

WATERKEEPER ALLIANCE, INC.

**Financial Statements
for the Nine Months Ended
June 30, 2009**

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

Independent Auditors' Report

To the Board of Directors of
Waterkeeper Alliance, Inc.

We have audited the accompanying statement of financial position of Waterkeeper Alliance, Inc. (the "Alliance") as of June 30, 2009 and the related statements of activities, functional expenses and cash flows for the nine-month period ended June 30, 2009. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized financial information for the year ended September 30, 2008 has been derived from the Alliance's 2008 financial statements and, in our report dated January 20, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterkeeper Alliance, Inc. at June 30, 2009, and the results of its activities and its cash flows for the nine-month period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

September 25, 2009

WATERKEEPER ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30, 2009	September 30, 2008
Current assets		
Cash	\$ 137,585	\$ 335,270
Contributions and grants receivable	266,000	240,000
Accounts receivable	247,295	135,510
Prepaid expenses	<u>12,116</u>	<u>29,227</u>
Total current assets	<u>662,996</u>	<u>740,007</u>
Security deposit	<u>9,618</u>	<u>9,168</u>
Leasehold improvements and equipment, at cost		
Leasehold improvements	56,982	56,982
Equipment	<u>295,178</u>	<u>277,518</u>
Total	352,160	334,500
Accumulated depreciation and amortization	<u>290,118</u>	<u>274,151</u>
Net leasehold improvements and equipment	<u>62,042</u>	<u>60,349</u>
Total assets	<u>\$ 734,656</u>	<u>\$ 809,524</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 256,555	\$ 253,656
Accrued expenses	49,696	74,713
Accrued vacation	<u>43,552</u>	<u>55,966</u>
Total current liabilities	<u>349,803</u>	<u>384,335</u>
Net assets		
Unrestricted (deficit)	110,318	(54,830)
Temporarily restricted	<u>274,535</u>	<u>480,019</u>
Total net assets	<u>384,853</u>	<u>425,189</u>
Total liabilities and net assets	<u>\$ 734,656</u>	<u>\$ 809,524</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Activities
(with Summarized Comparative Information
for the Year Ended September 30, 2008)**

	<u>Nine Months Ended June 30, 2009</u>			<u>Year Ended September 30, 2008</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 1,144,254	\$ 553,166	\$ 1,697,420	\$ 2,222,289
Fund-raising, net of direct cost of donor benefits of \$3,800 and \$25,209 in 2009 and 2008, respectively	1,226,721	-	1,226,721	1,460,762
Interest and dividends	388	-	388	12,835
Other revenue	227,679	-	227,679	154,032
Net assets released from restrictions	<u>758,650</u>	<u>(758,650)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,357,692</u>	<u>(205,484)</u>	<u>3,152,208</u>	<u>3,849,918</u>
Expenses				
Program services	2,447,674	-	2,447,674	3,305,199
Supporting services				
Administrative and general	199,622	-	199,622	283,102
Fundraising	<u>545,248</u>	<u>-</u>	<u>545,248</u>	<u>610,476</u>
Total expenses	<u>3,192,544</u>	<u>-</u>	<u>3,192,544</u>	<u>4,198,777</u>
Increase (decrease) in net assets	165,148	(205,484)	(40,336)	(348,859)
Net assets (deficit), beginning of period	<u>(54,830)</u>	<u>480,019</u>	<u>425,189</u>	<u>774,048</u>
Net assets, end of period	<u>\$ 110,318</u>	<u>\$ 274,535</u>	<u>\$ 384,853</u>	<u>\$ 425,189</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

**Statement of Functional Expenses
(with Summarized Comparative Information for the Year Ended September 30, 2008)**

	<u>Nine Months Ended June 30, 2009</u>			<u>Year Ended</u>	
	<u>Supporting Services</u>			<u>September 30,</u>	
	<u>Program</u>	<u>Administrative</u>	<u>Fund-</u>	<u>2008</u>	
<u>Services</u>	<u>General</u>	<u>Raising</u>	<u>Total</u>	<u>Total</u>	
Payroll cost	\$1,169,159	\$ 82,683	\$ 92,013	\$1,343,855	\$1,749,853
Professional fees	316,708	43,155	59,410	419,273	724,441
Auditing and accounting	-	17,443	-	17,443	29,577
Insurance	8,806	718	-	9,524	11,025
Fund-raising expense	-	-	203,117	203,117	80,453
Educational/Outreach	421,348	-	61,011	482,359	388,388
WKA Support	271,902	5,710	56,513	334,125	763,043
Litigation/regulation	38,031	-	-	38,031	4,651
Travel	87,537	4,737	11,969	104,243	140,942
Telephone	25,101	3,161	3,518	31,780	39,315
Postage	42,754	578	46,296	89,628	88,735
Office expense	10,864	3,607	1,624	16,095	48,313
Other	4,723	11,636	-	16,359	22,560
Credit card and banking fees	23	21,641	23	21,687	19,513
Occupancy	38,265	3,434	7,359	49,058	68,253
Depreciation and amortization	12,453	1,119	2,395	15,967	19,715
Total	\$2,447,674	\$ 199,622	\$ 545,248	\$3,192,544	\$4,198,777

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Statement of Cash Flows

	Nine Months Ended June 30, 2009	Year Ended September 30, 2008
Cash flows from operating activities		
(Decrease) in net assets	\$ (40,336)	\$ (348,859)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation and amortization	15,967	19,715
(Increase) decrease in assets		
Contribution and grants receivable	(26,000)	(73,333)
Accounts receivable	(111,785)	(117,170)
Prepaid expenses	17,111	9,184
Security deposit	(450)	(428)
Increase (decrease) in liabilities		
Accounts payable	2,899	150,297
Accrued expenses	(25,017)	42,636
Accrued vacation	(12,414)	13,240
Net cash (used in) operating activities	<u>(180,025)</u>	<u>(304,718)</u>
Cash flows (used in) investing activities		
Additions to leasehold improvements and equipment	<u>(17,660)</u>	<u>(6,540)</u>
Net (decrease) in cash	(197,685)	(311,258)
Cash, beginning of period	<u>335,270</u>	<u>646,528</u>
Cash, end of period	<u>\$ 137,585</u>	<u>\$ 335,270</u>

See notes to financial statements.

