

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2012**

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Independent Auditors' Report

To the Board of Directors of
Riverkeeper, Inc.

We have audited the accompanying statement of financial position of Riverkeeper, Inc. ("Riverkeeper") as of June 30, 2012 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 2011 financial statements and, in our report dated October 7, 2011, 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, 2012 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 2, 2012

RIVERKEEPER, INC.
Statement of Financial Position

Assets

	June 30	
	2012	2011
Current assets		
Cash	\$ 986,509	\$ 1,270,106
Contributions and pledges receivable	262,062	203,090
Reimbursement receivable	525,000	-
Prepaid expenses	10,151	11,235
Total current assets	1,783,722	1,484,431
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	145,897	134,074
Boat equipment and improvements	218,698	206,735
Leasehold improvements	81,700	74,290
Total property and equipment	453,795	422,599
Less accumulated depreciation and amortization	344,395	322,163
Net property and equipment	109,400	100,436
Security deposits	10,600	10,000
Total assets	\$ 1,903,722	\$ 1,594,867

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 625,638	\$ 218,697
Net assets		
Unrestricted	1,228,084	1,236,170
Temporarily restricted	50,000	140,000
Total net assets	1,278,084	1,376,170
Total liabilities and net assets	\$ 1,903,722	\$ 1,594,867

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30			
	2012		2011	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
Support and revenue				
Contributions	\$ 2,002,002	\$ 50,000	\$ 2,052,002	\$ 50,000
Special events, net of direct cost of donor benefits of \$123,455 and \$152,971 in 2012 and 2011, respectively	1,047,573	-	1,047,573	-
Donated legal services	536,095	-	536,095	-
Investment revenue	1,870	-	1,870	-
Other revenue	1,506	-	1,506	-
Legal settlement	-	-	-	-
Cost reimbursement	557,916	-	557,916	-
Net assets released from restrictions	140,000	(140,000)	-	(172,828)
Total support and revenue	<u>4,286,962</u>	<u>(90,000)</u>	<u>4,196,962</u>	<u>(122,828)</u>
			<u>1,387,576</u>	
				<u>50,000</u>
				<u>\$ 1,437,576</u>
Expenses				
Program services	3,807,101	-	3,807,101	-
Supporting services				
Management and general	85,959	-	85,959	-
Fund-raising	401,988	-	401,988	-
Total supporting services	487,947	-	487,947	-
Total expenses	<u>4,295,048</u>	<u>-</u>	<u>4,295,048</u>	<u>-</u>
			<u>182,235</u>	<u>(122,828)</u>
Increase (decrease) in net assets	(8,086)	(90,000)	(98,086)	
Net assets, beginning of year	<u>1,236,170</u>	<u>140,000</u>	<u>1,376,170</u>	<u>262,828</u>
Net assets, end of year	<u>\$ 1,228,084</u>	<u>\$ 50,000</u>	<u>\$ 1,278,084</u>	<u>\$ 140,000</u>
			<u>\$ 1,236,170</u>	<u>\$ 1,376,170</u>
				<u>\$ 1,376,170</u>

See notes to financial statements.

RIVERKEEPER, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2012
(with Summarized Comparative Information for the Year Ended June 30, 2011)**

	2012		2011
	Program Services	Supporting Services Management and General	Fund-raising Total
Salaries	\$1,484,170	\$ 39,063	\$ 186,145
Payroll taxes and employee benefits	283,827	11,605	41,732
Professional fees and consulting	1,137,421	-	85,720
Insurance	10,150	1,002	789
Legal fees and services	536,095	-	-
Conferences and meetings	1,717	169	254
Dues and subscriptions	7,046	157	974
Equipment rental and maintenance	39,688	2,036	5,780
Special events	5,936	390	756
Occupancy and utilities	74,614	19,873	7,950
Postage and shipping	9,707	47	2,389
Printing and publications	59,443	231	8,323
Public relations and program outreach	9,482	-	5,160
Supplies	29,732	964	1,847
Telephone	18,106	1,407	1,342
Travel	24,649	871	2,591
Depreciation and amortization	14,451	5,558	2,223
Direct mail expense	46,024	-	46,024
Miscellaneous	14,843	2,586	1,989
Total	\$3,807,101	\$ 85,959	\$ 401,988
			\$4,295,048
			\$1,447,980
			276,572
			1,426,542
			12,421
			630,650
			5,012
			5,551
			128,331
			6,068
			157,283
			10,384
			75,067
			11,050
			34,616
			9,242
			30,640
			27,664
			85,799
			21,693

