Clean Water Action

Financial Report

December 31, 2014

Clean Water Action

Contents

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Independent Auditor's Report

To the Board of Directors
Clean Water Action

We have audited the accompanying financial statements of Clean Water Action (the "Organization"), which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and changes in net assets 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 Clean Water Action as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 23, 2015

Statement of Financial Position
December 31, 2014

Assets		
Cash and cash equivalents	$	699,900
Contributions receivable		250
Due from affiliates (Note 3)		284,415
Prepaid expenses		21,022
Deposits		58,952
Property and equipment - Net (Note 2)		99,612
Software (Note 4)		80,601
Total assets	**$**	**1,244,752**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	195,612
Bank payable (Note 6)		80,536
Contracts payable (Note 7)		15,500
Accrued rent		41,097
Accrued payroll and related expenses		461,719
Accrued vacation		216,950
Total liabilities		1,011,414
Net Assets		
Unrestricted		136,738
Temporarily restricted		96,600
Total net assets		233,338
Total liabilities and net assets	**$**	**1,244,752**

See Notes to Financial Statements.

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Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014

Changes in Unrestricted Net Assets	
Revenue:	
Individual contributions	$ 8,055,866
In-kind donations	23,418
Institutional giving and corporate contributions	685,131
Interest income	24,137
Total revenue	8,788,552
Net assets released from restrictions	228,135
Total revenue and net assets released from restrictions	9,016,687
Expenses:	
Program	6,919,104
Support services:	
General and administrative	1,089,291
Fundraising	833,550
Total expenses	8,841,945
Increase in Unrestricted Net Assets	174,742
Changes in Temporarily Restricted Net Assets	
Contributions	260,460
Net assets released from restrictions	(228,135)
Increase in Temporarily Restricted Net Assets	32,325
Increase in Net Assets	207,067
Net Assets - Beginning of year	26,271
Net Assets - End of year	$ **233,338**

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Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows from Operating Activities	
Increase in net assets	$ 207,067
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	38,643
Amortization	31,000
Loss on disposition of property and equipment	394
Bad debt expense	12,111
Changes in operating assets and liabilities which provided (used) cash:	
Contributions receivable	16,702
Prepaid expenses	(1,947)
Deposits	9,291
Accounts payable	(54,782)
Accrued payroll and related expenses	(5,040)
Accrued vacation	22,685
Accrued rent	13,119
Net cash provided by operating activities	289,243
Cash Flows from Investing Activities	
Purchase of property and equipment	(3,782)
Purchase of software	(111,601)
Due from affiliates	(96,344)
Net cash used in investing activities	(211,727)
Cash Flows from Financing Activities	
Payments on bank payable	(111,232)
Proceeds from bank payable	100,000
Payments on loans payable	(10,000)
Payments on contracts payable	(20,500)
Net cash used in financing activities	(41,732)
Net Increase in Cash and Cash Equivalents	35,784
Cash and Cash Equivalents - Beginning of year	664,116
Cash and Cash Equivalents - End of year	$ 699,900
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	$ 19,880

See Notes to Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - Established in 1972 in the District of Columbia, Clean Water Action (the "Organization") is a national not-for-profit organization working for clean, safe, and affordable water, the prevention of health-threatening pollution, and the creation of environmentally safe jobs and businesses. The Organization organizes strong grassroots groups, coalitions, and campaigns to elect environmentally friendly candidates and to protect the environment, health, economic well-being, and community quality of life. The Organization has canvass outreach programs that solicit contributions and communicate its message in 24 states nationwide.

Significant accounting policies are as follows:

Basis of Presentation - The financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Contributions Receivable - The Organization's contributions receivable are comprised primarily of amounts committed from individuals, corporations, or foundations for the use in the Organization's activities. Contributions receivable at December 31, 2014 are expected to be collected within one year. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives (three to five years). Leasehold improvements are depreciated over the term of the lease. Costs of maintenance and repairs are charged to expense when incurred.

Software - Software and license agreements for certain technologies from a nonaffiliated organization are being amortized using the straight-line method. The license agreements are recorded at cost and are amortized over three years, the estimated life of the software.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Organization are classified as unrestricted or temporarily restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. Temporarily restricted net assets consist primarily of contributions restricted for specific program use.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions are reported as restricted support and temporarily restricted net assets. Temporarily restricted contributions that are used according to donor restrictions in the same time period as the contribution are recognized as temporarily restricted support and reclassified as net assets released from restrictions in the same period.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - The Organization is exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(4). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 23, 2015, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

Automobiles	$ 287,407
Furniture and fixtures	351,892
Total cost	639,299
Accumulated depreciation	(539,687)
Net property and equipment	$ 99,612

Depreciation expense was $38,643 for the year ended December 31, 2014.

