RIVERKEEPER, INC.

Financial Statements
for year ended
June 30, 2010

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Independent Auditors' Report

To the Board of Directors
Riverkeeper, Inc.

We have audited the accompanying statement of financial position of Riverkeeper, Inc. ("Riverkeeper") as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Riverkeeper. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative financial information has been derived from Riverkeeper's fiscal 2009 financial statements and, in our report dated September 1, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverkeeper, Inc. at June 30, 2010 and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

October 4, 2010

RIVERKEEPER, INC.

Statement of Financial Position

Assets

	June 30 2010	June 30 2009
Current assets		
Cash and cash equivalents	$ 1,209,641	$ 1,279,753
Current portion of contributions and pledges receivable	492,864	292,349
Prepaid expenses	47,529	9,183
Total current assets	1,750,034	1,581,285
Contributions and pledges receivable, net of current portion	90,000	180,000
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	129,031	123,844
Boat equipment and improvements	205,935	196,099
Leasehold improvements	31,935	31,935
Total property and equipment	374,401	359,378
Less accumulated depreciation and amortization	294,499	252,439
Net property and equipment	79,902	106,939
Security deposits	34,467	24,467
Total assets	**$ 1,954,403**	**$ 1,892,691**

Liabilities and Net Assets

Accounts payable and accrued expenses	$ 637,640	$ 268,388
Net assets		
Unrestricted	1,053,935	1,252,265
Temporarily restricted	262,828	372,038
Total net assets	1,316,763	1,624,303
Total liabilities and net assets	**$ 1,954,403**	**$ 1,892,691**

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	$ 1,353,548	$ 101,539	$ 1,455,087	$ 1,307,923	$ 102,038	$ 1,409,961
Special events, net of direct cost of donor benefits of $145,066 and $162,251 in 2010 and 2009, respectively	1,107,033	-	1,107,033	1,289,419	-	1,289,419
Donated legal services	488,601	-	488,601	370,571	-	370,571
Investment revenue	7,177	-	7,177	11,919	-	11,919
Other revenue	16,270	-	16,270	28,735	-	28,735
Net assets released from restrictions	210,749	(210,749)	-	163,946	(163,946)	-
Total support and revenue	3,183,378	(109,210)	3,074,168	3,172,513	(61,908)	3,110,605
Expenses						
Program services	2,647,230	-	2,647,230	2,964,940	-	2,964,940
Supporting services						
Management and general	284,594	-	284,594	199,331	-	199,331
Fund-raising	449,884	-	449,884	698,960	-	698,960
Total supporting services	734,478	-	734,478	898,291	-	898,291
Total expenses	3,381,708	-	3,381,708	3,863,231	-	3,863,231
(Decrease) in net assets	**(198,330)**	**(109,210)**	**(307,540)**	**(690,718)**	**(61,908)**	**(752,626)**
Net assets, beginning of year	1,252,265	372,038	1,624,303	1,942,983	433,946	2,376,929
Net assets, end of year	$ 1,053,935	$ 262,828	$ 1,316,763	$ 1,252,265	$ 372,038	$ 1,624,303

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Functional Expenses
For Year Ended June 30, 2010
(with Summarized Comparative Information for the Year Ended June 30, 2009)

	2010				2009
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$1,161,639	$ 171,422	$ 141,176	$1,474,237	$1,758,099
Payroll taxes and employee benefits	224,857	9,104	22,522	256,483	303,262
Professional fees and consulting	382,212	31,188	155,124	568,524	430,988
Insurance	9,333	695	941	10,969	11,527
Legal fees and services	488,600	-	-	488,600	540,865
Conferences and meetings	1,052	92	138	1,282	1,485
Dues and subscriptions	1,391	46	318	1,755	10,053
Equipment rental and maintenance	32,462	1,747	14,404	48,613	62,332
Special events	3,213	195	497	3,905	4,452
Occupancy and utilities	144,788	43,338	29,142	217,268	225,123
Postage and shipping	7,043	148	4,373	11,564	20,284
Printing and publications	56,355	14	21,689	78,058	74,487
Public relations and program outreach	900	-	5,100	6,000	5,000
Supplies	28,323	820	6,739	35,882	82,092
Telephone	7,701	2,056	901	10,658	13,694
Travel	18,195	379	3,648	22,222	31,776
Depreciation and amortization	27,339	10,515	4,206	42,060	41,848
Direct mail expense	36,754	-	36,754	73,508	191,699
Bad debt expense	-	10,000	-	10,000	25,000
Miscellaneous	15,073	2,835	2,212	20,120	29,165
Total	**$2,647,230**	**$ 284,594**	**$ 449,884**	**$3,381,708**	**$3,863,231**

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Cash Flows

	Year Ended June 30	
	2010	2009
Cash flows from operating activities		
(Decrease) in net assets	$ (307,540)	$ (752,626)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation and amortization	42,060	41,848
Realized and unrealized loss on investments	-	514
(Increase) decrease in assets		
Contributions and pledges receivable	(110,515)	334,379
Prepaid expenses	(38,346)	52,805
Security deposit	(10,000)	-
Increase in accounts payable and accrued expenses	369,252	82,951
Net cash (used in) operating activities	(55,089)	(240,129)
Cash flows from investing activities		
Purchase of property and equipment	(15,023)	(34,963)
Proceeds from sale of investments	-	131,775
Net cash provided by (used in) investing activities	(15,023)	96,812
Net (decrease) in cash and cash equivalents	**(70,112)**	**(143,317)**
Cash and cash equivalents, beginning of year	**1,279,753**	**1,423,070**
Cash and cash equivalents, end of year	**$1,209,641**	**$1,279,753**

See notes to financial statements.

