

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2019**

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, 2019 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 as of June 30, 2019 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 2018 financial statements and our report dated September 20, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Neen McGinty + Donnelly LLP

October 3, 2019

RIVERKEEPER, INC.

Statement of Financial Position

Assets

	June 30	
	2019	2018
Current assets		
Cash	\$ 682,953	\$ 412,485
Current portion of contributions and pledges receivable	1,012,023	1,262,773
Prepaid expenses	12,340	12,358
Total current assets	<u>1,707,316</u>	<u>1,687,616</u>
Contributions and pledges receivable, net of current portion	<u>651,710</u>	<u>372,821</u>
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	204,391	196,920
Boat equipment and improvements	243,621	243,621
Leasehold improvements	<u>66,565</u>	<u>66,565</u>
Total property and equipment	522,077	514,606
Less: accumulated depreciation and amortization	<u>461,827</u>	<u>440,189</u>
Net property and equipment	<u>60,250</u>	<u>74,417</u>
Security deposits	<u>10,600</u>	<u>10,600</u>
Total assets	<u>\$ 2,429,876</u>	<u>\$ 2,145,454</u>

Liabilities and Net Assets

Accounts and grants payable and accrued expenses	<u>\$ 75,247</u>	<u>\$ 74,105</u>
Net assets		
Without donor restrictions	(472,664)	(511,444)
With donor restrictions	<u>2,827,293</u>	<u>2,582,793</u>
Total net assets	<u>2,354,629</u>	<u>2,071,349</u>
Total liabilities and net assets	<u>\$ 2,429,876</u>	<u>\$ 2,145,454</u>

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year-Ended June 30			
	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total		Total	
Support and revenue				
Contributions	\$ 1,489,230	\$ 1,836,087	\$ 3,325,317	\$ 1,834,098
Special events, net of direct cost of donor benefits of \$112,643 and \$118,710 in 2019 and 2018, respectively	896,493	-	896,493	-
In-kind services	868,306	-	868,306	-
Investment return	55	-	55	-
Other	3,069	-	3,069	-
Legal settlements and cost reimbursements	27,658	-	27,658	-
Net assets released from restrictions	1,591,587	(1,591,587)	-	(2,082,349)
Total support and revenue	4,876,398	244,500	5,120,898	(248,251)
			5,151,012	4,902,761
Expenses				
Program services	4,337,526	-	4,337,526	-
Supporting activities				
Management and general	123,603	-	123,603	-
Fund-raising	376,489	-	376,489	-
Total supporting activities	500,092	-	500,092	-
Total expenses	4,837,618	-	4,837,618	-
Increase (decrease) in net assets	38,780	244,500	283,280	(248,251)
			(193,565)	(441,816)
Net assets (deficit), beginning of year	(511,444)	2,582,793	2,071,349	2,831,044
Net assets (deficit), end of year	\$ (472,664)	\$ 2,827,293	\$ 2,354,629	\$ 2,582,793
			\$ (511,444)	\$ 2,071,349

See notes to financial statements.

RIVERKEEPER, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2019
(with Summarized Comparative Information for the Year Ended June 30, 2018)**

	2019					2018	
	Legal	Boats	Water Quality	Program Services	Supporting Activities Management and General	Fund- raising	Total
Salaries	\$1,145,009	\$ 466,899	\$ 536,820	\$2,148,728	\$ 27,893	\$ 222,513	\$2,359,300
Payroll taxes and employee benefits	202,889	106,107	131,166	440,162	10,375	44,391	491,381
Professional fees and consulting	186,191	88,086	206,569	480,846	13,272	66,028	856,540
Insurance	10,057	11,791	10,057	31,905	6,034	4,023	48,964
In-kind services	868,306	-	-	868,306	-	-	1,006,960
Conferences and meetings	377	874	517	1,768	33	183	6,158
Dues and subscriptions	14,400	4,819	3,982	23,201	752	2,091	24,127
Equipment rental and maintenance	3,655	48,819	4,355	56,829	2,420	5,604	79,872
Special events	2,605	4,623	2,920	10,148	935	1,260	21,592
Occupancy and utilities	24,948	41,039	33,348	99,335	26,960	5,340	126,321
Postage and shipping	3,025	2,934	5,259	11,218	254	1,946	8,311
Printing and publications	8,882	8,285	10,089	27,256	120	5,368	44,428
Public relations and program outreach	129	129	180	438	-	68	8,449
Supplies	8,050	10,567	22,002	40,619	990	6,699	51,721
Telephone	1,333	3,075	1,333	5,741	1,215	294	9,871
Travel	8,151	12,261	8,423	28,835	684	3,218	34,512
Depreciation and amortization	5,049	5,049	5,049	15,147	5,410	1,081	20,590
Uncollectible accounts	-	-	-	-	25,137	-	72,800
Direct mail	10,278	10,278	10,278	30,834	-	5,441	33,776
Other	8,061	2,531	5,618	16,210	1,119	941	38,904
Total	\$2,511,395	\$ 828,166	\$ 997,965	\$4,337,526	\$ 123,603	\$ 376,489	\$4,837,618
							\$5,344,577

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Cash Flows

	Year Ended June 30	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 283,280	\$ (441,816)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	21,638	20,590
Donated stock	(182,123)	(316,567)
Proceeds from sale of donated stock	182,123	316,567
(Increase) decrease in assets		
Contributions and pledges receivable	(28,139)	(113,091)
Prepaid expenses	18	638
Increase (decrease) in accounts and grants payable and accrued expenses	<u>1,142</u>	<u>(127,023)</u>
Net cash provided by (used in) operating activities	277,939	(660,702)
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(7,471)</u>	<u>(10,406)</u>
Net increase (decrease) in cash	270,468	(671,108)
Cash, beginning of year	<u>412,485</u>	<u>1,083,593</u>
Cash, end of year	<u>\$ 682,953</u>	<u>\$ 412,485</u>

See notes to financial statements.

