Clean Water Fund

Financial Report

December 31, 2020

Contents

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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, 2020 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, 2020 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 Matter

As described in Note 3 to the financial statements, the Organization continues to be impacted by the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 12, 2021

Statement of Financial Position

		December 31, 2020
Assets		
Cash and cash equivalents	$	3,186,849
Investments (Note 7)		837,074
Accounts receivable: (Note 5)		
Foundation awards receivable		320,538
Institutional and corporate grants receivable		422,122
Governmental grants receivable		394,913
Total accounts receivable		1,137,573
Prepaid expenses and other		23,800
Furniture and equipment - Net of accumulated depreciation of $65,008		20,444
Total assets	**$**	**5,205,740**
Liabilities and Net Assets		
Liabilities		
Pass-through liabilities	$	143,450
Accounts payable		29,975
Due to affiliate (Note 6)		455,197
Refundable advances		384,571
Accrued rent		1,221
Long-term debt (Note 3)		619,035
Total liabilities		1,633,449
Net Assets		
Without donor restrictions		442,055
With donor restrictions		3,130,236
Total net assets		3,572,291
Total liabilities and net assets	**$**	**5,205,740**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Individual contributions	$ 1,225,673	$ 119,000	$ 1,344,673
Institutional and corporate grants	244,377	673,819	918,196
Foundational awards	248,862	1,756,925	2,005,787
Governmental grants	-	545,415	545,415
Investment income	157,721	-	157,721
Total revenue, gains, and other support	1,876,633	3,095,159	4,971,792
Net Assets Released from Restrictions	3,108,621	(3,108,621)	-
Total revenue, gains, other support, and net assets released from restrictions	4,985,254	(13,462)	4,971,792
Expenses			
Program services	3,993,524	-	3,993,524
Support services:			
General and administrative	473,600	-	473,600
Fundraising	497,091	-	497,091
Total support services	970,691	-	970,691
Total expenses	4,964,215	-	4,964,215
Increase (Decrease) in Net Assets	21,039	(13,462)	7,577
Net Assets - Beginning of year	421,016	3,143,698	3,564,714
Net Assets - End of year	**$ 442,055**	**$ 3,130,236**	**$ 3,572,291**

Statement of Cash Flows

	Year Ended December 31, 2020
Cash Flows from Operating Activities	
Increase in net assets	$ 7,577
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	8,009
Unrealized and realized gain on investments	(119,605)
Bad debt expense	2,519
Donated rent receivable	3,832
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:	
Foundation awards receivable	647,898
Institutional and corporate grants receivable	(289,584)
Governmental grants receivable	(284,005)
Prepaid expenses and other	7,674
Accounts payable and pass-through liability	46,654
Refundable advances	384,571
Accrued rent	(2,320)
Net cash and cash equivalents provided by operating activities	413,220
Cash Flows from Investing Activities	
Purchase of furniture and equipment	(11,953)
Purchases of investments	(43,158)
Net cash and cash equivalents used in investing activities	(55,111)
Cash Flows from Financing Activities	
Net advances from affiliate	17,075
Proceeds from debt	619,035
Net cash and cash equivalents provided by financing activities	636,110
Net Increase in Cash and Cash Equivalents	994,219
Cash and Cash Equivalents - Beginning of year	2,192,630
Cash and Cash Equivalents - End of year	**$ 3,186,849**

See notes to financial statements.

Note 1 - Nature of Activities

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, 2020 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.

Note 2 - Significant Accounting Policies (Continued)

Conditional Promises to Give and Refundable Advances

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. Funds received on conditional contributions are reported as refundable advances on the statement of financial position. Activity related to new conditional promises to give and conditions satisfied resulting in promises to give recognized on the statement of activities and changes in net assets as unconditional are described in more detail in Note 5.

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. 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 program and support services on several bases and estimates, determined by management and disclosed in further detail in Note 12. 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.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 statement of financial position. 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 9, 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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization’s year ending December 31, 2022 and will be applied using the retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 12, 2021, which is the date the financial statements were available to be issued.

Note 3 - COVID-19

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 millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During fiscal year 2020, the Organization's operations were impacted, as shelter-in-place orders and government mandates to social distance reduced the ability to perform grant activities during the period. The Organization has moved to mitigate the impact by reducing expenditures, actively managing cash balances, and increasing virtual programs.

