



**FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

CHARLES RIVER CONSERVANCY, INC.

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SEPTEMBER 30, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Charles River Conservancy, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

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 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 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, 2014 and 2013, 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.

Alexander, Brown, Pinning & Co., P.C.
Boston, Massachusetts
February 24, 2015

CHARLES RIVER CONSERVANCY, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>			<u>2013</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 316,840	\$ 1,208,281	\$ 1,525,121	\$ 320,535	\$ 1,082,020	\$ 1,402,555
Grants, pledges and accounts receivable	24,325	-	24,325	250	100,000	100,250
Prepaid expenses and other	11,169	-	11,169	8,410	-	8,410
Total current assets	352,334	1,208,281	1,560,615	329,195	1,182,020	1,511,215
SKATEPARK CONSTRUCTION PROJECT ESCROW CASH	-	1,500,202	1,500,202	-	-	-
SKATEPARK CONSTRUCTION	1,809,435	-	1,809,435	1,384,739	-	1,384,739
PROPERTY AND EQUIPMENT, net	31,558	-	31,558	34,531	-	34,531
Total assets	<u>\$ 2,193,327</u>	<u>\$ 2,708,483</u>	<u>\$ 4,901,810</u>	<u>\$ 1,748,465</u>	<u>\$ 1,182,020</u>	<u>\$ 2,930,485</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 76,830	\$ -	\$ 76,830	\$ 28,944	\$ -	\$ 28,944
NET ASSETS:						
Unrestricted:						
Operating	313,417	-	313,417	292,175	-	292,175
Board Designated	-	-	-	10,000	-	10,000
Skatepark	1,771,522	-	1,771,522	1,382,815	-	1,382,815
Property and equipment	31,558	-	31,558	34,531	-	34,531
Total unrestricted	2,116,497	-	2,116,497	1,719,521	-	1,719,521
Temporarily restricted	-	2,708,483	2,708,483	-	1,182,020	1,182,020
Total net assets	<u>2,116,497</u>	<u>2,708,483</u>	<u>4,824,980</u>	<u>1,719,521</u>	<u>1,182,020</u>	<u>2,901,541</u>
Total liabilities and net assets	<u>\$ 2,193,327</u>	<u>\$ 2,708,483</u>	<u>\$ 4,901,810</u>	<u>\$ 1,748,465</u>	<u>\$ 1,182,020</u>	<u>\$ 2,930,485</u>

The accompanying notes are an integral part of these statements.

CHARLES RIVER CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			2013		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE AND SUPPORT:						
Grants and contributions	\$ 355,191	\$ -	\$ 355,191	\$ 431,334	\$ -	\$ 431,334
Program revenue	111,169	-	111,169	17,930	-	17,930
Donated goods and services	76,877	-	76,877	78,669	-	78,669
Investment and other income	9,565	-	9,565	5,189	-	5,189
Net assets released from purpose restrictions	67,416	(67,416)	-	45,841	(45,841)	-
Total operating revenue and support	<u>620,218</u>	<u>(67,416)</u>	<u>552,802</u>	<u>578,963</u>	<u>(45,841)</u>	<u>533,122</u>
OPERATING EXPENSES:						
Program services	477,571	-	477,571	373,311	-	373,311
General and administrative	102,586	-	102,586	102,872	-	102,872
Fundraising	73,367	-	73,367	87,488	-	87,488
Total operating expenses	<u>653,524</u>	<u>-</u>	<u>653,524</u>	<u>563,671</u>	<u>-</u>	<u>563,671</u>
Changes in net assets from operations	<u>(33,306)</u>	<u>(67,416)</u>	<u>(100,722)</u>	<u>15,292</u>	<u>(45,841)</u>	<u>(30,549)</u>
NON-OPERATING REVENUE AND SUPPORT:						
Capital grants	-	1,753,051	1,753,051	235,570	-	235,570
Donated legal services for Skatepark construction	265,500	-	265,500	110,823	-	110,823
Donated services for website re-design and other	5,610	-	5,610	18,977	-	18,977
Net assets released from capital restrictions for Skatepark construction	159,172	(159,172)	-	41,249	(41,249)	-
Total non-operating revenue and support	<u>430,282</u>	<u>1,593,879</u>	<u>2,024,161</u>	<u>406,619</u>	<u>(41,249)</u>	<u>365,370</u>
Changes in net assets	396,976	1,526,463	1,923,439	421,911	(87,090)	334,821
NET ASSETS, beginning of year	<u>1,719,521</u>	<u>1,182,020</u>	<u>2,901,541</u>	<u>1,297,610</u>	<u>1,269,110</u>	<u>2,566,720</u>
NET ASSETS, end of year	<u>\$ 2,116,497</u>	<u>\$ 2,708,483</u>	<u>\$ 4,824,980</u>	<u>\$ 1,719,521</u>	<u>\$ 1,182,020</u>	<u>\$ 2,901,541</u>

The accompanying notes are an integral part of these statements.