RIVERKEEPER, INC.

Notes to Financial Statements
June 30, 2010

Note 1 – Nature of organization

Riverkeeper, Inc ("Riverkeeper") is a not-for-profit organization whose mission is to safeguard the ecological integrity of the Hudson River watershed by tracking down and stopping polluters who abuse the Hudson River, its tributaries and the New York City watershed. Riverkeeper is currently focused on the following programs: Hudson River stewardship; New York City reservoir protection; prevention of fish kills by electric power plants; Hudson River access improvement; and the cultivation of similar Riverkeeper programs throughout the nation.

Note 2 – Summary of significant accounting policies

Financial Reporting

Riverkeeper maintains its net assets in the following categories:

- Unrestricted

  Unrestricted net assets are used to account for the general operations of Riverkeeper.

- Temporarily restricted

  Temporarily restricted net assets represent contributions and pledges that are restricted by the donor for a specific purpose or relate to future periods.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 15 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, which ever is shorter.

Contributions and pledges and net assets released from restrictions

Riverkeeper reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2010, the net assets released from restriction, totaling $210,749, were used to fund the programs described in note 1 to the financial statements.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2010

Note 2 – Summary of significant accounting policies (continued)

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 between program and supporting services.

Cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of ninety days or less, at the date of acquisition.

Concentration of credit risk

Riverkeeper's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and contributions and pledges receivable. Riverkeeper places its cash and cash equivalents with what it believes to be quality financial institutions and Riverkeeper has not incurred any loss on such accounts to date. Contributions and pledges receivable consist of amounts due from donors, which are monitored by management as to collections. Accordingly, Riverkeeper believes no significant concentration of credit risk exists with respect to its cash, cash equivalents and contributions and pledges receivable.

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.

Allowance for doubtful accounts

Riverkeeper has not provided for an allowance for doubtful accounts. This is based on management's experience, the aged basis of the contributions and pledges receivable, subsequent events and the current economic conditions.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by functional class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Riverkeeper's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2010

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through October 4, 2010, which is the date the financial statements were available to be issued.

Note 3 – Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2010, which are time restricted, totaled $262,828.

Note 4 – Contributions and pledges receivable

As of June 30, 2010, contributions and pledges receivable are due as follows:

Fiscal Year	Amount
2011	$ 492,864
2012	90,000
Total	$ 582,864

Note 5 – Donated legal services

Riverkeeper receives certain legal services without charge or on a reduced fee basis, to support its programs and to enforce environmental laws. During the years ended June 30, 2010 and 2009, Riverkeeper recorded donated legal services of $488,601 and $370,571, respectively as both revenue and corresponding program expenses. In addition, volunteers donate time and services to Riverkeeper. To the extent that services received do not require specialized skills, the value of such services is not reflected in the accompanying financial statements.

Note 6 – Allocation of joint costs

During the 2010 fiscal year, Riverkeeper incurred joint costs of $73,508 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	$ 36,754
Fund-raising	36,754
Total	$ 73,508

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2010

Note 7 – Line-of-credit

Riverkeeper has a $250,000 line of credit, which will renew on February 23, 2011. Amounts borrowed under this line are due on demand and bear interest at the bank's prime rate less 0.25%. During the 2010 fiscal year, Riverkeeper did not borrow any funds under this line of credit.

Note 8 – Retirement plan

Riverkeeper maintains a 403(b) retirement plan for all eligible employees. Riverkeeper made contributions to the plan based on the compensation of each eligible employee in accordance with the plan documents. Expense associated with this plan for the fiscal years ended June 30, 2010 and 2009 totaled $- and $16,436, respectively. As of December 2008, Riverkeeper no longer contributes to the 403(b) plan.

Note 9 – Lease agreement

In May 2005, Riverkeeper entered into a five-year lease agreement for office space expiring August 2010. Rent expense is recognized on a straight-line basis, including future rent escalation, over the life of the lease rather than in accordance with the actual lease payments. For the years ended June 30, 2010 and 2009 total rent expense under the lease was approximately $167,700 and $177,500, respectively. At June 30, 2010 future minimum lease payments under this agreement are $31,195. At June 30, 2010, Riverkeeper has $24,467 as security with the landlord.

In June 2010, Riverkeeper entered into a ten-year lease agreement for office space expiring July 2020 with an option to extend the lease for two additional five years periods. Annual rental payments in the first year the agreement will be $62,000 increasing to $80,000 in the final year of the agreement. Rent expense will be recognized on a straight-line basis, including future rent escalation, over the life of the lease rather than in accordance with the actual lease payments. Beginning in the 2011 fiscal year, the deferred lease liability will represent the adjustment to future year's rents as a result of using the straight-line method. In connection with the agreement, Riverkeeper has deposit $10,000 as security with the landlord.

At June 30, 2010 future minimum lease payments under the agreement is as follows:

Fiscal year	
2011	$ 46,500
2012	53,167
2013	54,833
2014	67,833
2015	69,833
2016 and thereafter	379,167
Total	$ 671,333

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2010

Note 10 – Tax status

Riverkeeper is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, Riverkeeper has been determined by the Internal Revenue Service to be a publicly supported organization as described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code and not a private foundation. Riverkeeper qualifies for the maximum charitable contribution deduction for donors. As of June 30, 2010, no amounts have been recognized for uncertain income tax positions. In addition, Riverkeeper 's tax returns for fiscal years 2007 and forward are subject to the usual review by the appropriate authorities.