

**Audited
Financial Statements**

**The Esplanade
Association, Inc.**

June 30, 2013



The Esplanade Association, Inc.

Audited Financial Statements

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Esplanade Association, Inc.

We have audited the accompanying financial statements of The Esplanade Association, Inc. which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

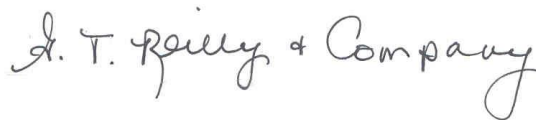
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 The Esplanade Association, Inc. as of June 30, 2013 and 2012, and the changes in its net assets, functional expenses, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



G.T. Reilly & Company

Milton, Massachusetts
April 14, 2014

The Esplanade Association, Inc.

Statements of Financial Position

June 30

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash	\$ 495,320	\$ 352,932
Contributions receivable, net of allowance for doubtful accounts of \$21,720 in 2013 and 2012 (Note 1)	-	25,000
Prepaid expenses	<u>67,091</u>	<u>22,368</u>
TOTAL CURRENT ASSETS	<u>562,411</u>	<u>400,300</u>
PROPERTY AND EQUIPMENT, NET (Notes 1 and 2)	<u>23,655</u>	<u>9,667</u>
	<u><u>\$ 586,066</u></u>	<u><u>\$ 409,967</u></u>
 <u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 63,693	\$ 9,973
Accrued expenses	10,000	17,679
Deferred revenues (Note 1)	<u>14,000</u>	<u>39,091</u>
TOTAL CURRENT LIABILITIES	<u>87,693</u>	<u>66,743</u>
NET ASSETS (Note 1)		
Unrestricted:		
Undesignated	276,022	95,640
Board-designated (Note 3)	<u>35,500</u>	<u>50,500</u>
	<u>311,522</u>	<u>146,140</u>
Temporarily restricted (Note 3)	<u>186,851</u>	<u>197,084</u>
TOTAL NET ASSETS	<u>498,373</u>	<u>343,224</u>
	<u><u>\$ 586,066</u></u>	<u><u>\$ 409,967</u></u>

The Esplanade Association, Inc.

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

	2013			2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE						
Contributions and donations	\$ 350,862	\$ 72,000	\$ 422,862	\$ 462,698	\$ 50,000	\$ 512,698
Special events	566,670	-	566,670	250,759	-	250,759
Less: costs of direct benefits to donors	(221,462)	-	(221,462)	(228,907)	-	(228,907)
Interest income	1,261	-	1,261	1,620	-	1,620
Other income	2,768	-	2,768	6,046	-	6,046
Net assets released from restrictions (Note 3)	82,233	(82,233)	-	147,239	(147,239)	-
TOTAL SUPPORT AND REVENUE	782,332	(10,233)	772,099	639,455	(97,239)	542,216
EXPENSES						
Program services	283,826	-	283,826	364,529	-	364,529
General & administrative	135,920	-	135,920	173,308	-	173,308
Fundraising & development	197,204	-	197,204	164,184	-	164,184
TOTAL EXPENSES	616,950	-	616,950	702,021	-	702,021
CHANGE IN NET ASSETS	165,382	(10,233)	155,149	(62,566)	(97,239)	(159,805)
NET ASSETS AT BEGINNING OF YEAR	146,140	197,084	343,224	208,706	294,323	503,029
NET ASSETS AT END OF YEAR	\$ 311,522	\$ 186,851	\$ 498,373	\$ 146,140	\$ 197,084	\$ 343,224

The Esplanade Association, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2013

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Grants and donations	\$ 115,934	\$ -	\$ -	\$ 115,934
Payroll and related expenses	134,653	58,596	158,443	351,692
Contract services	525	-	-	525
Professional fees	-	33,501	-	33,501
Equipment and computer costs	3,197	3,198	3,198	9,593
Printing and reproduction	-	4,374	-	4,374
Supplies	6,643	1,663	-	8,306
Rent	10,154	10,154	10,153	30,461
Meetings and receptions	669	2,677	3,347	6,693
Insurance	1,875	5,625	-	7,500
Postage and delivery	321	322	643	1,286
Telephone and communications	1,688	1,688	1,687	5,063
Advertising and marketing	2,383	-	2,384	4,767
Bank service charges	-	2,954	8,863	11,817
Dues and subscriptions	495	495	495	1,485
Depreciation	1,248	1,247	1,247	3,742
Other expense	4,041	9,426	-	13,467
Fundraising costs	-	-	6,744	6,744
	<u>\$ 283,826</u>	<u>\$ 135,920</u>	<u>\$ 197,204</u>	<u>\$ 616,950</u>

The Esplanade Association, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2012

