

**RIVERKEEPER, INC.**

**Financial Statements  
for year ended  
June 30, 2016**

### **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, 2016 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, 2016 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 2015 financial statements and our report dated October 19, 2015 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Conda O'Meara McGinty + Donnelly LLP

## RIVERKEEPER, INC.

## Statement of Financial Position

## Assets

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash	\$ 447,570	\$ 723,010
Current portion of contributions and pledges receivable	1,270,464	1,040,498
Prepaid expenses	<u>82,915</u>	<u>4,776</u>
Total current assets	<u>1,800,949</u>	<u>1,768,284</u>
<b>Contributions and pledges receivable, net of current portion</b>	<u>1,100,000</u>	<u>1,015,500</u>
<b>Property and equipment, at cost</b>		
Land	7,500	7,500
Office equipment	180,117	170,488
Boat equipment and improvements	243,621	224,582
Leasehold improvements	<u>66,565</u>	<u>66,565</u>
Total property and equipment	497,803	469,135
Less: accumulated depreciation and amortization	<u>399,640</u>	<u>378,227</u>
Net property and equipment	<u>98,163</u>	<u>90,908</u>
<b>Security deposits</b>	<u>10,600</u>	<u>10,600</u>
<b>Total assets</b>	<b><u>\$ 3,009,712</u></b>	<b><u>\$ 2,885,292</u></b>

## Liabilities and Net Assets

<b>Accounts and grants payable and accrued expenses</b>	<u>\$ 322,553</u>	<u>\$ 420,532</u>
<b>Net assets</b>		
Unrestricted	39,881	449,462
Temporarily restricted	1,497,278	840,298
Permanently restricted	<u>1,150,000</u>	<u>1,175,000</u>
Total net assets	<u>2,687,159</u>	<u>2,464,760</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,009,712</u></b>	<b><u>\$ 2,885,292</u></b>

See notes to financial statements.

**RIVERKEEPER, INC.**

**Statement of Activities**

	Year Ended June 30							
	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>								
Contributions	\$ 1,546,671	\$ 1,356,726	\$ -	\$ 2,903,397	\$ 2,161,563	\$ 727,800	\$ 925,000	\$ 3,814,363
Special events, net of direct cost of donor benefits of \$191,325 and \$135,097 in 2016 and 2015, respectively	1,571,162	-	-	1,571,162	1,175,978	-	-	1,175,978
In-kind services	602,707	-	-	602,707	1,071,295	-	-	1,071,295
Investment	148	-	-	148	151	-	-	151
Other	785	-	-	785	1,021	-	-	1,021
Legal settlements and cost reimbursements	156,738	-	-	156,738	90,094	-	-	90,094
Net assets released from restrictions	724,746	(724,746)	-	-	262,502	(262,502)	-	-
Net assets released from permanent restrictions	-	25,000	(25,000)	-	-	-	-	-
Total support and revenue	<u>4,602,957</u>	<u>656,980</u>	<u>(25,000)</u>	<u>5,234,937</u>	<u>4,762,604</u>	<u>465,298</u>	<u>925,000</u>	<u>6,152,902</u>
<b>Expenses</b>								
Program services	4,485,967	-	-	4,485,967	4,689,125	-	-	4,689,125
Supporting services								
Management and general	91,304	-	-	91,304	146,761	-	-	146,761
Fund-raising	435,267	-	-	435,267	385,858	-	-	385,858
Total supporting services	526,571	-	-	526,571	532,619	-	-	532,619
Total expenses	<u>5,012,538</u>	<u>-</u>	<u>-</u>	<u>5,012,538</u>	<u>5,221,744</u>	<u>-</u>	<u>-</u>	<u>5,221,744</u>
Increase (decrease) in net assets	(409,581)	656,980	(25,000)	222,399	(459,140)	465,298	925,000	931,158
Net assets, beginning of year	449,462	840,298	1,175,000	2,464,760	908,602	375,000	250,000	1,533,602
Net assets, end of year	<u>\$ 39,881</u>	<u>\$ 1,497,278</u>	<u>\$ 1,150,000</u>	<u>\$ 2,687,159</u>	<u>\$ 449,462</u>	<u>\$ 840,298</u>	<u>\$ 1,175,000</u>	<u>\$ 2,464,760</u>

See notes to financial statements.

**RIVERKEEPER, INC.**

**Statement of Functional Expenses  
For Year Ended June 30, 2016  
(with Summarized Comparative Information for the Year Ended June 30, 2015)**

