Clean Water Action

Financial Report
December 31, 2019

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, 2019 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, 2019 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.

Emphasis of Matters

As described in Note 2 to the financial statements, the Organization was impacted by the COVID-19 pandemic subsequent to the statement of financial position date. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

June 22, 2020

Statement of Financial Position

	December 31, 2019
Assets	
Cash and cash equivalents	$ 586,219
Contribution receivable	8,240
Due from affiliates (Note 4)	513,908
Donated rent receivable	2,500
Deposits	60,750
Prepaid expenses	20,305
Property and equipment - Net (Note 5)	125,992
Total assets	**$ 1,317,914**
Liabilities and Net Assets	
Liabilities	
Accounts payable	$ 56,743
Accrued rent	15,225
Accrued payroll and related expenses	310,348
Accrued vacation	298,154
Total liabilities	680,470
Net Assets	
Without donor restrictions	535,164
With donor restrictions (Note 6)	102,280
Total net assets	637,444
Total liabilities and net assets	**$ 1,317,914**

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Individual contributions	$ 8,532,239	$ 203,115	$ 8,735,354
Institutional giving and corporate contributions	33,021	-	33,021
Interest income	28,727	-	28,727
Loss on sale of fixed assets	(4,665)	-	(4,665)
Other income	17,772	-	17,772
Total revenue, gains, and other support	8,607,094	203,115	8,810,209
Net Assets Released from Restrictions	168,851	(168,851)	-
Total revenue, gains, other support, and net assets released from restrictions	8,775,945	34,264	8,810,209
Expenses			
Program services	5,344,789	-	5,344,789
Support services:			
General and administrative	1,622,092	-	1,622,092
Fundraising	1,802,159	-	1,802,159
Total support services	3,424,251	-	3,424,251
Total expenses	8,769,040	-	8,769,040
Increase in Net Assets	6,905	34,264	41,169
Net Assets - Beginning of year	528,259	68,016	596,275
Net Assets - End of year	**$ 535,164**	**$ 102,280**	**$ 637,444**

Statement of Cash Flows

	Year Ended December 31, 2019
Cash Flows from Operating Activities	
Increase in net assets	$ 41,169
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	28,088
Loss on sale of property and equipment	4,665
Donated rent receivable	29,401
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:	
Contributions receivable	15,578
Prepaid expenses	23,465
Accounts payable	(45,813)
Accrued rent	4,505
Accrued payroll and other expenses	(375,445)
Accrued vacation	50,794
Net cash and cash equivalents used in operating activities	(223,593)
Cash Flows from Investing Activities	
Purchase of property and equipment	(89,854)
Proceeds from disposition of property and equipment	15,695
Due from affiliates	(108,179)
Net cash and cash equivalents used in investing activities	(182,338)
Net Decrease in Cash and Cash Equivalents	(405,931)
Cash and Cash Equivalents - Beginning of year	992,150
Cash and Cash Equivalents - End of year	**$ 586,219**
Supplemental Cash Flow Information - Cash paid for interest	$ 4,583

See notes to financial statements.

Note 1 - Nature of Business

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.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (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 investments with an original maturity of three months or less when purchased to be cash equivalents.

Contribution Receivable

The Organization's contributions receivable are primarily composed of amounts committed from individuals, corporations, or foundations for the use in the Organization's activities. Contributions receivable at December 31, 2019 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.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

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. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions are reported as contributions without donor restrictions.

Contributions with donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are reported as restricted support and net assets with donor restrictions. Contributions with donor restrictions that are used according to donor restrictions in the same time period as the contribution are recognized as restricted support and reclassified as net assets released from restrictions in the same period.

Note 2 - Significant Accounting Policies (Continued)

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). Costs of maintenance and repairs are charged to expense when incurred.

Functional Allocation of Expenses

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 on several bases and estimates determined by management and disclosed in further detail in Note 10. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Federal Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(4).

Significant Group Concentrations of Credit Risk

The Organization maintains cash balances at a bank. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Adoption of New Accounting Pronouncement

As of January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Organization adopted the new standard on a modified prospective basis and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board issued ASU No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization’s financial statements as a result of the Organization's leases for the use of office space and equipment being classified as operating leases, The effect of applying the new lease guidance is expected to significantly increase assets and liabilities upon adoption. The effects on the statement of activities and change in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 22, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Subsequent to the statement of financial position date, the Organization was impacted by the COVID-19 pandemic, as certain operations either partially or fully shut down. This may negatively impact the revenue of the Organization in subsequent periods and may also lead to necessary furloughs or pay reductions for personnel. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization’s results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Liquidity and Availability of Resources

The Organization has $1,108,367 of financial assets available within one year of December 31, 2019 to meet cash needs for general expenditure consisting of cash of $586,219, contributions receivable of $8,240, and amounts due from affiliates of $513,908. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As of December 31, 2019, the Organization also has contributions receivable of $8,240 that are subject to implied time restrictions or purpose restrictions, making these receivables unavailable to meet cash needs for general expenditure within one year.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $1,460,000 at December 31, 2019. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various bank depository accounts.

