

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Year Ended  
June 30, 2016**

### **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, 2016 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, 2016 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 2015 financial statements, and our report dated October 5, 2015, 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Condon O'Meara McGinty + Donnelly LLP*

December 13, 2016

## WATERKEEPER ALLIANCE, INC.

## Statement of Financial Position

## Assets

	June 30	
	2016	2015*
<b>Current assets</b>		
Cash	\$ 988,686	\$2,149,407
Investments, at fair value	-	346,469
Contributions and grants receivable	692,746	698,832
Accounts receivable	6,649	2,578
Prepaid expenses	71,004	58,982
Total current assets	1,759,085	3,256,268
<b>Security deposit</b>	235,891	33,173
<b>Equipment, at cost, net of accumulated depreciation of \$331,547 in 2016 and \$322,897 in 2015</b>	43,651	796
<b>Total assets</b>	<b>\$2,038,627</b>	<b>\$ 3,290,237</b>

## Liabilities and Net Assets

<b>Current liabilities</b>		
Accounts payable	\$ 587,960	\$ 459,793
Accrued expenses	123,258	59,962
Accrued vacation	81,851	86,883
Deferred revenue	20,000	-
Total current liabilities	813,069	606,638
<b>Deferred rent</b>	197,503	-
<b>Total liabilities</b>	<b>1,010,572</b>	<b>606,638</b>
<b>Net assets</b>		
Unrestricted (deficit)	(390,149)	(323,811)
Temporarily restricted	1,418,204	3,007,410
Total net assets	1,028,055	2,683,599
<b>Total liabilities and net assets</b>	<b>\$2,038,627</b>	<b>\$3,290,237</b>

See notes to financial statements.

\* Restated

## WATERKEEPER ALLIANCE, INC.

Statement of Activities  
For Year Ended June 30, 2016  
(with Summarized Comparative Information  
for the Year Ended June 30, 2015)

	2016			2015*
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue</b>				
Contributions	\$ 2,625,532	\$ 13,258,848	\$ 15,884,380	\$ 9,466,974
Fundraising	892,347	-	892,347	805,014
Licensing fees and other	61,210	-	61,210	65,129
Net assets released from restrictions	14,848,054	(14,848,054)	-	-
Total support and revenue	18,427,143	(1,589,206)	16,837,937	10,337,117
<b>Expenses</b>				
Program services	17,194,043	-	17,194,043	10,512,587
Supporting services				
Administrative and general	311,018	-	311,018	292,696
Fundraising	915,867	-	915,867	866,143
Total supporting services	1,226,885	-	1,226,885	1,158,839
Uncollectible accounts	41,500	-	41,500	84,466
Total expenses	18,462,428	-	18,462,428	11,755,892
(Decrease) in net assets before other deductions	(35,285)	(1,589,206)	(1,624,491)	(1,418,775)
<b>Other deductions</b>				
Net (loss) on investments	(10,154)	-	(10,154)	(3,531)
Foreign exchange (loss)	(20,899)	-	(20,899)	-
(Decrease) in net assets	(66,338)	(1,589,206)	(1,655,544)	(1,422,306)
Net assets (deficit), beginning of year	(323,811)	3,007,410	2,683,599	4,105,905
Net assets (deficit), end of year	\$ (390,149)	\$ 1,418,204	\$ 1,028,055	\$ 2,683,599

See notes to financial statements.

\* Restated

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2016  
(with Summarized Comparative Information  
for the Year Ended June 30, 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Administrative and General</b>	<b>Fund- Raising</b>	<b>Total</b>
Payroll cost	\$ 2,502,237	\$ 198,073	\$ 239,217	\$ 2,939,527
Professional fees	379,319	46,848	153,721	579,888
Sponsor initiative	11,547,070	-	-	11,547,070
Auditing and accounting	23,542	1,485	1,773	26,800
Insurance	20,695	848	1,013	22,556
Fundraising expense	256,871	-	311,479	568,350
Educational/Outreach	383,118	587	150,546	534,251
WKA Support	1,278,128	-	-	1,278,128
Litigation/regulation	215,774	-	-	215,774
Travel	178,867	5,167	16,375	200,409
Telephone	25,795	3,300	3,922	33,017
Postage	5,583	623	1,789	7,995
Office expense	71,716	10,603	8,220	90,539
Staff development	1,954	194	167	2,315
Other	6,845	650	-	7,495
Credit card and banking fees	22,225	11,663	5,318	39,206
Occupancy	274,304	22,327	22,327	318,958
Depreciation	-	8,650	-	8,650
<b>Total</b>	<b>\$17,194,043</b>	<b>\$ 311,018</b>	<b>\$ 915,867</b>	<b>\$ 18,420,928</b>
				<b>\$ 11,671,426</b>

See notes to financial statements.

