

**Chattahoochee Riverkeeper, Inc.
(Formerly Upper Chattahoochee Riverkeeper, Inc.)**

Audits of Financial Statements

December 31, 2013 and 2012

Independent Auditor's Report

To the Board of Directors of
Chattahoochee Riverkeeper, Inc.

I have audited the accompanying financial statements of Chattahoochee Riverkeeper, Inc. (the Riverkeeper). (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the year ended December 31, 2013, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended December 31, 2012 and in my report dated June 9, 2013, I expressed an unqualified opinion thereon.

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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluation the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chattahoochee Riverkeeper, Inc. as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

J. Lunsford CPA



Statements of Financial Position - December 31, 2013 and 2012

The accompanying notes are an integral part of these financial statements

	2013	2012
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 864,065	\$ 1,034,172
Accounts Receivable	-	126
Grants and Contracts Receivable	75,176	99,176
Investments	2,399,753	1,807,352
Total Current Assets	3,338,994	2,940,826
Property and Equipment		
Office Equipment	179,710	194,585
Water Equipment/Boats	327,447	321,696
Vehicles	54,339	54,339
Leasehold Improvements - Lagrange	13,041	13,041
Accumulated Depreciation	(434,443)	(406,763)
Net Property and Equipment	140,094	176,898
Total Assets	\$ 3,479,088	\$ 3,117,724
	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 9,259	\$ 911
Unearned Membership Dues	42,820	53,525
Total Current Liabilities	52,079	54,436
Net Assets		
Unrestricted	3,290,581	2,770,691
Temporarily Restricted	136,428	292,597
Total Net Assets	3,427,009	3,063,288
Total Liabilities and Net Assets	\$ 3,479,088	\$ 3,117,724



Statement of Activities - For the Year Ended December 31 2013 With Comparative Information For December 31, 2012

The accompanying notes are an integral part of these financial statements

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>12/31/2012</u>
Support Revenues and Reclassifications				
Membership/Contributions	\$ 439,868	\$ -	\$ 439,868	\$ 384,066
Interest and Dividends	97,027	-	97,027	43,190
Foundation Grants	406,082	143,500	549,582	349,508
Corporate and Government Support	349,090	83,000	432,090	494,284
Non Cash Donated Services	145,945	-	145,945	152,337
Realized/Unrealized Gain (Loss) on Investments	250,038	-	250,038	151,782
Net Assets Released from Restrictions	382,669	(382,669)	-	-
Total Support, Revenues and Reclassifications	<u>2,070,719</u>	<u>(156,169)</u>	<u>1,914,550</u>	<u>1,575,167</u>
Expenditures				
Programs				
Programs, Including Grants	1,185,521	-	1,185,521	1,246,047
Non Cash Donated Services	145,945	-	145,945	152,337
Total Programs Expenditures	<u>1,331,466</u>	<u>-</u>	<u>1,331,466</u>	<u>1,398,384</u>
Other				
Administrative	126,917	-	126,917	108,185
Fund Raising	92,446	-	92,446	89,478
Total Other Expenditures	<u>219,363</u>	<u>-</u>	<u>219,363</u>	<u>197,663</u>
Total Expenditures	<u>1,550,829</u>	<u>-</u>	<u>1,550,829</u>	<u>1,596,047</u>
Change in Net Assets	519,890	(156,169)	363,721	(20,880)
Net Assets at the Beginning of the Year	<u>2,770,691</u>	<u>292,597</u>	<u>3,063,288</u>	<u>3,084,168</u>
Net Assets at the End of the Year	<u>\$ 3,290,581</u>	<u>\$ 136,428</u>	<u>\$ 3,427,009</u>	<u>\$ 3,063,288</u>



Statements of Cash Flows - December 31, 2013 and 2012

The accompanying notes are an integral part of these financial statements

	2013	2012
Cash Flows From Operating Activities		
Change in Net Assets	\$ 363,721	\$ (20,880)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	42,555	54,519
Realized/Unrealized (Gains) Losses on Investments	(250,038)	(151,782)
Change in Grants and Contracts Receivable	24,000	269,574
Change in Accounts Receivable	126	2,177
Change in Accounts Payable and Accrued Expenses	8,348	(10,679)
Change in Unearned Membership Dues	(10,705)	(7,923)
Net Cash Provided By Operating Activities	<u>178,007</u>	<u>135,006</u>
Cash Flows From Investing Activities		
Purchase of Investment Securities	(610,970)	(126,640)
Sale of Investment Securities	268,606	92,804
Purchases of Furniture and Equipment	(5,750)	(29,214)
Net Cash Provided By Investing Activities	<u>(348,114)</u>	<u>(63,050)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(170,107)	71,956
Cash and Cash Equivalents as of the Beginning of Year	<u>1,034,172</u>	<u>962,216</u>
Cash and Cash Equivalents as of the End of Year	<u>\$ 864,065</u>	<u>\$ 1,034,172</u>



Notes to Financial Statements - December 31, 2013 and 2012

Note 1: Organization and Nature of Activities

Chattahoochee Riverkeeper, Inc. (the "Riverkeeper") is a nonprofit organization whose mission is to advocate and secure the protection and stewardship to the Chattahoochee River, its tributaries and watershed in order to restore and conserve their ecological health for the people, fish and wildlife that depend on the river system. The Riverkeeper uses advocacy, education, communication, monitoring, and legal actions to protect and restore the Chattahoochee River and its watershed.

