

CHARLES RIVER CONSERVANCY, INC.

FINANCIAL STATEMENTS

Years Ended September 30, 2008 and 2007

Davies & Monahan, P.C.
Certified Public Accountants

CHARLES RIVER CONSERVANCY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charles River Conservancy, Inc.

We have audited the accompanying statements of financial position of Charles River Conservancy, Inc. (a non-profit organization) as of September 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Conservancy's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charles River Conservancy, Inc. as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Davies & Monahan, P.C.

Quincy, Massachusetts
December 5, 2008

CHARLES RIVER CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 AND 2007

ASSETS

	2008	2007
Current assets:		
Cash and cash equivalents	\$ 1,302,895	\$ 424,574
Certificates of deposit	-	403,930
Restricted unconditional promises to give - Note 4	12,278	26,206
Contribution and grant receivable	-	1,300
Prepaid expenses	8,239	2,875
Total current assets	1,323,412	858,885
Investments - Note 6	-	4,072
Furniture and equipment, less accumulated depreciation of \$58,795 and \$47,122, respectively	7,201	13,525
Total assets	\$ 1,330,613	\$ 876,482

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 72,008	\$ 67,438
Total current liabilities	72,008	67,438
Net assets:		
Unrestricted	28,542	56,436
Temporarily restricted - Note 8	1,230,063	752,608
Total net assets	1,258,605	809,044
Total liabilities and net assets	\$ 1,330,613	\$ 876,482

CHARLES RIVER CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted net assets		
Support and revenues:		
Donated facilities and services - Note 5	\$ 222,978	\$ 105,838
Individual contributions	196,353	95,538
Grants	60,014	145,776
Corporate donations	32,272	32,380
Investment income	35,542	7,240
Miscellaneous	1,312	2,673
Royalties	390	794
Net realized and unrealized loss on investments	(746)	(1,412)
Special event - \$6,525 and \$9,476 gross income net of direct donor expenses of \$9,254 and \$6,510	(2,729)	2,966
Amounts released from restricted	280,421	148,913
Total support and revenues	<u>825,807</u>	<u>540,706</u>
Expenses:		
Program services	660,613	405,062
Management and general	107,720	105,952
Fundraising	85,368	80,546
Total expenses	<u>853,701</u>	<u>591,560</u>
Change in unrestricted net assets	<u>(27,894)</u>	<u>(50,854)</u>
Temporarily restricted net assets		
Grants	689,000	335,000
Individual contributions	68,876	57,380
Net assets released from restrictions	(280,421)	(148,913)
Change in temporarily restricted net assets	<u>477,455</u>	<u>243,467</u>
Change in net assets	449,561	192,613
Net assets, beginning of year	<u>809,044</u>	<u>616,431</u>
Net assets, end of year	<u>\$ 1,258,605</u>	<u>\$ 809,044</u>

See notes to financial statements.

CHARLES RIVER CONSERVANCY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Program Services</u>			<u>Total</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Stewardship</u>	<u>Education</u>	<u>Capital</u>		<u>Management and General</u>	<u>Fund Raising</u>		
Salaries	\$ 92,460	\$ 51,336	\$ 44,328	\$ 188,124	\$ 50,495	\$ 32,689	\$ 271,308	
Payroll taxes and fringe benefits	16,318	6,422	4,814	27,554	4,759	3,154	35,467	
Total salaries and related expenses	108,778	57,758	49,142	215,678	55,254	35,843	306,775	
Consulting	17,423	15,908	132,497	165,828	5,177	14,584	185,589	
Professional fees	3,705	1,431	124,748	129,884	22,714	589	153,187	
Events and entertainment	2,538	31,872	11,346	45,756	-	9,039	54,795	
Facilities	16,753	7,282	10,159	34,194	3,220	3,220	40,634	
Printing and publications	2,994	13,638	2,199	18,831	326	14,120	33,277	
Supplies and postage	12,208	4,438	5,968	22,614	688	6,083	29,385	
Website and technology	4,763	2,471	2,366	9,600	597	597	10,794	
Insurance	2,867	-	126	2,993	6,114	-	9,107	
Dues and subscriptions	1,690	3,426	-	5,116	267	368	5,751	
Travel and vehicle expense	3,836	645	802	5,283	146	174	5,603	
Miscellaneous	888	863	520	2,271	2,014	141	4,426	
Training and workshops	533	1,109	383	2,025	70	610	2,705	
Total expenses before depreciation	178,976	140,841	340,256	660,073	96,587	85,368	842,028	
Depreciation	540	-	-	540	11,133	-	11,673	
Total expenses	\$ 179,516	\$ 140,841	\$ 340,256	\$ 660,613	\$ 107,720	\$ 85,368	\$ 853,701	

