

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2015**

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, 2015 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, 2015 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 2014 financial statements, and our report dated November 3, 2014, 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, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McGinty & Donnelly LLP

October 5, 2015

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2015</u>	<u>2014 *</u>
Current assets		
Cash	\$2,149,407	\$3,462,018
Investments, at fair value	346,469	-
Contributions and grants receivable	698,832	789,100
Accounts receivable	2,578	41,890
Prepaid expenses	<u>58,982</u>	<u>26,299</u>
Total current assets	3,256,268	4,319,307
Security deposit	33,173	33,173
Equipment, at cost, net of accumulated depreciation of \$322,897 in 2015 and \$311,955 in 2014	<u>796</u>	<u>8,049</u>
Total assets	<u>\$ 3,290,237</u>	<u>\$4,360,529</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 361,419	\$ 141,635
Accrued expenses	158,336	48,730
Accrued vacation	<u>86,883</u>	<u>64,259</u>
Total current liabilities	<u>606,638</u>	<u>254,624</u>
Net assets		
Unrestricted	(128,811)	49,562
Temporarily restricted	<u>2,812,410</u>	<u>4,056,343</u>
Total net assets	<u>2,683,599</u>	<u>4,105,905</u>
Total liabilities and net assets	<u>\$3,290,237</u>	<u>\$4,360,529</u>

See notes to financial statements.

* Restated

WATERKEEPER ALLIANCE, INC.

**Statement of Activities
For Year Ended June 30, 2015
(with Summarized Comparative Information
for the Year Ended June 30, 2014)**

	2015			2014 *
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Contributions	\$ 1,080,877	\$ 8,386,097	\$ 9,466,974	\$10,251,314
Fundraising	805,014	-	805,014	858,406
Licensing fees and other	65,129	-	65,129	33,340
Net assets released from restrictions	9,630,030	(9,630,030)	-	-
Total support and revenue	<u>11,581,050</u>	<u>(1,243,933)</u>	<u>10,337,117</u>	<u>11,143,060</u>
Expenses				
Program services	<u>10,512,587</u>	<u>-</u>	<u>10,512,587</u>	<u>7,790,029</u>
Supporting services				
Administrative and general	292,696	-	292,696	348,731
Fundraising	<u>866,143</u>	<u>-</u>	<u>866,143</u>	<u>827,831</u>
Total supporting services	<u>1,158,839</u>	<u>-</u>	<u>1,158,839</u>	<u>1,176,562</u>
Uncollectible accounts	<u>84,466</u>	<u>-</u>	<u>84,466</u>	<u>95,450</u>
Total expenses	<u>11,755,892</u>	<u>-</u>	<u>11,755,892</u>	<u>9,062,041</u>
Increase (decrease) in net assets before other deduction	(174,842)	(1,243,933)	(1,418,775)	2,081,019
Other deduction				
Unrealized (loss) on investment	<u>(3,531)</u>	<u>-</u>	<u>(3,531)</u>	<u>-</u>
Increase (decrease) in net assets	(178,373)	(1,243,933)	(1,422,306)	2,081,019
Net assets, beginning of year	<u>49,562</u>	<u>4,056,343</u>	<u>4,105,905</u>	<u>2,024,886</u>
Net assets, end of year	<u>\$ (128,811)</u>	<u>\$ 2,812,410</u>	<u>\$ 2,683,599</u>	<u>\$ 4,105,905</u>

See notes to financial statements.

* Restated

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2015
(with Summarized Comparative Information
for the Year Ended June 30, 2014)**

	2015			2014
	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Payroll cost	\$ 2,077,053	\$ 190,003	\$ 232,352	\$ 2,499,408
Professional fees	445,964	2,774	171,095	619,833
Sponsor initiative	5,418,111	-	-	5,418,111
Auditing and accounting	21,849	1,646	1,888	25,383
Insurance	11,958	15,316	1,882	29,156
Fundraising expense	44,600	1,777	268,355	314,732
Educational/Outreach	479,127	1,477	147,593	628,197
WKA Support	1,227,673	-	-	1,227,673
Litigation/regulation	332,638	-	180	332,818
Travel	211,242	24,221	17,169	252,632
Telephone	29,076	8,762	2,856	40,694
Postage	6,954	767	1,381	9,102
Office expense	76,062	3,551	6,642	86,255
Staff development	2,591	2,368	192	5,151
Other	12,094	1,861	1,550	15,505
Credit card and banking fees	22,926	7,636	3,917	34,479
Occupancy	92,669	19,595	9,091	121,355
Depreciation and amortization	-	10,942	-	10,942
Total	\$10,512,587	\$ 292,696	\$ 866,143	\$ 11,671,426
				\$8,966,591

