

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2017**

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, 2017 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, 2017 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 2016 financial statements, and our report dated December 13, 2016, 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, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cordon O'Mear McGinty + Donnelly LLP

October 30, 2017

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2017	2016*
Current assets		
Cash	\$1,979,216	\$ 988,686
Contributions and grants receivable	283,314	629,367
Accounts receivable	11,017	6,649
Prepaid expenses	33,731	71,004
Total current assets	2,307,278	1,695,706
Security deposit	235,340	235,891
Equipment, at cost, net of accumulated depreciation of \$342,357 in 2017 and \$331,547 in 2016	42,335	43,651
Total assets	\$2,584,953	\$1,975,248

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 409,856	\$ 587,960
Accrued vacation	105,918	81,851
Accrued expenses	-	123,258
Deferred revenue	-	20,000
Total current liabilities	515,774	813,069
Deferred rent	177,753	197,503
Total liabilities	\$ 693,527	1,010,572
Net assets		
Unrestricted net assets (deficit)	211,853	(453,528)
Temporarily restricted	1,679,573	1,418,204
Total net assets	1,891,426	964,676
Total liabilities and net assets	\$2,584,953	\$1,975,248

* Restated

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Activities
For Year Ended June 30, 2017
(with Summarized Comparative Information
for the Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total*
Support and revenue				
Contributions	\$ 2,414,535	\$ 16,872,574	\$19,287,109	\$15,821,001
Fundraising	1,463,123	-	1,463,123	892,347
Licensing fees and other	44,626	-	44,626	61,210
Net assets released from restrictions	16,611,205	(16,611,205)	-	-
Total support and revenue	<u>20,533,489</u>	<u>261,369</u>	<u>20,794,858</u>	<u>16,774,558</u>
Expenses				
Program services	<u>17,840,597</u>	<u>-</u>	<u>17,840,597</u>	<u>17,194,043</u>
Supporting services				
Administrative and general	704,962	-	704,962	311,018
Fundraising	<u>1,302,933</u>	<u>-</u>	<u>1,302,933</u>	<u>915,867</u>
Total supporting services	<u>2,007,895</u>	<u>-</u>	<u>2,007,895</u>	<u>1,226,885</u>
Uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,500</u>
Total expenses	<u>19,848,492</u>	<u>-</u>	<u>19,848,492</u>	<u>18,462,428</u>
Increase (decrease) in net assets before other deductions	684,997	261,369	946,366	(1,687,870)
Other deductions				
Net (loss) on investments	-	-	-	(10,154)
Foreign exchange (loss)	<u>(19,616)</u>	<u>-</u>	<u>(19,616)</u>	<u>(20,899)</u>
Increase (decrease) in net assets	<u>665,381</u>	<u>261,369</u>	<u>926,750</u>	<u>(1,718,923)</u>
Net assets (deficit), beginning of year	<u>(453,528)</u>	<u>1,418,204</u>	<u>964,676</u>	<u>2,683,599</u>
Net assets, end of year	<u>\$ 211,853</u>	<u>\$ 1,679,573</u>	<u>\$ 1,891,426</u>	<u>\$ 964,676</u>

* Restated

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2017
(with Summarized Comparative Information
for the Year Ended June 30, 2016)**

	2017			2016
	Supporting Services			
	Administrative		Fund-	Total
	Program Services	and General	Raising	
Payroll cost	\$ 2,232,931	\$ 431,272	\$ 244,463	\$ 2,908,666
Professional fees	505,684	203,480	131,796	840,960
Sponsor initiative	12,457,433	-	-	12,457,433
Auditing and accounting	14,880	2,051	1,581	18,512
Insurance	31,519	2,115	1,630	35,264
Fundraising expense	553,222	-	678,771	1,231,993
Educational/Outreach	340,073	595	170,483	511,151
WKA Support	1,002,765	319	7,600	1,010,684
Litigation/regulation	111,550	5,000	-	116,550
Travel	136,947	8,587	16,723	162,257
Telephone	22,141	2,609	3,828	28,578
Postage	9,730	-	2,167	11,897
Office expense	28,562	4,291	2,689	35,542
Staff development	2,083	278	154	2,515
Other	4,215	528	102	4,845
Credit card and banking fees	27,731	18,529	2,537	48,797
Occupancy	359,131	14,498	38,409	412,038
Depreciation	-	10,810	-	10,810
Total	\$17,840,597	\$ 704,962	\$1,302,933	\$ 19,848,492
				\$ 18,420,928

