
Clean Water Fund

**Financial Report
December 31, 2019**

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Independent Auditor's Report

To the Board of Directors
Clean Water Fund

We have audited the accompanying financial statements of Clean Water Fund (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 Fund 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

Clean Water Fund

Statement of Financial Position

December 31, 2019

Assets	
Cash and cash equivalents	\$ 2,192,630
Investments (Note 6)	674,311
Accounts receivable: (Note 4)	
Foundation awards receivable	968,436
Institutional and corporate grants receivable	135,057
Governmental grants receivable	110,908
Donated rent receivable	3,832
Prepaid expenses and other	31,474
Furniture and equipment - Net of accumulated depreciation of \$107,611	16,500
	<u> </u>
Total assets	<u><u>\$ 4,133,148</u></u>
Liabilities and Net Assets	
Liabilities	
Pass-through liabilities	\$ 44,914
Accounts payable	81,857
Accrued rent	3,541
Due to affiliate (Note 5)	438,122
	<u> </u>
Total liabilities	568,434
Net Assets	
Without donor restrictions	421,016
With donor restrictions (Note 9)	3,143,698
	<u> </u>
Total net assets	3,564,714
	<u> </u>
Total liabilities and net assets	<u><u>\$ 4,133,148</u></u>

Clean Water Fund

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	\$ 1,335,970	\$ 177,000	\$ 1,512,970
Institutional and corporate grants	204,547	609,570	814,117
Foundation awards	190,560	3,805,128	3,995,688
Governmental grants	60,000	318,945	378,945
In-kind donations	9,244	450	9,694
Interest income	1,064	-	1,064
Investment income (Note 7)	176,343	-	176,343
Total revenue, gains, and other support	1,977,728	4,911,093	6,888,821
Net Assets Released from Restrictions	3,836,279	(3,836,279)	-
Total revenue, gains, other support, and net assets released from restrictions	5,814,007	1,074,814	6,888,821
Expenses			
Program services	4,893,603	-	4,893,603
Support services:			
General and administrative	615,704	-	615,704
Fundraising	198,863	-	198,863
Total support services	814,567	-	814,567
Total expenses	5,708,170	-	5,708,170
Increase in Net Assets	105,837	1,074,814	1,180,651
Net Assets - Beginning of year	315,179	2,068,884	2,384,063
Net Assets - End of year	\$ 421,016	\$ 3,143,698	\$ 3,564,714

Clean Water Fund

Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows from Operating Activities

Increase in net assets	\$ 1,180,651
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	5,629
Unrealized and realized gain on investments	(142,975)
Bad debt expense	5,000
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:	
Foundation awards receivable	(666,982)
Institutional and corporate grants receivable	(108,166)
Governmental grants receivable	150,337
Prepaid expenses and other	486
Accounts payable and pass-through liability	(92,996)
Deferred revenue	(126,065)
Accrued rent	(3,103)
Net cash and cash equivalents used in operating activities	201,816

Cash Flows from Investing Activities

Purchase of property and equipment	(17,357)
Reinvestment of investment earnings	(33,849)
Net cash and cash equivalents used in investing activities	(51,206)

Cash Flows Provided by Financing Activities - Net advances from affiliate

105,696

Net Increase in Cash and Cash Equivalents

256,306

Cash and Cash Equivalents - Beginning of year

1,936,324

Cash and Cash Equivalents - End of year

\$ 2,192,630

Note 1 - Nature of Business

Clean Water Fund (the "Organization") is a not-for-profit organization incorporated in the District of Columbia. Its major programs include strategies to ensure (1) safe, affordable drinking water; (2) control of community and workplace toxic hazards; (3) protection and conservation of wetlands, surface waters, coastal areas, groundwater, and other critical natural resources; (4) safe waste management practices; and (5) protection of public health and environmental safety for all citizens. These programs are conducted from a national office in Washington, D.C. and from locally staffed field offices serving multistate regions around the country.

Note 2 - Significant Accounting Policies

Basis of Accounting

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 investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments and Related Income

Investments consist of mutual funds that are recorded at fair value based on quoted market prices.

Contributions and Grants Receivable

The Organization's accounts receivable primarily consist of amounts due from various grantors and contributors generated from corporations, foundation grants, and governmental grants. No provision for doubtful accounts has been recorded at December 31, 2019 since it is the opinion of management that all accounts receivable are collectible in full.

Furniture and Equipment

Furniture and equipment are recorded at cost when purchased or at fair value at the date of donation if contributed. Furniture and equipment are depreciated using the straight-line method over the useful lives of the assets (three to seven years). Costs of maintenance and repairs are charged to expense when incurred.

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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

December 31, 2019

Note 2 - Significant Accounting Policies (Continued)

Individual Contributions and Foundation Awards

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. All contributions are considered 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 support with donor restrictions. Contributions that are used according to donor restrictions in the period in which the contributions are received are recognized as support with donor restrictions and reclassified as net assets released from restrictions in the same period. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Institutional, Corporate, and Governmental Grants

The Organization recognizes revenue on certain institutional, corporate, and governmental grant contracts ratably over applicable contract periods or as services are performed. Amounts billed and collected before the services are performed are included in deferred revenue.

Revenue on contracts with no commensurate value to the resource provider is recognized consistent with individual contributions and foundation awards noted above.

Pass-through Liabilities

The Organization enters into agreements where awards are agreed to be passed through to independent organizations. These pass-through liabilities are intended to be passed through based on the Organization's request from the donor; therefore, revenue is not recognized by the Organization.

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 11. 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)(3).

Concentration of Credit Risk Arising from Deposit Accounts

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. Most 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.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

The FASB 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 either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 8, that will be reported on the statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the statement of activities and changes 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.

