Clean Water Action

Financial Report
December 31, 2013

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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, 2013 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, 2013 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

May 6, 2014

Clean Water Action

Statement of Financial Position
December 31, 2013

Assets		
Cash and cash equivalents	$	664,116
Contributions receivable		29,063
Due from affiliates (Note 3)		188,071
Prepaid expenses		19,075
Deposits		68,243
Property and equipment - Net (Note 2)		134,867
Total assets	**$**	**1,103,435**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	250,394
Bank payable (Note 5)		91,768
Loan payable (Note 3)		10,000
Contracts payable (Note 6)		36,000
Accrued rent		27,978
Accrued payroll and related expenses		466,759
Accrued vacation		194,265
Total liabilities		1,077,164
Net Assets		
Unrestricted		(38,004)
Temporarily restricted		64,275
Total net assets		26,271
Total liabilities and net assets	**$**	**1,103,435**

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Statement of Activities and Changes in Net Assets
Year Ended December 31, 2013

Changes in Unrestricted Net Assets (Deficit)	
Revenue:	
Individual contributions	$ 8,549,524
Institutional giving and corporate contributions	563,502
Interest income	19,394
Total revenue	9,132,420
Net assets released from restrictions	128,058
Total revenue and net assets released from restrictions	9,260,478
Expenses:	
Program	6,853,431
Support services:	
General and administrative	944,697
Fundraising	1,100,471
Total expenses	8,898,599
Increase in Unrestricted Net Assets	361,879
Changes in Temporarily Restricted Net Assets	
Contributions	136,822
Net assets released from restrictions	(128,058)
Increase in Temporarily Restricted Net Assets	8,764
Increase in Net Assets	370,643
Net Deficit - Beginning of year	(344,372)
Net Assets - End of year	**$ 26,271**

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Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities	
Increase in net assets	$ 370,643
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	38,355
Forgiveness of contract payable	(5,062)
Bad debt expense	3,595
Loss on sale of property and equipment	687
Changes in operating assets and liabilities which provided (used) cash:	
Contributions receivable	15,753
Prepaid expenses	1,718
Deposits	17,143
Accounts payable	(18,062)
Accrued payroll and related expenses	(64,243)
Accrued vacation	6,985
Accrued rent	27,978
Net cash provided by operating activities	395,490
Cash Flows from Investing Activities	
Purchase of property and equipment	(129,525)
Proceeds from disposition of property and equipment	550
Due from affiliates	43,630
Net cash used in investing activities	(85,345)
Cash Flows from Financing Activities	
Repayment of bank payable	(91,301)
Payments on loans payable	(60,000)
Proceeds from loans payable	70,000
Payments on contracts payable	(20,138)
Net cash used in financing activities	(101,439)
Net Increase in Cash and Cash Equivalents	208,706
Cash and Cash Equivalents - Beginning of year	455,410
Cash and Cash Equivalents - End of year	**$ 664,116**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 16,144**

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, 2013 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.

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.

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

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 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, 2013, 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 2010.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 6, 2014, 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	363,860
Total cost	651,267
Accumulated depreciation	(516,400)
Net property and equipment	$ 134,867

Depreciation expense was $38,355 for the year ended December 31, 2013.

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, 2013 were approximately as follows:

CWF:		
Amount due from CWF including interest	$	113,000
Allocated expenses:		
Payroll and payroll-related expenses	$	2,558,000
Health insurance		151,000
Rent and occupancy-related		244,000
Direct expenses		465,000
Total expenses paid on behalf of CWF	$	3,418,000
Total expense reimbursements by CWF	$	3,437,000
CCI:		
Amount due from CCI including interest	$	75,000
Allocated expenses:		
Payroll and payroll-related expenses	$	125,000
Rent and occupancy-related		46,000
Direct expenses		170,000
Total expenses paid on behalf of CCI	$	341,000
Total expense reimbursements by CCI	$	365,000

During the year ended December 31, 2013, the Organization entered into note payable agreements totaling $70,000 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, 2013 was $10,000 and is included in the loan payable balance.

Note 4 - 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. Future minimum lease payments under all cancelable and noncancelable lease obligations are as follows:

Years Ending December 31		Amount
2014		$ 403,414
2015		386,088
2016		348,815
2017		309,149
2018		112,877
	Total	$ 1,560,343

Total rent expense for real and personal property under cancelable and noncancelable leases was $427,428 for the year ended December 31, 2013.

Note 5 - Bank Payable

The Organization had a line of credit agreement with a financial institution which expired on February 2, 2011 and was not renewed. The outstanding balance is reflected as a bank payable on the statement of financial position. The debt bears interest at the prime rate plus three percentage points (with a 6 percent floor), and is collateralized by all of the assets of the Organization. The interest rate was 6.25 percent at December 31, 2013. The outstanding balance was $91,768 at December 31, 2013 and is due on demand.

The debt agreement includes a financial covenant that requires a $7,500 per month pay-down of principal plus interest. The Organization has made the required payments through the opinion date of these financial statements and is not currently in violation of the covenant.

Principal payments are due as follows:

2014	$ 90,000
2015	1,768
Total	$ 91,768

Note 6 - Contracts Payable

During 2012, the Organization did not renew a contract with a third party which they used to help in canvassing and fundraising activities, considered normal operating activities of the Organization. Terms of not renewing this agreement included the Organization paying the third party a contracted fee over a three-year period. The amount payable is $20,500 and $15,500 in 2014 and 2015, respectively, to satisfy the commitment.

Note 7 - 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, 2013:

Program expenses	$ 5,603,616
General and administrative expenses	945,321
Fundraising expenses	695,178
Total	$ 7,244,115

Note 8 - 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. For the year ended December 31, 2013, the following information applies to the Organization's plan:

Health insurance expense	$ 672,956
Amount paid by employees	215,719
Estimated and recorded liability for claims incurred and incurred but not reported	15,355

Note 9 - 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. The Organization made no contributions to the plan for the year ended December 31, 2013.