$ 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>

Total investment income, gains, and losses for the years ended October 31, 2017 and 2016 were as follows:

	2017	2016
Interest and Dividend Income	\$ 27,572	\$ 21,852
Realized and Unrealized Gains	112,274	14,865
Net Investment Return	<u>\$ 139,846</u>	<u>\$ 36,717</u>

COMMUNITY ROWING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED OCTOBER 31, 2017 AND 2016

	2017	2016
PROGRAM EXPENSES		
Salaries	\$ 2,150,128	\$ 1,982,554
Payroll Taxes	177,989	168,624
Employee Benefits	193,907	176,418
Depreciation	819,963	821,569
Regatta Costs	823,547	678,533
Transportation	243,653	112,099
Insurance	67,710	58,936
Rental Equipment and Other Supplies	121,507	149,832
Boat Maintenance and Supplies	63,094	55,217
Miscellaneous	72,724	44,153
Staff and Volunteer Development	68,434	56,946
Gas and Oil	16,756	15,699
Bad Debt	12,883	10,330
Consulting	22,900	14,233
Boathouse Rental Fees	80,000	53,333
Marketing and Public Relations	75,845	77,726
Total Program Expenses	\$ 5,011,040	\$ 4,476,202
 GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries	\$ 440,078	\$ 368,251
Payroll Tax	36,433	31,321
Employee Benefits	13,170	14,141
Rent and Utilities	100,544	121,805
Legal	163,442	127,563
Office	125,357	60,770
Insurance	69,591	64,629
Computer	40,087	40,619
Dues and Subscriptions	33,847	27,011
Interest Expense	33,588	43,844
Professional Fees	26,521	18,627
Accounting	21,382	30,697
Telephone	50,726	27,106
Office Supplies	32,466	31,377
Bank Charges	15,679	13,462
Payroll Services	21,126	7,455
Marketing and Public Relations	55,455	53,397
Miscellaneous	517	603
Total General and Administrative Expenses	\$ 1,280,009	\$ 1,082,678
 FUNDRAISING EXPENSE		
Salaries	\$ 340,067	\$ 204,510
Payroll Taxes	28,151	17,394
Employee Benefits	30,669	18,198
Miscellaneous	5,181	7,545
Marketing and Public Relations	72,917	78,403
Total Fundraising Expenses	\$ 476,985	\$ 326,050