

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Year Ended  
June 30, 2011  
(with summarized comparative information  
for the year ended June 30, 2010)**

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**CONDON  
O'MEARA  
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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, 2011 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 has been derived from the Alliance's 2010 financial statements and, in our report dated October 1, 2010, 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, 2011 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 28, 2011

**WATERKEEPER ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Current assets</b>		
Cash	\$ 276,943	\$ 408,189
Contributions and grants receivable	241,584	70,000
Accounts receivable	159,770	183,960
Prepaid expenses	20,958	29,671
Total current assets	<u>699,255</u>	<u>691,820</u>
<b>Security deposit</b>	<u>32,673</u>	<u>9,741</u>
<b>Leasehold improvements and equipment, at cost</b>		
Leasehold improvements	-	56,982
Equipment	298,394	295,178
Total	298,394	352,160
Accumulated depreciation and amortization	284,699	315,983
Net leasehold improvements and equipment	<u>13,695</u>	<u>36,177</u>
<b>Total assets</b>	<b><u>\$ 745,623</u></b>	<b><u>\$ 737,738</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 312,172	\$ 151,373
Accrued expenses	17,737	48,884
Accrued vacation	47,729	45,277
Total current liabilities	<u>377,638</u>	<u>245,534</u>
<b>Net assets</b>		
Unrestricted (deficit)	(489,046)	199,366
Temporarily restricted	857,031	292,838
Total net assets	<u>367,985</u>	<u>492,204</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 745,623</u></b>	<b><u>\$ 737,738</u></b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Activities  
For Year Ended June 30, 2011  
(with Summarized Comparative Information  
for the Year Ended June 30, 2010)**

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Contributions	\$1,424,579	\$1,454,341	\$2,878,920	\$2,429,654
Fundraising, net of direct cost of donor benefits of \$2,860 and \$- in 2011 and 2010, respectively	534,775	-	534,775	1,128,209
Interest and dividends	-	-	-	123
Other revenue	39,023	-	39,023	24,633
Net assets released from restrictions	<u>890,148</u>	<u>(890,148)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,888,525</u>	<u>564,193</u>	<u>3,452,718</u>	<u>3,582,619</u>
<b>Expenses</b>				
Program services	<u>2,652,651</u>	<u>-</u>	<u>2,652,651</u>	<u>2,584,857</u>
Supporting services				
Administrative and general	224,887	-	224,887	264,335
Fundraising	<u>639,399</u>	<u>-</u>	<u>639,399</u>	<u>626,076</u>
<b>Total supporting services</b>	<u>864,286</u>	<u>-</u>	<u>864,286</u>	<u>890,411</u>
Uncollectible accounts	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
<b>Total expenses</b>	<u>3,576,937</u>	<u>-</u>	<u>3,576,937</u>	<u>3,475,268</u>
<b>Increase (decrease) in net assets</b>	<b>(688,412)</b>	<b>564,193</b>	<b>(124,219)</b>	<b>107,351</b>
<b>Net assets, beginning of year</b>	<u>199,366</u>	<u>292,838</u>	<u>492,204</u>	<u>384,853</u>
<b>Net assets, end of year</b>	<u>\$ (489,046)</u>	<u>\$ 857,031</u>	<u>\$ 367,985</u>	<u>\$ 492,204</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2011  
(with Summarized Comparative Information  
for the Year Ended June 30, 2010)**

	<b>2011</b>			<b>2010</b>
	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Payroll cost	\$1,064,821	\$ 157,589	\$ 205,675	\$1,428,085
Professional fees	351,713	11,141	124,995	487,849
Auditing and accounting	11,703	1,788	2,349	15,840
Insurance	11,353	2,118	1,669	15,140
Fundraising expense	-	-	157,213	157,213
Educational/Outreach	391,929	1,048	96,236	489,213
WKA Support	222,321	-	-	222,321
Litigation/regulation	321,289	-	-	321,289
Travel	96,617	20,476	11,828	128,921
Telephone	32,167	5,692	4,534	42,393
Postage	12,202	415	1,407	14,024
Office expense	11,905	2,175	5,341	19,421
Staff development	31	110	159	300
Other	28,692	4,368	7,014	40,074
Credit card and banking fees	12,743	5,049	5,137	22,929
Occupancy	67,680	10,552	12,733	90,965
Depreciation and amortization	15,485	2,366	3,109	20,960
<b>Total</b>	<b><u>\$2,652,651</u></b>	<b><u>\$ 224,887</u></b>	<b><u>\$ 639,399</u></b>	<b><u>\$3,516,937</u></b>
				<b><u>\$3,475,268</u></b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (124,219)	\$ 107,351
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	20,960	25,865
Loss on disposal of leasehold improvements	4,738	-
(Increase) decrease in assets		
Contribution and grants receivable	(171,584)	196,000
Accounts receivable	24,190	63,335
Prepaid expenses	8,713	(17,555)
Security deposit	(22,932)	(123)
Increase (decrease) in liabilities		
Accounts payable	160,799	(105,182)
Accrued expenses	(31,147)	(812)
Accrued vacation	<u>2,452</u>	<u>1,725</u>
Net cash provided by (used in) operating activities	(128,030)	270,604
<b>Cash flows (used in) investing activities</b>		
Purchase of equipment	<u>(3,216)</u>	<u>-</u>
Net increase (decrease) in cash	(131,246)	270,604
<b>Cash, beginning of year</b>	<u>408,189</u>	<u>137,585</u>
<b>Cash, end of year</b>	<u>\$ 276,943</u>	<u>\$ 408,189</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements  
June 30, 2011**

**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**

**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 2011 fiscal year, totaled \$890,148 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, 2011 were restricted for the following:

Time restriction	\$ 270,000
Purpose restriction	<u>587,031</u>
Total	<u>\$ 857,031</u>

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2011****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. During 2011, leasehold improvements with a cost basis of \$56,982 and a corresponding accumulated amortization of \$52,244 were written off, resulting in a \$4,738 loss on disposal.

Allowance for doubtful accounts

The Alliance has not provided for an allowance for doubtful accounts. This estimate is based on management's experience, the aging of the contributions, grants and accounts receivable, subsequent receipts and 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 net asset or 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 year ended June 30, 2010, from which the summarized information was derived.



**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 2 – Summary of significant accounting policies (continued)**

**Subsequent events**

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 28, 2011, 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 2011 fiscal period, the Alliance incurred joint costs of \$350,996 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 175,498
Fund-raising	<u>175,498</u>
Total	<u>\$ 350,996</u>

**Note 5 – Lease agreement**

During December 2010, the Alliance entered into a new five-year lease agreement for office space, which expires during February 2016 and requires an annual base rental fee of \$98,020 during the first year of the agreement increasing to \$116,727 in the final year of the agreement. In connection with the lease, the Alliance has deposited \$32,673, as a security deposit with the landlord.

The Alliance's prior lease expired January 31, 2011 and required monthly payments of approximately \$5,800.

Rent expense under these agreements totaled \$63,511 for the year ended June 30, 2011 and \$67,064 for the year ended June 30, 2010.

**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, 2011, no amounts were recognized for any uncertain income tax positions. The Alliance's tax returns for the 2008 fiscal year and forward are subject to the usual review by the appropriate authorities.