

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2010
and
Nine Months Ended
June 30, 2009**

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Independent Auditors' Report

To the Board of Directors of
Waterkeeper Alliance, Inc.

We have audited the accompanying statement of financial position of Waterkeeper Alliance, Inc. (the "Alliance") as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized financial information for the nine months ended June 30, 2009 has been derived from the Alliance's 2009 financial statements and, in our report dated September 25, 2009, we expressed an unqualified opinion on those financial statements.

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 Waterkeeper Alliance, Inc. at June 30, 2010 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

October 1, 2010

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Current assets		
Cash	\$ 408,189	\$ 137,585
Contributions and grants receivable	70,000	266,000
Accounts receivable	183,960	247,295
Prepaid expenses	29,671	12,116
Total current assets	<u>691,820</u>	<u>662,996</u>
Security deposit	<u>9,741</u>	<u>9,618</u>
Leasehold improvements and equipment, at cost		
Leasehold improvements	56,982	56,982
Equipment	295,178	295,178
Total	352,160	352,160
Accumulated depreciation and amortization	315,983	290,118
Net leasehold improvements and equipment	<u>36,177</u>	<u>62,042</u>
Total assets	<u>\$ 737,738</u>	<u>\$ 734,656</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 151,373	\$ 256,555
Accrued expenses	48,884	49,696
Accrued vacation	45,277	43,552
Total current liabilities	<u>245,534</u>	<u>349,803</u>
Net assets		
Unrestricted	199,366	110,318
Temporarily restricted	292,838	274,535
Total net assets	<u>492,204</u>	<u>384,853</u>
Total liabilities and net assets	<u>\$ 737,738</u>	<u>\$ 734,656</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Activities
(with Summarized Comparative Information
for the Nine Months Ended June 30, 2009)**

	<u>Year Ended June 30, 2010</u>			<u>Nine Months Ended June 30, 2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Contributions	\$1,363,857	\$1,065,797	\$2,429,654	\$ 1,697,420
Fund-raising, net of direct cost of donor benefits of \$- and \$3,800 in 2010 and 2009, respectively	1,128,209	-	1,128,209	1,226,721
Interest and dividends	123	-	123	388
Other revenue	24,633	-	24,633	227,679
Net assets released from restrictions	<u>1,047,494</u>	<u>(1,047,494)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,564,316</u>	<u>18,303</u>	<u>3,582,619</u>	<u>3,152,208</u>
Expenses				
Program services	2,584,857	-	2,584,857	2,447,674
Supporting services				
Administrative and general	264,335	-	264,335	199,622
Fundraising	<u>626,076</u>	<u>-</u>	<u>626,076</u>	<u>545,248</u>
Total expenses	<u>3,475,268</u>	<u>-</u>	<u>3,475,268</u>	<u>3,192,544</u>
Increase (decrease) in net assets	89,048	18,303	107,351	(40,336)
Net assets, beginning of period	<u>110,318</u>	<u>274,535</u>	<u>384,853</u>	<u>425,189</u>
Net assets, end of period	<u>\$ 199,366</u>	<u>\$ 292,838</u>	<u>\$ 492,204</u>	<u>\$ 384,853</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
(with Summarized Comparative Information
for the Nine Months Ended June 30, 2009)**

	<u>Year Ended June 30, 2010</u>			<u>Nine Months Ended June 30, 2009</u>
	<u>Program Services</u>	<u>Supporting Services Administrative and General</u>	<u>Fund- Raising</u>	
Payroll cost	\$1,130,818	\$ 155,488	\$ 127,217	\$1,413,523
Professional fees	281,189	6,665	166,443	454,297
Auditing and accounting	-	18,812	-	18,812
Insurance	11,816	1,625	1,329	14,770
Fundraising expense	-	-	189,140	189,140
Educational/Outreach	476,032	1,466	52,822	530,320
WKA Support	326,333	-	-	326,333
Litigation/regulation	62,512	-	-	62,512
Travel	101,038	8,487	10,595	120,120
Telephone	36,826	3,553	3,176	43,555
Postage	62,916	386	59,165	122,467
Office expense	4,893	1,591	790	7,274
Staff development	5,267	766	-	6,033
Other	10,584	498	3,174	14,256
Credit card and banking fees	4,328	45,808	4,921	55,057
Occupancy	50,389	15,310	5,235	70,934
Depreciation and amortization	19,916	3,880	2,069	25,865
Total	\$2,584,857	\$ 264,335	\$ 626,076	\$3,475,268
				\$3,192,544

