

Charles River Conservancy, Inc.

Financial Statements

Years Ended September 30, 2016 and 2015

with

Report of Independent Public Accountant

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charles River Conservancy, Inc.
Cambridge, Massachusetts:

Report on the Financial Statements

We have audited the accompanying financial statements of Charles River Conservancy, Inc. (the Conservancy) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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 Charles River Conservancy, Inc. as of September 30, 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 Summarized Comparative Information

The financial statements of Charles River Conservancy, Inc. as of September 30, 2015, and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



December 19, 2016

Charles River Conservancy, Inc.
Statement of Financial Position
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$611,400	\$1,590,600
Cash held as fiscal agent	8,400	29,800
Accounts receivable	3,400	- 0 -
Prepaid expenses	5,800	2,300
Current portion of Skatepark construction escrow cash	- 0 -	236,100
Total Current Assets	<u>629,000</u>	<u>1,858,800</u>
Property & Equipment	9,800	19,500
Deposits	4,500	- 0 -
Skatepark Construction	- 0 -	3,816,200
Total Assets	<u>\$643,300</u>	<u>\$5,694,500</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$137,200	\$ 592,900
Accrued expenses	14,600	12,700
Account held as fiscal agent	8,400	29,800
Total Current Liabilities	<u>160,200</u>	<u>635,400</u>
Net Assets:		
Unrestricted	404,800	4,183,600
Temporarily restricted	78,300	875,500
Permanently restricted	- 0 -	- 0 -
Total Net Assets	<u>483,100</u>	<u>5,059,100</u>
Total Liabilities and Net Assets	<u>\$643,300</u>	<u>\$5,694,500</u>

The accompanying notes are an integral part of the financial statements

Charles River Conservancy, Inc.
Statement of Activities
Year Ended September 30, 2016
(with Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Support & Revenue:					
Contributions	\$ 507,600	\$ 48,300		\$ 555,900	\$ 392,000
In-Kind goods & services	151,800			151,800	80,000
Program revenue	21,300			21,300	73,300
Interest & other	3,800			3,800	6,100
Net assets released from restriction	- 0 -	- 0 -		- 0 -	- 0 -
Total Support & Revenue	<u>684,500</u>	<u>48,300</u>	<u>\$ - 0 -</u>	<u>732,800</u>	<u>551,400</u>
Operating Expenses:					
Program services	420,300			420,300	423,300
General and administrative	130,500			130,500	115,300
Fundraising	123,600			123,600	53,100
Total Operating Expenses	<u>674,400</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>674,400</u>	<u>591,700</u>
Change in Net Assets from Operations	<u>10,100</u>	<u>48,300</u>	<u>- 0 -</u>	<u>58,400</u>	<u>(40,300)</u>
Non-Operating Support & Expense:					
Capital grants				- 0 -	215,500
In-Kind services				- 0 -	58,900
Donation of Skatepark	(4,634,400)			(4,634,400)	- 0 -
Net assets released from capital restrictions	845,500	(845,500)		- 0 -	- 0 -
Total Non-Operating Support & Expense	<u>(3,788,900)</u>	<u>(845,500)</u>	<u>- 0 -</u>	<u>(4,634,400)</u>	<u>274,400</u>
Change in Net Assets	<u>(3,778,800)</u>	<u>(797,200)</u>	<u>- 0 -</u>	<u>(4,576,000)</u>	<u>234,100</u>
Beginning Net Assets	4,183,600	875,500	- 0 -	5,059,100	4,825,000
Ending Net Assets	<u>\$ 404,800</u>	<u>\$ 78,300</u>	<u>\$ - 0 -</u>	<u>\$ 483,100</u>	<u>\$5,059,100</u>

The accompanying notes are an integral part of the financial statements

Charles River Conservancy, Inc.
Statement of Cash Flows
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash from operations:		
Change in net assets	(\$4,576,000)	\$ 234,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Capital grants		(215,500)
Depreciation	9,700	12,000
In-Kind contributions		(58,900)
(Increase)/Decrease in Accounts receivable	(3,400)	24,300
(Increase)/Decrease in prepaid expenses	(3,500)	8,900
(Increase) in deposits	(4,500)	
(Decrease)/Increase in accounts payable	(455,700)	8,400
Increase in accrued expenses	1,900	
Net cash used in operations	<u>(5,031,500)</u>	<u>13,400</u>
Cash flows from investing activities:		
Interest on escrow cash		(2,500)
Increase in Skatepark construction	(818,300)	(160,900)
Donation of Skatepark	4,634,500	
Net cash from investing activities	<u>3,816,200</u>	<u>(163,400)</u>
Cash flows from financing activities:		
Capital grants	236,100	215,500
Net cash from financing activities	<u>236,100</u>	<u>215,500</u>
Net change in cash	<u>(979,200)</u>	<u>65,500</u>
Cash, beginning of year	1,590,600	1,525,100
Cash, end of year	<u>\$ 611,400</u>	<u>\$1,590,600</u>
Interest paid	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Income taxes paid	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The accompanying notes are an integral part of the financial statements