The Organization’s net assets consist of donor-restricted contributions of $102,280 at December 31, 2019. Income from donor-restricted contributions is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 4 - Related Party Transactions

The Organization is affiliated with Clean Water Fund (CWF) through some 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 5 percent per annum.

Note 4 - Related Party Transactions (Continued)

Activities between the Organization and the respective affiliates for the year ended December 31, 2019 were approximately as follows:

CWF:		
January 1, 2019 - Amount due from CWF, including interest	$	333,000
Add allocated expenses:		
Payroll and payroll-related expenses		3,325,000
Health insurance		422,000
Rent and occupancy related		300,000
Direct expenses		551,000
Total expenses paid on behalf of CWF		4,598,000
Less expense reimbursements by CWF		(4,493,000)
December 31, 2019 - Amount due from CWF, including interest	$	438,000
CCI:		
January 1, 2019 - Amount due from CCI, including interest	$	73,000
Add allocated expenses:		
Payroll and payroll-related expenses		3,000
Rent and occupancy related		300
Direct expenses		29,600
Total expenses paid on behalf of CCI		32,900
Less expense reimbursements by CCI		(30,000)
December 31, 2019 - Amount due from CCI, including interest	$	75,900

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Automobiles	$	246,794
Furniture and fixtures		51,159
Total cost		297,953
Accumulated depreciation		171,961
Net property and equipment	$	125,992

Depreciation expense was $28,088 for the year ended December 31, 2019.

Note 6 - Donor-restricted Net Assets

Net assets with donor restrictions as of December 31, 2019 are available for the following purposes:

Subject to expenditures for a specified purpose:		
Restricted for energy programs	$	19,300
Restricted for conservation programs		80,480
Total subject to expenditures for a specified purpose		99,780
Subject to the passage of time - In-kind rent		2,500
Total	$	102,280

Note 7 - Release of Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of the passage of time or other events specified by donors as follows:

Purpose restrictions accomplished - Release of contributions	$	139,450
Time restrictions expired - Use of in-kind rent		29,401
Total restrictions released	$	168,851

Note 8 - Operating Leases

The Organization leases office space and equipment in several locations throughout the United States. The operating leases expire on various months through 2024. Some of these leases include escalating rental terms, and those leases have been accounted for on the straight-line presentation.

Future minimum lease payments under all cancelable and noncancelable lease obligations are as follows:

Years Ending December 31		Amount
2020	$	500,714
2021		164,103
2022		63,696
2023		52,294
2024		17,615
Total	$	798,422

Total rent expense for real and personal property under cancelable and noncancelable leases was $513,097 for the year ended December 31, 2019.

Note 9 - 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, 2019:

Program expenses	$	4,509,236
General and administrative expenses		1,294,639
Fundraising expenses		1,560,363
Total	$	7,364,238

Note 10 - Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are as follows as of December 31, 2019:

Program services:	
Salaries and benefits	$ 4,123,822
Professional services	175,421
Office expense	400,456
Meetings and conferences	100,665
Occupancy	245,350
Depreciation	16,789
Other	282,286
Total program services	5,344,789
Support services:	
General and administrative:	
Salaries and benefits	1,223,740
Consulting services	32,715
Office expense	152,056
Occupancy	201,658
Depreciation	4,103
Other	7,820
Total general and administrative	1,622,092
Fundraising:	
Salaries and benefits	1,175,649
Professional services	52,338
Office expense	326,668
Meetings and conferences	7,545
Occupancy	136,620
Depreciation	7,196
Other	96,143
Total fundraising	1,802,159
Total expenses	$ 8,769,040

Costs have been allocated between program services and support services on several bases and estimates. Indirect costs have been allocated between the various programs and support services on several bases and estimates, as determined by management. The expenses are allocated on the following basis:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Professional services	Time and effort
Office expense	Square footage
Meetings and conferences	Direct usage
Occupancy	Square footage
Depreciation	Square footage
Automobile	Square footage

Note 11 - 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 provide employer match contributions. The Organization made no employer match contributions to the plan for the year ended December 31, 2019.