CHARLES RIVER CONSERVANCY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,923,439	\$ 334,821
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Capital grants	(1,753,051)	(235,570)
Depreciation	9,419	19,736
Donated services for website re-design and other	(5,610)	(18,977)
Donated legal services for Skatepark construction	(265,500)	(110,823)
Changes in operating assets and liabilities:		
Grants, pledges and accounts receivable	(24,075)	10,500
Prepaid expenses and other	(2,759)	(1,261)
Accounts payable and accrued expenses	11,897	10,438
	<u>(106,240)</u>	<u>8,864</u>
Net cash provided by (used in) operating activities	<u>(106,240)</u>	<u>8,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvested interest from Skatepark construction project escrow cash	(202)	-
Proceeds from redemption of certificates of deposit	-	356,392
Acquisition of property and equipment	(836)	(21,493)
Amounts paid for Skatepark construction	(123,207)	(255,855)
	<u>(124,245)</u>	<u>79,044</u>
Net cash provided by (used in) investing activities	<u>(124,245)</u>	<u>79,044</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants	<u>353,051</u>	<u>235,570</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,566	323,478
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,402,555</u>	<u>1,079,077</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,525,121</u>	<u>\$ 1,402,555</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Skatepark construction in accounts payable at year-end	<u>\$ 37,913</u>	<u>\$ 1,924</u>
Property and equipment disposed of	<u>\$ -</u>	<u>\$ 51,033</u>
Deposit into Skatepark construction project escrow cash	<u>\$ 1,500,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CHARLES RIVER CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(With Summarized Comparative Totals for the Year Ended September 30, 2013)

	2014						2013			
	PROGRAM SERVICES						GENERAL AND ADMINIS- TRATIVE	FUNDRAISING	TOTAL	TOTAL
	CONSERVANCY VOLUNTEERS	ACTIVE PARKLANDS	OUTREACH AND ADVOCACY	SKATEPARK	HARVARD BRIDGE LIGHTING	TOTAL PROGRAM SERVICES				
PAYROLL AND RELATED:										
Salaries	\$ 51,919	\$ 46,084	\$ 76,363	\$ 54,851	\$ 7,142	\$ 236,359	\$ 28,018	\$ 37,540	\$ 301,917	\$ 302,293
Payroll taxes and fringe benefits	8,406	2,882	6,144	5,296	362	23,090	4,451	4,039	31,580	41,232
Total payroll and related	60,325	48,966	82,507	60,147	7,504	259,449	32,469	41,579	333,497	343,525
OTHER:										
Consulting	10,000	8,053	28,076	-	91,000	137,129	26,021	-	163,150	58,620
Occupancy	6,544	7,315	8,469	6,159	1,155	29,642	3,465	5,389	38,496	40,808
Supplies and postage	5,812	9,018	4,406	1,527	5	20,768	7,716	6,124	34,608	36,534
Printing and publications	5	23	8,730	-	-	8,758	1,009	13,838	23,605	17,129
Professional fees	-	-	-	-	-	-	15,475	-	15,475	14,010
Insurance	2,096	2,342	2,712	1,972	370	9,492	1,109	1,726	12,327	12,427
Depreciation	1,530	1,020	1,020	1,020	-	4,590	4,829	-	9,419	19,736
Dues and subscriptions	-	-	2,461	-	-	2,461	2,965	70	5,496	7,057
Equipment and repairs	1,064	-	26	15	-	1,105	3,932	-	5,037	4,292
Events	-	-	-	-	-	-	10	4,321	4,331	650
Miscellaneous	69	2,178	35	12	-	2,294	1,442	8	3,744	2,144
Telephone	378	423	490	356	67	1,714	199	312	2,225	3,433
Training and workshops	-	-	75	-	-	75	1,624	-	1,699	1,918
Travel and meetings	20	48	-	26	-	94	321	-	415	1,388
Total expenses	<u>\$ 87,843</u>	<u>\$ 79,386</u>	<u>\$ 139,007</u>	<u>\$ 71,234</u>	<u>\$ 100,101</u>	<u>\$ 477,571</u>	<u>\$ 102,586</u>	<u>\$ 73,367</u>	<u>\$ 653,524</u>	<u>\$ 563,671</u>

The accompanying notes are an integral part of these statements.

