Clean Water Fund

Financial Report

December 31, 2021

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Independent Auditor's Report

To the Board of Directors
Clean Water Fund

Opinion

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

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	$ 3,213,588
Investments (Note 7)	1,065,904
Accounts receivable (Note 5)	1,803,297
Prepaid expenses and other	19,071
Furniture and equipment - Net of accumulated depreciation of $77,297	29,580
Total assets	**$ 6,131,440**
Liabilities and Net Assets	
Liabilities	
Pass-through liabilities	$ 94,592
Accounts payable	16,834
Due to affiliate (Note 6)	388,039
Refundable advances	84,950
Accrued rent	1,032
Long-term debt (Note 3)	418,000
Total liabilities	1,003,447
Net Assets	
Without donor restrictions	1,055,589
With donor restrictions	4,072,404
Total net assets	5,127,993
Total liabilities and net assets	**$ 6,131,440**

See notes to financial statements.

Clean Water Fund

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	$ 1,196,369	$ 26,443	$ 1,222,812
Institutional and corporate grants	269,420	634,201	903,621
Foundational awards	274,313	3,058,008	3,332,321
Governmental grants	-	165,164	165,164
In-kind donations	5,349	2,726	8,075
Paycheck Protection Program loan forgiveness (Note 3)	619,035	-	619,035
Investment income	233,537	-	233,537
Total revenue, gains, and other support	2,598,023	3,886,542	6,484,565
Net Assets Released from Restrictions	2,944,374	(2,944,374)	-
Total revenue, gains, other support, and net assets released from restrictions	5,542,397	942,168	6,484,565
Expenses			
Program services	3,942,098	-	3,942,098
Support services:			
General and administrative	661,625	-	661,625
Fundraising	325,140	-	325,140
Total support services	986,765	-	986,765
Total expenses	4,928,863	-	4,928,863
Increase in Net Assets	613,534	942,168	1,555,702
Net Assets - Beginning of year	442,055	3,130,236	3,572,291
Net Assets - End of year	**$ 1,055,589**	**$ 4,072,404**	**$ 5,127,993**

See notes to financial statements.

Statement of Cash Flows

	Year Ended December 31, 2021
Cash Flows from Operating Activities	
Increase in net assets	$ 1,555,702
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	12,288
Unrealized and realized gain on investments	(164,879)
Bad debt expense	2,275
Paycheck Protection Program loan forgiveness	(619,035)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:	
Accounts receivable	(667,999)
Prepaid expenses and other	4,729
Accounts payable and pass-through liability	(61,999)
Refundable advances	(299,621)
Accrued rent	(189)
Net cash and cash equivalents used in operating activities	(238,728)
Cash Flows from Investing Activities	
Purchase of furniture and equipment	(21,424)
Purchases of investments	(63,951)
Net cash and cash equivalents used in investing activities	(85,375)
Cash Flows from Financing Activities	
Reduction on advances from affiliates	(67,158)
Proceeds from debt	418,000
Net cash and cash equivalents provided by financing activities	350,842
Net Increase in Cash and Cash Equivalents	26,739
Cash and Cash Equivalents - Beginning of year	3,186,849
Cash and Cash Equivalents - End of year	**$ 3,213,588**
Supplemental Cash Flow Information - Interest paid to Clean Water Action	$ 20,553

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.

Investments Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's balances and the amounts reported in the financial statements.

Accounts 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, 2021 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.

Note 2 - Significant Accounting Policies (Continued)

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.

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).

Note 2 - Significant Accounting Policies (Continued)

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 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 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 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)

During the year ended December 31, 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 used the funds on qualifying expenses over a covered period of up to 24 weeks. During the year ended December 31, 2021, the Organization applied for and received notification of forgiveness of the entire loan balance from the SBA. The amount of the loan forgiven has been recorded as Paycheck Protection Program loan forgiveness on the statement of activities and changes in net assets as revenue, gains, and other support.

On February 9, 2021, the Organization received a PPP term note through its primary bank of $418,000. 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 through the maturity date of February 9, 2026, with interest accruing at 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period.

Subsequent to December 31, 2021, 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 2022.

In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an entity substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barrier that must be overcome for entitlement to the ERC funding is qualifying for the credit based on meeting the threshold for gross receipts decline in 2020 compared to 2019.

The Organization has recognized $263,808 of governmental grant revenue for the year ended December 31, 2020, as management determined that the eligible criterion was met. The full amount of the receivable is recorded within the statement of financial position as of December 31, 2021.

The Organization’s ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Organization would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

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 $5,940,734 of financial assets available within one year of December 31, 2021 to meet cash needs for general expenditure consisting of cash of $3,213,588, short-term receivables of $1,661,242, and short-term investments of $1,065,904. 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.

Note 4 - Liquidity (Continued)

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 $820,000 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 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 $1,661,242 and $142,055 collectible in 2022 and 2023, respectively.

Additionally, the Organization receives conditional promises to give where 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, 2021:

Conditional promises to give as of January 1, 2021	$ 564,808
New awards entered into during 2021	610,502
Conditions satisfied - Promises recognized as institutional and corporate grants and government grants on the statement of activities and changes in net assets	(618,275)
Conditional promises to give as of December 31, 2021	$ 557,035

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, 2021 were approximately as follows:

January 1, 2021 - Amount due to CWA, 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	(483,000)
Total expenses paid by CWA on behalf of the Organization	(4,424,000)
Less expense reimbursement by the Organization	4,491,000
December 31, 2021 - Amount due to CWA, including interest	$ (388,000)

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.

Note 7 - 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 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 equity 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, 2021:

Realized and unrealized gains	$ 164,879
Dividends and interest	68,658
Total investment income	$ 233,537

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:

Year Ending December 31	Amount
2022	$ 91,273

Total rent expense for real property was $315,629 for the year ended December 31, 2021.

Note 10 - Net Assets with Donor Restrictions

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

Subject to expenditures for a specified purpose:	
Water programs	$ 2,369,486
Health programs	354,800
Energy programs	314,190
Waste programs	448,588
Environmental justice/health	56,808
Other	261,999
Total subject to expenditures for a specified purpose	3,805,871
Subject to the passage of time - Governmental grants receivable	263,808
Subject to the passage of time - In-kind rent	2,725
Total net assets with donor restrictions	$ 4,072,404

Note 11 - Release of Restrictions

During the year ended December 31, 2021, 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:	
Net assets released from donor restriction	$ 2,941,649
Use of in-kind rent	2,725
Total restrictions released	$ 2,944,374

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, 2021:

Program services:	
Salary and wage expense	$ 3,433,869
Consulting services	143,686
Office expenses	116,883
Conferences and meetings	12,190
Transportation	6,979
Occupancy	212,829
Other	15,662
Total program services	3,942,098
General and administrative:	
Salary and wage expense	439,902
Office expenses	95,949
Occupancy	102,867
Depreciation	12,288
Other	10,619
Total general and administrative	661,625
Fundraising:	
Salary and wage expense	215,997
Consulting services	400
Office expenses	40,855
Conferences and meetings	4,850
Transportation	775
Occupancy	39,019
Other	23,244
Total fundraising	325,140
Total	$ 4,928,863

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