

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Year Ended  
June 30, 2014**

### **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, 2014 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of Waterkeeper Alliance, Inc. as of June 30, 2014 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 2013 financial statements, and our report dated December 11, 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, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McGinty + Donnelly LLP

November 3, 2014

## WATERKEEPER ALLIANCE, INC.

## Statement of Financial Position

## Assets

	June 30	
	2014	2013
<b>Current assets</b>		
Cash	\$3,462,018	\$1,733,398
Contributions and grants receivable	789,100	207,000
Accounts receivable	41,890	145,352
Prepaid expenses	26,299	18,784
Total current assets	4,319,307	2,104,534
<b>Security deposit</b>	33,173	32,673
<b>Equipment, at cost, net of accumulated depreciation of \$311,955 in 2014 and \$303,471 in 2013</b>	8,049	9,834
<b>Total assets</b>	<b>\$4,360,529</b>	<b>\$2,147,041</b>

## Liabilities and Net Assets

<b>Current liabilities</b>		
Accounts payable	\$ 141,635	\$ 45,030
Accrued expenses	48,730	27,701
Accrued vacation	64,259	49,424
Total current liabilities	254,624	122,155
<b>Net assets</b>		
Unrestricted	117,452	837,604
Temporarily restricted	3,988,453	1,187,282
Total net assets	4,105,905	2,024,886
<b>Total liabilities and net assets</b>	<b>\$4,360,529</b>	<b>\$2,147,041</b>

See notes to financial statements.



**WATERKEEPER ALLIANCE, INC.**

**Statement of Activities  
For Year Ended June 30, 2014  
(with Summarized Comparative Information  
for the Year Ended June 30, 2013)**

	<u>2014</u>			<u>2013</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Contributions	\$1,793,289	\$8,458,025	\$10,251,314	\$3,150,457
Fundraising	858,406	-	858,406	1,005,121
Other	33,340	-	33,340	40,254
Net assets released from restrictions	<u>5,656,854</u>	<u>(5,656,854)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,341,889</u>	<u>2,801,171</u>	<u>11,143,060</u>	<u>4,195,832</u>
<b>Expenses</b>				
Program services	<u>7,790,029</u>	<u>-</u>	<u>7,790,029</u>	<u>2,902,024</u>
Supporting services				
Administrative and general	348,731	-	348,731	286,794
Fundraising	<u>827,831</u>	<u>-</u>	<u>827,831</u>	<u>586,457</u>
Total supporting services	<u>1,176,562</u>	<u>-</u>	<u>1,176,562</u>	<u>873,251</u>
Uncollectible accounts	<u>95,450</u>	<u>-</u>	<u>95,450</u>	<u>7,250</u>
Total expenses	<u>9,062,041</u>	<u>-</u>	<u>9,062,041</u>	<u>3,782,525</u>
Increase (decrease) in net assets	<u>(720,152)</u>	<u>2,801,171</u>	<u>2,081,019</u>	<u>413,307</u>
Net assets, beginning of year	<u>837,604</u>	<u>1,187,282</u>	<u>2,024,886</u>	<u>1,611,579</u>
Net assets, end of year	<u>\$ 117,452</u>	<u>\$3,988,453</u>	<u>\$ 4,105,905</u>	<u>\$2,024,886</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2014  
(with Summarized Comparative Information  
for the Year Ended June 30, 2013)**

	<b>2014</b>			<b>2013</b>
	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Payroll cost	\$1,248,198	\$ 280,394	\$ 144,021	\$1,376,633
Professional fees	414,333	126	177,337	398,991
Sponsor initiative	4,307,353	-	-	-
Auditing and accounting	17,551	3,251	1,982	24,663
Insurance	12,366	13,795	3,875	13,748
Fundraising expense	-	-	359,943	259,865
Educational/Outreach	740,321	5,703	89,006	762,092
WKA Support	542,706	-	8,984	479,222
Litigation/regulation	162,375	5,000	-	155,821
Travel	170,669	13,534	17,981	109,387
Telephone	20,639	2,699	2,014	27,422
Postage	6,826	848	1,962	24,888
Office expense	15,007	11,771	2,649	31,642
Staff development	6,495	806	1,149	154
Other	4,021	95	280	3,029
Credit card and banking fees	16,624	4,627	5,142	21,028
Occupancy	98,012	5,488	10,149	79,620
Depreciation and amortization	6,533	594	1,357	7,070
<b>Total</b>	<b>\$7,790,029</b>	<b>\$ 348,731</b>	<b>\$ 827,831</b>	<b>\$3,775,275</b>
				<u>\$8,966,591</u>

See notes to financial statements.