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 1 -- Organization and Purpose:

Charles River Conservancy, Inc. (the Conservancy) was incorporated as a not-for-profit corporation in 2000 under the laws of the Commonwealth of Massachusetts. The Conservancy promotes the active and innovative use of the 400 acres of urban public parklands along the Charles River from Boston Harbor to the Watertown Dam. The Conservancy and its partners - the Commonwealth of Massachusetts and many other community groups - organize volunteers to beautify the parklands and preserve the landscapes, advocate for land uses that advance healthy living, public access, and physical parkland improvements, and build awareness about the Charles River. The Conservancy's mission is to be dedicated to the stewardship, renewal, and enhancement of the urban parklands along the Charles River for the enjoyment of all. The Conservancy promotes the active use and vitality of the parklands, increases recreational and cultural opportunities, and works to ensure the beauty and integrity of the extraordinary public resource.

The Conservancy's primary sources of funds are comprised of contributions and fees for services provided.

NOTE 2 -- Summary of Significant Accounting Policies:

Income Tax Exemption

The Conservancy is exempt from Federal and State income taxes under the provisions of Section 501(a) of the Internal Revenue Code (IRC) as an entity described in Section 501(c)(3). Therefore, no provision for income taxes has been made.

The Conservancy has been determined to be other than a private foundation by the Internal Revenue Service.

The Conservancy believes that all income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would be material. Accordingly there is no provision for related reserves as of September 30, 2016 or 2015.

Basis of Presentation

These financial statements have been prepared on the accrual basis of accounting.

Comparative Totals

Prior year information is presented in summary form for comparative purposes only and is not a complete presentation in conformity with accounting principles generally accepted in the United States.

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Presentation of Net Assets by Class

Net assets are classified in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, if any, are legally unrestricted, and are reported as part of the unrestricted class.

Cash and Equivalents

For purposes of the Statement of Cash Flows, the Conservancy considers all highly liquid investments purchased with an original maturity of three months or less to be cash and equivalents, excluding cash held as fiscal agent.

Accounts Receivable

Accounts receivable are recorded at gross amounts due. Because historical losses related to these receivables have been insignificant, management uses its judgement in estimating amounts that may become uncollectible. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off.

No accounts receivable were written off as uncollectible during 2016 and 2015.

Contributions Receivable

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Management uses the direct write-off method to account for uncollected pledges.

No contributions receivable written off as uncollectible during 2016 and 2015.

Property & Equipment

Property and equipment with a value over \$1,000 is recorded at cost or, if donated, at fair market value. Lesser amounts are expensed. Depreciation on equipment is calculated on the straight-line basis over an estimated useful life of 3 to 7 years.

Expenditures for repairs and maintenance are charged to expense as incurred.

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Skatepark Construction

Skatepark construction relates to the construction, design and other costs to build a world-class Skatepark under the ramps leading to the Zakim/Bunker Hill Bridge in Cambridge, Massachusetts. The groundbreaking for the project took place in October 2014. Final construction was completed November 2015.

Upon completion, the Skatepark was donated to Massachusetts State Department of Conservation and Recreation (DCR) and opened for public use. The Conservancy recorded the donation to DCR as a Non-Operating Expense in the amount of \$4,634,400. Under the terms of its agreement with DCR, the Conservancy can use the Skatepark for two weekends each year for five years. This agreement is renewable every five years for at least twenty years.

Revenue

Contributions with no donor-imposed restrictions are recorded as unrestricted public support. Contributions with donor-imposed restrictions are recorded as either temporarily restricted or permanently restricted resources based on the nature of the restriction.

Temporary restrictions arise from purpose-specific program restrictions and/or time restrictions. Upon the lapse of such restrictions, temporarily restricted support is reclassified to unrestricted support and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted in perpetuity by the donor are recorded as permanently restricted public support.

Restricted contributions whose restrictions are met in the same reporting period in which the contribution was received are reported as unrestricted.

Unconditional promises to give are recorded as support at their net realizable value. Conditional promises to give are not included as public support until such time as the conditions are substantially met.

Program fees are recorded at the time that the related services are delivered.

Functional Allocation of Expenses

The costs of providing programs and the administration of the Conservancy have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

In-Kind Support

A number of unpaid volunteers, including members of the Board of Directors and members of the community have made significant contributions of their time and services to the Conservancy. When the value of the time contributed is subject to objective measurement it is reflected in the financial statements as in-kind support and expense.

Donated goods and services consisted of the following for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Donated salaries	\$147,000	\$ 75,000
Capitalized Skatepark legal services		58,900
Printing and publication		5,000
Program services	4,800	
Total	<u>\$151,800</u>	<u>\$138,900</u>

Donated salaries represents the value placed on the time of the Executive Director who gives her time to the Conservancy without compensation. During fiscal year 2016 management reevaluated the tasks performed by the Executive Director and determined that it would be appropriate to assign a higher value to this component of in-kind support.

