Clean Water Action

Financial Report

December 31, 2015

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Independent Auditor's Report

To the Board of Directors
Clean Water Action

We have audited the accompanying financial statements of Clean Water Action (the "Organization"), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and changes in net assets (deficit) 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 Action as of December 31, 2015 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.

Plante & Moran, PLLC

April 29, 2016

Clean Water Action

Statement of Financial Position
December 31, 2015

Assets		
Cash and cash equivalents	$	339,554
Contributions receivable		22,985
Due from affiliates (Note 3)		66,991
Prepaid expenses		17,450
Deposits		61,778
Property and equipment - Net (Note 2)		59,130
Intangible assets - Net (Note 4)		76,401
Total assets	**$**	**644,289**
Liabilities and Net Deficit		
Liabilities		
Accounts payable	$	304,977
Due to affiliates (Note 3)		120,784
Bank payable (Note 6)		56,272
Loan payable (Note 3)		11,000
Accrued rent		30,593
Accrued payroll and related expenses		424,971
Accrued vacation		218,766
Total liabilities		1,167,363
Net Deficit		
Unrestricted		(635,274)
Temporarily restricted		112,200
Total net deficit		(523,074)
Total liabilities and net deficit	**$**	**644,289**

Statement of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2015

Changes in Unrestricted Net Assets (Deficit)	
Revenue:	
Individual contributions	$ 7,614,858
Institutional giving and corporate contributions	429,978
Interest income	5,704
Total revenue	8,050,540
Net assets released from restrictions	190,400
Total revenue and net assets released from restrictions	8,240,940
Expenses:	
Program	6,908,260
Support services:	
General and administrative	1,118,176
Fundraising	986,516
Total expenses	9,012,952
Decrease in Unrestricted Net Assets (Deficit)	(772,012)
Changes in Temporarily Restricted Net Assets (Deficit)	
Contributions	206,000
Net assets released from restrictions	(190,400)
Increase in Temporarily Restricted Net Assets (Deficit)	15,600
Decrease in Net Assets (Deficit)	(756,412)
Net Assets - Beginning of year	233,338
Net Deficit - End of year	**$ (523,074)**

Clean Water Action

Statement of Cash Flows
Year Ended December 31, 2015

Cash Flows from Operating Activities	
Decrease in net assets	$ (756,412)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	39,337
Amortization	51,720
Gain on disposition of property and equipment	(4,603)
Changes in operating assets and liabilities which (used) provided cash:	
Contributions receivable	(22,735)
Prepaid expenses	3,572
Deposits	(2,826)
Accounts payable	109,365
Accrued payroll and related expenses	(36,748)
Accrued vacation	1,816
Accrued rent	(10,504)
Net cash used in operating activities	(628,018)
Cash Flows from Investing Activities	
Purchase of property and equipment	(8,692)
Purchase of intangible assets	(47,520)
Repayments from affiliates	217,424
Proceeds from sale of property and equipment	14,440
Net cash provided by investing activities	175,652
Cash Flows from Financing Activities	
Net advances from affiliates	120,784
Payments on bank payable	(24,264)
Payments on loan payable	(45,000)
Proceeds from loan payable	56,000
Payments on contracts payable	(15,500)
Net cash provided by financing activities	92,020
Net Decrease in Cash and Cash Equivalents	(360,346)
Cash and Cash Equivalents - Beginning of year	699,900
Cash and Cash Equivalents - End of year	**$ 339,554**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 19,305**

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - 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.

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.

Contributions Receivable - The Organization's contributions receivable are composed primarily of amounts committed from individuals, corporations, or foundations for the use in the Organization's activities. Contributions receivable at December 31, 2015 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.

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). Leasehold improvements are depreciated over the term of the lease. Costs of maintenance and repairs are charged to expense when incurred.

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

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.

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.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions are reported as restricted support and temporarily restricted net assets. Temporarily restricted contributions that are used according to donor restrictions in the same time period as the contribution are recognized as temporarily restricted support and reclassified as net assets released from restrictions in the same period.

