

RIVERKEEPER, INC.

**Financial Statements
for year ended
June 30, 2018**

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, 2018 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, 2018 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 2017 financial statements and our report dated October 13, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented for the year ended June 30, 2017 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>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 412,485	\$ 1,083,593
Current portion of contributions and pledges receivable	1,262,773	1,148,980
Prepaid expenses	<u>12,358</u>	<u>12,996</u>
Total current assets	<u>1,687,616</u>	<u>2,245,569</u>
Contributions and pledges receivable, net of current portion	<u>372,821</u>	<u>373,523</u>
Property and equipment, at cost		
Land	7,500	7,500
Office equipment	196,920	186,514
Boat equipment and improvements	243,621	243,621
Leasehold improvements	<u>66,565</u>	<u>66,565</u>
Total property and equipment	514,606	504,200
Less: accumulated depreciation and amortization	<u>440,189</u>	<u>419,599</u>
Net property and equipment	<u>74,417</u>	<u>84,601</u>
Security deposits	<u>10,600</u>	<u>10,600</u>
Total assets	<u>\$ 2,145,454</u>	<u>\$ 2,714,293</u>

Liabilities and Net Assets

Accounts and grants payable and accrued expenses	<u>\$ 74,105</u>	<u>\$ 201,128</u>
Net assets		
Unrestricted (deficit)	(634,066)	(317,879)
Temporarily restricted	1,625,573	1,706,044
Permanently restricted	<u>1,079,842</u>	<u>1,125,000</u>
Total net assets	<u>2,071,349</u>	<u>2,513,165</u>
Total liabilities and net assets	<u>\$ 2,145,454</u>	<u>\$ 2,714,293</u>

See notes to financial statements.

RIVERKEEPER, INC.

Statement of Activities

	Year Ended June 30							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Contributions	\$ 920,650	\$ 1,829,434	\$ 4,664	\$ 2,754,748	\$ 1,064,014	\$ 1,931,627	\$ -	\$ 2,995,641
Special events, net of direct cost of donor benefits of \$118,710 and \$115,200 in 2018 and 2017, respectively	1,111,630	-	-	1,111,630	1,013,332	-	-	1,013,332
In-kind services	1,006,960	-	-	1,006,960	619,585	-	-	619,585
Investment	356	-	-	356	323	-	-	323
Other	1,577	-	-	1,577	1,054	-	-	1,054
Legal settlements and cost reimbursements	27,490	-	-	27,490	90,132	-	-	90,132
Net assets released from restrictions	1,959,727	(1,959,727)	-	-	1,747,861	(1,747,861)	-	-
Net assets released from permanent restrictions	-	49,822	(49,822)	-	-	25,000	(25,000)	-
Total support and revenue	<u>5,028,390</u>	<u>(80,471)</u>	<u>(45,158)</u>	<u>4,902,761</u>	<u>4,536,301</u>	<u>208,766</u>	<u>(25,000)</u>	<u>4,720,067</u>
Expenses								
Program services	4,704,369	-	-	4,704,369	4,336,218	-	-	4,336,218
Supporting activities								
Management and general	192,000	-	-	192,000	117,496	-	-	117,496
Fund-raising	448,208	-	-	448,208	440,347	-	-	440,347
Total supporting activities	640,208	-	-	640,208	557,843	-	-	557,843
Total expenses	<u>5,344,577</u>	<u>-</u>	<u>-</u>	<u>5,344,577</u>	<u>4,894,061</u>	<u>-</u>	<u>-</u>	<u>4,894,061</u>
Increase (decrease) in net assets	<u>(316,187)</u>	<u>(80,471)</u>	<u>(45,158)</u>	<u>(441,816)</u>	<u>(357,760)</u>	<u>208,766</u>	<u>(25,000)</u>	<u>(173,994)</u>
Net assets (deficit), beginning 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>
Net assets (deficit), end of year	<u>\$ (634,066)</u>	<u>\$ 1,625,573</u>	<u>\$ 1,079,842</u>	<u>\$ 2,071,349</u>	<u>\$ (317,879)</u>	<u>\$ 1,706,044</u>	<u>\$ 1,125,000</u>	<u>\$ 2,513,165</u>

See notes to financial statements.

RIVERKEEPEP, INC.

