

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2021
and
June 30, 2020**

Independent Auditor's Report

To the Board of Directors of
Waterkeeper Alliance, Inc.

We have audited the accompanying financial statements of Waterkeeper Alliance, Inc. which comprise the statement of financial position as of June 30, 2021 and June 30, 2020 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, 2021 and June 30 2020 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

December 14, 2021

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2021	2020
Current assets		
Cash	\$3,658,671	\$1,934,361
Investments, at fair value	726,636	358,307
Contributions and grants receivable	704,005	573,599
Prepaid expenses	116,838	22,077
Total current assets	5,206,150	2,888,344
Security deposit	235,340	235,340
Equipment, at cost, net of accumulated depreciation of \$404,385 in 2021 and \$372,744 in 2020	70,858	91,164
Total assets	\$5,512,348	\$3,214,848

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 424,766	\$ 188,082
Accrued vacation	104,944	110,018
Deferred grant	521,012	498,174
Total current liabilities	1,050,722	796,274
Deferred rent	459,741	257,830
Total liabilities	1,510,463	1,054,104
Net assets		
Without donor restrictions	1,978,840	(319,605)
With donor restrictions	2,023,045	2,480,349
Total net assets	4,001,885	2,160,744
Total liabilities and net assets	\$5,512,348	\$3,214,848

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Activities

	For Year Ended June 30			
	2021		2020	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue				
Contributions	\$ 6,705,878	\$ 4,956,388	\$ 2,632,388	\$ 14,588,082
Fundraising	-	-	16,659	16,659
Licensing fees and other	67,999	67,999	61,369	61,369
Investment return, net	86,009	86,009	29,430	29,430
Net assets released from restrictions	5,413,692	(5,413,692)	14,746,562	(14,746,562)
Total support and revenue	<u>12,273,578</u>	<u>(457,304)</u>	<u>17,486,408</u>	<u>(158,480)</u>
				<u>17,327,928</u>
Expenses				
Program services	8,462,262	-	16,298,142	16,298,142
Supporting activities				
Administrative and general	477,842	-	552,685	552,685
Fundraising	1,035,029	-	956,710	956,710
Total supporting activities	1,512,871	-	1,509,395	1,509,395
Total expenses	9,975,133	-	17,807,537	17,807,537
Increase (decrease) in net assets	2,298,445	(457,304)	(321,129)	(479,609)
Net assets (deficit), beginning of year	<u>(319,605)</u>	<u>2,480,349</u>	<u>1,524</u>	<u>2,638,829</u>
Net assets (deficit), end of year	<u>\$ 1,978,840</u>	<u>\$ 2,023,045</u>	<u>\$ (319,605)</u>	<u>\$ 2,160,744</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Functional Expenses
Year Ended June 30, 2021
 (with summarized comparative totals for 2020)

	<u>2021</u>			<u>2020</u>
	<u>Supporting Activities</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund-Raising</u>	
Payroll and employee benefit costs	\$ 2,218,778	\$ 430,129	\$ 393,936	\$ 3,042,843
Professional fees	413,806	17,830	305,766	737,402
Sponsor initiative	3,117,415	-	-	3,117,415
Auditing and accounting	9,704	1,428	1,369	12,501
Insurance	24,418	2,828	2,712	29,958
Fundraising expense	15,389	-	13,279	28,668
Educational/Outreach	605,400	2,394	244,901	852,695
WKA Support	887,020	-	-	887,020
Litigation/regulation	592,550	-	-	592,550
Travel	6,689	443	196	7,328
Telephone	16,401	2,390	1,716	20,507
Postage	1,599	288	209	2,096
Office	49,825	3,250	2,231	55,306
Staff development	1,151	47	21	1,219
Other	4,691	154	545	5,390
Credit card and banking fees	24,284	9,909	3,065	37,258
Occupancy	446,440	5,104	61,792	513,336
Depreciation	26,702	1,648	3,291	31,641
Total	\$ 8,462,262	\$ 477,842	\$ 1,035,029	\$ 9,975,133
				\$ 17,807,537

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2020**

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

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	2021	2020
Cash flows from operating activities		
Increase (decrease) in net assets	\$1,841,141	\$ (479,609)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	31,641	17,641
Donated stock	(55,314)	(121,028)
Proceeds from sale of donated stock	55,314	121,028
Net realized and unrealized (gain) on investments	(76,894)	(24,563)
(Increase) decrease in assets		
Contributions and grants receivable	(130,406)	(334,092)
Prepaid expenses	(94,761)	6,531
Increase (decrease) in liabilities		
Accounts payable	236,684	(28,927)
Accrued vacation	(5,074)	(11,378)
Deferred grant	22,838	498,174
Deferred rent	201,911	119,577
Net cash provided by (used in) operating activities	<u>2,027,080</u>	<u>(236,646)</u>
Cash flows from investing activities		
Proceeds from sale of investments	112,038	621,431
Purchases of investments	(403,473)	(531,294)
Purchases of equipment	(11,335)	(16,216)
Net cash provided by (used in) investing activities	<u>(302,770)</u>	<u>73,921</u>
Cash flows from financing activities		
Proceeds from Economic Injury Disaster Loan	149,900	-
Repayment of Economic Injury Disaster Loan	(149,900)	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	1,724,310	(162,725)
Cash, beginning of year	<u>1,934,361</u>	<u>2,097,086</u>
Cash, end of year	<u>\$ 3,658,671</u>	<u>\$1,934,361</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements
June 30, 2021 and June 30, 2020****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 policiesFinancial 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 2021 fiscal year, totaled \$5,413,692 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, 2021 and June 30, 2020**