See notes to financial statements.

CHARLES RIVER CONSERVANCY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Program Services</u>			Total Program Services	<u>Supporting Services</u>		Total
	Stewardship	Education	Capital		Management and General	Fund Raising	
Salaries	\$ 86,408	\$ 39,393	\$ 47,094	\$ 172,895	\$ 39,312	\$ 24,307	\$ 236,514
Payroll taxes and fringe benefits	9,775	4,370	3,743	17,888	4,300	2,233	24,421
Total salaries and related expenses	96,183	43,763	50,837	190,783	43,612	26,540	260,935
Consulting	7,618	14,268	44,785	66,671	2,895	15,532	85,098
Events and entertainment	1,040	42,361	9,326	52,727	-	13,845	66,572
Supplies and postage	14,477	2,496	13,288	30,261	6,586	8,991	45,838
Facilities	11,250	6,250	2,500	20,000	5,953	1,250	27,203
Printing and publications	1,427	3,875	4,533	9,835	1,737	12,367	23,939
Grants	21,722	-	-	21,722	-	-	21,722
Professional fees	-	-	-	-	17,930	-	17,930
Insurance	114	38	-	152	8,546	-	8,698
Website and technology	-	5,114	119	5,233	1,532	-	6,765
Dues and subscriptions	183	4,934	104	5,221	130	885	6,236
Miscellaneous	185	-	175	360	3,424	-	3,784
Travel and vehicle expense	419	1,175	8	1,602	1,542	67	3,211
Training and workshops	456	39	-	495	-	1,069	1,564
Total expenses before depreciation	155,074	124,313	125,675	405,062	93,887	80,546	579,495
Depreciation	-	-	-	-	12,065	-	12,065
Total expenses	\$ 155,074	\$ 124,313	\$ 125,675	\$ 405,062	\$ 105,952	\$ 80,546	\$ 591,560

See notes to financial statements.

CHARLES RIVER CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase in net assets	\$ 449,561	\$ 192,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,673	12,065
Donated securities	(25,531)	(23,516)
Net realized and unrealized loss on investment	746	1,412
(Increase) decrease in:		
Contribution and grant receivable	1,300	1,200
Prepaid expenses	(5,364)	(83)
Restricted unconditional promises to give	14,837	55,189
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,570	18,844
Discount on unconditional promises to give	(909)	(3,710)
Net cash provided by operating activities	<u>450,883</u>	<u>254,014</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	-	(401,826)
Purchases of fixed assets	(5,348)	-
Maturities of certificates of deposit	403,930	-
Proceeds from sale of donated securities	28,856	18,032
Net cash provided (used) by investing activities	<u>427,438</u>	<u>(383,794)</u>
Net increase (decrease) in cash	878,321	(129,780)
Cash and cash equivalents, beginning	<u>424,574</u>	<u>554,354</u>
Cash and cash equivalents, end	<u>\$ 1,302,895</u>	<u>\$ 424,574</u>

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 1 - NATURE OF THE ORGANIZATION:

The Charles River Conservancy, Inc. (the Conservancy) is a non-profit corporation founded in 2000 dedicated to the stewardship and renewal of the Charles River Basin parklands and their surroundings, including parkways and bridges from Boston Harbor to the Watertown dam. The Conservancy works to make the parklands more attractive, active and accessible to all. Programs include education and outreach, volunteer and service learning events, physical improvements, and river celebrations. The Conservancy is supported primarily through donor contributions and grants.