CHARLES RIVER CONSERVANCY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	PROGRAM SERVICES					GENERAL AND ADMINIS- TRATIVE	FUNDRAISING	TOTAL
	CONSERVANCY VOLUNTEERS	ACTIVE PARKLANDS	OUTREACH AND ADVOCACY	SKATEPARK	TOTAL PROGRAM SERVICES			
PAYROLL AND RELATED:								
Salaries	\$ 48,323	\$ 41,423	\$ 67,483	\$ 74,392	\$ 231,621	\$ 29,939	\$ 40,733	\$ 302,293
Payroll taxes and fringe benefits	9,248	4,001	7,891	7,639	28,779	7,132	5,321	41,232
Total payroll and related	57,571	45,424	75,374	82,031	260,400	37,071	46,054	343,525
OTHER:								
Consulting	-	12,287	22,258	-	34,545	19,075	5,000	58,620
Occupancy	10,202	4,897	8,978	6,937	31,014	2,040	7,754	40,808
Supplies and postage	13,557	2,508	1,955	766	18,786	9,390	8,358	36,534
Printing and publications	49	167	61	67	344	531	16,254	17,129
Professional fees	-	-	1,504	-	1,504	12,506	-	14,010
Insurance	3,107	1,491	2,734	2,113	9,445	621	2,361	12,427
Depreciation	1,530	1,020	1,020	1,020	4,590	15,146	-	19,736
Dues and subscriptions	-	254	4,618	-	4,872	1,811	374	7,057
Equipment and repairs	1,560	-	-	-	1,560	2,732	-	4,292
Events	-	-	-	309	309	-	341	650
Miscellaneous	75	1,369	-	-	1,444	700	-	2,144
Telephone	858	412	755	584	2,609	172	652	3,433
Training and workshops	305	205	524	124	1,158	460	300	1,918
Travel and meetings	19	55	345	312	731	617	40	1,388
Total expenses	\$ 88,833	\$ 70,089	\$ 120,126	\$ 94,263	\$ 373,311	\$ 102,872	\$ 87,488	\$ 563,671

The accompanying notes are an integral part of these statements.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Founded in 2000, the Charles River Conservancy, Inc. (the Conservancy) is a nonprofit corporation that 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 landscape, 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 this extraordinary public resource.

The Conservancy is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Conservancy is also exempt from state income taxes. Donors may deduct contributions made to the Conservancy within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

The Conservancy prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue and support when received or unconditionally committed. Restricted grants and contributions are recorded as temporarily restricted revenues and support and net assets when received or unconditionally committed. Transfers are made to unrestricted net assets from temporarily restricted net assets as costs are incurred or time restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. Program revenue is recognized as consulting and other services are provided. Investment and other income is recognized when earned.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 reported period. Actual results could differ from those estimates.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents for the purpose of the statements of cash flows.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value, if donated. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives and consist of the following:

	<u>Estimated Useful Lives</u>	<u>2014</u>	<u>2013</u>
Computers, software and website	3 - 5 years	\$ 73,262	\$ 66,816
Vehicle	5 years	25,170	25,170
Furniture and equipment	5 - 7 years	<u>16,687</u>	<u>16,687</u>
		115,119	108,673
Less - accumulated depreciation		<u>83,561</u>	<u>74,142</u>
Net property and equipment		<u>\$ 31,558</u>	<u>\$ 34,531</u>

Skatepark Construction

Skatepark construction relates to the design and other costs to build a world-class skatepark under the ramps leading to the Zakim/Bunker Hill Bridge in Boston, Massachusetts. The groundbreaking for the construction project took place on October 23, 2014. Final construction will be completed in partnership with the State Department of Conservation and Recreation and is anticipated to take place in fiscal year 2015. These assets are not depreciated until they are placed in service. The Conservancy has incurred \$1,809,435 and \$1,384,739 in pre-development costs, including donated services of \$722,644 and \$457,144 as of September 30, 2014 and 2013, respectively.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Conservancy. The Conservancy has grouped its unrestricted net assets into the following categories:

Operating represents funds available to carry on the operations of the Conservancy.

Board-designated represents funds set aside by the Board of Directors for future initiatives. In fiscal year 2014, the Board decided to use these funds for a deep root fertilization project.

Skatepark represents funds set aside by the Conservancy for the Skatepark project (see above), net of related liabilities.

CHARLES RIVER CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Unrestricted Net Assets (Continued)

Property and equipment reflect and account for the activities relating to the Conservancy's property and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions which are designated by donors for specific purposes or time periods. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or until the time restrictions lapse.

