
Clean Water Action

**Financial Report
December 31, 2021**

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Independent Auditor's Report

To the Board of Directors
Clean Water Action

Opinion

We have audited the financial statements of Clean Water Action (the "Organization"), which comprise the statement of financial position as of December 31, 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Clean Water Action

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Plante & Moran, PLLC

October 12, 2022

Statement of Financial Position

December 31, 2021

Assets	
Cash and cash equivalents	\$ 1,472,851
Contributions receivable	35,439
Due from affiliates (Note 5)	471,788
Deposits	54,221
Prepaid expenses	12,560
Property and equipment - Net (Note 6)	<u>70,421</u>
Total assets	<u>\$ 2,117,280</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 79,194
Accrued rent	12,103
Accrued payroll and related expenses	381,985
Accrued vacation	<u>290,851</u>
Total liabilities	764,133
Net Assets	
Without donor restrictions	1,298,753
With donor restrictions (Note 7)	<u>54,394</u>
Total net assets	<u>1,353,147</u>
Total liabilities and net assets	<u>\$ 2,117,280</u>

Clean Water Action

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Individual contributions	\$ 5,565,399	\$ 20,000	\$ 5,585,399
Institutional giving and corporate contributions	58,483	85,075	143,558
In-kind donations	-	26,330	26,330
Interest income	25,300	-	25,300
Gain on sale of fixed assets	3,095	-	3,095
Other income	1,357	-	1,357
Total revenue, gains, and other support	5,653,634	131,405	5,785,039
Net Assets Released from Restrictions	191,225	(191,225)	-
Total revenue, gains, other support, and net assets released from restrictions	5,844,859	(59,820)	5,785,039
Expenses			
Program services	3,166,570	-	3,166,570
Support services:			
General and administrative	993,865	-	993,865
Fundraising	1,307,345	-	1,307,345
Total support services	2,301,210	-	2,301,210
Total expenses	5,467,780	-	5,467,780
Increase (Decrease) in Net Assets	377,079	(59,820)	317,259
Net Assets - Beginning of year	921,674	114,214	1,035,888
Net Assets - End of year	\$ 1,298,753	\$ 54,394	\$ 1,353,147

Statement of Cash Flows

Year Ended December 31, 2021

Cash Flows from Operating Activities	
Increase in net assets	\$ 317,259
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	34,641
Gain on sale of property and equipment	(3,095)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:	
Contributions receivable	(16,437)
Donated rent receivable	4,201
Deposits	(1,841)
Prepaid expenses	(668)
Accounts payable	43,166
Accrued rent	1,794
Accrued payroll and other expenses	62,279
Accrued vacation	(20,141)
	421,158
Net cash and cash equivalents provided by operating activities	421,158
Cash Flows from Investing Activities	
Purchase of property and equipment	(3,395)
Proceeds from disposition of property and equipment	3,095
Due from affiliates	66,066
	65,766
Net cash and cash equivalents provided by investing activities	65,766
Net Increase in Cash and Cash Equivalents	486,924
Cash and Cash Equivalents - Beginning of year	985,927
Cash and Cash Equivalents - End of year	\$ 1,472,851
Supplemental Cash Flow Information - Cash paid for interest	\$ 3,237

December 31, 2021

Note 1 - Nature of Activities

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, 2021 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 contributed are recognized as restricted support and reclassified as net assets released from restrictions in the same period.

December 31, 2021

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 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)(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.

Upcoming Accounting Pronouncements

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 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 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.

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.

December 31, 2021

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 12, 2022, 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 2021, the Organization's operations were impacted, as shelter-in-place orders and government mandates to social distance reduced the ability to perform field canvassing during the period. The Organization has moved to mitigate the impact by reducing expenditures, actively managing cash balances, and transitioning field canvassers to phone canvass activities. Due to significant uncertainty surrounding the situation, management's judgment regarding the impact of the pandemic may change in the future. The extent of the future impact cannot be reasonably estimated at this time.