WATERKEEPER ALLIANCE, INC.

Notes to Financial Statements June 30, 2009

Note 1 – Nature of Organization

The Waterkeeper Alliance, Inc. (the “Alliance”) was organized to serve as the umbrella group for the Riverkeeper, Soundkeeper, Baykeeper, and other Waterkeeper programs located throughout North America and in other countries, all of which have their own 501(c)(3) status or the equivalent. The Alliance approves new Waterkeeper programs, licenses the use of the Waterkeeper marks, represents the individual Waterkeeper program nationally and internationally on issues of common interest, and serves as a meeting place for all Waterkeeper programs.

Note 2 – Summary of significant accounting policies

Change in year-end

During 2008, the Alliance changed its fiscal period from a year ending on September 30th to a year ending on June 30th. Accordingly, the accompanying financial statements reflect the financial position, results of activities and cash flows for the nine-month period ending June 30, 2009 and the comparative financial information for the year ended September 30, 2008.

Financial reporting

The Alliance maintains two classes of net assets, which are as follows:

- Unrestricted

Unrestricted net assets are used to account for the general activities of the Alliance.

- Temporarily restricted

Temporarily restricted net assets represent grants and contributions that are restricted by the donor for a specific purpose or pertain to future periods. Once that specific purpose has been met or the time restriction expires, the funds are released and reflected as net assets released from restrictions.

Net assets that are released from donor restrictions, by incurring expenses that satisfied the restricted purposes or by occurrence of other events specified by donors, during the 2009 fiscal year, totaled \$758,650 and were used for the general programs of the Alliance as described in note 1 to the financial statements.

Temporarily restricted net assets at June 30, 2009 were restricted for the following:

Time restriction	\$ 87,667
Purpose restriction	<u>186,868</u>
Total	<u>\$ 274,535</u>

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2009****Note 2 – Summary of significant accounting policies (continued)****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 among the programs and supporting services benefited.

Leasehold improvements and equipment

Leasehold improvements are recorded at cost and are being amortized on a straight-line basis over the life of the lease. Equipment is recorded at cost. Depreciation of equipment is provided on a straight-line basis over its estimated useful life of five years.

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.

Concentration of credit risk

The Alliance's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and contributions, grants and accounts receivable. The Alliance places its cash with what it believes to be quality financial institutions. At times during the year, balances in the Alliance's cash accounts exceeded the FDIC insurance limit; however, the Alliance has not incurred any losses on its accounts to date. Contributions, grants and accounts receivable are deemed collectible by the Alliance. The Alliance believes no significant concentration of credit risk exists with respect to its cash, contributions, grants and accounts receivable.

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 the Alliance's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

Subsequent events

Subsequent events have been evaluated through the date of this report, which is the date these financial statements were available to be issued.

WATERKEEPER ALLIANCE, INC.

**Notes to Financial Statements (continued)
June 30, 2009**

Note 2 – Summary of significant accounting policies (continued)

Reclassification

Certain items in the 2008 financial statements have been reclassified for comparative purposes only.

Note 3 – Donated volunteer time

A number of volunteers donate their time and services to the Alliance's program services and fund-raising campaign; however, no amounts are reflected in the financial statements for this donated volunteer time.

Note 4 – Allocation of joint costs

During the 2009 fiscal period, the Alliance incurred joint costs of \$273,598 for informational materials and activities that included fund-raising appeals; such costs were allocated as follows:

Programs	\$ 136,799
Fund-raising	<u>136,799</u>
Total	<u>\$ 273,598</u>

Note 5 – Lease Agreement

During January 2006, the Alliance entered into a new lease agreement, which expires on December 31, 2011 and requires an annual rental fee of \$49,000 during the first year of the agreement with annual increases, if any, based on the increase in the consumer price index as outlined in the agreement. In connection with the lease, the Alliance has deposited \$9,618, including interest as a security deposit with the landlord.

Rent expense under these agreements totaled \$40,530 for the nine months ended June 30, 2009 and \$58,505 for the year ended September 30, 2008.

Note 6 – Tax status

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Alliance has been determined by the IRS to be a publicly supported organization and not a private foundation within the meaning of Section 509(a) of the Code. Accordingly, the Alliance qualifies for the maximum charitable contribution deduction for its donors.

WATERKEEPER ALLIANCE, INC.**Notes to Financial Statements (continued)
June 30, 2009****Note 6 – Tax status (continued)****Recent accounting pronouncement**

The Financial Accounting Standards Board (FASB) has issued FASB interpretation No. 48 (FIN-48) "Accounting for Uncertainty in Income Taxes". The implementation of FIN-48 has been deferred for nonprofit organizations by FASB staff position FIN 48-3 for a one-year period until December 31, 2009.