The Conservancy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Conservancy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Board of Directors and the management of the Conservancy acknowledge that, to the best of their ability, all assets received by the Conservancy have been used for the purpose for which they were contributed or have been accumulated to allow management to conduct the operations of the Conservancy as effectively and efficiently as possible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting:

The financial statements of Charles River Conservancy, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(b) Basis of Presentation:

The Conservancy has adopted Statement of Financial Accounting Standards Board (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Conservancy has also adopted Statement of Financial Accounting Standards Board (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Conservancy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Conservancy is required to present a statement of cash flows.

Unrestricted net assets are not subject to donor imposed stipulations.

Revenues and support whose restrictions are met in the same reporting period are reflected as unrestricted revenue and support as permitted by SFAS No. 116, since these funds are received and spent during the same fiscal year.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(c) Cash and Cash Equivalents:

For reporting cash flows, cash includes money market accounts and short-term investments with maturities of 90 days or less.

(d) Certificates of Deposit:

Certificates of deposit are carried at fair value and matured at various dates through February, 2008. The certificates bear interest at rates of 2.96-5.24% for the years ended September 30, 2008 and 2007.

(e) Investments:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

(f) Concentration of Credit Risk

The Conservancy maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). Uninsured balances were \$692,055 and \$233,989 at September 30, 2008 and 2007, respectively.

(g) Restricted and Unrestricted Revenue:

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

(h) Promises To Give:

Contributions are recognized when the donor makes a promise to give to the Conservancy that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Conservancy uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. For the years ended September 30, 2008 and 2007, no allowance for doubtful accounts has been deemed necessary by management.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(i) Concentration of Contributions and Grants:

The Conservancy received approximately 58% and 53% of its total contributions from its three largest donors for the years ended September 30, 2008 and 2007, respectively.

(j) Expense Allocation:

Expenses by function have been allocated among program and supporting service classifications on the basis of time records and on estimates made by the Conservancy's management.

(k) Property and Equipment:

Property and equipment are stated at cost. Maintenance, repairs and minor renewals are expensed as incurred and major renewals are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

(l) Use of Estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Reclassification:

Certain reclassifications have been made to the 2007 financial statements for comparative purposes to conform to the 2008 presentation with no effect on the change in net assets.

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES:

(a) Stewardship:

Engage community volunteers in revitalizing of the parklands surrounding the Charles River. Projects include erosion control, debris removal, brush cutting, tree pruning, bench painting, landscaping efforts, and the restoration of bridge embankments. Other stewardship program initiatives include increasing public access to the river via pathway restoration and improvements, bridge lighting and efforts to bring public swimming to the Charles River.

(b) Education:

Projects provide opportunities for community members, particularly public school groups, to learn about the Charles River watershed and resource management. Topics which are discussed are invasive species, water quality, arbor management, and things an individual can do to improve the watershed. The educational effort also includes outreach to the public through publications, seminars, and the media, including the hosting of two television shows.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued):

(c) Capital:

Focus is on major projects for which substantial funding is required. The capital focus in 2008 and 2007 is on the design and campaign for a world-class skatepark to be built under the ramps leading to the Zakim/Bunker Hill Bridge. Design and fundraising includes the involvement of over 500 youths and nationally renowned Grindline Skateparks, Inc.

(d) Management and General:

Includes the functions to ensure an adequate working environment; provide coordination and articulation of the Conservancy's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Conservancy; and manage the financial and budgetary responsibilities of the Conservancy.

(e) Fund-raising:

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, corporations, and governmental agencies.

