



## **Financial Statements**

**Years Ended December 31, 2005 and 2004**

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**CLEVELAND ROWING FOUNDATION**

**Financial Statements**

**Years Ended December 31, 2005 and 2004**

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BEATREZ & COMPANY CPA'S  
accountants and business advisors

Hilary Frank Beatrez, CPA

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**ACCOUNTANTS' REPORT**

To the Board of Directors  
Cleveland Rowing Foundation  
Cleveland, Ohio

We have reviewed the accompanying statements of financial position of Cleveland Rowing Foundation (an Ohio nonprofit corporation) as of December 31, 2005 and 2004, and the related statements of activities, cash flows, and functional expenses for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Cleveland Rowing Foundation.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Beatrez & Company CPA's*

March 27, 2006

**CLEVELAND ROWING FOUNDATION**  
**Statements of Financial Position**

	As of December 31,	
	2005	2004
<b><u>ASSETS:</u></b>		
Cash	\$ 34,064	\$ 30,916
Accounts receivable	-	5,940
Assets set aside for boathouse fund	39,870	35,300
Fixed assets:		
Boats and other equipment	55,300	50,224
Leasehold improvements	50,086	47,281
Accumulated depreciation, equipment	(21,392)	(24,443)
Accumulated amortization, leasehold improvements	(7,050)	(1,510)
Fixed assets, net	76,944	71,552
Total ASSETS	\$ 150,878	\$ 143,708
<b><u>LIABILITIES:</u></b>		
Accounts payable and accrued liabilities	\$ 1,626	\$ 11,104
Deferred revenue	12,000	22,000
Total liabilities	13,626	33,104
<b><u>NET ASSETS:</u></b>		
Unrestricted	132,391	91,623
Temporarily restricted	4,861	18,981
Total NET ASSETS	137,252	110,604
Total LIABILITIES and NET ASSETS	\$ 150,878	\$ 143,708

See notes to financial statements and accountants' report.

**CLEVELAND ROWING FOUNDATION**  
**Statements of Activities**

	<b>Year ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
<u>CHANGES IN UNRESTRICTED NET ASSETS:</u>		
Dues and assessments	\$ 108,130	\$ 93,315
Other program revenue	11,254	24,073
Contributions, unrestricted	1,660	-
Fundraising events, less direct costs of \$4,670 in 2005 and \$14,649 in 2004	8,330	13,224
Other income	1,818	1,807
Gain on sale of equipment	1,000	-
Net assets released from restrictions	48,355	31,444
Total SUPPORT, GAINS, and REVENUES	180,547	163,863
Program expenses	133,596	124,720
General & administrative expenses	11,584	7,196
Fundraising expenses	1,410	2,682
Total EXPENSES	146,590	134,598
CHANGES IN UNRESTRICTED NET ASSETS BEFORE EXTRAORDINARY GAIN	33,957	29,265
Extraordinary gain from fire casualty	6,811	-
CHANGES IN UNRESTRICTED NET ASSETS	40,768	29,265
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</u>		
Contributions and grants restricted by donors for specific purposes:		
Boathouse fund	34,235	12,925
Other restricted purposes	-	37,500
Net assets released from restrictions	(48,355)	(31,444)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	(14,120)	18,981
OVERALL CHANGES IN NET ASSETS	26,648	48,246
NET ASSETS, BEGINNING	110,604	62,358
NET ASSETS, ENDING	\$ 137,252	\$ 110,604

See notes to financial statements and accountants' report.

**CLEVELAND ROWING FOUNDATION**  
**Statements of Cash Flows**

	<u>Year ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Overall changes in net assets	\$ 26,648	\$ 48,246
Adjustments to reconcile overall changes in net assets to net cash flows from operating activities:		
Cash received from contributions restricted by donors for investment in equipment and leaseholds	(34,235)	(12,925)
Net book value of fixed assets destroyed by fire	5,439	-
Gain on sale of equipment	(1,000)	-
Depreciation and amortization	11,165	3,964
Change in receivables	5,940	(5,940)
Change in accounts payable and accrued liabilities	(9,478)	11,104
Change in deferred revenue	(10,000)	22,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(5,521)</u>	<u>66,449</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Cash received from disposal of fixed assets	1,000	-
Change in assets set aside for boathouse fund	(4,570)	(23,295)
Cash used for purchase of fixed assets	(21,996)	(65,386)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(25,566)</u>	<u>(88,681)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Cash received from contributions restricted by donors for investment in equipment and leaseholds	34,235	12,925
CHANGE IN CASH	3,148	(9,307)
CASH, BEGINNING	<u>30,916</u>	<u>40,223</u>
CASH, ENDING	<u>\$ 34,064</u>	<u>\$ 30,916</u>

See notes to financial statements and accountants' report.

