

**Friends of the Riverfront, Inc.**  
33 Terminal Way  
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Pittsburgh, PA 15219

FINANCIAL REPORT

June 30, 2011

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**FRANK P. HESS & CO., INC.**

MEMBER  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Friends of the Riverfront, Inc.:

We have audited the accompanying balance sheet of Friends of the Riverfront, Inc. as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the corporation'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 Friends of the Riverfront, Inc. as of June 30, 2011, and the results of its activities, the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

February 8, 2012

*Frank P. Hess & Co., Inc.*

FRIENDS OF THE RIVERFRONT, INC.

BALANCE SHEET  
JUNE 30, 2011

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 85,967	\$ 477,130	\$ 563,097
Receivables	775	17,500	18,275
Prepaid Expenses	3,201	0	3,201
Land	<u>85,000</u>	<u>0</u>	<u>85,000</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 174,943</u>	 <u>\$ 494,630</u>	 <u>\$ 669,573</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u> - Accounts Payable	<u>\$ 16,267</u>	<u>\$ 0</u>	<u>\$ 16,267</u>
 <u>NET ASSETS</u>			
Unrestricted	158,676	0	158,676
Temporarily Restricted (Note 2)	<u>0</u>	<u>494,630</u>	<u>494,630</u>
 <u>TOTAL NET ASSETS</u>	 <u>158,676</u>	 <u>494,630</u>	 <u>653,306</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 174,943</u>	 <u>\$ 494,630</u>	 <u>\$ 669,573</u>

See Notes to Financial Statements

FRIENDS OF THE RIVERFRONT, INC.

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions and Grants (Note 3)	\$ 20,570	\$ 555,313	\$ 575,883
Program Revenue (Note 4)	86,390	0	86,390
Government Grants (Note 3)	0	83,000	83,000
Fund Raising (Net of Direct Expense \$21,095) (Note 5)	0	26,788	26,788
Memberships	5,275	0	5,275
Interest	934	0	934
Miscellaneous Revenue	19,153	0	19,153
Net Assets Released from Restriction	<u>294,631</u>	<u>(294,631)</u>	<u>0</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>426,953</u>	<u>370,470</u>	<u>797,423</u>
 <u>EXPENSES</u> (Note 6)			
Program	373,682	0	373,682
General and Administrative	58,155	0	58,155
Fund Raising	<u>16,280</u>	<u>0</u>	<u>16,280</u>
<u>TOTAL EXPENSES</u>	<u>448,117</u>	<u>0</u>	<u>448,117</u>
 <u>CHANGE IN NET ASSETS</u>	(21,164)	370,470	349,306
 <u>NET ASSETS - BEGINNING OF YEAR</u>	<u>179,840</u>	<u>124,160</u>	<u>304,000</u>
 <u>NET ASSETS - END OF YEAR</u>	<u>\$ 158,676</u>	<u>\$ 494,630</u>	<u>\$ 653,306</u>

See Notes to Financial Statements

FRIENDS OF THE RIVERFRONT, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 349,306
Change in Receivables	(9,702)
Change in Prepaid Expenses	(138)
Change in Accounts Payable	<u>(11,016)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES 328,450

CASH FLOWS FROM INVESTING ACTIVITIES

Repayment on Loan	(70,000)
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CASH FLOWS FROM FINANCING ACTIVITIES - None 0

NET CASH FLOWS 258,450

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 304,647

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 563,097

SUPPLEMENTAL DISCLOSURES

Cash paid for interest	<u>\$ 256</u>
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There were no noncash investing and financing transactions for the year ended June 30, 2011.

See Notes to Financial Statements

FRIENDS OF THE RIVERFRONT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Friends of the Riverfront, Inc., ("Friends") was incorporated on February 14, 1991, under the laws of the Commonwealth of Pennsylvania for the purpose of increasing awareness and engagement with the Pittsburgh region's rivers and riverfronts through activities, stewardship and expansion of water and land trails. Since then it has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code.

Net Assets

Net Assets of Friends are classified and reported as follows:

Unrestricted Net Assets - Net Assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net Assets which are subject to donor-imposed restrictions which will be satisfied by actions of Friends or by the passage of time.

Permanently Restricted Net Assets - Net Assets which are subject to donor-imposed stipulations that they be maintained or used in a certain way or endowments which represent resources that must be invested permanently with income to be used for either general or specific purposes. Friends does not currently have permanently restricted net assets.

Contribution Restriction Policies

Friends has adopted the following policy for gifts received with a donor-imposed restriction:

In the absence of donor stipulations specifying how long-lived donated assets must be used, restrictions on long-lived assets and other personal property items, or cash to acquire long-lived assets or personal property items, expire when the assets are placed in service or purchased as the case may be. The sale proceeds (or, in the case of a destroyed item, insurance proceeds) from either a donated asset or an asset purchased with a gift of cash are unrestricted unless specifically delineated otherwise by the original donor. In the absence of donor stipulations, investment income earned on temporarily and permanently restricted funds is unrestricted and may be used for general operations, programs, and services.

