

**Annual
Financial Statements**

**The Esplanade
Association, Inc.**

June 30, 2011

The Esplanade Association, Inc.

Annual Financial Statements

June 30, 2011

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G.T. Reilly & Company

Internationally,
Moore Stephens Reilly, PC

Reilly Consulting Group, Inc.

ReillyTech

Reilly Benefits

Reilly Business Services

424 Adams Street
Milton MA 02186-4358
617-696-8900
617-698-1803 fax
www.GTReilly.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Esplanade Association, Inc.

We have audited the accompanying statement of financial position of The Esplanade Association, Inc. as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Esplanade Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Esplanade Association, Inc. as of June 30, 2011, and the results of its activities and changes in net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 2010 financial statements were reviewed by us, and our report thereon, dated January 20, 2011, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
January 12, 2012

The Esplanade Association, Inc.

Statements of Financial Position

June 30

	<u>2011</u>	<u>2010</u> (Reviewed)
<u>Assets</u>		
CURRENT ASSETS		
Cash	\$ 485,868	\$ 568,211
Prepaid expenses	<u>28,873</u>	<u>6,571</u>
TOTAL CURRENT ASSETS	<u>514,741</u>	<u>574,782</u>
PROPERTY AND EQUIPMENT, NET (Note 1)	<u>5,553</u>	<u>634</u>
	<u>\$ 520,294</u>	<u>\$ 575,416</u>
 <u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 4,503	\$ 10,012
Accrued expenses	<u>12,762</u>	<u>8,347</u>
TOTAL CURRENT LIABILITIES	<u>17,265</u>	<u>18,359</u>
NET ASSETS (Note 1)		
Unrestricted:		
Undesignated	158,206	217,083
Board-designated (Note 2)	<u>50,500</u>	<u>59,500</u>
	<u>208,706</u>	<u>276,583</u>
Temporarily restricted (Note 2)	<u>294,323</u>	<u>280,474</u>
TOTAL NET ASSETS	<u>503,029</u>	<u>557,057</u>
	<u>\$ 520,294</u>	<u>\$ 575,416</u>

The Esplanade Association, Inc.

Statements of Activities and Changes in Net Assets For the Years Ended June 30

	2011			2010 (Reviewed)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and donations	\$ 82,028	\$ 278,265	\$ 360,293	\$ 206,290	\$ 120,405	\$ 326,695
Special event	441,466	-	441,466	115,644	-	115,644
Less: costs of direct benefits to donors	(169,574)	-	(169,574)	(18,936)	-	(18,936)
Interest income	1,865	-	1,865	2,761	-	2,761
Net assets released from restrictions (Note 2)	264,416	(264,416)	-	10,000	(10,000)	-
TOTAL SUPPORT AND REVENUE	620,201	13,849	634,050	315,759	110,405	426,164
EXPENSES						
Program services	385,712	-	385,712	152,109	-	152,109
General & administrative	120,262	-	120,262	124,975	-	124,975
Fundraising & development	182,104	-	182,104	128,122	-	128,122
TOTAL EXPENSES	688,078	-	688,078	405,206	-	405,206
CHANGE IN NET ASSETS	(67,877)	13,849	(54,028)	(89,447)	110,405	20,958
NET ASSETS AT BEGINNING OF YEAR	276,583	280,474	557,057	366,030	170,069	536,099
NET ASSETS AT END OF YEAR	\$ 208,706	\$ 294,323	\$ 503,029	\$ 276,583	\$ 280,474	\$ 557,057

The Esplanade Association, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2011

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Grants and donations	\$ 229,302	\$ -	\$ -	\$ 229,302
Payroll and related expenses	98,465	72,554	137,364	308,383
Contract services	19,122	-	-	19,122
Professional fees	-	10,426	12,500	22,926
Equipment and computer costs	-	1,807	-	1,807
Printing and reproduction	-	1,818	-	1,818
Supplies	18,573	1,650	-	20,223
Rent	10,633	10,633	10,634	31,900
Meetings and receptions	851	3,405	4,257	8,513
Insurance	1,362	4,086	-	5,448
Postage and delivery	-	1,555	1,554	3,109
Telephone and communications	-	4,444	-	4,444
Advertising and marketing	7,404	-	7,404	14,808
Bank service charges	-	1,875	5,626	7,501
Dues and subscriptions	-	903	-	903
Depreciation	-	634	-	634
Other expense	-	4,472	2,765	7,237
	<u>\$ 385,712</u>	<u>\$ 120,262</u>	<u>\$ 182,104</u>	<u>\$ 688,078</u>

