

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Year Ended  
June 30, 2012**

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**CONDON  
O'MEARA  
MCGINTY &  
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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, 2012 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 2011 financial statements and, in our report dated October 28, 2011, 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, 2012 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*

April 15, 2013

**WATERKEEPER ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
<b>Current assets</b>		
Cash	\$1,270,650	\$ 276,943
Contributions and grants receivable	420,000	241,584
Accounts receivable	91,685	159,770
Prepaid expenses	19,610	20,958
Total current assets	<b>1,801,945</b>	<b>699,255</b>
<b>Security deposit</b>	32,673	32,673
<b>Equipment, at cost, net of accumulated depreciation of \$296,401 in 2012 and \$284,699 in 2011, respectively</b>	4,835	13,695
<b>Total assets</b>	<b>\$1,839,453</b>	<b>\$ 745,623</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 117,048	\$ 312,172
Accrued expenses	75,228	17,737
Accrued vacation	35,598	47,729
Total current liabilities	227,874	377,638
<b>Net assets</b>		
Unrestricted (deficit)	473,581	(489,046)
Temporarily restricted	1,137,998	857,031
Total net assets	1,611,579	367,985
<b>Total liabilities and net assets</b>	<b>\$1,839,453</b>	<b>\$ 745,623</b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Activities  
For Year Ended June 30, 2012  
(with Summarized Financial Information  
for the Year Ended June 30, 2011)**

	2012		2011	
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue</b>				
Contributions	\$1,325,288	\$1,102,000	\$2,427,288	\$2,878,920
Fundraising, net of direct cost of donor benefits of \$8,000 and \$2,860 in 2012 and 2011, respectively	2,083,565	-	2,083,565	534,775
Other revenue	72,516	-	72,516	39,023
Net assets released from restrictions	<u>821,033</u>	<u>(821,033)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>4,302,402</u>	<u>280,967</u>	<u>4,583,369</u>	<u>3,452,718</u>
<b>Expenses</b>				
Program services	<u>2,469,056</u>	<u>-</u>	<u>2,469,056</u>	<u>2,652,651</u>
Supporting services				
Administrative and general	271,569	-	271,569	224,887
Fundraising	592,190	-	592,190	639,399
<b>Total supporting services</b>	<u>863,759</u>	<u>-</u>	<u>863,759</u>	<u>864,286</u>
Uncollectible accounts	6,960	-	6,960	60,000
<b>Total expenses</b>	<u>3,339,775</u>	<u>-</u>	<u>3,339,775</u>	<u>3,576,937</u>
<b>Increase (decrease) in net assets</b>	<b>962,627</b>	<b>280,967</b>	<b>1,243,594</b>	<b>(124,219)</b>
<b>Net assets (deficit), beginning of year</b>	<u>(489,046)</u>	<u>857,031</u>	<u>367,985</u>	<u>492,204</u>
<b>Net assets, end of year</b>	<u>\$ 473,581</u>	<u>\$1,137,998</u>	<u>\$1,611,579</u>	<u>\$ 367,985</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2012  
(with Summarized Financial Information  
for the Year Ended June 30, 2011)**

	2012			2011	
	Program Services	Administrative and General	Fund- Raising	Total	Total
Payroll cost	\$ 877,371	\$ 243,277	\$ 86,297	\$1,206,945	\$1,428,085
Professional fees	236,483	3,309	32,010	271,802	487,849
Auditing and accounting	18,718	1,087	1,360	21,165	15,840
Insurance	12,172	2,679	1,094	15,945	15,140
Fundraising expense	-	-	166,010	166,010	157,213
Educational/Outreach	560,449	1,089	263,988	825,526	489,213
WKA Support	432,909	-	-	432,909	222,321
Litigation/regulation	14,564	-	-	14,564	321,289
Travel	122,208	6,796	13,865	142,869	128,921
Telephone	32,494	1,467	2,440	36,401	42,393
Postage	16,032	379	3,204	19,615	14,024
Office expense	11,507	1,442	1,308	14,257	19,421
Staff development	509	200	-	709	300
Other	1,162	675	479	2,316	40,074
Credit card and banking fees	38,360	1,844	9,810	50,014	22,929
Occupancy	84,880	5,944	9,242	100,066	90,965
Depreciation and amortization	9,238	1,381	1,083	11,702	20,960
<b>Total</b>	<b>\$2,469,056</b>	<b>\$ 271,569</b>	<b>\$ 592,190</b>	<b>\$3,332,815</b>	<b>\$3,516,937</b>

See notes to financial statements.