## WATERKEEPER ALLIANCE, INC.

## Statement of Cash Flows

	Year Ended June 30	
	2016	2015
<b>Cash flows from operating activities</b>		
(Decrease) in net assets	\$ (1,655,544)	\$ (1,422,306)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation	8,650	10,942
Donated stock	(14,736)	-
Proceeds from donated stock	15,012	-
Realized loss on sales of investments	10,154	-
Unrealized loss on investment	-	3,531
(Increase) decrease in assets		
Contributions and grants receivable	6,086	90,268
Accounts receivable	(4,071)	39,312
Prepaid expenses	(12,022)	(32,683)
Security deposit	(202,718)	-
Increase (decrease) in liabilities		
Accounts payable	128,167	121,410
Accrued expenses	63,296	207,980
Accrued vacation	(5,032)	22,624
Deferred revenue	20,000	-
Deferred rent	197,503	-
Net cash (used in) operating activities	<u>(1,445,255)</u>	<u>(958,922)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	-	(350,000)
Proceeds from sales of investments	336,039	-
Purchase of equipment	<u>(51,505)</u>	<u>(3,689)</u>
Net cash provided by (used in) investing activities	<u>284,534</u>	<u>(353,689)</u>
<b>Net (decrease) in cash</b>	<b>(1,160,721)</b>	<b>(1,312,611)</b>
<b>Cash, beginning of year</b>	<b><u>2,149,407</u></b>	<b><u>3,462,018</u></b>
<b>Cash, end of year</b>	<b><u>\$ 988,686</u></b>	<b><u>\$ 2,149,407</u></b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements****June 30, 2016****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 2016, the Alliance became aware that certain revenue had been erroneously released from temporarily restricted net assets during the 2015 fiscal year. Accordingly, as of June 30, 2015, the Alliance adjusted and restated its unrestricted and temporarily restricted net asset balances by \$195,000 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 2016 fiscal year, totaled \$14,848,054 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, 2016

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

- Temporarily restricted (continued)

At June 30, 2016, temporarily restricted net assets were restricted for the following:

	Balance June 30, 2015	Additions	Net Assets Released from Restrictions	Balance June 30, 2016
<b>Purpose</b>				
Annual conference	\$ -	\$ 65,000	\$ (65,000)	\$ -
Baja Regional Coordination	21,000	-	(21,000)	-
Cape Fear campaign	50,000	-	(50,000)	-
China Regional Coordination	-	150,000	(150,000)	-
Clean and safe energy - coal	591,000	205,200	(560,309)	235,891
Clean and safe energy – oil	89,000	-	(89,000)	-
Himalayas – Pollution and Climate Change	257,000	529,626	(353,846)	432,780
International start-up	5,550	80,152	(52,830)	32,872
Pure Farms Pure Water Campaign	1,400,000	257,015	(1,465,054)	191,961
Savannah River	180,000	-	(45,000)	135,000
Splash event series	50,000	180,000	(197,894)	32,106
Sponsor initiative*	120,982	11,590,429	(11,668,052)	43,359
Rapid response	20,000	35	(35)	20,000
Remote sensing	27,000	-	(12,000)	15,000
Revolving litigation fund	80,999	-	-	80,999
Waterkeeper support	52,440	101,391	(100,595)	53,236
Other	2,439	-	(2,439)	-
<b>Timing</b>	<u>60,000</u>	<u>100,000</u>	<u>(15,000)</u>	<u>145,000</u>
Total	<u>\$ 3,007,410</u>	<u>\$13,258,848</u>	<u>\$14,848,054</u>	<u>\$ 1,418,204</u>

\* Sponsor initiative consists 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, 2016 the Alliance did not have any cash equivalents.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2016****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, 2016

### 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 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, 2015, from which the summarized information was derived.

#### Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through December 13, 2016, 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, 2016 and June 30, 2015 consisted of the following:

	2016		2015	
	Cost	Fair Value	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, 2016

### Note 5 – Allocation of joint costs

During the 2016 fiscal year, the Alliance incurred joint costs of \$597,996 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 229,327
Fundraising	<u>229,327</u>
Total	<u>\$ 458,654</u>

### Note 6 – Lease agreement

During July 2015, the Alliance entered into a ten-year lease agreement for office space, at a new location, which commenced February 2016 and requires an annual base rental fee of \$470,781 for the first five years of the agreement increasing to \$516,936 for the remainder of the agreement. In connection with this agreement, the Alliance received a five month rent abatement. As required under current accounting principles, the rent expense for the period ending June 30, 2016 has been recognized on a straight-line basis over the life of the lease. This amount, totaling \$197,503, has been reflected on the statement of activities and corresponding deferred rent on the statement of financial position. As security for the lease, the Alliance obtained an irrevocable standby letter of credit from a bank in the amount of \$235,891. The Alliance granted the bank a security interest in a \$235,891 certificate of deposit as collateral.

The following is the required annual payments under the lease agreement (exclusive of certain increases in operating costs of the landlord):

<u>Fiscal year</u>	<u>Amount</u>
2017	\$ 470,781
2018	470,781
2019	470,781
2020	470,781
2021	470,781
2022 and thereafter	<u>2,113,899</u>
Total	<u>\$ 4,467,804</u>

In December 2015, the Alliance's five year rent agreement, requiring a \$116,727 rental in the final year, expired and its \$33,173 security deposit returned.

Rent expense, which is included in occupancy on the statement of functional expenses, under these agreements totaled \$280,139 and \$105,959 for the years ended June 30, 2016 and 2015, respectively.

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2016****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.