	2016						2015	
	Hudson River	Boats	Watershed	Program Services	Supporting Services		Total	Total
					Management and General	Fund- raising		
Salaries	\$ 834,328	\$ 605,792	\$ 725,531	\$2,165,651	\$ 21,458	\$ 233,311	\$2,420,420	\$2,177,936
Payroll taxes and employee benefits	153,015	125,906	137,545	416,466	12,326	43,860	472,652	416,007
Professional fees and consulting	484,689	237,484	96,928	819,101	11,906	101,435	932,442	1,027,167
Insurance	11,792	12,233	11,792	35,817	6,625	5,168	47,610	15,932
In-kind services	602,707	-	-	602,707	-	-	602,707	1,071,295
Conferences and meetings	737	1,098	2,772	4,607	217	521	5,345	6,374
Dues and subscriptions	7,189	2,787	6,385	16,361	451	1,131	17,943	24,881
Equipment rental and maintenance	1,949	71,651	1,949	75,549	2,234	906	78,689	62,547
Special events	4,695	8,170	2,419	15,284	677	1,421	17,382	15,143
Occupancy and utilities	28,359	33,362	23,727	85,448	23,588	9,552	118,588	118,001
Postage and shipping	3,709	3,011	1,775	8,495	142	1,320	9,957	9,134
Printing and publications	13,166	9,449	10,209	32,824	226	3,985	37,035	68,123
Public relations and program outreach	7,952	7,952	7,952	23,856	-	12,800	36,656	11,997
Supplies	11,774	50,904	8,019	70,697	1,373	6,664	78,734	63,683
Telephone	3,725	4,741	2,503	10,969	1,298	926	13,193	13,185
Travel	18,244	15,323	7,622	41,189	731	3,693	45,613	35,920
Depreciation and amortization	4,490	4,490	4,490	13,470	5,871	2,072	21,413	21,908
Direct mail expense	10,310	10,310	10,311	30,931	-	5,458	36,389	44,269
Miscellaneous	8,639	2,874	5,032	16,545	2,181	1,044	19,770	18,242
<b>Total</b>	<b>\$2,211,469</b>	<b>\$1,207,537</b>	<b>\$1,066,961</b>	<b>\$4,485,967</b>	<b>\$ 91,304</b>	<b>\$ 435,267</b>	<b>\$5,012,538</b>	<b>\$5,221,744</b>

See notes to financial statements.

## RIVERKEEPER, INC.

## Statement of Cash Flows

	Year Ended June 30	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 222,399	\$ 931,158
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	21,413	21,908
Donated stock	(222,894)	-
Proceeds from sale of donated stock	222,894	-
(Increase) in assets		
Contributions and pledges receivable	(314,466)	(902,064)
Prepaid expenses	(78,139)	(1,327)
Increase (decrease) in accounts and grants payable and accrued expenses	<u>(97,979)</u>	<u>292,398</u>
Net cash provided by (used in) operating activities	<u>(246,772)</u>	<u>342,073</u>
<b>Cash flows (used in) investing activities</b>		
Purchase of property and equipment	<u>(28,668)</u>	<u>(22,685)</u>
<b>Cash flow from financing activities</b>		
Proceeds from line of credit	50,000	-
Repayment of line of credit	<u>(50,000)</u>	<u>-</u>
Net cash provided by financing restrictions	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	<b>(275,440)</b>	<b>319,388</b>
Cash, beginning of year	<u>723,010</u>	<u>403,622</u>
Cash, end of year	<u>\$ 447,570</u>	<u>\$ 723,010</u>

See notes to financial statements.

**RIVERKEEPER, INC.****Notes to Financial Statements  
June 30, 2016****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, 2016, the temporarily restricted fund balance of \$1,497,278 consists entirely of amounts relating to future periods.

- Permanently restricted

Permanently restricted net assets consist of contributions that are restricted by the donors in that the principal must remain in perpetuity, investment return earned on such funds may be spent in accordance with the donors terms. During 2016, a donor decided that \$25,000 of a previously permanently restricted contribution be utilized for a specific program. Accordingly, \$25,000 was released from permanently restricted and reflected as temporarily restricted.

**Cash equivalents**

Riverkeeper considers any highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2016 and 2015, 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, which ever is shorter.



**RIVERKEEPER, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2016**

**Note 2 – Summary of significant accounting policies (continued)**

Contributions and pledges receivable

As of June 30, 2016 and 2015, contributions and pledges receivable, include unconditional promises to give, are due to be collected as follows:

	2016	2015
Less than one year	\$ 1,270,464	\$ 1,040,498
One to five years	1,100,000	1,015,500
Net contribution receivable	\$ 2,370,464	\$ 2,055,998

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, 2016, the net assets released from restrictions, totaling \$724,746, 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, 2016****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, 2015, from which the summarized information was derived.

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through November 28, 2016, 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, 2016 and 2015, Riverkeeper recorded in-kind legal services of \$560,605 and \$1,060,175, respectively. In addition, during the 2016 and 2015 fiscal years, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$42,102 and \$11,120, respectively. 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 11,500 hours during both the 2016 and 2015 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, 2016**Note 4 – Allocation of joint costs**

During the 2016 fiscal year, Riverkeeper incurred joint costs of \$36,389 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 18,195
Fund-raising	<u>18,144</u>
Total	<u>\$ 36,389</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%. At June 30, 2016, Riverkeeper did not have any outstanding borrowings on the 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 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. 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, 2016 and 2015, 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, 2016 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2017	\$ 74,000
2018	76,000
2019	78,000
2020	80,000
2021	<u>6,000</u>
Total	<u>\$ 314,000</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.