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. In response, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program (PPP), the Organization applied for and has been approved to receive a \$619,000 loan to provide funding for certain payroll and other covered costs for up to a 24-week period. 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

The Organization has \$3,876,181 of financial assets available within one year of December 31, 2019 to meet cash needs for general expenditure consisting of cash of \$2,192,630, short-term receivables of \$1,009,240, and short-term investments of \$674,311. None of the 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.

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 \$950,000 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 short-term investments, including depository accounts and mutual funds.

December 31, 2019

Note 4 - Accounts Receivable

Included in accounts receivable are several unconditional promises to give, collectible as of December 31, as follows:

	Foundation Awards Receivable	Institutional and Corporate Grants Receivable	Governmental Grants Receivable	Donated Rent Receivable	Total
2020	\$ 759,443	\$ 135,057	\$ 110,908	\$ 3,832	\$ 1,009,240
2021	208,993	-	-	-	208,993
Total	<u>\$ 968,436</u>	<u>\$ 135,057</u>	<u>\$ 110,908</u>	<u>\$ 3,832</u>	<u>\$ 1,218,233</u>

The Organization receives conditional promises to give whereby revenue is not recognized until the conditions have been satisfied. The following represents activity related to these awards, given in support of waste reduction programs, for the year ended December 31, 2019:

Conditional promises to give as of January 1, 2019	\$ 311,325
New awards entered into during 2019	219,422
Conditions satisfied - Promises recognized as institutional and corporate grants and government grants on the statement of activities and changes in net assets	<u>(291,378)</u>
Conditional promises to give as of December 31, 2019	<u>\$ 239,369</u>

Note 5 - Related Party Transactions

The Organization is affiliated with Clean Water Action (CWA) through some common board membership. CWA does not have rights to the assets of the Organization, nor is it liable for the liabilities incurred by the Organization. CWA, a national 501(c)(4) organization, conducts lobbying activities and canvass outreach programs in over 24 states nationwide. CWA acts as a paymaster for the Organization for shared office expenses, and allocations of personnel and overhead expenses are recorded in a due to/from affiliate account. The Organization remits an estimated amount to CWA to cover monthly expenses. The difference is then reconciled and applied to the subsequent month's activity. Interest on the balances between the Organization and CWA is calculated at 5 percent per annum.

Related party activities between the Organization and CWA for the year ended December 31, 2019 were approximately as follows:

January 1, 2018 - Amount due to CWA, 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	<u>(551,000)</u>
Total expenses paid by CWA on behalf of the Organization	(4,598,000)
Less expense reimbursement by the Organization	<u>4,493,000</u>
December 31, 2018 - Amount due to CWA, including interest	<u>\$ (438,000)</u>

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

December 31, 2019

Note 6 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Organization measures mutual funds at fair value on a recurring basis. The fair value of mutual funds is based primarily on Level 1 inputs, as described above.

Note 7 - Investment Income

Investment income consists of the following for the year ended December 31, 2019:

Realized and unrealized gains	\$ 142,975
Dividends and interest	<u>33,368</u>
Total investment income	<u><u>\$ 176,343</u></u>

Note 8 - Operating Leases

The Organization leases office space in several locations throughout the United States. The leases expire on varying dates through 2022. Some of these leases include escalating rental terms, and those lease expenses have been accounted for on a straight-line basis.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2020	\$ 150,574
2021	53,370
2022	<u>52,041</u>
Total	<u><u>\$ 255,985</u></u>

Total rent expense for real property was \$619,000 for the year ended December 31, 2019.

December 31, 2019

Note 9 - Net Assets with Donor Restriction

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

Subject to expenditures for a specified purpose:	
Water programs	\$ 1,113,397
Health programs	1,130,790
Energy programs	307,544
Waste programs	436,033
Infrastructure	12,460
Other	139,642
	<hr/>
Total subject to expenditures for a specified purpose	3,139,866
Subject to the passage of time - In-kind rent	3,832
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Total	\$ 3,143,698

Note 10 - Release of Restrictions

During the year ended December 31, 2019, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by the passage of time or occurrence of other events specified by donors, as follows:

Purpose restrictions accomplished:	
Release of contributions and awards	\$ 3,835,829
Use of in-kind rent	450
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Total restrictions released	\$ 3,836,279

December 31, 2019

Note 11 - Functional Expenses

The Organization provides various services to its members. Expenses related to providing these services are as follows for the year ended December 31, 2019:

Program services:	
Salary and wage expense	\$ 3,793,362
Consulting services	399,982
Office expenses	290,112
Conferences and meetings	65,598
Occupancy	263,806
Depreciation and amortization	4,785
Other	<u>75,958</u>
Total program services	4,893,603
General and administrative:	
Salary and wage expense	482,181
Consulting services	119
Office expenses	41,708
Conferences and meetings	8,106
Occupancy	83,140
Depreciation and amortization	<u>450</u>
Total general and administrative	615,704
Fundraising:	
Salary and wage expense	140,073
Consulting services	254
Office expenses	33,195
Conferences and meetings	14,007
Occupancy	1,936
Depreciation and amortization	394
Other	<u>9,004</u>
Total fundraising	<u>198,863</u>
Total	<u><u>\$ 5,708,170</u></u>

Costs have been allocated between program services and support services on several bases and estimates. The expenses are allocated on the following basis:

Expense	Method of Allocation
Salary and wage expense	Time and effort
Consulting services	Time and effort
Office expense	Square footage
Conferences and meetings	Direct usage
Transportation	Direct usage
Occupancy	Square footage
Depreciation	Square footage