**Statement of Functional Expenses
For Year Ended June 30, 2018
(with Summarized Comparative Information for the Year Ended June 30, 2017)**

	2018				2017		
	Legal	Boats	Water Quality	Program Services	Management and General	Fund- raising	Total
Salaries	\$1,104,829	\$ 387,818	\$ 572,767	\$2,065,414	\$ 43,843	\$ 250,043	\$2,433,990
Payroll taxes and employee benefits	197,448	93,949	136,999	428,396	14,500	48,485	441,373
Professional fees and consulting	251,646	88,630	398,974	739,250	12,080	105,210	836,519
Insurance	11,949	13,117	11,949	37,015	7,169	4,780	54,899
In-kind services	1,006,960	-	-	1,006,960	-	-	1,006,960
Conferences and meetings	2,299	1,087	1,545	4,931	294	933	8,359
Dues and subscriptions	14,365	3,746	3,534	21,645	467	2,015	24,332
Equipment rental and maintenance	2,153	71,371	3,502	77,026	2,272	574	79,872
Special events	6,238	7,119	3,916	17,273	1,414	2,905	21,592
Occupancy and utilities	24,537	37,085	32,937	94,559	26,644	5,118	126,321
Postage and shipping	2,059	1,809	2,844	6,712	202	1,397	10,768
Printing and publications	13,870	8,732	13,847	36,449	213	7,766	51,747
Public relations and program outreach	3,463	1,463	1,463	6,389	-	2,060	23,954
Supplies	10,836	10,294	23,135	44,265	1,160	6,296	44,007
Telephone	2,033	3,835	2,147	8,015	1,326	530	11,833
Travel	9,291	12,470	9,057	30,818	480	3,214	47,086
Depreciation and amortization	4,804	4,804	4,804	14,412	5,148	1,030	20,590
Uncollectible accounts	-	-	-	-	72,800	-	72,800
Direct mail	9,570	9,570	9,570	28,710	-	5,066	39,099
Other	15,383	15,369	5,378	36,130	1,988	786	38,904
Total	\$2,693,733	\$ 772,268	\$1,238,368	\$4,704,369	\$ 192,000	\$ 448,208	\$5,344,577
							\$4,894,061

See notes to financial statements.

RIVERKEEPER, INC.
Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (441,816)	\$ (173,994)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	20,590	19,959
Donated stock	(316,567)	(100,567)
Proceeds from sale of donated stock	316,567	100,567
(Increase) decrease in assets		
Contributions and pledges receivable	(113,091)	847,961
Prepaid expenses	638	69,919
(Decrease) in accounts and grants payable and accrued expenses	<u>(127,023)</u>	<u>(121,425)</u>
Net cash provided by (used in) operating activities	<u>(660,702)</u>	<u>642,420</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(10,406)</u>	<u>(6,397)</u>
Net increase (decrease) in cash	(671,108)	636,023
Cash, beginning of year	<u>1,083,593</u>	<u>447,570</u>
Cash, end of year	<u>\$ 412,485</u>	<u>\$1,083,593</u>

See notes to financial statements.

RIVERKEEPER, INC.

**Notes to Financial Statements
June 30, 2018**

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, 2018 were as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2018</u>
Purpose	\$ 1,438,715	\$ 1,395,936	\$(1,756,477)	\$ 1,078,174
Timing	<u>267,329</u>	<u>483,320</u>	<u>(203,250)</u>	<u>547,399</u>
Total	<u>\$ 1,706,044</u>	<u>\$ 1,879,256</u>	<u>\$(1,959,727)</u>	<u>\$ 1,625,573</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 2018 and 2017, a donor decided that \$49,822 and \$25,000, respectively, of a previously permanently restricted contribution be utilized for a specific program. Accordingly, these amounts, in 2018 and 2017, were released from permanently restricted and reflected as temporarily restricted.

RIVERKEEPER, INC.

Notes to Financial Statements (continued)
June 30, 2018Note 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, 2018 and 2017, 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.

Contributions and pledges receivable

As of June 30, 2018 and 2017, contributions and pledges receivable, include unconditional promises to give, are due to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 858,583	\$ 1,148,980
One to five years	<u>777,011</u>	<u>373,523</u>
Net contribution receivable	<u>\$ 1,635,594</u>	<u>\$ 1,522,503</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, 2018, the net assets released from restrictions, totaling \$1,959,727, 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

An allowance of \$72,800 for doubtful accounts has been established for the fiscal year ended June 30, 2018. The allowance is based on management's experience, the aging of the contributions and pledges receivable, subsequent receipts and current economic conditions. There was no such allowance for the 2017 fiscal year.

RIVERKEEPER, INC.**Notes to Financial Statements (continued)
June 30, 2018****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, 2017, from which the summarized information was derived.

Subsequent events

Riverkeeper has evaluated events and transactions for potential recognition or disclosure through September 20, 2018, 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, 2018 and 2017, Riverkeeper recorded in-kind legal services of \$957,979 and \$573,735, respectively. In addition, during the 2018 and 2017 fiscal years, Riverkeeper received professional services from citizen scientists for water testing with an estimated fair market value of \$48,981 and \$45,850, 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, 2018

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 9,400 hours and 7,700 hours, respectively, during the 2018 and 2017 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, 2018, 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, 2018 and 2017, 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, 2018 future minimum lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2019	\$ 78,000
2020	80,000
2021	<u>6,000</u>
Total	<u>\$ 164,000</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.