**CLEVELAND ROWING FOUNDATION**  
**Statements of Functional Expenses**

	Year ended December 31, 2005				Year ended December 31, 2004			
	Program Expenses	General and Administrative	Fundraising	TOTAL	Program Expenses	General and Administrative	Fundraising	TOTAL
Accounting	\$ -	\$ 3,895	\$ -	\$ 3,895	\$ -	\$ 1,000	\$ -	\$ 1,000
Advertising and promotion	-	6,109	-	6,109	-	4,150	-	4,150
Boathouse operations	2,864	-	-	2,864	3,627	-	-	3,627
Depreciation and amortization	11,165	-	-	11,165	3,964	-	-	3,964
Donations to other nonprofits	8,500	-	-	8,500	6,500	-	-	6,500
Dues	880	-	-	880	565	-	-	565
Equipment repair	20,438	-	-	20,438	35,051	-	-	35,051
Event expense	3,465	-	-	3,465	3,304	-	-	3,304
Professional fees, website	10,452	-	-	10,452	-	-	-	-
Gasoline	2,887	-	-	2,887	1,366	-	-	1,366
Insurance	-	1,580	-	1,580	-	2,031	-	2,031
Miscellaneous	5,466	-	-	5,466	16,889	15	325	17,229
Occupancy	51,000	-	-	51,000	46,769	-	-	46,769
Postage	-	-	672	672	-	-	212	212
Printing	-	-	738	738	-	-	2,145	2,145
Security	2,314	-	-	2,314	382	-	-	382
Supplies	4,018	-	-	4,018	4,538	-	-	4,538
Telephone	2,339	-	-	2,339	788	-	-	788
Utilities	7,808	-	-	7,808	977	-	-	977
Direct cost of fundraising events	-	-	4,670	4,670	-	-	14,649	14,649
<b>Total EXPENSES</b>	<b>133,596</b>	<b>11,584</b>	<b>6,080</b>	<b>151,260</b>	<b>124,720</b>	<b>7,196</b>	<b>17,331</b>	<b>149,247</b>
Less expenses included with revenues in statement of activities	-	-	4,670	4,670	-	-	14,649	14,649
<b>Total EXPENSES INCLUDED IN EXPENSE SECTION OF STATEMENT OF ACTIVITIES</b>	<b>\$ 133,596</b>	<b>\$ 11,584</b>	<b>\$ 1,410</b>	<b>\$ 146,590</b>	<b>\$ 124,720</b>	<b>\$ 7,196</b>	<b>\$ 2,682</b>	<b>\$ 134,598</b>

See notes to financial statements and accountants' report.

**CLEVELAND ROWING FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2005 and 2004**

**Note 1. Description of the Organization**

Organization

Cleveland Rowing Foundation (the "Organization") was incorporated as an Ohio nonprofit corporation in 1989. The Organization's main purposes are to encourage participation in the sport of rowing and to promote interest in rowing. The Organization was formerly known as Western Reserve Rowing Foundation.

Tax Status

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes. In addition, the Organization qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**Note 2. Summary of Significant Accounting Policies**

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily, and permanently restricted.

Unrestricted net assets are assets that are not restricted by donors or for which restrictions have expired. Temporarily restricted net assets are assets with a donor imposed restriction that allows the organization to use the assets as specified either upon the passage of time or the occurrence of certain events.

The Organization considers all contributions to be unrestricted unless specifically restricted by the donor.

Contributions of cash or other assets restricted to the acquisition of long-lived assets are recorded as temporarily restricted contributions. If there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met once the long-lived assets are acquired and the temporarily restricted net assets are reclassified to the unrestricted net asset class.

Cash and Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and equivalents that are held for long-term purposes are not reported with cash in the statements of financial position and cash flows.

Concentration of Risk

The Organization maintains its cash balances in several financial institutions. These balances, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation up to \$100,000 at each institution.

Reclassification

Certain amounts for 2004 have been reclassified to conform to the 2005 presentation.

### Use of Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

### Donated Services

A substantial number of volunteers have donated significant amounts of time to the operations of the Organization. These amounts are not recorded in the financial statements unless the contributed services are material to the construction of buildings or improvement of property.

### Functional Classification of Expenses

The Organization reports expenses in the Statement of Activities according to the functional classifications of expenses. The Organization defines general and administrative costs as general insurance costs, professional services such as accounting and legal, and general office expenses along with the cost of labor associated with the general administration of the Organization.