## WATERKEEPER ALLIANCE, INC.

## Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$1,243,594	\$ (124,219)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	11,702	20,960
Loss on disposal of leasehold improvements	-	4,738
(Increase) decrease in assets		
Contribution and grants receivable	(178,416)	(171,584)
Accounts receivable	68,085	24,190
Prepaid expenses	1,348	8,713
Security deposit	-	(22,932)
Increase (decrease) in liabilities		
Accounts payable	(195,124)	160,799
Accrued expenses	57,491	(31,147)
Accrued vacation	(12,131)	2,452
Net cash provided by (used in) operating activities	996,549	(128,030)
<b>Cash flows (used in) investing activities</b>		
Purchase of equipment	(2,842)	(3,216)
Net increase (decrease) in cash	993,707	(131,246)
<b>Cash, beginning of year</b>	<u>276,943</u>	<u>408,189</u>
<b>Cash, end of year</b>	<u>\$1,270,650</u>	<u>\$ 276,943</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements  
June 30, 2012****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 contributions and grants that are restricted by the donor for a specific purpose or pertain to future periods (timing). 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 2012 fiscal year, totaled \$821,033 and were used for the general programs of the Alliance as described in note 1 to the financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2012**

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

- Temporarily restricted (continued)

Temporarily restricted net assets at June 30, 2012 were restricted for the following:

	Balance June 30, <u>2011</u>	<u>Additions</u>	Net Assets Released from <u>Restrictions</u>	Balance June 30, <u>2012</u>
<b>Purpose</b>				
Cape Fear	\$ 100,000	\$ -	\$ (100,000)	\$ -
Chesapeake	88,687	-	(88,687)	-
China	48,416	-	(48,416)	-
Fracking campaign	-	72,000	(23,898)	48,102
Get the Dirt Out	29,207	-	(29,207)	-
Idaho Montana outreach	19,859	-	(154)	19,705
International programs	2,000	-	-	2,000
Pair for a foot	-	30,000	(10,000)	20,000
Pure Farms Pure Water Initiative	-	400,000	(20,000)	380,000
Revolving Litigation	80,000	-	-	80,000
Save Our Gulf	62,494	-	(62,494)	-
Splash Event series	196,577	180,000	(211,577)	165,000
Other	3,191	-	-	3,191
<b>Timing</b>	<u>226,600</u>	<u>420,000</u>	<u>(226,600)</u>	<u>420,000</u>
<b>Total</b>	<u>\$ 857,031</u>	<u>\$1,102,000</u>	<u>\$ (821,033)</u>	<u>\$1,137,998</u>

Cash equivalents

The Alliance considers highly liquid assets with an original maturity of 90 days or less to be cash equivalents. At June 30, 2012 the Alliance did not have any cash equivalents.

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.

Equipment

Equipment, above a nominal value, 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 estimate is based on management's experience, the aging of the contributions, grants and accounts receivable, subsequent receipts and current economic conditions.



**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)**  
**June 30, 2012****Note 2 – Summary of significant accounting policies (continued)**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.

Concentrations 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 concentrations of credit risk exist with respect to its cash, contributions, grants and accounts receivable.

Comparative financial information

The financial statements include certain prior-year summarized financial 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, 2011, from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through April 15, 2013, which is the date the financial statements were available to be issued.

On October 29, 2012, in connection with Hurricane Sandy, the building in which the office of the Alliance is located sustained damage. Due to this, the staff of the Alliance has limited access to the building. At this time, it is not known if the Alliance is exposed to any loss above its insurance coverage.

**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.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)  
June 30, 2012**

**Note 4 – Allocation of joint costs**

During the 2012 fiscal year, the Alliance incurred joint costs of \$268,234 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$134,117
Fundraising	<u>134,117</u>
Total	<u>\$268,234</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.

Rent expense, which is included in occupancy on the statement of functional expenses, under this agreement totaled \$90,730 and \$63,511 for the years ended June 30, 2012 and 2011, respectively.

**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)(1) of the Code. As of June 30, 2012, no amounts were recognized for uncertain income tax positions. The Alliance's tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate authorities.