Note 3 - COVID-19 (Continued)

On May 12, 2020, the Organization received a Paycheck Protection Program (PPP) term note through its primary bank of $619,035. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Securities (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would range from approximately $31,200 to $34,800 during the repayment period.

Subsequent to December 31, 2020, the Organization applied for and received notification of forgiveness of the entire loan balance from the SBA. The amount of the loan forgiven will be recorded as cancellation of debt income in 2021. Subsequent to December 31, 2020, as part of the second round of Paycheck Protection Program loans, the Organization borrowed $418,000 from its primary bank at 1.00 percent.

In addition, as made available under the Taxpayer Certainty and Disaster Relief Act of 2020 in the form of the Employer Retention Tax Credit, the Organization has recognized $263,808 of governmental grant revenue on the statement of activities and changes in net assets upon management determining eligible criteria were met during 2020. The corresponding governmental grant receivable as of December 31, 2020 will be relieved subsequent to the statement of financial position date as payroll taxes are incurred.

Due to significant uncertainty surrounding the pandemic, management's judgment regarding the impact of the pandemic may change in the future. The extent of the future impact cannot reasonably be estimated at this time.

Note 4 - Liquidity

The Organization has $4,932,127 of financial assets available within one year of December 31, 2020 to meet cash needs for general expenditure consisting of cash of $3,186,849, short-term receivables of $908,204, and short-term investments of $837,074. 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 $830,000 at December 31, 2020. 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.

Note 5 - Accounts Receivable

Accounts receivable on the statement of financial position include unconditional promises to give, with $908,204 and $229,369 collectible in 2021 and 2022, respectively.

Additionally, 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 various programs, for the year ended December 31, 2020:

Conditional promises to give as of January 1, 2020	$ 239,369
New awards entered into during 2020	820,974
Conditions satisfied - Promises recognized as institutional and corporate grants and government grants on the statement of activities and changes in net assets	(495,535)
Conditional promises to give as of December 31, 2020	$ 564,808

Note 6 - 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, 2020 were approximately as follows:

January 1, 2020 - Amount due to CWA, including interest	$ (438,000)
Add allocated expenses:	
Payroll and payroll-related expenses	(2,894,000)
Health insurance	(445,000)
Rent and occupancy related	(320,000)
Direct expenses, including interest	(328,000)
Total expenses paid by CWA on behalf of the Organization	(3,987,000)
Less expense reimbursement by the Organization	3,970,000
December 31, 2020 - Amount due to CWA, including interest	$ 455,000

Note 7 - 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.

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.

Note 7 - Fair Value Measurements (Continued)

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 where 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 8 - Investment Income

Investment income consists of the following for the year ended December 31, 2020:

Realized and unrealized gains	$ 119,605
Dividends and interest	38,116
Total investment income	$ 157,721

Note 9 - 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
2021	$ 72,741
2022	52,994
Total	$ 125,735

Total rent expense for real property was $327,313 for the year ended December 31, 2020.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Water programs	$ 626,485
Health programs	1,447,569
Energy programs	114,450
Waste programs	630,300
Voter education	18,790
Infrastructure	11,250
Other	17,584
Total subject to expenditures for a specified purpose	2,866,428
Subject to the passage of time - Governmental grants receivable	263,808
Total net assets with donor restrictions	$ 3,130,236

Note 11 - Release of Restrictions

During the year ended December 31, 2020, 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	$ 3,104,789
Use of in-kind rent	3,832
Total restrictions released	$ 3,108,621

Note 12 - 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, 2020:

Program services:	
Salary and wage expense	$ 3,016,904
Consulting services	438,764
Office expenses	83,225
Conferences and meetings	8,710
Transportation	12,057
Occupancy	294,662
Other	139,202
Total program services	3,993,524
General and administrative:	
Salary and wage expense	337,400
Office expenses	73,778
Occupancy	17,751
Depreciation and amortization	8,009
Other	36,662
Total general and administrative	473,600
Fundraising:	
Salary and wage expense	383,081
Consulting services	2,000
Office expenses	60,169
Conferences and meetings	5,045
Transportation	1,134
Occupancy	42,602
Other	3,060
Total fundraising	497,091
Total	$ 4,964,215

Note 12 - Functional Expenses (Continued)

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