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30, 2010	Nine Months Ended June 30, 2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 107,351	\$ (40,336)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	25,865	15,967
(Increase) decrease in assets		
Contribution and grants receivable	196,000	(26,000)
Accounts receivable	63,335	(111,785)
Prepaid expenses	(17,555)	17,111
Security deposit	(123)	(450)
Increase (decrease) in liabilities		
Accounts payable	(105,182)	2,899
Accrued expenses	(812)	(25,017)
Accrued vacation	1,725	(12,414)
Net cash provided by (used in) operating activities	270,604	(180,025)
Cash flows (used in) investing activities		
Additions to leasehold improvements and equipment	-	(17,660)
Net increase (decrease) in cash	270,604	(197,685)
Cash, beginning of period	137,585	335,270
Cash, end of period	\$ 408,189	\$ 137,585

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements June 30, 2010

Note 1 – Nature of Organization

The Waterkeeper Alliance, Inc. (the “Alliance”) was organized to serve as the umbrella group for the Riverkeeper, Soundkeeper, Baykeeper, and other Waterkeeper programs located throughout North America and in other countries, all of which have their own 501(c)(3) status or the equivalent. The Alliance approves new Waterkeeper programs, licenses the use of the Waterkeeper marks, represents the individual Waterkeeper program nationally and internationally on issues of common interest, and serves as a meeting place for all Waterkeeper programs.

Note 2 – Summary of significant accounting policies

Change in year-end

During 2008, the Alliance changed its fiscal period from a year ending September 30th to a year ending on June 30th. Accordingly, the accompanying comparative financial information reflects the financial position, results of activities and cash flows for the nine-month period ending June 30, 2009.

Financial reporting

The Alliance maintains two classes of net assets, which are as follows:

- Unrestricted

Unrestricted net assets are used to account for the general activities of the Alliance.

- Temporarily restricted

Temporarily restricted net assets represent grants and contributions that are restricted by the donor for a specific purpose or pertain to future periods. Once that specific purpose has been met or the time restriction expires, the funds are released and reflected as net assets released from restrictions.

Net assets that are released from donor restrictions, by incurring expenses that satisfied the restricted purposes or by occurrence of other events specified by donors, during the 2010 fiscal year, totaled \$1,047,494 and were used for the general programs of the Alliance as described in note 1 to the financial statements.

Temporarily restricted net assets at June 30, 2010 were restricted for the following:

Time restriction	\$ 36,828
Purpose restriction	<u>256,010</u>
Total	<u>\$ 292,838</u>

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)****June 30, 2010****Note 2 – Summary of significant accounting policies (continued)**Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Leasehold improvements and equipment

Leasehold improvements are recorded at cost and are being amortized on a straight-line basis over the life of the lease. Equipment is recorded at cost. Depreciation of equipment is provided on a straight-line basis over its estimated useful life of five years.

Allowance for doubtful accounts

The Alliance has not provided for an allowance for doubtful accounts. This is based on management's experience, the aged basis of the contributions, grants and accounts receivable and the current economic conditions.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentration of credit risk

The Alliance's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and contributions, grants and accounts receivable. The Alliance places its cash with what it believes to be quality financial institutions and the Alliance has not incurred any losses on such accounts to date. Contributions, grants and accounts receivable are deemed collectible by the Alliance. The Alliance believes no significant concentration of credit risk exists with respect to its cash, contributions, grants and accounts receivable.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the period ended June 30, 2009, from which the summarized information was derived.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)

June 30, 2010

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 1, 2010, which is the date the financial statements were available to be issued.

Note 3 – Donated volunteer time

A number of volunteers donate their time and services to the Alliance's program services and fund-raising campaign; however, no amounts are reflected in the financial statements for this donated volunteer time.

Note 4 – Allocation of joint costs

During the 2010 fiscal period, the Alliance incurred joint costs of \$355,990 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 177,995
Fund-raising	<u>177,995</u>
Total	<u>\$ 355,990</u>

Note 5 – Lease agreement

During January 2006, the Alliance entered into a new lease agreement, which expires on January 31, 2011 and requires an annual base rental fee of \$49,000 during the first year of the agreement with annual increases, if any, based on the increase in the consumer price index as outlined in the agreement. In connection with the lease, the Alliance has deposited \$9,741, including interest as a security deposit with the landlord.

Rent expense under these agreements totaled \$67,064 for the year ended June 30, 2010 and \$40,530 for the period ended June 30, 2009.

Note 6 – Tax status

The Alliance is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Alliance has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a) of the Code. As of June 30, 2010, no amounts were recognized for any uncertain income tax positions. The Alliance's tax returns for the fiscal years 2007 and forward are subject to the usual review by the appropriate taxing authorities.