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2017	2016*
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 926,750	\$ (1,718,923)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	10,810	8,650
Donated stock	(31,987)	(14,736)
Proceeds from sale of donated stock	31,987	15,012
Realized loss on sales of investments	-	10,154
(Increase) decrease in assets		
Contributions and grants receivable	346,053	69,465
Accounts receivable	(4,368)	(4,071)
Prepaid expenses	37,273	(12,022)
Security deposit	551	(202,718)
Increase (decrease) in liabilities		
Accounts payable	(178,104)	128,167
Accrued vacation	24,067	(5,032)
Accrued expenses	(123,258)	63,296
Deferred revenue	(20,000)	20,000
Deferred rent	(19,750)	197,503
Net cash provided by (used in) operating activities	<u>1,000,024</u>	<u>(1,445,255)</u>
Cash flows from investing activities		
Proceeds from sales of investments	-	336,039
Purchase of equipment	(9,494)	(51,505)
Net cash provided by (used in) investing activities	<u>(9,494)</u>	<u>284,534</u>
Net increase (decrease) in cash	990,530	(1,160,721)
Cash, beginning of year	<u>988,686</u>	<u>2,149,407</u>
Cash, end of year	<u>\$1,979,216</u>	<u>\$ 988,686</u>

* Restated

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements****June 30, 2017****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**Restatement**

During the 2017 fiscal year it was determined that the 2016 fiscal year contributions and grants receivable was overstated by approximately \$63,000. Accordingly, the 2016 fiscal year contributions and grants receivable has been restated to reflect the payment of the receivable made in the 2016 fiscal year.

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 2017 fiscal year, totaled \$16,611,205 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, 2017

Note 2 – Summary of significant accounting policies (continued)

- Temporarily restricted (continued)

At June 30, 2017, temporarily restricted net assets were restricted for the following:

	Balance June 30, 2016	Additions	Net Assets Released from Restrictions	Balance June 30, 2017
Purpose				
Annual conference	\$ -	\$ 336,684	\$ (335,000)	\$ 1,684
Bangladesh	-	99,959	(99,959)	-
China Regional Coordination	-	250,000	(250,000)	-
Clean and safe energy - domestic	235,891	154,574	(276,333)	114,132
Clean and safe energy – international	-	85,200	(72,400)	12,800
Clean water defense	-	55,345	(45,658)	9,687
Domestic start up	-	82,500	(27,790)	54,710
Education and outreach	-	3,500	(3,500)	-
Himalayas – Pollution and Climate Change	432,780	25,000	(424,102)	33,678
International start-up	32,872	10,000	(42,872)	-
North Carolina Pure Farms				
Pure Water Campaign	191,961	3,000,226	(2,021,175)	1,171,012
Butler Conservation Fund	135,000	-	(45,000)	90,000
Splash event series	32,106	180,000	(186,737)	25,369
Sponsor initiative*	43,359	12,432,140	(12,457,433)	18,066
Training	-	100,000	-	100,000
Rapid response	20,000	-	(9,000)	11,000
Remote sensing	15,000	-	(15,000)	-
Revolving litigation fund	80,999	-	(80,999)	-
Waterkeeper support	53,236	39,970	(85,771)	7,435
Other	-	17,476	(17,476)	-
Timing	145,000	-	(115,000)	30,000
Total	<u>\$ 1,418,204</u>	<u>\$16,872,574</u>	<u>\$(16,611,205)</u>	<u>\$ 1,679,573</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, 2017 the Alliance did not have any cash equivalents.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)****June 30, 2017****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 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.

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, 2016, from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, which is the date the financial statements were available to be issued.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)

June 30, 2017

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 2017 fiscal year, the Alliance incurred joint costs of \$533,518 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 264,851
Fundraising	<u>268,667</u>
Total	<u>\$ 533,518</u>

Note 5 – 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. This amount 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 \$235,340. The Alliance granted the bank a security interest in a \$235,340 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>
2018	\$ 470,781
2019	470,781
2020	470,781
2021	470,781
2022	519,936
2023 and thereafter	<u>1,593,963</u>
Total	<u>\$ 3,997,023</u>

Rent expense, which is allotted to various program activities, under this agreement totaled \$470,781 and \$280,139 for the years ended June 30, 2017 and 2016, respectively.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)

June 30, 2017

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.