### Advertising Costs

Expenditures related to advertising are expensed as incurred. The Organization incurred advertising and promotion expenses of \$6,109 for the year ended December 31, 2005 and \$4,150 for the year ended December 31, 2004.

### **Note 3. Accounts Receivable**

Accounts receivable consist of assessments and miscellaneous purchases that are due from members, schools and other organizations that sponsor rowing teams. All amounts are due within one year. Management considers all amounts to be collectible. Therefore, no provision has been made for uncollectible receivables.

### **Note 4. Depreciation and Amortization**

Long-lived assets are recorded at cost when purchased. Donated long-lived assets are recorded at fair value when received. The cost basis of long-lived assets includes the fair value of significant amounts of volunteer labor that was contributed to the construction of the assets.

Depreciation and amortization are recorded on a straight-line basis according to the following schedule:

<u>Class of Fixed Asset</u>	<u>Years</u>
Boats, new	7
Boats, used	5
Equipment	5
Leasehold improvements	5 - 10

Depreciation and amortization expense was recorded in each year according to the following schedule:

<u>Year ended</u>	<u>Amount</u>
12/31/05	\$ 11,165
12/31/04	3,964

**Note 5. Assets Set Aside for Boathouse Fund**

Assets set aside for the boathouse fund consist of cash deposited in a bank statement savings account. These assets are segregated from cash in the statements of financial position due to the intention that these assets be used for long-term purposes.

Assets set aside for the boathouse fund consist of unrestricted net assets that have been designated by the Board of Directors for long-term purposes and temporarily restricted net assets that have been contributed to the Organization with the restriction that the assets be used for the purchase of equipment and leasehold improvements. The unrestricted and temporarily restricted balances at year end in the boathouse fund are detailed in the following schedule:

	<u>12/31/05</u>	<u>12/31/04</u>
Unrestricted	\$ 39,870	\$ 35,300
Temporarily restricted	-0-	-0-

The Organization previously categorized assets set aside for the boathouse fund along with cash. The statements of financial position and cash flows for the year ended December 31, 2004 have been restated to reflect the intention that these assets be used for long-term purposes. The effect on key financial statement components for the year ended December 31, 2004 are identified as follows:

	<u>Previously Reported</u>	<u>As Restated</u>
Cash, end of year	\$ 66,216	\$ 30,916
Cash, beginning of year	52,228	40,223
Change in cash	13,988	(9,307)
Cash flows from:		
Operating activities	79,374	66,449
Investing activities	(65,386)	(88,681)
Financing activities	-0-	12,925

**Note 6. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available at year end for the following purposes:

<u>Purpose</u>	<u>12/31/05</u>	<u>12/31/04</u>
Civic innovation project	\$ 2,111	\$ 16,231
Urban rowing program	2,750	2,750
Totals	\$ 4,861	\$ 18,981

**Note 7. Net Assets Released From Restrictions**

Net assets were released from restrictions during the years that ended December 31, 2005 and 2004 by incurring expenditures that satisfied either time or purpose restrictions placed by donors as listed in the following table:

<u>Purpose</u>	<u>2005</u>	<u>2004</u>
Equipment and leaseholds	\$ 34,235	\$ 12,925
Civic innovation project	14,120	18,519
Totals	\$ 48,355	\$ 31,444

**Note 8. Lease Agreement**

The Organization leases a portion of a building for its boathouse operations under an operating lease that expires June 30, 2007.

In December 2005, the Organization entered into a lease with the City of Cleveland, Ohio where the Organization occupies approximately 1.15 acres of riverfront property. The initial term of the lease is 25 years and the Organization has a unilateral option to extend the lease an additional 25 years. The rent for the premises is one dollar per year. In exchange for below-market rent, the Organization is obligated to make extensive improvements to the property, must provide free public access to a significant portion of the property, and must develop public programs of which a significant portion will be provided at no charge to the public.

Rental payments under operating leases totaled \$51,000 for the year ended December 31, 2005 and \$45,600 for the year ended December 31, 2004. Minimum rental payments for future years are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 63,001
2007	33,001
2008	1
2009	1
2010	1
2011 – 2031	21

**Note 9. Extraordinary Gain**

In August, 2005 a boathouse that the Organization leases and much of the boathouse contents that were owned by the Organization were destroyed by fire. The casualty loss consisted of leasehold improvements and rowing equipment with a combined estimated market value of \$22,000. Insurance reimbursements from this loss totaled \$12,250. The book value of the loss, insurance proceeds, and net gain on the fire casualty are detailed as follows:

Net book value of fixed assets destroyed by fire	\$ 5,439
Insurance proceeds	<u>12,250</u>
Gain on fire casualty	<u>\$ 6,811</u>