

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2020
and
June 30, 2019**

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, 2020 and June 30, 2019 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, 2020 and June 30 2019 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.

Condon O'Meara McGinty & Donnelly LLP

January 18, 2021

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2020	2019
Current assets		
Cash	\$1,934,361	\$2,097,086
Investments, at fair value	358,307	423,881
Contributions and grants receivable, current portion	573,599	239,507
Prepaid expenses	22,077	28,608
Total current assets	2,888,344	2,789,082
Security deposit	235,340	235,340
Equipment, at cost, net of accumulated depreciation of \$372,744 in 2020 and \$355,103 in 2019	91,164	92,589
Total assets	\$3,214,848	\$3,117,011

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 188,082	\$ 217,009
Accrued vacation	110,018	121,396
Deferred grant	498,174	-
Total current liabilities	796,274	338,405
Deferred rent	257,830	138,253
Total liabilities	1,054,104	476,658
Net assets		
Without donor restrictions	(319,605)	1,524
With donor restrictions	2,480,349	2,638,829
Total net assets	2,160,744	2,640,353
Total liabilities and net assets	\$3,214,848	\$3,117,011

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Activities

	For Year Ended June 30					
	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 2,632,388	\$ 14,588,082	\$ 17,220,470	\$ 2,691,356	\$ 12,697,610	\$ 15,388,966
Fundraising	16,659	-	16,659	281,032	-	281,032
Fiscal sponsor fees	-	-	-	53,885	-	53,885
Licensing fees and other	61,369	-	61,369	57,302	-	57,302
Investment return, net	29,430	-	29,430	10,659	-	10,659
Net assets released from restrictions	14,746,562	(14,746,562)	-	14,724,366	(14,724,366)	-
Total support and revenue	17,486,408	(158,480)	17,327,928	17,818,600	(2,026,756)	15,791,844
Expenses						
Program services	16,298,142	-	16,298,142	16,159,449	-	16,159,449
Supporting activities	552,685	-	552,685	404,152	-	404,152
Administrative and general Fundraising	956,710	-	956,710	1,000,666	-	1,000,666
Total supporting activities	1,509,395	-	1,509,395	1,404,818	-	1,404,818
Total expenses	17,807,537	-	17,807,537	17,564,267	-	17,564,267
Increase (decrease) in net assets	(321,129)	(158,480)	(479,609)	254,333	(2,026,756)	(1,772,423)
Net assets (deficit), beginning of year	1,524	2,638,829	2,640,353	(252,809)	4,665,585	4,412,776
Net assets (deficit), end of year	<u>\$ (319,605)</u>	<u>\$ 2,480,349</u>	<u>\$ 2,160,744</u>	<u>\$ 1,524</u>	<u>\$ 2,638,829</u>	<u>\$ 2,640,353</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized comparative totals for 2019)**

	<u>2020</u>			<u>2019</u>		
	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>	<u>Total</u>	<u>Total</u>
		<u>Administrative General</u>	<u>Fund- Raising</u>			
Payroll cost	\$ 2,517,905	\$ 461,436	\$ 327,051	\$ 3,306,392	\$ 3,177,843	
Professional fees	270,998	20,454	212,938	504,390	465,636	
Sponsor initiative	11,543,958	-	-	11,543,958	11,321,980	
Auditing and accounting	3,741	5,614	3,116	12,471	12,165	
Insurance	21,793	3,502	2,510	27,805	36,286	
Fundraising expense	-	-	94,683	94,683	198,460	
Educational/Outreach	411,348	2,714	243,562	657,624	613,721	
WKA Support	882,118	-	-	882,118	1,007,315	
Litigation/regulation	42,705	-	-	42,705	44,791	
Travel	88,798	3,542	8,353	100,693	132,059	
Telephone	14,409	1,966	844	17,219	15,418	
Postage	5,605	564	726	6,895	4,353	
Office expense	44,219	5,278	2,062	51,559	54,300	
Staff development	8,723	856	454	10,033	14,674	
Other	3,641	183	526	4,350	4,250	
Credit card and banking fees	22,082	9,582	11,502	43,166	29,046	
Occupancy	416,099	19,353	48,383	483,835	429,201	
Depreciation	-	17,641	-	17,641	2,769	
Total	\$16,298,142	\$ 552,685	\$ 956,710	\$17,807,537	\$17,564,267	

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>Administrative and General</u>	<u>Fund- Raising</u>	
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

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (479,609)	\$(1,772,423)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation	17,641	2,769
Donated stock	(121,028)	(85,528)
Proceeds from sale of donated stock	121,028	85,528
Realized and unrealized (gain) on investments	(24,563)	(589)
(Increase) decrease in assets		
Contributions and grants receivable	(334,092)	355,572
Prepaid expenses	6,531	31,150
Increase (decrease) in liabilities		
Accounts payable	(28,927)	(245,242)
Sponsor initiative payable	-	(1,754,829)
Accrued vacation	(11,378)	6,635
Deferred rent	119,577	(19,750)
Proceeds from deferred grant	498,174	-
Net cash (used in) operating activities	<u>(236,646)</u>	<u>(3,396,707)</u>
Cash flows from investing activities		
Proceeds from sale of investments	621,431	757,407
Purchases of investments	(531,294)	(779,059)
Purchases of equipment	(16,216)	(63,000)
Net cash provided by (used in) investing activities	<u>73,921</u>	<u>(84,652)</u>
Net (decrease) in cash	(162,725)	(3,481,359)
Cash, beginning of year	<u>2,097,086</u>	<u>5,578,445</u>
Cash, end of year	<u>\$1,934,361</u>	<u>\$2,097,086</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements
June 30, 2020 and June 30, 2019****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 2020 fiscal year, totaled \$14,746,562 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, 2020 and June 30, 2019**

