Clean Water Fund

Financial Report
December 31, 2014

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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, 2014 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 opinions.

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, 2014 and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 23, 2015

Statement of Financial Position
December 31, 2014

Assets		
Cash and cash equivalents	$	1,823,708
Accounts receivable:		
Foundation awards receivable		220,950
Institutional and corporate grants receivable		7,800
Governmental grants receivable		72,781
Individual contributions receivable		50,000
Donated rent receivable		36,259
Investments		379,585
Prepaid expenses and other		32,456
Furniture and equipment - Net of accumulated depreciation of $73,288		31,749
Software - Net of accumulated amortization of $4,989		12,972
Total assets	**$**	**2,668,260**
Liabilities and Net Assets		
Liabilities		
Pass-through liabilities	$	395,493
Accounts payable		43,296
Due to affiliate (Note 2)		200,907
Deferred revenue		69,260
Accrued rent		5,635
Total liabilities		714,591
Net Assets		
Unrestricted		598,810
Temporarily restricted		1,354,859
Total net assets		1,953,669
Total liabilities and net assets	**$**	**2,668,260**

Clean Water Fund

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	$ 785,974	$ 110,000	$ 895,974
Institutional and corporate grants	575,468	-	575,468
Foundation awards	134,229	1,957,299	2,091,528
Governmental grants	166,766	-	166,766
In-kind donations	-	50,016	50,016
Investment income (Note 4)	33,916	-	33,916
Total revenue and support	1,696,353	2,117,315	3,813,668
Net Assets Released from Restrictions	2,695,231	(2,695,231)	-
Total revenue, support, and net assets released from restrictions	4,391,584	(577,916)	3,813,668
Expenses			
Programs	3,641,579	-	3,641,579
General and administrative	563,039	-	563,039
Fundraising	148,648	-	148,648
Total expenses	4,353,266	-	4,353,266
Increase (Decrease) in Net Assets	38,318	(577,916)	(539,598)
Net Assets - Beginning of year	560,492	1,932,775	2,493,267
Net Assets - End of year	**$ 598,810**	**$ 1,354,859**	**$ 1,953,669**

Clean Water Fund

Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows from Operating Activities	
Decrease in net assets	$ (539,598)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	22,638
Amortization	4,989
Unrealized and realized gain on investments	(27,063)
Donated rent receivable	(36,259)
Changes in operating assets and liabilities which provided (used) cash:	
Foundation awards receivable	737,550
Institutional and corporate grants receivable	55,152
Governmental grants receivable	(66,931)
Individual contributions receivable	(50,000)
Prepaid expenses and other	(15,353)
Accounts payable and pass-through liability	219,639
Deferred revenue	36,699
Accrued rent	5,635
Net cash provided by operating activities	347,098
Cash Flows from Investing Activities	
Purchase of property and equipment	(668)
Purchase of software	(17,961)
Purchase of investments	(350,000)
Proceeds from sales of investments	337,472
Re-investment of investing earnings	(5,781)
Net cash used in investing activities	(36,938)
Cash Flows from Financing Activities - Net advances from affiliates	87,692
Net Increase in Cash and Cash Equivalents	397,852
Cash and Cash Equivalents - Beginning of year	1,425,856
Cash and Cash Equivalents - End of year	**$ 1,823,708**

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - 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.

Significant accounting policies are as follows:

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 highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments and Related Income - Investments consist of mutual funds which are recorded at fair value based on quoted market prices.

Contributions and Grants Receivable - The Organization's accounts receivable consist primarily 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, 2014 since it is the opinion of management that all accounts receivable are collectible in full. Individual contributions receivable balance of $50,000 is expected to be received in two equal payments over the next two years. All other accounts receivable are expected to be collected within one year.

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 estimated useful lives of the assets (three to seven years).

Software - Software and license agreements for certain technologies from a nonaffiliated organization are being amortized using the straight-line method. The license agreements are recorded at cost and are amortized over three years, the estimated life of the software.

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

Classification of Net Assets - Net assets of the Organization are classified as unrestricted or temporarily restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. Temporarily restricted net assets consist primarily of contributions restricted for specific program use.

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 temporarily restricted support. Temporarily restricted contributions that are used according to donor restrictions in the same period as the contributions are recognized as temporarily restricted support and reclassified as net assets released from restrictions in the same period.

Institutional, Corporate, and Governmental Grants - The Organization recognizes revenue on these receipts as expenses are incurred toward the award's purpose and services are performed by the Organization. The Organization receives advance payments on contracts, which are reported as deferred revenue and recognized as income when earned.

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 and therefore revenue is not recognized by the Organization.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

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.

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timin, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. As it stands now, the new guidance will be effective for the Organization's year ending December 31, 2018, although the FASB is considering an extension. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 23, 2015, which is the date the financial statements were available to be issued.

Note 2 - Related Party

The Organization is affiliated with Clean Water Action (CWA) through 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 6 percent per annum.

Related party activities between the Organization and CWA for the year ended December 31, 2014 were approximately as follows:

Allocated expenses:	
Payroll and payroll-related expenses	$ 2,595,000
Health insurance	219,000
Rent and occupancy related	208,000
Direct expenses	580,000
Total expenses paid by CWA on behalf of the Organization	$ 3,602,000
Total expense reimbursements by the Organization	$ 3,514,000

The Organization has a payable due to CWA of approximately $201,000 at December 31, 2014.

Note 3 - Fair Value

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 valuation techniques and inputs used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities 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 and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 3 - Fair Value (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 whereby inputs used to measure fair value fall into different levels of the 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 or liability.

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 4 - Investment Income

Investment income consists of the following for the year ended December 31, 2014:

Realized and unrealized gains	$	27,063
Dividends and interest		6,853
Total investment income	$	33,916

Note 5 - Software

During the year ended December 31, 2014, the Organization purchased software and license contracts from an unaffiliated organization for $17,961. Amortization expense was $4,989 for 2014. Expected amortization expense for each of the next two years is approximately $6,500.

Note 6 - Operating Leases

The Organization leases office space and equipment in several locations throughout the United States. The leases expire on varying dates through September 2020. Future minimum lease payments under all cancelable and noncancelable lease obligations are as follows:

Note 6 - Operating Leases (Continued)

Years Ending December 31		Amount
2015		$ 99,499
2016		99,010
2017		61,134
2018		41,414
2019		43,182
Thereafter		29,623
	Total	$ 373,862

Total rent expense for real property under cancelable and noncancelable leases was $352,431 for the year ended December 31, 2014.

Note 7 - Line of Credit

The Organization entered into a line of credit agreement with JPMorgan Chase Bank in March 2014. Under the terms of the agreement, the Organization may borrow up to $100,000. Borrowings pursuant to this line of credit bear interest at the Prime Rate in effect plus 2 percentage points. The outstanding balance was $0 at December 31, 2014. The Organization cancelled the line subsequent to year end.