The Conservancy also receives services provided by volunteers in various aspects of its programs. The Conservancy Volunteers program engages thousands of volunteers each year to perform valuable landscaping, maintenance and clean-up tasks along the banks of the Charles River. In fiscal year 2016 1,951 volunteers donated an estimated \$121,200 worth of labor. Since the program's inception in 2002, over 28,000 volunteers have provided an estimated \$1,850,000 worth of donated labor to benefit the public parklands. The value of these services do not meet the criteria for recognition of contributions received and accordingly are not recorded in the financial statements.

Use of Estimates

The preparation 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 disclosure 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.

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Fair Value

The Conservancy has adopted the criteria for Fair Value Measurements. These criteria define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. These criteria establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the Conservancy's value framework are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

Level II: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the Conservancy's value measurement.

The Conservancy's assets and liabilities have been historically valued at fair market values using Level I inputs.

Concentrations of Credit Risk

The Conservancy's significant concentration of credit risk consists principally of cash.

Subsequent Events

Subsequent events are transactions or events happening after year-end and although not required to be recorded in the year-end financial statements may have a significant effect if they were.

Subsequent events have been evaluated through the date of the audit opinion, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Note 3 - Cash Held as Fiscal Agent:

Beginning in June 2015, the Conservancy was acting as the fiscal agent for the Charles River Alliance Working Group (the

Charles River Conservancy, Inc.
Notes to Financial Statements

Note 3 - Cash Held as Fiscal Agent (continued):

Alliance), an independent Unincorporated Association. The Conservancy also provided certain administrative services to the Alliance.

In December 2015, the Alliance incorporated as an independent 501(c)(3) not-for-profit corporation and received its tax exempt status in 2016.

In November 2016, the arrangement with the Alliance was terminated and all remaining funds held by the Conservancy were transferred to the Alliance.

NOTE 4 -- Skatepark Construction Escrow Cash:

Under the terms of a donor agreement related to the Skatepark project a donor made a capital grant of \$1,500,000 in September 2014 for the Skatepark construction project. This grant was required to be held in an escrow account at a bank. Under the terms of the grant funds were released on a cost-reimbursement basis. The balance of the account was utilized in fiscal year 2016.

NOTE 5 -- Net Assets:

Unrestricted Net Assets

Unrestricted net assets are comprised of net assets without donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted funds were designated for the following projects as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Skatepark design & construction	\$ 11,100	\$845,500
Shoreline Reclamation Demo. Project	30,000	30,000
Swimming	10,300	
Bike art	1,300	
Database & I.T. Improvements	25,600	
Total	<u>\$ 78,300</u>	<u>\$875,500</u>

Permanently Restricted Net Assets

As of September 30, 2016 and 2015 there were no permanently restricted net assets.

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 6 -- Line of Credit:

The Conservancy has a \$5,000 line of credit agreement with a bank. The line is collateralized by all assets of the Conservancy and is used to meet short-term working capital needs. Amounts outstanding are payable on demand. Interest is payable at the bank's base lending rate plus 5% (8.25% at September 30, 2016 and 2015).

The line was unused in 2016 and 2015.

NOTE 7 -- Retirement Plan:

The Conservancy maintains a defined contribution retirement plan under Section 403(b) of the IRC. All employees are eligible to contribute to the plan. The Conservancy matches 25% of the employee's contributions for employees having completed three-years of service or 50% for employees having completed five-years of service.

There were no employees that had completed the required years of service in 2016 and 2015, accordingly, there were no matching contributions made.

NOTE 8 - Concentrations:

The Conservancy's significant concentration of credit risk consist of cash. The Conservancy maintains its cash deposits at a local bank. As of September 30, 2016 and 2015 bank deposits exceed FDIC insurance limits by \$363,400 and \$859,200, respectively. The Conservancy has not experienced any losses on such accounts.

NOTE 9 -- Commitments:

The Conservancy rents its office space under a three-year non-cancelable lease beginning in December 2015. The terms of the lease call for monthly payments of approximately \$2,300 with annual escalators.

Minimum annual payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2017	28,100
2018	29,100
2019	4,900
Total	<u>\$84,800</u>

Charles River Conservancy, Inc.
Notes to Financial Statements

NOTE 9 - Commitments (continued):

Rent expense for the years ended September 30, 2016 and 2015 was \$33,000 and \$41,000, respectively.

NOTE 10 - Designated Fund:

Several donors have made contributions to the Boston Foundation (the Foundation) to establish a designated fund for the sole benefit of the Conservancy. The Foundation retains variance power over the designated fund and, accordingly, these funds have not been recorded in the accompanying financial statements. The Conservancy is entitled to receive distributions from this designated fund, subject to the Foundation's approval and calculated by the Foundation using a spending rate of approximately 5.4%. These distributions are used by the Conservancy to support operations.

The Conservancy received distributions of approximately \$2,500 and \$2,300 during 2016 and 2015, respectively. The designated fund value as of September 30, 2016 and 2015 was \$81,600 and \$75,000, respectively.