

**WATERKEEPER ALLIANCE, INC.**

**Financial Statements  
for the Years Ended  
June 30, 2023  
and  
June 30, 2022**

## **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, 2023 and June 30, 2022 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 referred to above present fairly, in all material respects, the financial position of Waterkeeper Alliance, Inc. as of June 30, 2023 and June 30, 2022 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.

### ***Change in Accounting Principle***

As discussed in note 2 to the financial statements, Waterkeeper Alliance, Inc. has changed its method of accounting for leases as of July 1, 2022 due to the adoption of ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to that matter.

### ***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 Inc.'s 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*

**WATERKEEPER ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Current assets</b>		
Cash	\$2,684,184	\$2,598,010
Investments, at fair value	1,219,912	1,516,283
Contributions and grants receivable	809,343	311,014
Prepaid expenses	97,097	124,327
Total current assets	4,810,536	4,549,634
<b>Security deposit</b>	235,340	235,340
<b>Equipment, at cost, net of accumulated depreciation of \$460,426 in 2023 and \$439,007 in 2022</b>	14,817	36,236
<b>Right-of-use asset – operating lease, net</b>	4,003,458	-
<b>Total assets</b>	<b>\$9,064,151</b>	<b>\$4,821,210</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 305,408	\$1,983,603
Accrued vacation	128,420	141,577
Current portion of operating lease payable	502,465	-
Total current liabilities	936,293	2,125,180
<b>Operating lease payable, less current portion</b>	3,907,899	-
<b>Deferred rent</b>	-	433,092
<b>Total liabilities</b>	<b>4,844,192</b>	<b>2,558,272</b>
<b>Net assets</b>		
Without donor restrictions	1,687,135	942,119
With donor restrictions	2,532,824	1,320,819
Total net assets	4,219,959	2,262,938
<b>Total liabilities and net assets</b>	<b>\$9,064,151</b>	<b>\$4,821,210</b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Activities**

	For Year Ended June 30			
	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Support and revenue</b>				
Contributions	\$ 5,112,593	\$ 3,509,478	\$ 4,195,555	\$ 10,643,425
Fundraising	237,228	-	184,839	-
Licensing fees and other	63,788	-	59,155	-
Investment return, net	99,438	-	(26,691)	-
Net assets released from restrictions	2,297,473	(2,297,473)	11,345,651	(11,345,651)
Total support and revenue	<u>7,810,520</u>	<u>1,212,005</u>	<u>15,758,509</u>	<u>(702,226)</u>
<b>Expenses</b>				
Program services	5,661,457	-	15,483,734	-
Supporting activities	507,782	-	428,511	-
Administrative and general	896,265	-	882,985	-
Fundraising	1,404,047	-	1,311,496	-
Total supporting activities	<u>7,065,504</u>	<u>-</u>	<u>16,795,230</u>	<u>-</u>
Total expenses	745,016	1,212,005	(1,036,721)	(702,226)
Increase (decrease) in net assets		<u>1,957,021</u>	<u>1,978,840</u>	<u>2,023,045</u>
<b>Net assets, beginning of year</b>	<u>942,119</u>	<u>1,320,819</u>	<u>1,978,840</u>	<u>2,023,045</u>
<b>Net assets, end of year</b>	<u>\$ 1,687,135</u>	<u>\$ 2,532,824</u>	<u>\$ 942,119</u>	<u>\$ 1,320,819</u>
				<u>\$ 2,262,938</u>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2023  
(with summarized comparative totals for 2022)**

	<b>2023</b>				<b>2022</b>
	<b>Program Services</b>	<b>Supporting Activities</b>			<b>Total</b>
		<b>Administrative and General</b>	<b>Fund- Raising</b>	<b>Total</b>	
Payroll and employee benefit costs	\$ 2,636,917	\$ 378,966	\$ 302,412	\$ 3,318,295	\$ 3,574,752
Professional fees	226,925	11,965	124,086	362,976	490,624
Sponsor initiative	750,584	-	-	750,584	9,590,452
Auditing and accounting	10,680	1,548	1,172	13,400	13,000
Insurance	26,270	3,807	2,884	32,961	29,825
Fundraising expense	11,071	-	145,429	156,500	85,450
Educational/Outreach	457,126	2,200	247,722	707,048	791,650
WKA Support	919,537	-	-	919,537	1,410,543
Litigation/regulation	50,356	-	1,986	52,342	52,519
Travel	54,062	9,083	4,685	67,830	54,162
Telephone	14,991	1,822	1,249	18,062	18,776
Postage	3,059	147	3,026	6,232	3,209
Office	74,919	6,997	12,755	94,671	87,076
Staff development	1,205	175	132	1,512	2,488
Other	-	-	24	24	6,980
Credit card and banking fees	13,324	7,044	1,279	21,647	30,478
Occupancy	410,431	62,609	47,424	520,464	518,624
Depreciation	-	21,419	-	21,419	34,622
<b>Total</b>	<b>\$ 5,661,457</b>	<b>\$ 507,782</b>	<b>\$ 896,265</b>	<b>\$ 7,065,504</b>	<b>\$ 16,795,230</b>

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2022**

	Program Services	Supporting Activities			Total
		Administrative General	Fund- Raising		
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	
<b>Total</b>	<b>\$15,483,734</b>	<b>\$ 428,511</b>	<b>\$ 882,985</b>	<b>\$16,795,230</b>	

See notes to financial statements.