Note 2 – Summary of significant accounting policies (continued)

Financial reporting (continued)

- With donor restrictions (continued)

Temporarily donor restrictions (continued)

At June 30, 2021, net assets with temporary donor restrictions were as follows:

	Balance June 30, 2020	Additions	Net Assets Released from Restrictions	Balance June 30, 2021
Purpose				
Annual conference	\$ 4,184	\$ 25,000	\$ (27,500)	\$ 1,684
China Regional Coordination	35,800	-	(35,800)	-
Clean water defense	119,000	416,027	(494,666)	40,361
Domestic PFPW (non NC)	103,500	127,000	(113,500)	117,000
North Carolina	1,394,998	1,400,000	(1,425,000)	1,369,998
Sponsor initiative*	346,542	2,787,850	(3,117,415)	16,977
Training	10,500	5,571	(16,071)	-
Rapid response	47,000	-	(10,000)	37,000
Waterkeeper support	145,625	44,940	(82,940)	107,625
Timing	<u>173,200</u>	<u>150,000</u>	<u>(90,800)</u>	<u>232,400</u>
Total	<u>\$2,380,349</u>	<u>\$4,956,388</u>	<u>\$(5,413,692)</u>	<u>\$1,923,045</u>

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

	Balance June 30, 2019	Additions	Net Assets Released from Restrictions	Balance June 30, 2020
Purpose				
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>

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 2 – Summary of significant accounting policies (continued)**Financial reporting (continued)

- With donor restrictions (continued)

Temporarily donor restrictions (continued)

- * 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, 2021, the Alliance had \$100,000 of assets subject to perpetual donor restrictions.

Cash equivalents

The Alliance considers highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2021 and 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 program services 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.

WATERKEEPER ALLIANCE, INC.

**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020**

Note 2 – Summary of significant accounting policies (continued)

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

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, 2021. 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 December 14, 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, 2021 and June 30, 2020, the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 3,658,671	\$ 1,934,361
Investments, at fair value	726,636	358,307
Contributions and grants receivable	<u>704,005</u>	<u>573,599</u>
Sub-total	5,089,312	2,866,267
Less: Net assets with perpetual donor restrictions	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 4,989,312</u>	<u>\$ 2,766,267</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, 2021 and June 30, 2020**

Note 4 – Investments, at fair value

At June 30, 2021 and June 30, 2020, the balance of the investments that are measured at fair value are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 309,676	\$ 313,782	\$ 218,937	\$ 217,409
Common stocks	<u>311,253</u>	<u>412,854</u>	<u>131,814</u>	<u>140,898</u>
Total	<u>\$ 620,929</u>	<u>\$ 726,636</u>	<u>\$ 350,751</u>	<u>\$ 358,307</u>

Investment income consists of the following for the years ended June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 12,210	\$ 6,524
Investment management fees	(3,095)	(1,657)
Change in unrealized gain on investments	98,151	2,457
Realized gain (loss) on sale of investments	<u>(21,257)</u>	<u>22,106</u>
Total	<u>\$ 86,009</u>	<u>\$ 29,430</u>

At June 30, 2021 and 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, 2021 and 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 because they do not meet the criteria for recognition.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020

Note 7 – Allocation of joint costs

During the 2021 and 2020 fiscal years, the Alliance incurred joint costs of \$672,396 and \$617,322, respectively, for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

	2021	2020	
Programs	\$ 338,578	\$ 293,511	
Fundraising	333,818	323,811	
Total	\$ 672,396	\$ 617,322	

Note 8 – Lease agreement

During July 2015, the Alliance entered into a ten-year lease agreement for office space 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):

Fiscal year	Amount
2022	\$ 516,936
2023	516,936
2024	516,936
2025	516,936
2026	516,936
2027 and thereafter	2,815,455
Total	\$ 5,400,135

Rent expense, which is net of a \$3,000 monthly sublease to another entity, is allocated to various program activities, totaled \$513,336 and \$483,835 for the years ended June 30, 2021 and June 30, 2020, respectively.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 9 – Deferred grant**

On April 29, 2020, the Alliance received \$498,174 under the Paycheck Protection Program (“PPP”) which is a business program established under the Coronavirus Aid, Relief, and Economic Security Act. During April 2021, the PPP Loan forgiveness application was confirmed by the SBA and as a result, the Alliance recorded \$498,174 as contributions and grants in the 2021 fiscal year statement of activities.

During March 2021, the Alliance received a second draw under the PPP, totaling \$521,012 at terms substantially similar to the first draw received in 2020. During August 2021, the PPP forgiveness application was confirmed by the SBA. The Alliance will record \$521,012 as contributions and grants in the 2022 fiscal year statement of activities.

Note 10 - Economic Injury Disaster Loan

During July 2020, the Alliance applied for a 30-year Economic Injury Disaster Loan 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. This loan was repaid without penalty in February 2021.

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.