

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2017**

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, 2017 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, 2017 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 2016 financial statements and our report dated November 28, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cordun O'Meara, McIntyre + Donnelly LLP

RIVERKEEPER, INC.

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
Current assets		
Cash	\$ 1,083,593	\$ 447,570
Current portion of contributions and pledges receivable	1,148,980	1,270,464
Prepaid expenses	<u>12,996</u>	<u>82,915</u>
Total current assets	<u>2,245,569</u>	<u>1,800,949</u>
Contributions and pledges receivable, net of current portion	<u>373,523</u>	<u>1,100,000</u>
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	186,514	180,117
Boat equipment and improvements	243,621	243,621
Leasehold improvements	<u>66,565</u>	<u>66,565</u>
Total property and equipment	504,200	497,803
Less: accumulated depreciation and amortization	<u>419,599</u>	<u>399,640</u>
Net property and equipment	<u>84,601</u>	<u>98,163</u>
Security deposits	<u>10,600</u>	<u>10,600</u>
Total assets	<u>\$ 2,714,293</u>	<u>\$ 3,009,712</u>

Liabilities and Net Assets

Accounts and grants payable and accrued expenses	<u>\$ 201,128</u>	<u>\$ 322,553</u>
Net assets		
Unrestricted (deficit)	(317,879)	39,881
Temporarily restricted	1,706,044	1,497,278
Permanently restricted	<u>1,125,000</u>	<u>1,150,000</u>
Total net assets	<u>2,513,165</u>	<u>2,687,159</u>
Total liabilities and net assets	<u>\$ 2,714,293</u>	<u>\$ 3,009,712</u>

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30							
	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Contributions	\$ 1,064,014	\$ 1,931,627	\$ -	\$ 2,995,641	\$ 1,546,671	\$ -	\$ -	\$ 2,903,397
Special events, net of direct cost of donor benefits of \$115,200 and \$191,325 in 2017 and 2016, respectively	1,013,332	-	-	1,013,332	1,571,162	-	-	1,571,162
In-kind services	619,585	-	-	619,585	602,707	-	-	602,707
Investment	323	-	-	323	148	-	-	148
Other	1,054	-	-	1,054	785	-	-	785
Legal settlements and cost reimbursements	90,132	-	-	90,132	156,738	-	-	156,738
Net assets released from restrictions	1,747,861	(1,747,861)	-	-	724,746	(724,746)	-	-
Net assets released from permanent restrictions	-	25,000	(25,000)	-	-	25,000	(25,000)	-
Total support and revenue	<u>4,536,301</u>	<u>208,766</u>	<u>(25,000)</u>	<u>4,720,067</u>	<u>4,602,957</u>	<u>656,980</u>	<u>(25,000)</u>	<u>5,234,937</u>
Expenses								
Program services	4,336,218	-	-	4,336,218	4,485,967	-	-	4,485,967
Supporting services								
Management and general	117,496	-	-	117,496	91,304	-	-	91,304
Fund-raising	440,347	-	-	440,347	435,267	-	-	435,267
Total supporting services	557,843	-	-	557,843	526,571	-	-	526,571
Total expenses	<u>4,894,061</u>	<u>-</u>	<u>-</u>	<u>4,894,061</u>	<u>5,012,538</u>	<u>-</u>	<u>-</u>	<u>5,012,538</u>
Increase (decrease) in net assets	(357,760)	208,766	(25,000)	(173,994)	(409,581)	656,980	(25,000)	222,399
Net assets, beginning 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>
Net assets (deficit), end of year	<u>\$ (317,879)</u>	<u>\$ 1,706,044</u>	<u>\$ 1,125,000</u>	<u>\$ 2,513,165</u>	<u>\$ 39,881</u>	<u>\$ 1,497,278</u>	<u>\$ 1,150,000</u>	<u>\$ 2,687,159</u>

See notes to financial statements.

RIVERKEEPER, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2017
(with Summarized Comparative Information for the Year Ended June 30, 2016)**

