

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2013**

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, 2013 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 above present fairly, in all material respects, the financial position of Riverkeeper, Inc. as of June 30, 2013 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 2012 financial statements, and our report dated October 2, 2012, 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, 2012, 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

	June 30	
	2013	2012
Current assets		
Cash	\$ 507,237	\$ 986,509
Current portion of contributions and pledges receivable	674,810	262,062
Reimbursement receivable	-	525,000
Prepaid expenses	3,059	10,151
Total current assets	1,185,106	1,783,722
Contributions and pledges receivable, net of current portion	75,000	-
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	156,267	145,897
Boat equipment and improvements	224,582	218,698
Leasehold improvements	49,765	81,700
Total property and equipment	438,114	453,795
Less accumulated depreciation and amortization	333,071	344,395
Net property and equipment	105,043	109,400
Security deposits	10,600	10,600
Total assets	\$ 1,375,749	\$ 1,903,722

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 137,954	\$ 625,638
Net assets		
Unrestricted	1,087,795	1,228,084
Temporarily restricted	150,000	50,000
Total net assets	1,237,795	1,278,084
Total liabilities and net assets	\$ 1,375,749	\$ 1,903,722

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30				
	2013		2012		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and revenue					
Contributions	\$2,396,188	\$ 150,000	\$2,546,188	\$ 50,000	\$2,052,002
Special events, net of direct cost of donor benefits of \$141,764 and \$123,455 in 2013 and 2012, respectively	943,367	-	943,367	-	1,047,573
In-kind services	704,415	-	704,415	-	536,095
Investment	1,053	-	1,053	-	1,870
Other	3,166	-	3,166	-	1,506
Cost reimbursement	57,376	-	57,376	-	557,916
Net assets released from restrictions	50,000	(50,000)	-	(140,000)	-
Total support and revenue	<u>4,155,565</u>	<u>100,000</u>	<u>4,255,565</u>	<u>(90,000)</u>	<u>4,196,962</u>
Expenses					
Program services	3,830,716	-	3,830,716	-	3,807,101
Supporting services					
Management and general	103,692	-	103,692	-	85,959
Fund-raising	361,446	-	361,446	-	401,988
Total supporting services	<u>465,138</u>	<u>-</u>	<u>465,138</u>	<u>-</u>	<u>487,947</u>
Total expenses	<u>4,295,854</u>	<u>-</u>	<u>4,295,854</u>	<u>-</u>	<u>4,295,048</u>
Increase (decrease) in net assets	(140,289)	100,000	(40,289)	(90,000)	(98,086)
Net assets, beginning of year	<u>1,228,084</u>	<u>50,000</u>	<u>1,278,084</u>	<u>140,000</u>	<u>1,376,170</u>
Net assets, end of year	<u>\$1,087,795</u>	<u>\$ 150,000</u>	<u>\$1,237,795</u>	<u>\$ 50,000</u>	<u>\$1,278,084</u>

See notes to financial statements.

RIVERKEEPER, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2013
(with Summarized Comparative Information for the Year Ended June 30, 2012)**

	<u>2013</u>			<u>2012</u>	
	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Fund- raising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$1,721,531	\$ 27,177	\$ 159,752	\$1,908,460	\$1,709,378
Payroll taxes and employee benefits	309,991	10,066	39,965	360,022	337,164
Professional fees and consulting	709,434	31,796	79,258	820,488	1,223,141
Insurance	12,874	1,299	915	15,088	11,941
In-kind services	704,415	-	-	704,415	536,095
Conferences and meetings	938	40	185	1,163	2,140
Dues and subscriptions	10,927	138	1,601	12,666	8,177
Equipment rental and maintenance	60,631	2,185	5,159	67,975	47,504
Special events	8,312	379	1,176	9,867	7,082
Occupancy and utilities	81,024	20,378	10,018	111,420	102,437
Postage and shipping	5,145	58	340	5,543	12,143
Printing and publications	54,523	29	4,680	59,232	67,997
Public relations and program outreach	7,806	0	2,554	10,360	14,642
Supplies	33,606	621	1,832	36,059	32,543
Telephone	10,931	1,361	1,246	13,538	20,855
Travel	29,374	635	3,295	33,304	28,111
Depreciation and amortization	13,397	5,153	2,061	20,611	22,232
Direct mail expense	43,614	0	43,614	87,228	92,048
Miscellaneous	12,243	2,377	3,795	18,415	19,418
Total	\$3,830,716	\$ 103,692	\$ 361,446	\$4,295,854	\$4,295,048

See notes to financial statements.

RIVERKEEPER, INC.**Statement of Cash Flows**

	Year Ended	
	June 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (40,289)	\$ (98,086)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation and amortization	20,611	22,232
(Increase) decrease in assets		
Contributions and pledges receivable	(487,748)	(58,972)
Reimbursement receivable	525,000	(525,000)
Prepaid expenses	7,092	1,084
Security deposit	-	(600)
Increase (decrease) in accounts payable and accrued expenses	<u>(487,684)</u>	<u>406,941</u>
Net cash (used in) operating activities	(463,018)	(252,401)
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(16,254)</u>	<u>(31,196)</u>
Net (decrease) in cash	(479,272)	(283,597)
Cash, beginning of year	<u>986,509</u>	<u>1,270,106</u>
Cash, end of year	<u>\$ 507,237</u>	<u>\$ 986,509</u>

See notes to financial statements.

RIVERKEEPER, INC.**Notes to Financial Statements
June 30, 2013****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 \$150,000 as of June 30, 2013 consists entirely of amounts relating to a future period.

Cash equivalents

Riverkeeper considers any highly liquid assets with an original maturity of 90 days or less to be cash equivalents. At June 30, 2013 and 2012, 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. During the 2013 fiscal year, fully depreciated assets totaling \$31,935 were removed from the accounts of Riverkeeper.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)
June 30, 2013****Note 2 – Summary of significant accounting policies (continued)****Contributions and pledges receivable**

Other than \$75,000 which is due during the 2015 fiscal year, all contributions and pledges receivable are expected to be collected during the 2014 fiscal year.

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, 2013, the net assets released from restriction, totaling \$50,000, 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.

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.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)
June 30, 2013****Note 2 – Summary of significant accounting policies (continued)****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, 2012, from which the summarized information was derived.

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through October 8, 2013, 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, 2013 and 2012, Riverkeeper recorded in-kind legal services of \$680,790 and \$536,095, respectively. In addition, during the 2013 fiscal year, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$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 6,500 hours during the 2013 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, 2013

Note 4 – Allocation of joint costs

During the 2013 fiscal year, Riverkeeper incurred joint costs of \$87,228 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 43,614
Fund-raising	<u>43,614</u>
Total	<u>\$ 87,228</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 2013 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. 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.

For the fiscal years ended June 30, 2013 and 2012, rent expense in accordance with the agreement totaled \$89,179 and \$88,376, respectively.

At June 30, 2013 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2014	\$ 68,000
2015	70,000
2016	72,000
2017	74,000
2018	76,000
2019 and thereafter	<u>158,000</u>
Total	<u>\$ 518,000</u>

RIVERKEEPER, INC.

Notes to Financial Statements (continued)

June 30, 2013

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, 2013, no amounts have been recognized for uncertain income tax positions. In addition, Riverkeeper's tax returns for 2010 fiscal year and forward are subject to the usual review by the appropriate authorities.