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (1,422,306)	\$ 2,081,019
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,942	8,484
Unrealized loss on investment	3,531	-
(Increase) decrease in assets		
Contributions and grants receivable	90,268	(582,100)
Accounts receivable	39,312	103,462
Prepaid expenses	(32,683)	(7,515)
Security deposit	-	(500)
Increase in liabilities		
Accounts payable	219,784	96,605
Accrued expenses	109,606	21,029
Accrued vacation	22,624	14,835
Net cash provided by (used in) operating activities	<u>(958,922)</u>	<u>1,735,319</u>
Cash flows (used in) investing activities		
Purchases of investments	(350,000)	-
Purchase of equipment	<u>(3,689)</u>	<u>(6,699)</u>
Net cash (used in) investing activities	<u>(353,689)</u>	<u>(6,699)</u>
Net increase (decrease) in cash	(1,312,611)	1,728,620
Cash, beginning of year	<u>3,462,018</u>	<u>1,733,398</u>
Cash, end of year	<u>\$ 2,149,407</u>	<u>\$ 3,462,018</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements
June 30, 2015****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**Adjustment and restatement**

During 2015, the Alliance became aware that certain revenue which had been recorded as unrestricted was in fact temporarily restricted revenue. Accordingly, as of June 30, 2014, the Alliance adjusted and restated its unrestricted and temporarily restricted net asset balances by \$67,890 to give retroactive effect to this change.

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 2015 fiscal year, totaled \$9,630,030 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, 2015

Note 2 – Summary of significant accounting policies (continued)

• Temporarily restricted (continued)

Temporarily restricted net assets at June 30, 2015 were restricted for the following:

	Balance June 30, 2014	Additions	Net Assets Released from Restrictions	Balance June 30, 2015
Purpose				
Annual conference	\$ -	\$ 50,000	\$ (50,000)	\$ -
Baja Regional Coordination	-	75,000	(54,000)	21,000
Cape Fear campaign	178,781	-	(128,781)	50,000
China Regional Coordination	21,604	65,000	(86,604)	-
Clean and safe energy - coal	491,461	624,880	(525,341)	591,000
Clean and safe energy - Hydraulic fracturing	24,625	250	(24,875)	-
Idaho/Montana outreach	14,633	-	(14,633)	-
International start-up	35,961	60,550	(90,961)	5,550
Clean and safe energy – oil	22,000	100,000	(33,000)	89,000
Pure Farms Pure Water Campaign	890,947	2,700,250	(2,191,197)	1,400,000
Revolving litigation fund	60,000	20,999	-	80,999
Splash event series	318,260	180,000	(448,260)	50,000
Sponsor initiative*	1,448,240	4,090,853	(5,418,111)	120,982
Rapid response	45,000	1,115	(26,115)	20,000
Remote sensing	33,000	-	(6,000)	27,000
Waterkeeper support	14,750	157,000	(74,310)	97,440
Other	24,581	3,200	(25,342)	2,439
Timing	432,500	257,000	(432,500)	257,000
Total	<u>\$ 4,056,343</u>	<u>\$ 8,386,097</u>	<u>\$ (9,630,030)</u>	<u>\$ 2,812,410</u>

* Sponsor initiative consisted of money given by donors to be used for newly formed or being formed Waterkeepers. However, the Alliance retained 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, 2015 the Alliance did not have any cash equivalents.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)**
June 30, 2015**Note 2 – Summary of significant accounting policies (continued)****Investments**

Investments are carried in the financial statements at fair value, which is based on publicly quoted prices. Realized gains and losses on investments and the change in the unrealized value of the investments are reflected in the statement of activities.

Fair value measurements

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Alliance's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

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 receivables, 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.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued) June 30, 2015

Note 2 – Summary of significant accounting policies (continued)

Concentrations of credit risk

The Alliance's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, investments 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. The Alliance invests in a mutual fund. Receivables are deemed collectible by the Alliance. The Alliance believes no significant concentrations of credit risk exist with respect to its cash, investments 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, 2014, from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 5, 2015, which is the date the financial statements were available to be issued.

Note 3 – Investments, at fair value

The Alliance's investments at June 30, 2015 consisted of the following:

	2015	
	Cost	Fair Value
Fixed income mutual fund	\$ 350,000	\$ 346,469

Note 4 – 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, 2015

Note 5 – Allocation of joint costs

During the 2015 fiscal year, the Alliance incurred joint costs of \$449,370 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 224,685
Fundraising	<u>224,685</u>
Total	<u>\$ 449,370</u>

Note 6 – Lease agreement

During December 2010, the Alliance entered into a five-year lease agreement for office space, which expires during February 2016 and required 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 \$105,959 and \$103,129 for the years ended June 30, 2015 and 2014, respectively.

During July 2015, the Alliance entered into a new ten-year lease agreement for office space, in a new location, which commences February 2016 and requires an annual base rental fee of \$470,781 for the first five years of the agreement increasing to \$516,936 annually for the remainder of the agreement.

Note 7 – 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, 2015, no amounts were recognized for uncertain income tax positions. The Alliance’s tax returns for the 2012 fiscal year and forward are subject to the usual review by the appropriate authorities.