

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2019
and
June 30, 2018**

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, 2019 and June 30, 2018 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

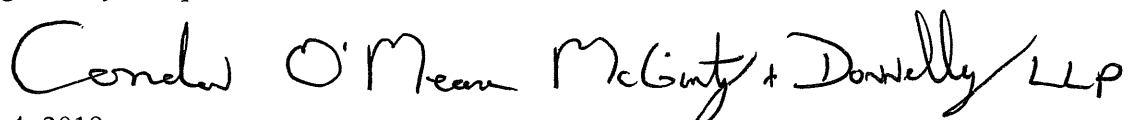
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and June 30 2018 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



November 4, 2019

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2019	2018
Current assets		
Cash	\$2,097,086	\$5,578,445
Investments, at fair value	423,881	401,640
Contributions and grants receivable, current portion	239,507	495,079
Prepaid expenses	28,608	59,758
Total current assets	2,789,082	6,534,922
Contributions and grants receivable, net of current portion	-	100,000
Security deposit	235,340	235,340
Equipment, at cost, net of accumulated depreciation of \$355,103 in 2019 and \$352,334 in 2018	92,589	32,358
Total assets	<u>\$3,117,011</u>	<u>\$6,902,620</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 217,009	\$ 462,251
Sponsor initiative payable	-	1,754,829
Accrued vacation	121,396	114,761
Total current liabilities	338,405	2,331,841
Deferred rent	138,253	158,003
Total liabilities	<u>\$ 476,658</u>	<u>2,489,844</u>
Net assets		
Without donor restrictions	1,524	(252,809)
With donor restrictions	2,638,829	4,665,585
Total net assets	2,640,353	4,412,776
Total liabilities and net assets	<u>\$3,117,011</u>	<u>\$6,902,620</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Activities

	For Year Ended June 30		
	2019		2018
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions
		Total	With Donor Restrictions
			Total
Support and revenue			
Contributions	\$ 2,691,356	\$ 15,388,966	\$ 17,521,435
Fundraising	281,032	281,032	289,956
Fiscal sponsor fees	53,885	53,885	54,978
Licensing fees and other	57,302	57,302	51,306
Investment return, net	10,659	10,659	(188)
Net assets released from restrictions	14,724,366	-	(12,082,029)
Total support and revenue	17,818,600	15,791,844	17,917,487
Expenses			
Program services	16,159,449	16,159,449	13,815,863
Supporting activities			
Administrative and general	404,152	404,152	610,898
Fundraising	1,000,666	1,000,666	969,376
Total supporting activities	1,404,818	1,404,818	1,580,274
Total expenses	17,564,267	17,564,267	15,396,137
Increase (decrease) in net assets	254,333	(1,772,423)	2,521,350
Net assets (deficit), beginning of year	(252,809)	4,412,776	1,891,426
Net assets (deficit), end of year	\$ 1,524	\$ 2,640,353	\$ 4,412,776

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2019
(with summarized comparative totals for 2018)**

	2019			2018
	Supporting Activities			
	Program Services	Administrative and General	Fund- Raising	Total
Payroll cost	\$ 2,526,541	\$ 324,913	\$ 326,389	\$ 3,177,843
Professional fees	287,902	11,249	166,485	465,636
Sponsor initiative	11,321,980	-	-	11,321,980
Auditing and accounting	3,711	6,573	1,881	12,165
Insurance	29,913	3,269	3,104	36,286
Fundraising expense	-	-	198,460	198,460
Educational/Outreach	384,795	1,857	227,069	613,721
WKA Support	1,001,365	950	5,000	1,007,315
Litigation/regulation	44,791	-	-	44,791
Travel	98,794	18,139	15,126	132,059
Telephone	12,519	1,573	1,326	15,418
Postage	2,390	885	1,078	4,353
Office expense	47,722	2,817	3,761	54,300
Staff development	10,684	2,602	1,388	14,674
Other	4,127	-	123	4,250
Credit card and banking fees	19,564	7,436	2,046	29,046
Occupancy	362,651	19,120	47,430	429,201
Depreciation	-	2,769	-	2,769
Total	\$16,159,449	\$ 404,152	\$ 1,000,666	\$17,564,267
		\$	\$	\$ 15,396,137