Note 2 – Summary of significant accounting policies (continued)

Financial reporting (continued)

- With donor restrictions (continued)

Temporarily donor restrictions (continued)

At June 30, 2020, net assets with temporary donor restrictions were as follows:

Purpose	Balance June 30, 2019	Additions	Net Assets Released from Restrictions	Balance June 30, 2020
Annual conference	\$ 16,684	\$ 22,500	\$ (35,000)	\$ 4,184
China Regional Coordination	-	106,800	(71,000)	35,800
Clean and safe energy - domestic	-	18,000	(18,000)	-
Clean water defense	-	253,350	(134,350)	119,000
Domestic start up	-	-	-	-
Domestic PFPW (non NC)	-	135,000	(31,500)	103,500
Education and outreach	-	20,000	(20,000)	-
North Carolina	1,473,981	2,075,000	(2,153,983)	1,394,998
Sponsor initiative*	479,822	11,354,308	(11,487,588)	346,542
Training	-	86,150	(75,650)	10,500
Rapid response	40,000	125,588	(118,588)	47,000
Waterkeeper support	214,112	218,186	(286,673)	145,625
Timing	<u>314,230</u>	<u>173,200</u>	<u>(314,230)</u>	<u>173,200</u>
Total	<u>\$2,538,829</u>	<u>\$14,588,082</u>	<u>\$(14,746,562)</u>	<u>\$2,380,349</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. At June 30, 2020, the Alliance had \$100,000 of assets subject to perpetual donor restrictions.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019****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, 2020 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.

Risks and uncertainties

On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Alliance's future financial operations is not readily determinable.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019

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, 2020. 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 January 18, 2021, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and availability of financial assets

As of June 30, 2020 and June 30, 2019, the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 1,934,361	\$ 2,097,086
Investments, at fair value	358,307	423,881
Contributions and grants receivable	<u>573,599</u>	<u>239,507</u>
Sub-total	2,866,267	2,760,474
Less: Net assets with perpetual donor restrictions	<u>100,000</u>	<u>100,000</u>
Total financial assets	<u>\$ 2,766,267</u>	<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, 2020 and June 30, 2019

Note 4 – Investments, at fair value

At June 30, 2020 and June 30, 2019, the balance of the investments that are measured at fair value are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 218,937	\$ 217,409	\$ -	\$ -
Stocks	131,814	140,898	94,147	99,246
Certificates of deposit	-	-	<u>324,635</u>	<u>324,635</u>
Total	<u>\$ 350,751</u>	<u>\$ 358,307</u>	<u>\$ 418,782</u>	<u>\$ 423,881</u>

Investment income consists of the following for the years ended June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 6,524	\$ 12,023
Investment management fees	(1,657)	(1,953)
Change in unrealized gain on investments	2,457	5,971
Realized gain (loss) on sale of investments	<u>22,106</u>	<u>(5,382)</u>
Total	<u>\$ 29,430</u>	<u>\$ 10,659</u>

At June 30, 2020, 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, 2020, 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, 2020 and June 30, 2019

Note 7 – Allocation of joint costs

During the 2020 fiscal year, the Alliance incurred joint costs of \$617,322 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs		\$ 293,511
Fundraising		<u>323,811</u>
Total		<u>\$ 617,322</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. During April 2020, the Alliance extended the lease for an additional five-year lease period commencing August 2026 requiring an annual base rental fee of \$563,091. In connection with this agreement, the Alliance received an additional five month rent abatement. The abatement amounts have 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>
2021	\$ 470,781
2022	516,936
2023	516,936
2024	516,936
2025	516,936
2026 and thereafter	<u>3,332,391</u>
Total	<u>\$ 5,870,916</u>

Rent expense, which is net of a \$3,000 monthly sublease to another entity, is allocated to various program activities, totaled \$483,835 and \$429,201 for the years ended June 30, 2020 and June 30, 2019, respectively.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 9 – Deferred grant**

On April 29, 2020, the Alliance received \$498,174 under the Paycheck Protection Program (“PPP”) which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Alliance has recorded the proceeds as a liability until the loan is, in part or wholly, forgiven and the Alliance is legally released from having to repay. The Alliance believes it has used the proceeds in accordance with the terms of the PPP loan program. The Alliance has been monitoring the evolving legislation and guidance on the PPP, plans to apply for forgiveness in fiscal year 2021 and expects to have the loan substantially or fully forgiven. Any amounts not forgiven would be repayable over a twenty-four month period and would be subject to interest at a fixed rate of 1% per annum.

Note 10 - Economic Injury Disaster Loan

During July 2020, the Alliance applied for an (“EIDL”) with the U.S. Small Business Administration to provide disaster relief from the COVID-19 pandemic. The loan was approved for \$150,000 and the Alliance received that amount, less a \$100 third-party filing fee on July 6, 2020. Repayment of the EIDL commences 12 months after closing (July 2021) and requires monthly payments of \$641 applicable first to a fixed interest rate of 2.75% per annum and the balance to a reduction of principal. EIDL will be amortized over 360 months, until July 2050, when the entire unpaid principal balance and all accrued and unpaid interest would be due and payable. EIDL is collateralized by a security interest, as defined in the EIDL documents.

Note 11 – 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.