

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Year Ended
June 30, 2022
and
June 30, 2021**

Independent Auditor's Report

To the Board of Directors of
Waterkeeper Alliance, Inc.

Opinion

We have audited the financial statements of Waterkeeper Alliance, Inc. which comprise the statement of financial position as of June 30, 2022 and June 30, 2021 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Waterkeeper Alliance, Inc. as of June 30, 2022 and June 30, 2021 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterkeeper Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterkeeper Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Waterkeeper Alliance' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterkeeper Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Condon O'Meara McGinty + Donnelly LLP

February 10, 2023

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2022	2021
Current assets		
Cash	\$2,598,010	\$3,658,671
Investments, at fair value	1,516,283	726,636
Contributions and grants receivable	311,014	704,005
Prepaid expenses	<u>124,327</u>	<u>116,838</u>
Total current assets	4,549,634	5,206,150
Security deposit	235,340	235,340
Equipment, at cost, net of accumulated depreciation of \$439,007 in 2022 and \$404,385 in 2021	<u>36,236</u>	<u>70,858</u>
Total assets	<u>\$4,821,210</u>	<u>\$5,512,348</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$1,983,603	\$ 424,766
Accrued vacation	141,577	104,944
Deferred grant	<u>-</u>	<u>521,012</u>
Total current liabilities	2,125,180	1,050,722
Deferred rent	<u>433,092</u>	<u>459,741</u>
Total liabilities	<u>2,558,272</u>	<u>1,510,463</u>
Net assets		
Without donor restrictions	942,119	1,978,840
With donor restrictions	<u>1,320,819</u>	<u>2,023,045</u>
Total net assets	<u>2,262,938</u>	<u>4,001,885</u>
Total liabilities and net assets	<u>\$4,821,210</u>	<u>\$5,512,348</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Activities

	For Year Ended June 30			
	2022		2021	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue		<u>Total</u>		<u>Total</u>
Contributions	\$ 4,195,555	\$10,643,425	\$ 6,705,878	\$ 4,956,388
Fundraising	184,839	-	-	-
Licensing fees and other	59,155	-	67,999	-
Investment return, net	(26,691)	-	86,009	-
Net assets released from restrictions	11,345,651	(11,345,651)	5,413,692	(5,413,692)
Total support and revenue	15,758,509	(702,226)	12,273,578	(457,304)
Expenses				
Program services	15,483,734	-	8,462,262	-
Supporting activities				
Administrative and general	428,511	-	477,842	-
Fundraising	882,985	-	1,035,029	-
Total supporting activities	1,311,496	-	1,512,871	-
Total expenses	16,795,230	-	9,975,133	-
Increase (decrease) in net assets	(1,036,721)	(702,226)	2,298,445	(457,304)
Net assets (deficit), beginning of year	1,978,840	2,023,045	(319,605)	2,480,349
Net assets, end of year	\$ 942,119	\$ 1,320,819	\$ 1,978,840	\$ 2,023,045

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Functional Expenses
Year Ended June 30, 2022
(with summarized comparative totals for 2021)

	2022			2021
	Supporting Activities			
	Program Services	Administrative and General	Fund- Raising	Total
Payroll and employee benefit costs	\$ 2,956,494	\$ 298,866	\$ 319,392	\$ 3,574,752
Professional fees	279,902	55,845	154,877	490,624
Sponsor initiative	9,590,452	-	-	9,590,452
Auditing and accounting	10,773	1,092	1,135	13,000
Insurance	25,246	2,184	2,395	29,825
Fundraising expense	13,225	-	72,225	85,450
Educational/Outreach	532,477	2,775	256,398	791,650
WKA Support	1,410,543	-	-	1,410,543
Litigation/regulation	49,970	-	2,549	52,519
Travel	48,388	596	5,178	54,162
Telephone	16,290	1,324	1,162	18,776
Postage	2,749	129	331	3,209
Office	64,663	4,486	17,927	87,076
Staff development	2,072	204	212	2,488
Other	1,117	5,374	489	6,980
Credit card and banking fees	16,723	11,608	2,147	30,478
Occupancy	430,801	43,073	44,750	518,624
Depreciation	31,849	955	1,818	34,622
Total	\$15,483,734	\$ 428,511	\$ 882,985	\$16,795,230
				\$ 9,975,133

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2021**

	Supporting Activities		
	Program Services	Administrative and General	Fund- Raising
			Total
Payroll and employee benefit costs	\$ 2,218,778	\$ 430,129	\$ 393,936
Professional fees	413,806	17,830	305,766
Sponsor initiative	3,117,415	-	-
Auditing and accounting	9,704	1,428	1,369
Insurance	24,418	2,828	2,712
Fundraising expense	15,389	-	13,279
Educational/Outreach	605,400	2,394	244,901
WKA Support	887,020	-	-
Litigation/regulation	592,550	-	-
Travel	6,689	443	196
Telephone	16,401	2,390	1,716
Postage	1,599	288	209
Office	49,825	3,250	2,231
Staff development	1,151	47	21
Other	4,691	154	545
Credit card and banking fees	24,284	9,909	3,065
Occupancy	446,440	5,104	61,792
Depreciation	26,702	1,648	3,291
Total	\$ 8,462,262	\$ 477,842	\$ 1,035,029
			\$ 9,975,133