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2018**

	Program Services	Supporting Activities			Total
		Administrative and General	Fund- Raising		
Payroll cost	\$ 2,227,936	\$ 416,701	\$ 313,739	\$	2,958,376
Professional fees	466,974	98,496	173,000		738,470
Sponsor initiative	8,804,084	-	-		8,804,084
Auditing and accounting	9,733	1,138	989		11,860
Insurance	17,906	3,297	3,975		25,178
Fundraising expense	-	-	223,342		223,342
Educational/Outreach	325,783	1,629	178,877		506,289
WKA Support	1,302,382	900	-		1,303,282
Litigation/regulation	125,339	-	187		125,526
Travel	118,296	27,936	20,385		166,617
Telephone	17,231	2,533	2,095		21,859
Postage	9,239	352	1,453		11,044
Office expense	27,541	4,841	2,344		34,726
Staff development	3,709	688	463		4,860
Other	4,266	184	125		4,575
Credit card and banking fees	15,376	9,527	1,785		26,688
Occupancy	340,068	32,699	46,617		419,384
Depreciation	-	9,977	-		9,977
Total	\$ 13,815,863	\$ 610,898	\$ 969,376		\$ 15,396,137

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$(1,772,423)	\$2,521,350
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	2,769	9,977
Donated stock	85,528	144,810
Proceeds from sale of donated stock	(85,528)	(144,810)
Realized and unrealized (gain) loss on investments	(589)	872
(Increase) decrease in assets		
Contributions and grants receivable	355,572	(311,765)
Accounts receivable	-	11,017
Prepaid expenses	31,150	(26,027)
Increase (decrease) in liabilities		
Accounts payable	(245,242)	52,395
Sponsor initiative payable	(1,754,829)	1,754,829
Accrued vacation	6,635	8,843
Deferred rent	(19,750)	(19,750)
Net cash provided by (used in) operating activities	<u>(3,396,707)</u>	<u>4,001,741</u>
Cash flows from investing activities		
Proceeds from sale of investments	757,407	-
Purchase of investments	(779,059)	(402,512)
Purchase of equipment	(63,000)	-
Net cash (used in) investing activities	<u>(84,652)</u>	<u>(402,512)</u>
Net increase (decrease) in cash	(3,481,359)	3,599,229
Cash, beginning of year	<u>5,578,445</u>	<u>1,979,216</u>
Cash, end of year	<u>\$2,097,086</u>	<u>\$5,578,445</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements
June 30, 2019 and June 30, 2018****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:

- **Without donor restrictions**

Net assets without donor restriction are used to account for the general operations of the Alliance.

- **With donor restrictions**

Temporary donor restrictions

Net assets with temporary donor restrictions 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 2019 fiscal year, totaled \$14,724,366 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, 2019 and June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Financial reporting (continued)

- With donor restrictions (continued)

Temporarily donor restrictions (continued)

At June 30, 2019, net assets with temporary donor restrictions were as follows:

	Balance June 30, 2018	Additions	Net Assets Released from Restrictions	Balance June 30, 2019
Purpose				
Annual conference	\$ 1,684	\$ 59,000	\$ (44,000)	\$ 16,684
Butler Conservation Fund	45,000	-	(45,000)	-
China Regional Coordination	-	63,800	(63,800)	-
Clean and safe energy - domestic	49,523	45,000	(94,523)	-
Clean water defense	5,000	50,921	(55,921)	-
Domestic start up	-	10,000	(10,000)	-
Domestic PFPW (non NC)	20,000	25,000	(45,000)	-
Education and outreach	-	40,000	(40,000)	-
North Carolina	1,395,705	2,075,000	(1,996,724)	1,473,981
Other advocacy	-	25,000	(25,000)	-
Splash event series	50,000	-	(50,000)	-
Sponsor initiative*	2,312,114	9,624,087	(11,456,379)	479,822
Training	-	25,300	(25,300)	-
Rapid response	50,000	43,731	(53,731)	40,000
Waterkeeper support	241,197	461,541	(488,626)	214,112
Timing	<u>395,362</u>	<u>149,230</u>	<u>(230,362)</u>	<u>314,230</u>
Total	<u>\$4,565,585</u>	<u>\$12,697,610</u>	<u>\$ (14,724,366)</u>	<u>\$2,538,829</u>

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

Perpetual donor restrictions – The Alliance classifies as net assets with perpetual donor restrictions the original value of gifts donated to the permanent endowment.

	Balance June 30, 2018	Additions	Net Assets Released from Restrictions	Balance June 30, 2019
Endowment	\$ 100,000	\$ -	\$ -	\$ 100,000

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018****Note 2 – Summary of significant accounting policies (continued)****Cash equivalents**

The Alliance considers highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2019 the Alliance did not have any cash equivalents.

Fair value measurements

Accounting principles generally accepted in the United States of America established a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

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 activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consist of salary and wages and time and effort reporting.

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, 2019 and June 30, 2018

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. Due to the level of uncertainty related to changes in interest rates, market volatility, liquidity and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of investments reported in the financial statements at June 30, 2019. 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.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through November 4, 2019, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and availability of financial assets

As of June 30, 2019, the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Financial assets	
Cash	\$ 2,097,086
Investments	423,881
Contributions and pledges receivable	<u>239,507</u>
Sub-total	2,760,474
Less: Net assets with perpetual donor restrictions	<u>100,000</u>
Total	<u>\$ 2,660,474</u>

In addition, Waterkeeper has a \$500,000 line of credit (see note 5) that can be utilized during the fiscal year if necessary.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)

June 30, 2019 and June 30, 2018

Note 4 – Investments, at fair value

At June 30, 2019 and June 30, 2018, the balance of the investments that are measured at fair value are as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Mutual funds – equities	\$ -	\$ -	\$ 83,051	\$ 82,179
Stocks	94,147	99,246	-	-
Certificates of deposit	<u>324,635</u>	<u>324,635</u>	<u>319,461</u>	<u>319,461</u>
Total	<u>\$ 418,782</u>	<u>\$ 423,881</u>	<u>\$ 402,512</u>	<u>\$ 401,640</u>

Investment income consists of the following for the years ended June 30, 2019 and June 30, 2018:

	2019	2018
Interest and dividend income	\$ 12,023	\$ 684
Investment management fees	(1,953)	-
Change in unrealized gain (loss) on investments	5,971	(872)
Realized (loss) on sale of investments	<u>(5,382)</u>	<u>-</u>
Total	<u>\$ 10,659</u>	<u>\$ (188)</u>

At June 30, 2019, the Alliance's investments are deemed to be Level 1.

Note 5 – Line of credit

The Alliance has a \$500,000 line of credit which is due on demand. Borrowings under the line of credit bear interest at the prime rate plus 1.00%. At June 30, 2019, there were no borrowings outstanding under the line.

Note 6 – 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, 2019 and June 30, 2018

Note 7 – Allocation of joint costs

During the 2019 fiscal year, the Alliance incurred joint costs of \$556,531 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 271,457
Fundraising	<u>285,074</u>
Total	<u>\$ 556,531</u>

Note 8 – 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>
2020	\$ 470,781
2021	470,781
2022	516,936
2023	516,936
2024	516,936
2025 and thereafter	<u>1,033,872</u>
Total	<u>\$ 3,526,242</u>

Rent expense, which is net of a \$3,000 monthly sublease to another entity, is allocated to various program activities, totaled \$431,971 and \$419,384 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 9 – 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.