

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2014**

Independent Auditor's Report

To the Board of Directors
Riverkeeper, Inc.

We have audited the accompanying financial statements of Riverkeeper, Inc. ("Riverkeeper") which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of Riverkeeper, Inc. as of June 30, 2014 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Riverkeeper's fiscal 2013 financial statements, and our report dated October 8, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McGinty + Donnelly LLP

RIVERKEEPER, INC.

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Current assets		
Cash	\$ 403,622	\$ 507,237
Current portion of contributions and pledges receivable	728,934	674,810
Prepaid expenses	3,449	3,059
Total current assets	<u>1,136,005</u>	<u>1,185,106</u>
Contributions and pledges receivable, net of current portion	<u>425,000</u>	<u>75,000</u>
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	164,603	156,267
Boat equipment and improvements	224,582	224,582
Leasehold improvements	49,765	49,765
Total property and equipment	446,450	438,114
Less accumulated depreciation and amortization	<u>356,319</u>	<u>333,071</u>
Net property and equipment	<u>90,131</u>	<u>105,043</u>
Security deposits	<u>10,600</u>	<u>10,600</u>
Total assets	<u>\$ 1,661,736</u>	<u>\$ 1,375,749</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	<u>\$ 128,134</u>	<u>\$ 137,954</u>
Net assets		
Unrestricted	908,602	1,087,795
Temporarily restricted	375,000	150,000
Permanently restricted	250,000	-
Total net assets	<u>1,533,602</u>	<u>1,237,795</u>
Total liabilities and net assets	<u>\$ 1,661,736</u>	<u>\$ 1,375,749</u>

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30						
	2014			2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue							
Contributions	\$2,270,910	\$ 325,000	\$ 250,000	\$2,845,910	\$2,396,188	\$ 150,000	\$2,546,188
Special events, net of direct cost of donor benefits of \$149,025 and \$141,764 in 2014 and 2013, respectively	1,140,616	-	-	1,140,616	943,367	-	943,367
In-kind services	702,416	-	-	702,416	704,415	-	704,415
Investment	229	-	-	229	1,053	-	1,053
Other	966	-	-	966	3,166	-	3,166
Cost reimbursement	81,058	-	-	81,058	57,376	-	57,376
Net assets released from restrictions	100,000	(100,000)	-	-	50,000	(50,000)	-
Total support and revenue	<u>4,296,195</u>	<u>225,000</u>	<u>250,000</u>	<u>4,771,195</u>	<u>4,155,565</u>	<u>100,000</u>	<u>4,255,565</u>
Expenses							
Program services	4,011,301	-	-	4,011,301	3,830,716	-	3,830,716
Supporting services							
Management and general	101,644	-	-	101,644	103,692	-	103,692
Fund-raising	362,443	-	-	362,443	361,446	-	361,446
Total supporting services	464,087	-	-	464,087	465,138	-	465,138
Total expenses	<u>4,475,388</u>	<u>-</u>	<u>-</u>	<u>4,475,388</u>	<u>4,295,854</u>	<u>-</u>	<u>4,295,854</u>
Increase (decrease) in net assets	(179,193)	225,000	250,000	295,807	(140,289)	100,000	(40,289)
Net assets, beginning of year	<u>1,087,795</u>	<u>150,000</u>	<u>-</u>	<u>1,237,795</u>	<u>1,228,084</u>	<u>50,000</u>	<u>1,278,084</u>
Net assets, end of year	<u>\$ 908,602</u>	<u>\$ 375,000</u>	<u>\$ 250,000</u>	<u>\$1,533,602</u>	<u>\$1,087,795</u>	<u>\$ 150,000</u>	<u>\$1,237,795</u>

See notes to financial statements.

RIVERKEPEPER, INC.

Statement of Functional Expenses
For Year Ended June 30, 2014
(with Summarized Comparative Information for the Year Ended June 30, 2013)