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	\$(1,738,947)	\$1,841,141
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	34,622	31,641
Donated stock	(95,091)	(55,314)
Proceeds from sale of donated stock	95,091	55,314
Net realized and unrealized (gain) loss on investments	54,389	(76,894)
(Increase) decrease in assets		
Contributions and grants receivable	392,991	(130,406)
Prepaid expenses	(7,489)	(94,761)
Increase (decrease) in liabilities		
Accounts payable	1,558,837	236,684
Accrued vacation	36,633	(5,074)
Deferred grant	(521,012)	22,838
Deferred rent	(26,649)	201,911
Net cash provided by (used in) operating activities	<u>(216,625)</u>	<u>2,027,080</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,393,678	112,038
Purchases of investments	(3,237,714)	(403,473)
Purchases of equipment	<u>-</u>	<u>(11,335)</u>
Net cash (used in) investing activities	<u>(844,036)</u>	<u>(302,770)</u>
Cash flows from financing activities		
Proceeds from Economic Injury Disaster Loan	-	149,900
Repayment of Economic Injury Disaster Loan	<u>-</u>	<u>(149,900)</u>
Net increase (decrease) in cash	(1,060,661)	1,724,310
Cash, beginning of year	<u>3,658,671</u>	<u>1,934,361</u>
Cash, end of year	<u>\$ 2,598,010</u>	<u>\$ 3,658,671</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements
June 30, 2022 and June 30, 2021****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 2022 fiscal year, totaled \$10,245,798 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, 2022 and June 30, 2021

Note 2 – Summary of significant accounting policies (continued)

Financial reporting (continued)

- With donor restrictions (continued)

Temporarily donor restrictions (continued)

At June 30, 2022, net assets with temporary donor restrictions were as follows:

	Balance June 30, 2021	Additions	Net Assets Released from Restrictions	Balance June 30, 2022
Purpose				
Annual conference	\$ 1,684	\$ 10,000	\$ (10,000)	\$ 1,684
Clean water defense	40,361	350,000	(340,361)	50,000
Domestic PFPW (non NC)	117,000	35,000	(137,000)	15,000
North Carolina	1,369,998	200,000	(780,451)	789,547
Sponsor initiative*	16,977	9,600,624	(9,590,452)	27,149
Rapid response	37,000	-	(22,000)	15,000
Waterkeeper support	107,625	352,801	(257,987)	202,439
Timing	<u>232,400</u>	<u>95,000</u>	<u>(207,400)</u>	<u>120,000</u>
Total	<u>\$1,923,045</u>	<u>\$10,643,425</u>	<u>\$ (11,345,651)</u>	<u>\$1,220,819</u>

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>

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2022 and June 30, 2021****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, 2022, 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, 2022 and June 30, 2021, 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, 2022 and June 30, 2021

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.

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, 2022. 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 February 10, 2023, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and availability of financial assets

As of June 30, 2022 and June 30, 2021, the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 2,598,010	\$ 3,658,671
Investments, at fair value	1,516,283	726,636
Contributions and grants receivable	<u>311,014</u>	<u>704,005</u>
Sub-total	4,425,307	5,089,312
Less: Net assets with perpetual donor restrictions	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 4,325,307</u>	<u>\$ 4,989,312</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, 2022 and June 30, 2021

Note 4 – Investments, at fair value

At June 30, 2022 and June 30, 2021, the balance of the investments that are measured at fair value are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 1,065,937	\$ 1,020,334	\$ 309,676	\$ 313,782
Common stocks	<u>480,175</u>	<u>495,949</u>	<u>311,253</u>	<u>412,854</u>
Total	<u>\$ 1,546,112</u>	<u>\$ 1,516,283</u>	<u>\$ 620,929</u>	<u>\$ 726,636</u>

Investment income consists of the following for the years ended June 30, 2022 and June 30, 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 34,061	\$ 12,210
Investment management fees	(6,363)	(3,095)
Change in unrealized value in investments	(135,536)	98,151
Realized gain (loss) on sale of investments	<u>81,147</u>	<u>(21,257)</u>
Total	<u>\$ (26,691)</u>	<u>\$ 86,009</u>

At June 30, 2022 and June 30, 2021, 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, 2022 and June 30, 2021, 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, 2022 and June 30, 2021

Note 7 – Allocation of joint costs

During the 2022 and 2021 fiscal years, the Alliance incurred joint costs of \$663,260 and \$672,396, respectively, for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Programs	\$ 330,044	\$ 338,578
Fundraising	<u>333,216</u>	<u>333,818</u>
Total	<u>\$ 663,260</u>	<u>\$ 672,396</u>

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):

<u>Fiscal year</u>	<u>Amount</u>
2023	\$ 516,936
2024	516,936
2025	516,936
2026	516,936
2027	328,470
2028 and thereafter	<u>2,486,985</u>
Total	<u>\$ 4,883,199</u>

Rent expense, which is net of a \$3,000 monthly sublease to another entity, is allocated to various program activities, totaled \$518,624 and \$513,336 for the years ended June 30, 2022 and June 30, 2021, respectively.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2022 and June 30, 2021****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 and as a result, the Alliance recorded \$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.