# WATERKEEPER ALLIANCE, INC.

## Statement of Cash Flows

	Year Ended June 30	
	2014	2013
<b>Cash flows from operating activities</b>		
Increase in net assets	\$2,081,019	\$ 413,307
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	8,484	7,070
(Increase) decrease in assets		
Contributions and grants receivable	(582,100)	213,000
Accounts receivable	103,462	(53,667)
Prepaid expenses	(7,515)	826
Security deposit	(500)	-
Increase (decrease) in liabilities		
Accounts payable	96,605	(72,018)
Accrued expenses	21,029	(47,527)
Accrued vacation	14,835	13,826
Net cash provided by operating activities	1,735,319	474,817
<b>Cash flows (used in) investing activities</b>		
Purchase of equipment	(6,699)	(12,069)
<b>Net increase in cash</b>	<b>1,728,620</b>	<b>462,748</b>
<b>Cash, beginning of year</b>	<b>1,733,398</b>	<b>1,270,650</b>
<b>Cash, end of year</b>	<b>\$3,462,018</b>	<b>\$1,733,398</b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements  
June 30, 2014****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 programs 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 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 2014 fiscal year, totaled \$5,656,854 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, 2014

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

- Temporarily restricted (continued)

Temporarily restricted net assets at June 30, 2014 were restricted for the following:

	Balance June 30, 2013	Additions	Net Assets Released from Restrictions	Balance June 30, 2014
<b>Purpose</b>				
Annual conference	\$ -	\$ 55,275	\$ (55,275)	\$ -
Baja Regional Coordination	44,912	21,500	(66,412)	-
Cape Fear campaign	85,098	200,000	(106,317)	178,781
China Regional Coordination	-	135,000	(113,396)	21,604
Clean and safe energy - coal	-	684,646	(193,185)	491,461
Clean and safe energy - Hydraulic fracturing	45,464	100	(20,939)	24,625
Idaho/Montana outreach	16,595	-	(1,962)	14,633
International start-up	-	50,000	(14,039)	35,961
Clean and safe energy – oil	-	50,000	(28,000)	22,000
Pair for a foot	10,000	35,000	(45,000)	-
Pure Farms Pure Water Campaign	450,947	700,000	(260,000)	890,947
Revolving litigation fund	60,000	-	-	60,000
Splash event series	231,636	180,000	(93,376)	318,260
Sponsor initiative*	-	5,687,703	(4,307,353)	1,380,350
Swim guide	37,439	-	(37,439)	-
Rapid response	-	70,000	(25,000)	45,000
Remote sensing	-	35,000	(2,000)	33,000
Waterkeeper support	-	91,301	(76,551)	14,750
Other	3,191	30,000	(8,610)	24,581
<b>Timing</b>	<u>202,000</u>	<u>432,500</u>	<u>(202,000)</u>	<u>432,500</u>
Total	<u>\$ 1,187,282</u>	<u>\$ 8,458,025</u>	<u>\$ (5,656,854)</u>	<u>\$ 3,988,453</u>

\* Sponsor initiative consists of money given by donors to be used for newly formed or being formed Waterkeepers. However, the Alliance retains the unilateral power to redirect use of the funds to another beneficiary capable of fulfilling the project, if deemed necessary.

### Cash equivalents

The Alliance considers highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2014 the Alliance did not have any cash equivalents.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2014****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.

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.

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, 2013, from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through November 3, 2014, which is the date the financial statements were available to be issued.



# **WATERKEEPER ALLIANCE, INC.**

## **Notes to Financial Statements (continued)**

**June 30, 2014**

### **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 2014 fiscal year, the Alliance incurred joint costs of \$425,878 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 212,939
Fundraising	<u>212,939</u>
Total	<u>\$ 425,878</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 \$103,129 and \$69,851 for the years ended June 30, 2014 and 2013, respectively. Rent expense was 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, 2014, no amounts were recognized for uncertain income tax positions. The Alliance's tax returns for the 2011 fiscal year and forward are subject to the usual review by the appropriate authorities.