

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Year Ended  
June 30, 2013**

## **Independent Auditor's Report**

To the Board of Directors of  
Waterkeeper Alliance, Inc.

We have audited the accompanying financial statements of Waterkeeper Alliance, Inc. (the "Alliance") which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterkeeper Alliance, Inc. as of June 30, 2013 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Alliance's fiscal 2012 financial statements, and our report dated April 15, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McGinty + Donnelly LLP

**WATERKEEPER ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
<b>Current assets</b>		
Cash	\$1,733,398	\$1,270,650
Contributions and grants receivable	207,000	420,000
Accounts receivable	145,352	91,685
Prepaid expenses	18,784	19,610
Total current assets	2,104,534	1,801,945
<b>Security deposit</b>	32,673	32,673
<b>Equipment, at cost, net of accumulated depreciation of \$303,471 in 2013 and \$296,401 in 2012, respectively</b>	9,834	4,835
<b>Total assets</b>	<b>\$2,147,041</b>	<b>\$1,839,453</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 45,030	\$ 117,048
Accrued expenses	27,701	75,228
Accrued vacation	49,424	35,598
Total current liabilities	122,155	227,874
<b>Net assets</b>		
Unrestricted	837,604	473,581
Temporarily restricted	1,187,282	1,137,998
Total net assets	2,024,886	1,611,579
<b>Total liabilities and net assets</b>	<b>\$2,147,041</b>	<b>\$1,839,453</b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Activities  
For Year Ended June 30, 2013  
(with Summarized Comparative Information  
for the Year Ended June 30, 2012)**

	2013		2012	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Contributions	\$2,018,457	\$1,132,000	\$3,150,457	\$2,427,288
Fundraising, net of direct cost of donor benefits of \$-0- and \$8,000 in 2013 and 2012, respectively	1,005,121	-	1,005,121	2,083,565
Other revenue	40,254	-	40,254	72,516
Net assets released from restrictions	<u>1,082,716</u>	<u>(1,082,716)</u>	-	-
<b>Total support and revenue</b>	<u>4,146,548</u>	<u>49,284</u>	<u>4,195,832</u>	<u>4,583,369</u>
<b>Expenses</b>				
Program services	<u>2,902,024</u>	-	<u>2,902,024</u>	<u>2,469,056</u>
Supporting services				
Administrative and general	286,794	-	286,794	271,569
Fundraising	<u>586,457</u>	-	<u>586,457</u>	<u>592,190</u>
<b>Total supporting services</b>	<u>873,251</u>	-	<u>873,251</u>	<u>863,759</u>
Uncollectible accounts	<u>7,250</u>	-	<u>7,250</u>	<u>6,960</u>
<b>Total expenses</b>	<u>3,782,525</u>	-	<u>3,782,525</u>	<u>3,339,775</u>
<b>Increase in net assets</b>	<b>364,023</b>	<b>49,284</b>	<b>413,307</b>	<b>1,243,594</b>
<b>Net assets, beginning of year</b>	<u>473,581</u>	<u>1,137,998</u>	<u>1,611,579</u>	<u>367,985</u>
<b>Net assets, end of year</b>	<u>\$ 837,604</u>	<u>\$1,187,282</u>	<u>\$2,024,886</u>	<u>\$1,611,579</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2013  
(with Summarized Comparative Information  
for the Year Ended June 30, 2012)**