The Esplanade Association, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2010 (Reviewed)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Grants and donations	\$ 20,946	\$ -	\$ -	\$ 20,946
Payroll and related expenses	83,773	78,788	57,713	220,274
Contract services	11,723	309	35,559	47,591
Professional fees	-	8,245	3,000	11,245
Subcontract program costs	10,000	-	-	10,000
Equipment and computer costs	-	6,101	-	6,101
Printing and reproduction	-	3,787	6,546	10,333
Supplies	5,360	3,912	-	9,272
Rent	8,900	8,900	8,900	26,700
Meetings and receptions	680	2,719	3,400	6,799
Insurance	872	2,618	-	3,490
Postage and delivery	-	1,642	1,642	3,284
Telephone and communications	-	2,747	-	2,747
Advertising and marketing	5,855	-	5,854	11,709
Bank service charges	-	384	1,151	1,535
Dues and subscriptions	-	660	-	660
Depreciation	-	858	-	858
Other expense	4,000	3,305	4,357	11,662
	<u>\$ 152,109</u>	<u>\$ 124,975</u>	<u>\$ 128,122</u>	<u>\$ 405,206</u>

The Esplanade Association, Inc.

Statements of Cash Flows For the Years Ended June 30

	<u>2011</u>	<u>2010</u> (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (54,028)	\$ 20,958
Adjustments to reconcile change in net assets to net cash (used in) provided from operating activities:		
Depreciation	634	858
Changes in operating assets and liabilities:		
Prepaid expenses	(22,302)	(1,370)
Accounts payable	(5,509)	9,194
Accrued expenses	4,415	603
	<u>(76,790)</u>	<u>30,243</u>
NET CASH (USED IN) PROVIDED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(5,553)</u>	<u>-</u>
RESULTING IN A NET (DECREASE) INCREASE IN CASH	(82,343)	30,243
CASH AT BEGINNING OF YEAR	<u>568,211</u>	<u>537,968</u>
CASH AT END OF YEAR	<u><u>\$ 485,868</u></u>	<u><u>\$ 568,211</u></u>

The Esplanade Association, Inc.

Notes to Financial Statements

June 30, 2011

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities – Founded in 2001, The Esplanade Association, Inc. (“TEA”) is a publicly supported nonprofit organization. The purpose of TEA is to initiate and support efforts to preserve, restore and enhance the Charles River Esplanade in the City of Boston as a vital park to be enjoyed by the general public in peace and safety, to assist government agencies for this purpose, and to serve as a source of public education on the history and attractions of the Charles River Esplanade. TEA’s programs are funded primarily through contributions and donations.

The revenues, support and expenses of TEA are reported in a program services group, a general and administrative group, and a fundraising and development group. A description of services and activities reported under the program services group is as follows:

General Mission: TEA works closely with the Commonwealth of Massachusetts Department of Conservation and Recreation, community organizations, businesses, corporations, foundations, and individuals. Together, they plan, design and implement important maintenance, restoration and enhancement projects for the benefit of the millions of individuals who visit the park each year. TEA’s work focuses on:

Projects designed to significantly improve the use, aesthetics and safety of the park, including maintenance of the Teddy Ebersol’s Red Sox Fields;

Programs that enrich the enjoyment of visitors to the park, connect people from diverse backgrounds and communities, and promote a strong sense of park ownership;

Advocacy for public policies and resource allocation that help protect and preserve the park for the benefit of diverse communities.

Volunteer Recruitment and Management: TEA’s volunteer program parallels its park planning and capital project work and supports efforts to reach a superior level of park maintenance. TEA recruits and manages thousands of volunteers throughout the year to help with the park’s maintenance and care.