The Riverkeeper changed its name from Upper Chattahoochee Riverkeeper, Inc. to Chattahoochee Riverkeeper, Inc. to better reflect its mission. This name change was registered with the Secretary of State of Georgia during the year ended December 31, 2012.

Note 2: Summary of Significant Accounting Policies

Revenue Recognition

The Riverkeeper considers all gifts of cash and other assets to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Riverkeeper had no permanently restricted net assets in 2013 or 2012.

Public Support and Revenue

Annual membership contributions and amounts raised from public events are available for unrestricted use in the year received. Grants from private foundations are a significant source of the Riverkeeper's funds.

The following represents contributions made of \$30,000 or more and any related restrictions:

Contributor	Restrictions	Grants
2013		
Colonial Pipeline Company	Unrestricted	\$ 30,000
SweetWater Brewing Company	Unrestricted	\$ 57,897
Coca-Cola Company	Outreach	\$ 38,869
Turner Foundation	Unrestricted	\$ 265,000
The James Cox Foundation	Policy	\$ 50,000
The Sapelo Foundation	Policy	\$ 66,000
The Kendeda Fund	LLALC/Monitoring	\$ 40,000
2012		
EPA/NWW	Monitoring	\$ 50,000
Waterfall Foundation	Monitoring	\$ 35,000
Callaway	Outreach	\$ 30,000
EPA/Rain	Outreach	\$ 51,508
Charles Stewart Mott Foundation	Policy	\$ 100,000



Notes to Financial Statements - December 31, 2013 and 2012

Note 2: Summary of Significant Accounting Policies - Continued

Public Support and Revenue - Continued

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services are recorded at their estimated fair values in the period received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Riverkeeper considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents

Investments

Investments are composed of equity securities, mutual funds and bond funds with readily determinable market values and are carried at their fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost or fair value for contributed property and equipment and depreciated over the estimated useful lives of three to thirty-nine years using the straight-line method. Depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$42,555 and \$54,519, respectively.

Unearned Membership Dues

Unearned membership dues are being amortized into revenue over a five year period beginning December 31, 2013 and ending December 31, 2018.

Income Taxes

The Riverkeeper is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.



Notes to Financial Statements - December 31, 2013 and 2012

Note 2: Summary of Significant Accounting Policies - Continued

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Riverkeeper's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 3: Grants and Accounts Receivable

The Riverkeeper considers all grant and accounts receivable to be collectible and, accordingly, has not recorded a reserve for uncollectible accounts.

Note 4: Donated Services

The Riverkeeper receives a significant amount of donated services from unpaid volunteers who assist in special projects and has recorded donated services and donated services expenditures in the amounts of \$145,945 and \$152,337 for the years ended December 31, 2013 and 2012.

Note 5: Investments

Investments are summarized as follows:

	December 31, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Equity Funds	\$ 1,151,070	\$ 1,309,248	\$ 1,135,184	\$ 1,178,153
Bond Funds & Individual Bonds	562,415	603,840	224,988	251,201
Blended Funds & Individual Stocks	428,540	486,665	362,370	377,998
	<u>\$ 2,142,025</u>	<u>\$ 2,399,753</u>	<u>\$ 1,722,542</u>	<u>\$ 1,807,352</u>

Realized/Unrealized gain on investments consists of the following:

	December 31 2013	December 31 2012
Realized Gain (Loss)	\$ 48,446	\$ 9,457
Unrealized Gain (Loss)	201,592	142,325
	<u>\$ 250,038</u>	<u>\$ 151,782</u>



Notes to Financial Statements - December 31, 2013 and 2012

Note 6: Concentration of Credit Risk

During 2013, the Riverkeeper held cash balances in a money market account with a brokerage house and also held cash in FDIC insured accounts which at times exceeded the FDIC insured amount.

The Riverkeeper has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash.

Note 7: Operating Leases

The Riverkeeper leases certain office space under noncancellable operating leases. The minimum lease payments are \$3,987 per month at inception of the lease increasing 3% each year during the initial 50 month term of the lease. Pursuant to the lease, the Riverkeeper exercised its option to renew the lease for an additional 48 months on January 22, 2007 and then again exercised its option to renew the lease for an additional 48 months on August 12, 2010 which extended the lease term through February 28, 2015.

Future minimum lease payments under the lease are as follows:

Year Ended	Lease Payment
December 31, 2014	66,984
December 31, 2015	11,216
Total	\$ 78,200

Note 8: Related Parties

A member of the Board of Directors of the Riverkeeper is also an officer in a Foundation which is classified as a significant contributor to the Riverkeeper.