**WATERKEEPER ALLIANCE, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 1,957,021	\$(1,738,947)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation	21,419	34,622
Donated stock	(15,235)	(95,091)
Proceeds from sale of donated stock	15,203	95,091
Net realized and unrealized (gain) loss on investments	(57,889)	54,389
Net change in operating lease	(26,186)	-
(Increase) decrease in assets		
Contributions and grants receivable	(498,329)	392,991
Prepaid expenses	27,230	(7,489)
Increase (decrease) in liabilities		
Accounts payable	(1,678,195)	1,558,837
Accrued vacation	(13,157)	36,633
Deferred grant	-	(521,012)
Deferred rent	-	(26,649)
Net cash (used in) operating activities	<u>(268,118)</u>	<u>(216,625)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	759,697	2,393,678
Purchases of investments	<u>(405,405)</u>	<u>(3,237,714)</u>
Net cash provided by (used in) investing activities	<u>354,292</u>	<u>(844,036)</u>
<b>Net increase (decrease) in cash</b>	<b>86,174</b>	<b>(1,060,661)</b>
<b>Cash, beginning of year</b>	<u><b>2,598,010</b></u>	<u><b>3,658,671</b></u>
<b>Cash, end of year</b>	<u><b>\$ 2,684,184</b></u>	<u><b>\$ 2,598,010</b></u>

See notes to financial statements.



**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements  
June 30, 2023 and June 30, 2022**

**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.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2023 and June 30, 2022**

**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, 2022	Additions	Net Assets Released from Restrictions	Balance June 30, 2023
<b>Purpose</b>				
Annual conference	\$ 1,684	\$ 70,000	\$ (70,000)	\$ 1,684
Clean water defense	50,000	283,993	(139,630)	194,363
Domestic PFPW (non NC)	15,000	25,000	(20,000)	20,000
North Carolina	789,547	1,100,000	(724,549)	1,164,998
Sponsor initiative*	27,149	774,910	(750,584)	51,475
Rapid response	15,000	-	(1,000)	14,000
Waterkeeper support	202,439	551,825	(496,710)	257,554
<b>Timing</b>	<u>120,000</u>	<u>703,750</u>	<u>(95,000)</u>	<u>728,750</u>
Total	<u>\$1,220,819</u>	<u>\$ 3,509,478</u>	<u>\$ (2,297,473)</u>	<u>\$ 2,432,824</u>

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
<b>Purpose</b>				
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
<b>Timing</b>	<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>

**WATERKEEPER ALLIANCE, INC.****Notes to Financial Statements (continued)  
June 30, 2023 and June 30, 2022****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, 2023, 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, 2023 and June 30, 2022, 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, 2023 and June 30, 2022****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, 2023. 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.

New accounting pronouncement

For the 2023 fiscal year, the Alliance adopted the new lease accounting standard. The standard requires that a lease liability and related right-of-use asset ("ROU asset") representing the lessee's right to use and control the asset be recorded on the statement of financial position except for those with lease terms of 12 months or less. The Alliance has elected to record the new standard in its financial statements as of the beginning of the year of adoption, which is July 1, 2022.

The Alliance has elected to use a risk-free rate, which was 2.88% at June 30, 2023, to discount the lease to its net present value. The Alliance's reporting for the comparative period presented in the financial statements is in accordance with previous lease accounting standards. The implementation of this standard did not have an impact on the Alliance's operating results and cash flows.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through April 4, 2024, which is the date the financial statements were available to be issued.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2023 and June 30, 2022**

**Note 3 – Liquidity and availability of financial assets**

As of June 30, 2023 and June 30, 2022, the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 2,684,184	\$ 2,598,010
Investments, at fair value	1,219,912	1,516,283
Contributions and grants receivable	<u>809,343</u>	<u>311,014</u>
Sub-total	4,713,439	4,425,307
Less: Net assets with perpetual donor restrictions	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 4,613,439</u>	<u>\$ 4,325,307</u>

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

**Note 4 – Investments, at fair value**

At June 30, 2023 and June 30, 2022, the balance of the investments that are measured at fair value are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 673,348	\$ 627,608	\$ 1,065,937	\$ 1,020,334
Common stocks	<u>526,586</u>	<u>592,304</u>	<u>480,175</u>	<u>495,949</u>
Total	<u>\$ 1,199,934</u>	<u>\$ 1,219,912</u>	<u>\$ 1,546,112</u>	<u>\$ 1,516,283</u>

Investment return consists of the following for the years ended June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 47,872	\$ 34,061
Investment management fees	(6,323)	(6,363)
Change in unrealized value in investments	49,807	(135,536)
Realized gain on sale of investments	<u>8,082</u>	<u>81,147</u>
Total	<u>\$ 99,438</u>	<u>\$ (26,691)</u>

At June 30, 2023 and June 30, 2022, the Alliance's investments are deemed to be Level 1.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2023 and June 30, 2022**

**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, 2023 and June 30, 2022, 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.

**Note 7 – Allocation of joint costs**

During the 2023 and 2022 fiscal years, the Alliance incurred joint costs of \$694,688 and \$663,260, respectively, for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

	2023	2022
Programs	\$ 347,725	\$ 330,044
Fundraising	346,963	333,216
Total	\$ 694,688	\$ 663,260

**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 rent abatements are being amortized over the life of the lease and are net with the ROU asset 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.

**WATERKEEPER ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2023 and June 30, 2022**

**Note 8 – Lease agreement (continued)**

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>
2024	\$ 516,936
2025	516,936
2026	516,936
2027	328,470
2028	563,091
2029 and thereafter	<u>2,095,013</u>
Total	4,537,382
Less: present value discount	<u>127,018</u>
Net operating lease liability	<u>\$ 4,410,364</u>
ROU assets recorded in connection with the implementation of new lease standard	\$ 4,927,300
Cash paid for operating lease	\$ 516,936

Rent expense, which is net of a \$3,000 monthly sublease to another entity, is allocated to various program activities, totaled \$520,464 and \$518,624 for the years ended June 30, 2023 and June 30, 2022, 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.