	2017				2016		
	Legal	Boats	Water Quality	Program Services	Management and General	Fund-raising	Total
Salaries	\$1,177,539	\$ 481,485	\$ 485,884	\$2,144,908	\$ 42,711	\$ 246,371	\$2,433,990
Payroll taxes and employee benefits	186,417	102,727	90,491	379,635	14,346	47,392	441,373
Professional fees and consulting	409,046	88,167	227,147	724,360	15,812	96,347	836,519
Insurance	13,438	14,587	13,437	41,462	8,062	5,375	54,899
In-kind services	619,585	-	-	619,585	-	-	619,585
Conferences and meetings	4,126	1,272	1,288	6,686	367	1,306	8,359
Dues and subscriptions	13,484	4,667	4,243	22,394	553	1,385	24,332
Equipment rental and maintenance	3,461	72,435	3,681	79,577	3,001	1,568	84,146
Special events	5,084	6,187	2,432	13,703	541	2,853	17,097
Occupancy and utilities	24,635	33,136	25,785	83,556	23,581	4,708	111,845
Postage and shipping	3,821	2,243	3,182	9,246	132	1,390	10,768
Printing and publications	22,222	10,280	12,024	44,526	232	6,989	51,747
Public relations and program outreach	5,259	5,259	5,259	15,777	-	8,177	23,954
Supplies	9,013	2,143	29,035	40,191	1,301	2,515	44,007
Telephone	2,816	4,471	2,531	9,818	1,327	688	11,833
Travel	17,529	10,334	14,545	42,408	521	4,157	47,086
Depreciation and amortization	4,990	4,990	4,990	14,970	2,994	1,995	19,959
Direct mail expense	11,078	11,078	11,078	33,234	-	5,865	39,099
Miscellaneous	3,232	2,647	4,303	10,182	2,015	1,266	13,463
Total	\$2,536,775	\$ 858,108	\$ 941,335	\$4,336,218	\$ 117,496	\$ 440,347	\$5,012,538

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (173,994)	\$ 222,399
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	19,959	21,413
Donated stock	(100,567)	(222,894)
Proceeds from sale of donated stock	100,567	222,894
(Increase) decrease in assets		
Contributions and pledges receivable	847,961	(314,466)
Prepaid expenses	69,919	(78,139)
(Decrease) in accounts and grants payable and accrued expenses	<u>(121,425)</u>	<u>(97,979)</u>
Net cash provided by (used in) operating activities	<u>642,420</u>	<u>(246,772)</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(6,397)</u>	<u>(28,668)</u>
Cash flow from financing activities		
Proceeds from line of credit	-	50,000
Repayment of line of credit	<u>-</u>	<u>(50,000)</u>
Net cash provided by financing restrictions	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	636,023	(275,440)
Cash, beginning of year	<u>447,570</u>	<u>723,010</u>
Cash, end of year	<u>\$1,083,593</u>	<u>\$ 447,570</u>

See notes to financial statements.

RIVERKEEPER, INC.

**Notes to Financial Statements
June 30, 2017**

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.

Temporarily restricted net assets for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Net Assets Released from Restrictions	Balance June 30, 2017
Purpose	\$ 707,087	\$ 1,593,877	\$ (837,249)	\$ 1,463,715
Timing	790,191	362,750	(910,612)	242,329
Total	<u>\$ 1,497,278</u>	<u>\$ 1,956,627</u>	<u>\$ (1,747,861)</u>	<u>\$ 1,706,044</u>

- **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 2017 and 2016, a donor decided that \$25,000 of a previously permanently restricted contribution be utilized for a specific program. Accordingly, for both 2017 and 2016, \$25,000 was released from permanently restricted and reflected as temporarily restricted.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)

June 30, 2017

Note 2 – Summary of significant accounting policies (continued)Cash equivalents

Riverkeeper considers any highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2017 and 2016, 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.

Contributions and pledges receivable

As of June 30, 2017 and 2016, contributions and pledges receivable, include unconditional promises to give, are due to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 1,148,980	\$ 1,270,464
One to five years	<u>373,523</u>	<u>1,100,000</u>
Net contribution receivable	<u>\$ 1,522,503</u>	<u>\$ 2,370,464</u>

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, 2017, the net assets released from restrictions, totaling \$1,747,861, 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.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)****June 30, 2017****Note 2 – Summary of significant accounting policies (continued)****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.

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, 2016, from which the summarized information was derived.

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through October 13, 2017, 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, 2017 and 2016, Riverkeeper recorded in-kind legal services of \$573,735 and \$560,605, respectively. In addition, during the 2017 and 2016 fiscal years, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$45,850 and \$42,102, respectively. These amounts have been included as both revenue and corresponding program expenses in the accompanying financial statements.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)

June 30, 2017

Note 3 – In-kind services (continued)

In addition, Riverkeeper relies extensively upon the utilization of volunteers to carry out its programs and supporting services. Management estimates that volunteers contributed approximately 7,700 hours and 11,500 hours, respectively, during the 2017 and 2016 fiscal years. 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.

Note 4 – 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, 2017, Riverkeeper did not have any outstanding borrowings on the line of credit.

Note 5 – 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, 2017 and 2016, 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, 2017 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2018	\$ 76,000
2019	78,000
2020	80,000
2021	6,000
Total	<u>\$ 240,000</u>

Note 6 – 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.