Note 9: Subsequent Events

The Riverkeeper has evaluated subsequent events through April 27, 2014 which is the date the financial statements were prepared. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

Note 10: Reserve Fund Policy

In 2001, the Board of Directors adopted an investment policy based on long-term and short-term objectives to provide for safekeeping and growth of the organization's accumulated funds. On September 14, 2007 the Board of Directors approved a Reserve Fund equal to at least six months of the Riverkeeper's operating expenses which will be invested pursuant to the 2001 Investment Policy. The Board believes that the Riverkeeper's Investment Policy and Reserve Fund Policy represent their commitment to the current and future sustainability of the Riverkeeper.



Notes to Financial Statements - December 31, 2013 and 2012

Note 11: Reserve Fund Policy - Continued

Reserve funds are accessible for use as operating funds or for capital expenditures only after a review of the need for their use by the Riverkeeper's Finance Committee and a vote of the majority of the members of the Riverkeeper's Board of Directors.

Reasons to access the Reserve Fund include, but are not limited to the following:

1. Support of day-to-day operations, if there is a crisis and an emergency cash flow issue,
2. support for a new initiative if an opportunity presents itself, yet there is not sufficient time to raise the funds to take advantage of the opportunity, and
3. support for an unexpected legal action - either offensive or defensive

Note 12: FIN 48 Disclosure

The Riverkeeper has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-than-likely-than-not be sustained upon examination by taxing authorities. The Riverkeeper has analyzed tax positions taken for filing with the Internal Revenue Service and all state tax jurisdictions where it operates. The Riverkeeper believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Riverkeeper's financial condition, results of operations or cash flows. Accordingly, the Riverkeeper has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2013.

Note 13: Fair Value Measurements

The Riverkeeper reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable either directly or indirectly

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets in markets that are not active.
- observable inputs other than quoted prices such as interest rates and yield curves; and
- inputs derived or corroborated by observable market data by correlation or by other means.

Level 3 - Unobservable inputs. Used to the extent that observable inputs are unavailable

When available, the Riverkeeper measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for all of the assets and liabilities that the Riverkeeper may be required to measure, for example, in-kind contributions. The Riverkeeper primarily uses fair value measures in the area of investments and noncash services.



Note 14: Functional Allocation of Expenses

	<u>Outreach</u>	<u>Water Quantity</u>	<u>Water Quality</u>	<u>Marketing</u>	<u>Total Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Other</u>
Salary & Benefits	\$ 221,687	\$ 146,742	\$ 196,677	\$ 69,429	\$ 634,535	\$ 74,402	\$ 64,305	\$ 138,707
Consulting	177,701	27,175	19,735	4,793	229,404	18,046	3,715	21,761
Rent/Utilities	40,992	16,369	17,807	8,492	83,660	11,580	8,802	20,382
Insurance	30,643	4,283	7,828	2,239	44,993	4,711	2,239	6,950
Supplies	15,007	276	27,547	354	43,184	2,403	172	2,575
Depreciation	20,331	8,902	8,283	5,039	42,555	-	-	-
Merchandise	22,307	-	-	255	22,562	-	-	-
Maintenance	13,448	1,054	5,243	549	20,294	871	549	1,420
Printing/Copies	5,557	676	837	8,096	15,166	890	535	1,425
Postage/Shipping	5,375	1,289	4,449	3,215	14,328	3,307	1,071	4,378
Travel	5,051	4,152	4,028	201	13,432	2,298	62	2,360
Hospitality	5,528	220	501	754	7,003	1,245	189	1,434
Subscriptions/Dues/Sponsor	3,337	1,835	329	330	5,831	305	245	550
Conference/Workshop	158	2,990	1,610	-	4,758	2,403	361	2,764
Photo/Video	1,765	-	-	-	1,765	-	525	525
Membership/Development	324	324	324	-	972	-	984	984
Taxes	467	-	25	-	492	340	367	707
Legal	-	320	-	-	320	459	-	459
Stationery	267	-	-	-	267	-	-	-
Bank Charges and Merchant Fees	-	-	-	-	-	2,968	8,325	11,293
Hiring Costs	-	-	-	-	-	467	-	467
Office Expense	-	-	-	-	-	222	-	222
	<u>\$ 569,945</u>	<u>\$ 216,607</u>	<u>\$ 295,223</u>	<u>\$ 103,746</u>	<u>\$ 1,185,521</u>	<u>\$ 126,917</u>	<u>\$ 92,446</u>	<u>\$ 219,363</u>

The costs of providing the various programs and events are shown on the statement of activities under expenditures. Accordingly, certain costs, as shown above, have been allocated among the programs and events benefited. Management charges costs related directly to programs conducted by the Riverkeeper directly to those programs. Management reviews other indirect costs such as rent, utilities, postage and other expenses required to run the programs or events and allocates the appropriate share of these costs accordingly.