### Contributions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Donations of Service

Unpaid volunteers have made significant contributions of their services to develop Friends' programs and assist in its support. The value of these contributions is not reflected in the accompanying financial statements since it is not susceptible to an objective measurement or valuation.

### Basis of Accounting

All transactions of Friends have been accounted for using the accrual basis of accounting. All restricted gifts are separately identified both in the financial statements and in the underlying accounting workpapers.

### Cash and Cash Equivalents

Cash, certificates of deposit and other highly liquid investments purchased with maturities of three months or less are considered to be cash equivalents.

### Receivables

Receivables are presented at net realizable value. No allowance for doubtful accounts was deemed necessary.

### Advertising

Advertising costs are expensed as incurred.

### Allocations

Friends reports fundraising costs and expenses by their functional classification. Some expenses have been allocated to functional classifications based on salary costs and square footage.

### Use of Estimates

These financial statements use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

Activity in the open temporarily restricted net asset class during the year is as follows:

<u>Restriction</u>	<u>Beginning Balance</u>	<u>Revenue &amp; Support</u>	<u>Release</u>	<u>Ending Balance</u>
Aspinwall Marina	\$ 0	\$353,448	\$ 30,249	\$323,239
TRHT Development	57,294	22,600	25,088	54,806
Water Trail	4,696	163,500	116,585	51,611
Ohio River Corridor Study	19,980	0	20	19,960
Riverfront Trail Maintenance	559	27,745	15,015	13,289
Riverfronts Naturally	18,829	34,990	42,984	10,835
Peace Garden	4,954	2,200	0	7,154
Squaw Run Trail	7,025	0	0	7,025
GAP - Keystone	0	5,880	649	5,231
Memorial Bench	900	1,656	1,530	1,026
Land Trail Signage	7,205	55	6,806	454
Education	1,800	0	1,800	0
Trail Mapping	750	425	1,175	0
Community Bikes	168	2,000	2,168	0
Triathlon	0	48,190	48,190	0
Trail Mixer	<u>0</u>	<u>2,372</u>	<u>2,372</u>	<u>0</u>
	<u>\$124,160</u>	<u>\$665,101</u>	<u>\$294,631</u>	<u>\$494,630</u>

NOTE 3 CONCENTRATION OF CONTRIBUTIONS AND GRANTS

\$473,000 of contributions and government grants came from five sources.

NOTE 4 PROGRAM REVENUE

Program Revenue is registration fees for the annual Triathlon and Trail Mixer events.

NOTE 5 FUND RAISING

Friends held a dinner event to help raise funds to purchase the Aspinwall Marina.

NOTE 6 EXPENSES

Detail of expenses by functional category is as follows:

<u>Expense</u>	<u>Program</u>	<u>General &amp; Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Professional Fees	\$103,094	\$ 3,532	\$ 0	\$106,626
Riverfront and Trail Enhancement	106,471	0	0	106,471
Payroll & Related Costs	70,769	18,876	4,715	94,360
Supplies	48,697	12,954	1,155	62,806
Promotion	8,161	907	9,068	18,136
Accounting & Legal	0	15,572	0	15,572
Rent	10,500	3,750	750	15,000
Meetings/Memberships	11,868	598	207	12,673
Insurance	4,290	1,072	0	5,362
Brochures & Maps	4,898	0	0	4,898
Telephone	3,376	633	211	4,220
Interest	256	0	0	256
Other Expense	<u>1,302</u>	<u>261</u>	<u>174</u>	<u>1,737</u>
	<u>\$373,682</u>	<u>\$ 58,155</u>	<u>\$16,280</u>	<u>\$448,117</u>

NOTE 7 RENT EXPENSE

Friends is renting administrative office space on a month to month basis at a current rate of \$1,250 per month.

NOTE 8 SUBSEQUENT EVENTS

On October 3, 2011, Friends purchased the Aspinwall Marina for \$2,300,000. Between June 30, 2011 and the purchase date, Friends had received contributions to cover the entire purchase price of the Marina. In preparation for the purchase, Friends took out a \$500,000 loan from the Western PA Conservancy on August 16, 2011 at zero percent interest for the first six months. The loan was repaid in full on January 24, 2012.

It is estimated that it will cost \$2,700,000 to develop the Marina. Friends will continue their capital campaign over the next five years for this purpose. Once the land is developed, the Marina will become a separate tax exempt entity under code section 509(a)(3) (support organization) with Friends as its only member. Friends will appoint a board from community members to oversee its activities. Friends had no other subsequent events during the period July 1, 2011 through February 8, 2012 which is the date the financial statements were available for issue.

NOTE 9 CONDITIONAL GRANT

On May 18, 2011, Friends received a conditional grant of \$500,000. Half of the grant was conditional on receiving matching contributions from individuals. The remaining half of the grant was conditional upon the purchase of the Marina. As of June 30, 2011, Friends had met matching conditions on \$214,000 of the grant. The remaining matching condition and the purchase condition were met as of October 3, 2011 with the purchase of the Marina.

NOTE 10 RELATED PARTY

During the fiscal year, Friends contracted with a company owned by a member of Friends' board of directors to provide trail engineering services for \$9,625.