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Grants and donations	\$ 176,336	\$ -	\$ -	\$ 176,336
Payroll and related expenses	131,040	79,776	111,253	322,069
Contract services	3,631	-	-	3,631
Professional fees	18,750	29,390	18,750	66,890
Equipment and computer costs	-	10,019	-	10,019
Printing and reproduction	-	5,411	-	5,411
Supplies	8,983	1,686	-	10,669
Rent	8,509	8,509	8,509	25,527
Meetings and receptions	293	1,170	1,464	2,927
Insurance	1,658	4,974	-	6,632
Postage and delivery	999	999	1,998	3,996
Telephone and communications	3,111	3,111	-	6,222
Advertising and marketing	8,990	-	8,989	17,979
Bank service charges	-	1,900	5,700	7,600
Dues and subscriptions	299	299	299	897
Depreciation	462	462	462	1,386
Bad debt expense	-	21,720	-	21,720
Other expense	1,468	3,882	6,760	12,110
	<u>\$ 364,529</u>	<u>\$ 173,308</u>	<u>\$ 164,184</u>	<u>\$ 702,021</u>

The Esplanade Association, Inc.

Statements of Cash Flows

For the Years Ended June 30

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 155,149	\$ (159,805)
Adjustments to reconcile change in net assets to net cash (used in) provided from operating activities:		
Depreciation	3,742	1,386
Changes in operating assets and liabilities:		
Contributions receivable	25,000	(46,720)
Allowance for doubtful accounts	-	21,720
Prepaid expenses	(44,723)	6,505
Accounts payable	53,720	5,470
Accrued expenses	(7,679)	4,917
Deferred revenues	(25,091)	39,091
	<u>160,118</u>	<u>(127,436)</u>
NET CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to property and equipment	<u>(17,730)</u>	<u>(5,500)</u>
RESULTING IN A NET INCREASE (DECREASE) IN CASH	142,388	(132,936)
CASH AT BEGINNING OF YEAR	<u>352,932</u>	<u>485,868</u>
CASH AT END OF YEAR	<u>\$ 495,320</u>	<u>\$ 352,932</u>

The Esplanade Association, Inc.

Notes to Financial Statements

June 30, 2013

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.

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.

Note 1 - Significant Accounting Policies (Cont.)

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 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 20, 2013.

Contributions Receivable – Under generally accepted accounting principles, contributions, including unconditional promises to give, are recognized as revenues in the period made. Contributions receivable that are, in effect, “unconditional promises to give” are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. 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.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

TEA's contributions receivable were due within one year.

Property and Equipment – Property and equipment consists of program equipment and office furniture and 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>
Program equipment	5 years
Office furniture and equipment	5 - 7 years

Deferred Revenues - Deferred revenues consist of sponsorship fees received in advance for TEA's fall , “Moondance Gala”.

Tax-Exempt Status - TEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to TEA qualify for the fifty percent charitable contributions limitation. TEA has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization.

TEA's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS and Forms PC are subject to examination by the Commonwealth of Massachusetts, generally for three years after they were filed. Filings for 2009 and beyond remain open for examination.

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, 2013 (the date of the accompanying financial statements) up through April 14, 2014, the date the accompanying financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Office furniture and equipment	\$ 5,553	\$ 5,553
Other Equipment	<u>23,230</u>	<u>5,500</u>
	28,783	11,053
Less accumulated depreciation	<u>5,128</u>	<u>1,386</u>
Net book value	<u><u>\$ 23,655</u></u>	<u><u>\$ 9,667</u></u>

Depreciation expense was \$3,742 and \$1,386 for the years ended June 30, 2013 and 2012, respectively.

Note 3 - Net Assets

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

	<u>2013</u>	<u>2012</u>
General mission time restriction	\$ 63,020	\$ 73,020
Horticultural, tree and landscape improvements	40,001	35,234
Stoneman playground	50,089	65,089
Lotta Crabtree dog statue	23,741	23,741
Summer programming	<u>10,000</u>	-
	<u><u>\$ 186,851</u></u>	<u><u>\$ 197,084</u></u>

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

	<u>2013</u>	<u>2012</u>
Horticultural, tree and landscape improvements	\$ 60,233	\$ 75,999
General mission	10,000	29,240
Summer programming	5,000	-
Program Equipment	7,000	-
Fundraising and development	-	42,000
	<u><u>\$ 82,233</u></u>	<u><u>\$ 147,239</u></u>

Board-Designated Net Assets - At June 30, 2013, 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 \$22,000 and \$13,500, respectively (\$37,000 and \$13,500, respectively, at June 30, 2012).

For the year ended June 30, 2013, TEA's Board of Directors authorized the use of \$15,000 on unrestricted board-designated funds for the refurbishment and revitalization of the Stoneman Playground. There were no uses of unrestricted board-designated funds for the year ended June 30, 2012.