Note 3 - Related Parties

The Organization is affiliated with Clean Water Fund (CWF) through common board membership. The Organization is also affiliated with Citizens Campaign Inc. (CCI). CCI is a separate corporation that shares offices and expenses with the Organization. The Organization does not have rights to the assets of the affiliated entities, nor is it liable for the liabilities incurred by CWF or CCI. CWF, a national 501(c)(3) organization, conducts research and educational programs. CCI, a C Corporation, provides management and project consulting for organizations that are interested in canvass-based projects. The Organization acts as a paymaster for the affiliated entities for shared office space, equipment usage, and certain employees with their associated expenses. Shared expenses and allocations of personnel and overhead expenses are recorded in a due to/due from affiliated account. The affiliated entities remit an estimated amount to the Organization to cover monthly expenses. The difference is then reconciled and applied to the subsequent month's activity. Interest on balances between the Organization and the affiliated entities is calculated at 6 percent per annum.

Note 3 - Related Parties (Continued)

Activities between the Organization and the respective affiliates for the year ended December 31, 2014 were approximately as follows:

CWF:		
Amount due from CWF including interest	$	201,000
Allocated expenses:		
Payroll and payroll-related expenses	$	2,595,000
Health insurance		219,000
Rent and occupancy-related		208,000
Direct expenses		580,000
Total expenses paid on behalf of CWF	$	3,602,000
Total expense reimbursements by CWF	$	3,514,000
CCI:		
Amount due from CCI including interest	$	83,000
Allocated expenses:		
Payroll and payroll-related expenses	$	118,000
Rent and occupancy-related		43,000
Direct expenses		253,000
Total expenses paid on behalf of CCI	$	414,000
Total expense reimbursements by CCI	$	406,000

During the year ended December 31, 2014, the Organization made payments on loan payable agreements totaling $10,000 with members of the board of directors and officers of the Organization with an interest rate charged of 6 percent per annum. The balance at December 31, 2014 was $0.

Note 4 - Software

During the year ended December 31, 2014, the Organization purchased software and license contracts from an unaffiliated organization for $111,601. Amortization expense was $31,000 for 2014. Expected amortization expense for each of the next two years is approximately $37,000.

Note 5 - Lease Commitments

The Organization leases office space and equipment in several locations throughout the United States. The leases expire on varying dates through June 2018. Some of these leases include escalating rental terms and those leases have been accounted for on straight line presentation. Future minimum lease payments under all cancelable and noncancelable lease obligations are as follows:

Years Ending December 31		Amount
2015		$ 420,323
2016		387,918
2017		322,969
2018		112,877
	Total	$ 1,244,087

Total rent expense for real and personal property under cancelable and noncancelable leases was $348,905 for the year ended December 31, 2014.

Note 6 - Bank Payable

The Organization entered into a commercial loan agreement with a financial institution which will mature on February 25, 2018. The outstanding balance is reflected as a bank payable on the statement of financial position. The debt bears interest at 4.25 percent and is collateralized by all of the assets of the Organization. The outstanding balance was $80,536 at December 31, 2014.

Principal payments are due as follows:

2015	$ 24,220
2016	25,270
2017	26,365
2018	4,681
Total	$ 80,536

Note 7 - Contracts Payable

During 2012, the Organization did not renew a contract with a third party service provider which performed canvassing and fundraising activities for the Organization. The agreement included the terms that require the Organization to pay the third party a contracted fee over a three-year period. The remaining payable of $15,500 is due in 2015.

Note 8 - Allocation of Joint Costs

The Organization incurs joint costs in its field and phone canvass programs for informational materials and activities that include fundraising appeals. The Organization allocates these field and phone canvass costs between program, general and administrative, and fundraising expenses based on program methodology and employees' total labor. The following is a schedule of total joint costs and allocation for the year ended December 31, 2014:

Program expenses	$ 5,325,650
General and administrative expenses	894,382
Fundraising expenses	663,278
Total	$ 6,883,310

Note 9 - Self Insurance

The Organization funds its employees' health benefit plan on a partially self-insured basis, providing coverage for employees' medical claims. The Organization's maximum loss is limited to $50,000 per year, per employee covered under the plan. The estimated and recorded liability for claims incurred and incurred but not reported is included in accrued payroll and related expenses on the statement of financial position. For the year ended December 31, 2014, the following information applies to the Organization's plan:

Health insurance expense	$ 726,500
Amount paid by employees	185,225
Estimated and recorded liability for claims incurred and incurred but not reported	20,000

Note 10 - Retirement Plan

The Organization sponsors a 401(k) retirement plan. Under the plan, employees can elect to defer a portion of their compensation. In addition, the Organization may make contributions to the plan on behalf of eligible employees as well as provides employer match contribution. The Organization made $32,055 in employer match contributions to the plan for the year ended December 31, 2014.