Temporarily restricted net assets are restricted for the following as of September 30:

	<u>2014</u>	<u>2013</u>
Purpose restricted:		
Skatepark design and construction	\$2,678,483	\$1,152,020
Shoreline Reclamation Demonstration Project	30,000	30,000
Total	<u>\$2,708,483</u>	<u>\$1,182,020</u>

Temporarily restricted net assets were released from the following restrictions for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Purpose:		
Skatepark non-capital expenditures	\$ 67,416	\$ -
Charles River Advocacy for Underpass	-	37,080
Swimmable Charles Initiative	-	8,283
Active Seniors	-	478
Net assets released from purpose restrictions	67,416	45,841
Net assets released from capital restrictions:		
Skatepark design and construction	159,172	41,249
Total	<u>\$226,588</u>	<u>\$87,090</u>

Grants and Pledges Receivable

Unconditional grants and pledges are recorded at their net present value when pledged. Grants and pledges receivable at September 30, 2014 and 2013, are to be collected in the following fiscal year.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Grants, Pledges and Accounts Receivable

An allowance for uncollectible grants, pledges and accounts receivable is recorded based on management's review of grants, pledges and accounts receivable and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible. There was no allowance deemed necessary as of September 30, 2014 and 2013.

Donated Goods and Services

The Conservancy receives donated goods and professional services in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by management and the donors.

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

	<u>2014</u>	<u>2013</u>
Capitalized Skatepark legal services	\$265,500	\$110,823
Donated salaries	75,000	75,000
Capitalized website redesign costs and other	5,610	18,977
Consulting	1,200	-
Program supplies	<u>677</u>	<u>3,669</u>
	<u>\$347,987</u>	<u>\$208,469</u>

The Conservancy also receives services of 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 2014 alone, 1,897 volunteers donated \$112,963 worth of labor. Since the program's inception in 2002, over 19,900 volunteers have invested \$1,721,505 worth of donated labor to benefit the public parklands. The value of these services is not reflected in the accompanying financial statements, since it does not meet the criteria for recognition of contributions received.

Fair Value Measurements

The Conservancy follows the accounting and disclosure standards pertaining to *Fair Value Measurements* for qualifying assets and liabilities. Fair value is defined as the price that the Conservancy would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Conservancy uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Conservancy. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Subsequent Events

Subsequent events have been evaluated through February 24, 2015, 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.

Income Taxes

The Conservancy accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Conservancy has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2014 and 2013. The Conservancy's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

CHARLES RIVER CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

(2) **SKATEPARK CONSTRUCTION PROJECT ESCROW CASH**

Under the terms of a donor agreement related to the Skatepark project (see Note 1), the donor made a capital grant of \$1,500,000 in September, 2014, for the Skatepark construction project. This grant is being held in an escrow account at a bank. Amounts from this escrow account will be released by the escrow agent to the Conservancy after the Conservancy has incurred and paid for construction costs from its operating funds. Interest on the escrow account is added to the amount to be used for the Skatepark project.

(3) **LEASE AGREEMENT**

The Conservancy leases its main office facility under an agreement which expires in December, 2015. The lease requires the Conservancy to maintain certain insurance coverage and to pay for its proportionate share of operating expenses. Rent expense under the lease was approximately \$40,000 in each of the years ended September 30, 2014 and 2013, and is included in occupancy in the accompanying statements of functional expenses.

Future minimum lease payments under this agreement are as follows for the fiscal years ended September 30:

2015	\$41,004
2016	\$10,251

(4) **LINE OF CREDIT**

The Conservancy has a \$5,000 line of credit agreement with a bank. The line of credit is used to meet short-term working capital needs, and amounts outstanding are payable on demand and collateralized by all assets of the Conservancy. Interest on any outstanding balance is payable monthly at the bank's base lending rate (3.25% at September, 2014 and 2013), plus 5%. There was no outstanding balance at September 30, 2014 or 2013.

(5) **CONCENTRATIONS**

The Conservancy maintains its cash balances, including the escrow cash (see Note 2), in banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Conservancy has not experienced any losses in these accounts. The Conservancy believes it is not exposed to any significant credit risk on cash.

As of September 30, 2014, 100% of grants, pledges and accounts receivable are due from one customer. As of September 30, 2013, 99% of grants, pledges and accounts receivable are due from another donor.

(6) **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 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 \$1,100 and \$1,800 for the years ended September 30, 2014 and 2013, respectively. The designated fund value at the Foundation is approximately \$74,000 and \$64,000 at September 30, 2014 and 2013, respectively. The Foundation retains variance power over the designated fund and, accordingly, these funds have not been recorded in the accompanying financial statements.

CHARLES RIVER CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)**

(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 employees' contributions for those employees that have completed three years of service or 50% for those employees that have completed five years of service. The matching contribution for any year cannot exceed \$5,000 per employee. There were no matching contributions made by the Conservancy in fiscal years 2014 and 2013, as there were no employees who had completed the required years of service.

(8) RECLASSIFICATION

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.