Accounting Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Financial Statement Presentation - Under generally accepted accounting principles, TEA reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. (See Note 2 regarding restrictions on net assets.)

Statement of Cash Flows - For the purpose of the statement of cash flows, TEA considers cash equivalents to be cash in banks and money market funds.

Note 1 - Significant Accounting Policies (Cont.)

Recognition of Donor Restrictions - TEA reports contributions of cash or other assets as restricted support, thereby increasing temporarily restricted net assets, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions - Under Generally Accepted Accounting Principles, contributions receivable that are, in effect, "unconditional promises to give" are required to be recorded at the present value of future cash flows. In addition, use-restricted contributions are required to be reported as temporarily restricted support when received, rather than as deferred support, and subsequently reclassified to unrestricted net assets upon satisfaction of the use-restriction.

Contributed Services - TEA recognizes contributions of services received as support in the statement of activities with equal amounts recognized as expense if the services provided require skills, and would need to be purchased by TEA if not contributed.

Support and Revenue - TEA receives support from a broad base of foundations and individuals devoted to the upkeep and preservation of the parks, open space and community facilities along the Boston side of the banks of the Charles River, from the Museum of Science to the Boston University Bridge. TEA's special event is the "Moondance Gala". The "Moondance Gala" is TEA's bi-annual signature fundraising event. Proceeds from the gala help fund critical park improvements and enriching programs for the enjoyment of the park's millions of visitors. The most recent gala was held September 25, 2010.

Property and Equipment - Property and equipment consists of furniture and office and computer equipment and are stated on the basis of cost. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation is computed using the straight-line method based upon estimated useful lives of the individual assets. The estimated useful lives used in the computation of depreciation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Office and computer equipment	3 - 5 years
Furniture and fixtures	5 - 7 years

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
		(Reviewed)
Office and computer equipment	\$ 4,964	\$ 7,787
Furniture and fixtures	589	-
	<u>5,553</u>	<u>7,787</u>
Less accumulated depreciation	-	7,153
Net book value	<u>\$ 5,553</u>	<u>\$ 634</u>

Depreciation expense was \$634 and \$858 for the years ended June 30, 2011 and 2010, respectively.

Tax-Exempt Status - TEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Evaluation of Subsequent Events - In accordance with generally accepted accounting principles, management has evaluated subsequent events involving TEA for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2011 (the date of the accompanying financial statements) up through January 12, 2012, the date the accompanying financial statements were available to be issued.

Note 1 - Significant Accounting Policies (Cont.)

Reclassifications – During fiscal 2011, in order to more accurately reflect its costs associated with fundraising and program activities, TEA adopted the policy of allocating certain general and administrative costs to fundraising and development and program expenses in TEA's statement of activities and statement of functional expenses. Prior to fiscal 2011, these costs had been reported as general and administrative costs in both TEA's statement of activities and statement of functional expenses. The statement of activities and changes in net assets, and the statement of functional expenses, for the previous year ended June 30, 2010 were retrospectively reclassified in order to conform to the change in financial statement presentation. This reclassification had no effect on the change in net assets as previously reported for the year ended June 30, 2010. However, it did have the effect of increasing fundraising and development and program expenses by \$20,947 and \$16,307, respectively, via corresponding decreases to general and administrative expenses.

Note 2 –Net Assets

Temporarily Restricted Net Assets - Temporarily restricted net assets are available for the following purposes and programs at June 30:

	<u>2011</u>	<u>2010</u> (Reviewed)
Park bench sponsor - landscape and beautification	\$ 50,566	\$ 71,166
Stoneman playground	65,089	65,089
Tree and horticultural programs	60,669	35,405
Lotta Crabtree dog statue	23,741	23,741
Fundraising and development	17,000	-
Storrow Drive project	10,073	10,073
General mission time restriction	67,185	75,000
	<u>\$ 294,323</u>	<u>\$ 280,474</u>

Temporarily restricted grants and donations were used for the following purposes during the year ended June 30:

	<u>2011</u>	<u>2010</u> (Reviewed)
Park bench sponsor - landscape and beautification	\$ 20,600	\$ 10,000
Tree and horticultural programs	16,601	-
Dock Project	189,400	-
Fundraising and development	22,500	-
General mission	15,315	-
	<u>\$ 264,416</u>	<u>\$ 10,000</u>

Board-Designated Net Assets – During the fiscal year ended June 30, 2011, the Board of Directors authorized the use of \$9,000 of board designated funds for costs associated with tree pruning along the Esplanade. At June 30, 2011, unrestricted net assets designated by the Board of Directors for support and maintenance of the Stoneman Playground and for Edward A. Hatch Memorial Shell tree pruning were \$37,000 and \$13,500, respectively.