Note 4 - Lease Commitments

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

Note 4 - Lease Commitments (Cont.)

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 \$30,461 and \$25,527 for 2013 and 2012, respectively.

The future minimum rent payments are as follows:

Year Ending June 30	
2014	\$ 30,035
2015	31,145
2016	32,161
2017	2,680
	<u>\$ 96,021</u>

Note 5 - 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 and contributions receivable.

TEA maintains its cash deposits with a high-quality financial institution credit union. At June 30, 2013, cash balances, based on bank balance amounts, exceeded amounts insured by the National Credit Union Association (NCUA) by approximately \$247,000. The Massachusetts Credit Union Share Insurance Corporation (MSIC) fully insures excess shares and deposits above the federal insurance limits.

For the years ended June 30, 2013 and 2012, a single donor contributed \$225,000 (29%) and \$325,000 (58%), respectively, of TEA's total support and revenue for the years then ended.

OTHER FINANCIAL INFORMATION

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**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

Board of Directors
The Esplanade Association, Inc.

We have audited the financial statements of The Esplanade Association, Inc. as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated April 14, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 basic 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 basic financial statements as a whole.

J. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
April 14, 2014

The Esplanade Association, Inc.

Schedule of Unrestricted Support, Revenue and Expenses

For the Year Ended June 30, 2013

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 352,045	\$ 71,050	\$ 10,000	\$ 433,095
Special event	-	-	566,670	566,670
Less: direct benefits to donors	-	-	(221,462)	(221,462)
Interest income	-	1,261	-	1,261
Other income	-	2,768	-	2,768
TOTAL REVENUE	352,045	75,079	355,208	782,332
EXPENSES				
Grants and donations	115,934	-	-	115,934
Payroll and related expenses	134,653	58,596	158,443	351,692
Contract and temporary labor	525	-	-	525
Professional fees	-	33,501	-	33,501
Equipment and computer costs	3,197	3,198	3,198	9,593
Printing and reproduction	-	4,374	-	4,374
Supplies	6,643	1,663	-	8,306
Rent	10,154	10,154	10,153	30,461
Meetings and receptions	669	2,677	3,347	6,693
Insurance	1,875	5,625	-	7,500
Postage and delivery	321	322	643	1,286
Telephone and communications	1,688	1,688	1,687	5,063
Advertising	2,383	-	2,384	4,767
Bank service charges	-	2,954	8,863	11,817
Dues and subscriptions	495	495	495	1,485
Depreciation	1,248	1,247	1,247	3,742
Other expense	4,041	9,426	-	13,467
Fundraising costs	-	-	6,744	6,744
	283,826	135,920	197,204	616,950
EXCESS (DEFICIENCY) OF UNRESTRICTED SUPPORT AND REVENUE OVER EXPENSES	\$ 68,219	\$ (60,841)	\$ 158,004	\$ 165,382

The Esplanade Association, Inc.

Schedule of Unrestricted Support, Revenue and Expenses

For the Year Ended June 30, 2012

	Program Services	General & Administrative	Fundraising & Development	Total
SUPPORT AND REVENUE				
Contributions	\$ 500,493	\$ 86,194	\$ 23,250	\$ 609,937
Special event	-	-	250,759	250,759
Less: direct benefits to donors	-	-	(228,907)	(228,907)
Interest income	-	1,620	-	1,620
Contributed services	-	6,046	-	6,046
TOTAL REVENUE	500,493	93,860	45,102	639,455
EXPENSES				
Grants and donations	176,336	-	-	176,336
Payroll and related expenses	131,040	79,776	111,253	322,069
Contract and temporary labor	3,631	-	-	3,631
Professional fees	18,750	29,390	18,750	66,890
Subcontract program costs	-	-	-	-
Equipment and computer costs	-	10,019	-	10,019
Printing and reproduction	-	5,411	-	5,411
Supplies	8,983	1,686	-	10,669
Rent	8,509	8,509	8,509	25,527
Meetings and receptions	293	1,170	1,464	2,927
Insurance	1,658	4,974	-	6,632
Postage and delivery	999	999	1,998	3,996
Telephone and communications	3,111	3,111	-	6,222
Advertising	8,990	-	8,989	17,979
Bank service charges	-	1,900	5,700	7,600
Dues and subscriptions	299	299	299	897
Depreciation	462	462	462	1,386
Bad Debt Expense	-	21,720	-	21,720
Other expense	1,468	3,882	6,760	12,110
	364,529	173,308	164,184	702,021
EXCESS (DEFICIENCY) OF UNRESTRICTED SUPPORT AND REVENUE OVER EXPENSES	\$ 135,964	\$ (79,448)	\$ (119,082)	\$ (62,566)