Note 4 - Liquidity and Availability of Resources

The Organization has \$1,949,628 of financial assets available within one year of December 31, 2021 to meet cash needs for general expenditure consisting of cash of \$1,472,851, contributions receivable of \$4,989, and amounts due from affiliates of \$471,788. 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, 2021, the Organization also has contributions receivable of \$30,450 that are subject to 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 \$912,000 at December 31, 2021. 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 \$54,394 at December 31, 2021. Income from donor-restricted contributions is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 5 - 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) with a employee serving on CCI's board. 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.

December 31, 2021

Note 5 - Related Party Transactions (Continued)

Activities between the Organization and the respective affiliates for the year ended December 31, 2021 were approximately as follows:

CWF:	
January 1, 2021 - Amount due from CWF, including interest	\$ 455,000
Add allocated expenses:	
Payroll and payroll-related expenses	3,192,000
Health insurance	438,000
Rent and occupancy related	311,000
Direct expenses, including interest	<u>483,000</u>
Total expenses paid on behalf of CWF	4,424,000
Less expense reimbursements by CWF	<u>(4,491,000)</u>
December 31, 2021 - Amount due from CWF, including interest	<u>\$ 388,000</u>
CCI:	
January 1, 2021 - Amount due from CCI, including interest	\$ 82,900
Add allocated expenses:	
Payroll and payroll-related expenses	2,000
Direct expenses, including interest	<u>15,100</u>
Total expenses paid on behalf of CCI	17,100
Less expense reimbursements by CCI	<u>(16,000)</u>
December 31, 2021 - Amount due from CCI, including interest	<u>\$ 84,000</u>

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

Automobiles	\$ 200,345
Furniture and fixtures	<u>39,894</u>
Total cost	240,239
Accumulated depreciation	<u>169,818</u>
Net property and equipment	<u>\$ 70,421</u>

Depreciation expense was \$34,641 for the year ended December 31, 2021.

Note 7 - Donor-restricted Net Assets

Net assets with donor restrictions as of December 31, 2021 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Restricted for energy programs	\$ 11,400
Restricted for education programs	10,000
Restricted for other programs	2,594
Restricted for civic engagement	10,400
Restricted for environmental justice	<u>20,000</u>
Total subject to expenditures for a specified purpose	<u>\$ 54,394</u>

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Note 8 - 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	\$ 160,695
Time restrictions expired - Use of in-kind rent	<u>30,530</u>
Total restrictions released	<u><u>\$ 191,225</u></u>

Note 9 - 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
2022	\$ 387,431
2023	390,344
2024	<u>165,223</u>
Total	<u><u>\$ 942,998</u></u>

Total rent expense for real and personal property under cancelable and noncancelable leases was \$359,603 for the year ended December 31, 2021.

Note 10 - 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, 2021:

Program expenses	\$ 2,554,797
General and administrative expenses	796,246
Fundraising expenses	<u>1,050,328</u>
Total	<u><u>\$ 4,401,371</u></u>

December 31, 2021

Note 11 - 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, 2021:

Program services:	
Salaries and benefits	\$ 2,408,174
Professional services	15,507
Office expense	302,732
Meetings and conferences	12,698
Transportation	70,081
Occupancy	291,347
Depreciation	14,578
Other	<u>51,453</u>
Total program services	3,166,570
Support services:	
General and administrative:	
Salaries and benefits	752,381
Professional services	2,324
Office expense	140,146
Occupancy	57,507
Depreciation	5,486
Other	<u>36,021</u>
Total general and administrative	993,865
Fundraising:	
Salaries and benefits	778,709
Professional services	4,647
Office expense	370,866
Meetings and conferences	1,331
Transportation	67,026
Occupancy	68,210
Depreciation	14,577
Other	<u>1,979</u>
Total fundraising	<u>1,307,345</u>
Total expenses	<u>\$ 5,467,780</u>

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

December 31, 2021

Note 12 - 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, 2021.