At June 30, 2010, unrestricted net assets designated by the Board of Directors for support and maintenance of the Stoneman Playground and for the Arthur Fiedler Footbridge were \$37,000 and \$22,500, respectively.

Note 3– Lease Commitments

TEA had leased its office space located at 10 Derne Street, Boston, Massachusetts, from an unrelated party under a tenant-at-will arrangement. Effective June 1, 2011, TEA moved its offices to 376 Boylston Street, Boston, Massachusetts.

The Boylston Street lease arrangement is for a sixty-two month term, with the first two months of occupancy provided free of charge. TEA will be responsible for its allocable share of real estate taxes and operating costs and the agreement also includes a one-time right to extend the lease for an additional sixty month term.

Rent expense was \$31,900 and \$26,700 for 2011 and 2010, respectively.

The future minimum rent payments are as follows:

<u>Year Ending June 30</u>	
2012	\$ 25,507
2013	28,926
2014	30,035
2015	31,145
2016	32,161
2017	2,680
	<u>\$ 150,454</u>

Note 4 – Financial Instruments and Concentrations of Credit Risk

TEA's financial instruments that may be subject to concentrations of credit risk consist of cash in banks.

TEA maintains its cash deposits with a high-quality financial institution. At June 30, 2011, cash balances, based on bank balance amounts, exceeded amounts insured by the Federal Deposit Insurance Commission by approximately \$245,000.

For the year ended June 30, 2011, one donor contributed \$167,000 (26%) of TEA's total support and revenue for the year then ended.

For the year ended June 30, 2010, an officer and member of the Board of Directors donated \$100,000 (24%) of TEA's total support and revenue for the year then ended.

OTHER FINANCIAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT
ON OTHER FINANCIAL INFORMATION

Board of Directors
The Esplanade Association, Inc.

We have audited the financial statements of The Esplanade Association, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated January 12, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of performing an opinion on the financial statements as a whole. The 2011 schedule of unrestricted support, revenues and expenses is presented for the 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 taken as a whole.

G. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
January 12, 2012

The Esplanade Association, Inc.

Schedule of Unrestricted Support, Revenue and Expenses

For the Year Ended June 30, 2011

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 234,101	\$ 89,843	\$ 22,500	\$ 346,444
Special event	-	-	441,466	441,466
Less: direct benefits to donors	-	-	(169,574)	(169,574)
Interest income	-	1,865	-	1,865
TOTAL REVENUE	234,101	91,708	294,392	620,201
EXPENSES				
Grants and donations	229,302	-	-	229,302
Payroll and related expenses	98,465	72,554	137,364	308,383
Contract and temporary labor	19,122	-	-	19,122
Professional fees	-	10,426	12,500	22,926
Subcontract program costs	-	-	-	-
Equipment and computer costs	-	1,807	-	1,807
Printing and reproduction	-	1,818	-	1,818
Supplies	18,573	1,650	-	20,223
Rent	10,633	10,633	10,634	31,900
Meetings and receptions	851	3,405	4,257	8,513
Insurance	1,362	4,086	-	5,448
Postage and delivery	-	1,555	1,554	3,109
Telephone and communications	-	4,444	-	4,444
Advertising	7,404	-	7,404	14,808
Bank service charges	-	1,875	5,626	7,501
Dues and subscriptions	-	903	-	903
Depreciation	-	634	-	634
Other expense	-	4,472	2,765	7,237
	385,712	120,262	182,104	688,078
EXCESS (DEFICIENCY) OF UNRESTRICTED SUPPORT AND REVENUE OVER EXPENSES	\$(151,611)	\$(28,554)	\$ 112,288	\$(67,877)