	<u>2013</u>			<u>2012</u>
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Payroll cost	\$1,041,858	\$ 217,584	\$ 117,191	\$1,376,633
Professional fees	289,899	2,402	106,690	398,991
Auditing and accounting	18,205	4,273	2,185	24,663
Insurance	7,337	6,154	257	13,748
Fundraising expense	-	-	259,865	259,865
Educational/Outreach	687,763	5,422	68,907	762,092
WKA Support	479,222	-	-	479,222
Litigation/regulation	155,821	-	-	155,821
Travel	79,044	16,904	13,439	109,387
Telephone	20,607	4,986	1,829	27,422
Postage	21,028	399	3,461	24,888
Office expense	16,137	12,657	2,848	31,642
Staff development	154	-	-	154
Other	1,904	675	450	3,029
Credit card and banking fees	16,327	3,182	1,519	21,028
Occupancy	61,307	11,147	7,166	79,620
Depreciation and amortization	5,411	1,009	650	7,070
<b>Total</b>	<b><u>\$2,902,024</u></b>	<b><u>\$ 286,794</u></b>	<b><u>\$ 586,457</u></b>	<b><u>\$3,775,275</u></b>
				<b><u>\$3,332,815</u></b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 413,307	\$1,243,594
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	7,070	11,702
(Increase) decrease in assets		
Contributions and grants receivable	213,000	(178,416)
Accounts receivable	(53,667)	68,085
Prepaid expenses	826	1,348
Increase (decrease) in liabilities		
Accounts payable	(72,018)	(195,124)
Accrued expenses	(47,527)	57,491
Accrued vacation	<u>13,826</u>	<u>(12,131)</u>
Net cash provided by operating activities	474,817	996,549
<b>Cash flows (used in) investing activities</b>		
Purchase of equipment	<u>(12,069)</u>	<u>(2,842)</u>
Net increase in cash	462,748	993,707
<b>Cash, beginning of year</b>	<u><b>1,270,650</b></u>	<u><b>276,943</b></u>
<b>Cash, end of year</b>	<u><b>\$1,733,398</b></u>	<u><b>\$1,270,650</b></u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements  
June 30, 2013****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 2013 fiscal year, totaled \$1,082,716 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, 2013**

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

- Temporarily restricted (continued)

Temporarily restricted net assets at June 30, 2013 were restricted for the following:

	Balance June 30, 2012	Additions	Net Assets Released from Restrictions	Balance June 30, 2013
<b>Purpose</b>				
Baja	\$ -	\$ 50,000	\$ (5,088)	\$ 44,912
Cape Fear	-	125,000	(39,902)	85,098
Fracking campaign	48,102	50,000	(52,638)	45,464
Idaho Montana outreach	19,705	-	(3,110)	16,595
International programs	2,000	-	(2,000)	-
Pair for a foot	20,000	5,000	(15,000)	10,000
Pure Farms Pure Water Initiative	380,000	470,000	(399,053)	450,947
Revolving Litigation	80,000	-	(20,000)	60,000
Splash Event series	165,000	180,000	(113,364)	231,636
Swim Guide	-	50,000	(12,561)	37,439
Other	3,191	-	-	3,191
<b>Timing</b>	<u>420,000</u>	<u>202,000</u>	<u>(420,000)</u>	<u>202,000</u>
Total	<u>\$1,137,998</u>	<u>\$1,132,000</u>	<u>\$(1,082,716)</u>	<u>\$1,187,282</u>

Cash equivalents

The Alliance considers highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2013 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.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)  
June 30, 2013****Note 2 – Summary of significant accounting policies (continued)****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.

**Concentrations of credit risk**

The Alliance's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and receivables. 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. Receivables are deemed collectible by the Alliance. The Alliance believes no significant concentrations of credit risk exist with respect to its cash and receivables.

**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, 2012, from which the summarized information was derived.

**Subsequent events**

The Alliance has evaluated events and transactions for potential recognition or disclosure through December 11, 2013, which is the date the financial statements were available to be issued.

**Reclassification**

Certain items in the fiscal 2012 financial statements have been reclassified for comparative purposes only.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2013**

**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 2013 fiscal year, the Alliance incurred joint costs of \$271,992 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 135,996
Fundraising	<u>135,996</u>
Total	<u>\$ 271,992</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 \$69,851 and \$90,730 for the years ended June 30, 2013 and 2012, respectively. Rent expense is down in the 2013 fiscal year due to a three month rent abatement in connection with Storm Sandy.

**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, 2013, no amounts were recognized for uncertain income tax positions. The Alliance's tax returns for the 2010 fiscal year and forward are subject to the usual review by the appropriate authorities.