RIVERKEEPER, INC.

Notes to Financial Statements June 30, 2019

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:

- Without donor restrictions

Net assets without donor restriction are used to account for the general operations of Riverkeeper.

- With donor restrictions

Temporary donor restrictions

Net assets with temporary donor restrictions represent contributions and pledges that are restricted by the donor for a specific purpose or relate to future periods.

Net assets with temporary donor restrictions for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Net Assets Released from Restrictions	Balance June 30, 2019
Purpose	\$ 1,028,352	\$ 1,273,641	\$(1,102,549)	\$ 1,199,444
Timing	474,599	557,446	(489,038)	543,007
Total	<u>\$ 1,502,951</u>	<u>\$ 1,831,087</u>	<u>\$(1,591,587)</u>	<u>\$ 1,742,451</u>

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2019Note 2 – Summary of significant accounting policies (continued)• Perpetual donor restrictions

Net assets with perpetual donor restrictions 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.

Net assets with perpetual donor restrictions for the year ended June 30, 2019 were as follows:

Balance June 30, 2018	Additions	Balance June 30, 2019
<u>\$ 1,079,842</u>	<u>\$ 5,000</u>	<u>\$ 1,084,842</u>

Restatement

During 2019, Riverkeeper determined that \$122,622 of net assets with donor restrictions were in fact net assets without donor restrictions. The fiscal 2018 net assets have been restated to give retroactive effect to this change.

Cash equivalents

Riverkeeper considers any highly liquid assets with original maturities of 90 days or less to be cash equivalents. At June 30, 2019 and 2018, 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, 2019 and 2018, contributions and pledges receivable, include unconditional promises to give, are due to be collected as follows:

	2019	2018
Less than one year	\$ 1,012,023	\$ 858,583
One to five years	<u>651,710</u>	<u>777,011</u>
Net contribution receivable	<u>\$ 1,663,733</u>	<u>\$ 1,635,594</u>

RIVERKEEPER, INC.**Notes to Financial Statements (continued)**
June 30, 2019**Note 2 – Summary of significant accounting policies (continued)**Contributions, pledges and net assets released from restrictions

Riverkeeper reports contributions as 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Riverkeeper's policy is to record contributions as without donor restrictions, if donor restrictions are satisfied in the same fiscal year that the contribution was received.

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. Expenses attributable to more than one functional area are allocated based on time and effort.

Allowance for doubtful accounts

As of June 30, 2019 and 2018, Riverkeeper had an allowance of \$-0- and \$72,800, respectively, for doubtful accounts. The allowance 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.

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.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2019**Note 2 – Summary of significant accounting policies (continued)**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, 2018, from which the summarized information was derived.

Recent accounting pronouncementNot-for-Profit Financial Statement Presentation

During 2019, Riverkeeper adopted Accounting Standards Update *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity and financial performance.

A recap of the net asset reclassifications and restatements driven by the adoption of the standard as of June 30, 2017 follows:

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted	\$ (317,879)	\$ -	\$ (317,879)
Temporarily restricted	-	1,706,044	1,706,044
Permanently restricted	-	1,125,000	1,125,000
Net assets, as reclassified June 30, 2018	<u>\$ (317,879)</u>	<u>\$ 2,831,044</u>	<u>\$ 2,513,165</u>

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through October 3, 2019, which is the date the financial statements were available to be issued.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)**
June 30, 2019**Note 3 – Liquidity and availability of financial assets**

As of June 30, 2019 the financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Financial assets	
Cash	\$ 682,953
Contributions and pledges receivable	<u>1,012,023</u>
Sub-total	1,694,976
Less: Net assets with perpetual donor restrictions	<u>1,084,842</u>
Total	<u>\$ 610,134</u>

In addition, Riverkeeper has a \$250,000 line of credit (see note 5) that can be utilized during the fiscal year if necessary.

Note 4 – 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, 2019 and 2018, Riverkeeper recorded in-kind legal services of \$839,316 and \$957,979, respectively. In addition, during the 2019 and 2018 fiscal years, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$28,990 and \$48,981, 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 9,700 hours and 9,400 hours, respectively, during the 2019 and 2018 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 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, 2019, 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.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)**
June 30, 2019**Note 6 – Lease agreement (continued)**

For the fiscal years ended June 30, 2019 and 2018, 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, 2019 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2020	\$ 80,000
2021	<u>6,000</u>
Total	<u>\$ 86,000</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.