NOTE 4 - PROMISES TO GIVE:

Unconditional promises to give consist of the following:

	<u>2008</u>	<u>2007</u>
Gross restricted unconditional promises to give	\$ 12,388	\$ 27,225
Less: Unamortized discount	<u>(110)</u>	<u>(1,019)</u>
Net restricted unconditional promises to give	<u>\$ 12,278</u>	<u>\$ 26,206</u>
Amounts due in less than one year:	\$ 12,388	\$ 27,225

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates between 1 and 4 percent. All unconditional promises to give are restricted for the skatepark design and construction as describe in Note 3.

The Conservancy has conditional promises to give totaling \$410,000 and \$710,000 at September 30, 2008 and 2007, respectively. For the year ended September 30, 2008, conditions will be met when skatepark construction begins. For the year ended September 30, 2007, conditions will be met on some when matching grant contribution levels are met and when skatepark construction begins on others.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 5 - DONATED FACILITIES AND SERVICES:

Donations of facilities and services are recorded at their estimated fair value at the date of donation. Donated facilities and services are reflected in the financial statements as revenue and expenses. Donated facilities consist of office space. Donated services are recognized only if there is a clearly measurable basis for the amount to be recorded, the Conservancy controls the activity of the service donors and the services would otherwise have to be performed by salaried personnel.

In 2008 and 2007, the Conservancy recognized total income from donated facilities and services of \$222,978 and \$105,838 which includes donated facilities of \$12,500 and \$25,000 and donated services of \$210,478 and \$80,838, in 2008 and 2007, respectively. Included in the 2008 donated services are donated legal services of \$122,643 related to the skatepark.

Donated facilities and services were allocated in the statement of functional expenses as follows:

	<u>2008</u>	<u>2007</u>
Program services	\$ 189,020	\$ 73,375
Management and general	17,708	19,963
Fundraising	16,250	12,500
Total	<u>\$ 222,978</u>	<u>\$ 105,838</u>

Numerous volunteers have donated significant amounts of time to the Conservancy volunteer's parklands stewardship program during 2008 and 2007. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$164,506 and \$153,737 for the years ended September 30, 2008 and 2007, respectively.

NOTE 6 - INVESTMENTS

Investments are stated at fair value and consist of marketable securities. The investment account is used to receive contributions of donated securities which are liquidated as soon as possible after receipt. There were no securities held at September 30, 2008 and realized losses, included in the statements of activities, totaled \$746 for the year ended September 30, 2008. At September 30, 2007, securities with a fair value of \$4,072 were held. Unrealized losses, included in the statements of activities, totaled \$1,412 for the year ended September 30, 2007.

NOTE 7 - LINE OF CREDIT:

The Conservancy has a \$5,000 line of credit that was fully available at September 30, 2008 and 2007. The line of credit is used to meet short-term working capital needs and is payable on demand. Interest on any outstanding balance is payable monthly at the bank's base lending rate. The credit line is collateralized by all assets of the Conservancy.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Restricted for:		
Skatepark design and construction	\$ 1,150,315	\$ 679,514
Conservancy volunteers	41,509	45,000
Swimmable Charles Initiative	38,239	28,094
Total	<u>\$ 1,230,063</u>	<u>\$ 752,608</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Conservancy leases its office space in Cambridge, Massachusetts under an operating lease which commenced April 1, 2008 and terminates March 31, 2011. The lease requires monthly rental payments of \$3,207 through March 31, 2010 and \$3,303, thereafter. For the year ended September 30, 2008, total rent expense under the lease amount to \$19,262.

Future minimum rentals under non-cancellable operating leases for the years ending September 30 are as follows:

<u>Year ended</u>	
2009	\$ 38,484
2010	39,060
2011	19,818
	<u>\$ 97,362</u>

NOTE 10 - RELATED PARTIES:

The Conservancy receives contribution revenue from members of its Board of Directors. Contributions received in 2008 and 2007 from board members approximated \$71,250 and \$55,750, respectively.

The gross amount of restricted unconditional promises to give due from a board member amounted to \$12,388 at September 30, 2008 and September 30, 2007.