	2014					2013	
	Hudson River	Boats	Watershed	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 721,195	\$ 484,855	\$ 596,424	\$ 1,802,474	\$ 26,843	\$ 168,607	\$ 1,997,924
Payroll taxes and employee benefits	136,206	85,323	102,087	323,616	9,375	38,347	371,338
Professional fees and consulting	476,081	228,397	99,327	803,805	27,596	77,441	908,842
Insurance	3,131	8,842	3,131	15,104	1,680	1,299	18,083
In-kind services	702,416	-	-	702,416	-	-	702,416
Conferences and meetings	1,090	836	1,431	3,357	235	467	4,059
Dues and subscriptions	7,787	3,947	7,676	19,410	210	1,989	21,609
Equipment rental and maintenance	4,187	22,591	4,183	30,961	2,113	4,285	37,359
Special events	2,433	2,900	1,121	6,454	253	737	7,444
Occupancy and utilities	27,760	34,162	21,892	83,814	22,596	9,308	115,718
Postage and shipping	4,718	841	837	6,396	74	327	6,797
Printing and publications	29,143	9,902	9,868	48,913	155	7,915	56,983
Public relations and program outreach	2,662	2,660	2,660	7,982	-	3,869	11,851
Supplies	5,914	32,155	4,293	42,362	416	2,175	44,953
Telephone	4,282	4,290	2,494	11,066	1,330	1,155	13,551
Travel	21,417	9,778	5,703	36,898	375	3,340	40,613
Depreciation and amortization	5,037	5,037	5,037	15,111	5,812	2,325	23,248
Direct mail expense	12,198	12,195	12,193	36,586	-	36,585	73,171
Miscellaneous	5,647	4,274	4,655	14,576	2,581	2,272	19,429
Total	\$2,173,304	\$ 952,985	\$ 885,012	\$4,011,301	\$ 101,644	\$ 362,443	\$4,475,388
							\$4,295,854

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 295,807	\$ (40,289)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation and amortization	23,248	20,611
(Increase) decrease in assets		
Contributions and pledges receivable	(404,124)	(487,748)
Reimbursement receivable	-	525,000
Prepaid expenses	(390)	7,092
(Decrease) in accounts payable and accrued expenses	<u>(9,820)</u>	<u>(487,684)</u>
Net cash (used in) operating activities	(95,279)	(463,018)
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(8,336)</u>	<u>(16,254)</u>
Net (decrease) in cash	(103,615)	(479,272)
Cash, beginning of year	<u>507,237</u>	<u>986,509</u>
Cash, end of year	<u>\$ 403,622</u>	<u>\$ 507,237</u>

See notes to financial statements.

RIVERKEEPER, INC.**Notes to Financial Statements
June 30, 2014****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 three 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. As of June 30, 2014, the temporarily restricted fund balance of \$375,000 consists entirely of amounts relating to a future period.

- **Permanently restricted**

Permanently restricted net assets consist of contributions that are restricted by the donors in that the principal must remain in perpetuity, but any investment return earned on such funds may be spent in accordance with the donor terms.

Cash equivalents

Riverkeeper considers any highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2014 and 2013, Riverkeeper did not have any cash equivalents.

Property and equipment

Property and equipment above a nominal amount with an estimated life of one year or longer 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.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Contributions and pledges receivable

As of June 30, 2014 and 2013, contributions and pledges receivable, include unconditional promises to give, are due to be collected as follows:

	2014	2013	
Less than one year	\$ 728,934	\$ 674,810	
One to five years	425,000	75,000	
Net contribution receivable	\$ 1,153,934	\$ 749,810	

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, 2014, the net assets released from restrictions, totaling \$100,000, were used to fund the programs described in note 1 to the financial statements.

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.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)
June 30, 2014****Note 2 – Summary of significant accounting policies (continued)****Concentrations of credit risk**

Riverkeeper's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and receivables. 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. Receivables 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 and receivables.

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, 2013, from which the summarized information was derived.

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through November 17, 2014, which is the date the financial statements were available to be issued.

Note 3 – In-kind 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, 2014 and 2013, Riverkeeper recorded in-kind legal services of \$688,610 and \$680,790, respectively. In addition, during the 2014 and 2013 fiscal years, respectively, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$13,806 and \$23,625. These amounts have been included as both revenue and corresponding program expenses in the accompanying financial statements.

In addition, Riverkeeper relies extensively upon the utilization of volunteers to carry out its programs and supporting services. Management estimates that volunteers contributed approximately 10,800 hours during the 2014 fiscal year. Since these services received do not require specialized skills, the value of such services is not reflected in the financial statements, although they constituted a significant factor in the operations of Riverkeeper.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2014

Note 4 – Allocation of joint costs

During the 2014 fiscal year, Riverkeeper incurred joint costs of \$73,171 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$	36,586
Fund-raising		<u>36,585</u>
Total	\$	<u>73,171</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 2014 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 of the agreement were \$62,000 increasing to \$80,000 in the final year of the agreement. Rent expense were 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. The deferred lease liability, which is included in liabilities represents 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.

For the fiscal years ended June 30, 2014 and 2013, office rent expense totaled \$67,800 for both fiscal years and is part of occupancy and utilities on the statement of functional expenses.

At June 30, 2014 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2015	\$ 70,000
2016	72,000
2017	74,000
2018	76,000
2019	78,000
2020 and thereafter	<u>86,000</u>
Total	\$ <u>456,000</u>

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2014

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, 2014, no amounts have been recognized for uncertain income tax positions. In addition, Riverkeeper’s tax returns for 2011 fiscal year and forward are subject to the usual review by the appropriate authorities.