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (98,086)	\$ 59,407
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	22,232	27,664
(Increase) decrease in assets		
Contributions and pledges receivable	(58,972)	379,774
Reimbursement receivable	(525,000)	-
Prepaid expenses	1,084	36,294
Security deposit	(600)	24,467
Increase (decrease) in accounts payable and accrued expenses	<u>406,941</u>	<u>(418,943)</u>
Net cash provided by (used in) operating activities	(252,401)	108,663
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(31,196)</u>	<u>(48,198)</u>
Net increase (decrease) in cash	(283,597)	60,465
Cash, beginning of year	<u>1,270,106</u>	<u>1,209,641</u>
Cash, end of year	<u>\$ 986,509</u>	<u>\$1,270,106</u>

See notes to financial statements.

RIVERKEEPER, INC.**Notes to Financial Statements
June 30, 2012****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. The temporarily restricted fund balance of \$50,000 as of June 30, 2012 consists entirely of amounts relating to a future period.

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, whichever is shorter.

Contributions, 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. Riverkeeper’s policy is to show contributions as unrestricted, if donor restrictions are satisfied in the same fiscal year as received. At June 30, 2012, the net assets released from restriction, totaling \$140,000, were used to fund the programs described in note 1 to the financial statements.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)
June 30, 2012****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.

Allowance for doubtful accounts

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

Legal settlement and cost reimbursements

In connection with cases decided and settled in Riverkeeper's favor, legal settlements and cost reimbursements may be received. Due to the uncertainty as to the amount, until it is verified revenue is not recognized. In July 2012, the June 30, 2012 year end balance in reimbursement receivable was collected.

Concentrations of credit risk

Riverkeeper's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, contributions and pledges receivable. Riverkeeper places its cash 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 concentrations of credit risk exist with respect to its cash, 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.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by functional classification. 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, 2011, from which the summarized information was derived.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through October 2, 2012, which is the date the financial statements were available to be issued.

Note 3 – 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, 2012 and 2011, Riverkeeper recorded donated legal services of \$536,095 and \$630,650, 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 4 – Allocation of joint costs

During the 2012 fiscal year, Riverkeeper incurred joint costs of \$92,048 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 46,024
Fund-raising	<u>46,024</u>
Total	<u>\$ 92,048</u>

Note 5 – Line-of-credit

Riverkeeper has a \$250,000 line of credit, which renews annually. Amounts borrowed under this line are due on demand and bear interest at the bank's prime rate less 0.25%. During the 2012 fiscal year, Riverkeeper did not borrow any funds under this line of credit.

Note 6 – Lease agreement

Riverkeeper has a ten-year lease agreement for office space expiring July 2020 with an option to extend the lease for two additional five year 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, which is included in liabilities 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 deposited \$10,000 as security with the landlord.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 6 – Lease agreement (continued)

For the fiscal years ended June 30, 2012 and 2011, rent expense in accordance with these agreements totaled \$88,376 and \$87,945, respectively.

At June 30, 2012 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2013	\$ 55,000
2014	68,000
2015	70,000
2016	72,000
2017	74,000
2018 and thereafter	<u>234,000</u>
Total	<u>\$ 573,000</u>

Note 7 – 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, 2012, no amounts have been recognized for uncertain income tax positions. In addition, Riverkeeper's tax returns for 2009 fiscal year and forward are subject to the usual review by the appropriate authorities.