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 (deficit). 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.

Federal Income Taxes - The Organization is exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(4).

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

Upcoming Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and changes in net assets 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, 2020 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 leases for use of office space and equipment classified as operating leases. The effect of applying the new lease guidance on the financial statements has not yet been determined.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 29, 2016, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

Automobiles	$ 268,368
Furniture and fixtures	353,041
Total cost	621,409
Accumulated depreciation	(562,279)
Net property and equipment	$ 59,130

Depreciation expense was $39,337 for the year ended December 31, 2015.

Note 3 - Related Parties

The Organization is affiliated with Clean Water Fund (CWF) through common board membership. The Organization is also affiliated with Citizens Campaign Inc. (CCI). 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 6 percent per annum.

Activities between the Organization and the respective affiliates for the year ended December 31, 2015 were approximately as follows:

CWF:		
January 1, 2015 - Amount due from CWF, including interest	$	201,000
Add allocated expenses:		
Payroll and payroll-related expenses		2,731,000
Health insurance		222,000
Rent and occupancy related		241,000
Direct expenses		404,000
Total expenses paid on behalf of CWF		3,598,000
Less expense reimbursements by CWF		(3,920,000)
December 31, 2015 - Amount due to CWF, including interest	$	(121,000)
CCI:		
January 1, 2015 - Amount due from CCI, including interest	$	83,000
Add allocated expenses:		
Payroll and payroll-related expenses		130,000
Rent and occupancy related		21,000
Direct expenses		75,000
Total expenses paid on behalf of CCI		226,000
Less expense reimbursements by CCI		(242,000)
December 31, 2015 - Amount due from CCI, including interest	$	67,000

Note 3 - Related Parties (Continued)

During the year ended December 31, 2015, the Organization entered into loan payable agreements with members of the board of directors and officers of the Organization totaling $56,000 and bearing an interest rate of 6 percent per annum. During the year ended December 31, 2015, the Organization made payments on the loan payable agreements totaling $45,000. As of December 31, 2015, the outstanding balance of the loan payable agreements was $11,000.

Note 4 - Intangible Assets

As of December 31, 2015, intangible assets are as follows:

Software	$	111,601
Website		47,520
Total cost		159,121
Accumulated amortization		82,720
Net intangible assets	$	76,401

Amortization expense was $51,720 for the year ended December 31, 2015. Expected amortization expense for the next three years is approximately $53,000, $22,000, and $1,000.

Note 5 - Operating Leases

The Organization leases office space and equipment in several locations throughout the United States. The leases expire on varying dates through June 2018. 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
2016	$	449,460
2017		341,133
2018		112,877
Total	$	903,470

Total rent expense for real and personal property under cancelable and noncancelable leases was $422,804 for the year ended December 31, 2015.

Note 6 - Bank Payable

The Organization entered into a commercial loan agreement with a financial institution, which will mature on February 25, 2018. The outstanding balance is reflected as a bank payable on the statement of financial position. The debt bears interest at 4.25 percent and is collateralized by all of the assets of the Organization. The outstanding balance was $56,272 at December 31, 2015.

Principal payments are due as follows:

2016	$ 25,270
2017	26,365
2018	4,637
Total	$ 56,272

Note 7 - Contracts Payable

During 2012, the Organization did not renew a contract with a third-party service provider, which performed canvassing and fundraising activities for the Organization. The agreement included the terms that require the Organization to pay the third party a contracted fee over a three-year period. This contract was paid off in 2015. There is no further liability related to the contract.

Note 8 - 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, 2015:

Program expenses	$ 5,190,672
General and administrative expenses	901,339
Fundraising expenses	799,737
Total	$ 6,891,748

Note 9 - Self Insurance

The Organization funds its employees' health benefit plan on a partially self-insured basis, providing coverage for employees' medical claims. The Organization's maximum loss is limited to $50,000 per year, per employee covered under the plan. The estimated and recorded liability for claims incurred and incurred but not reported is included in accrued payroll and related expenses on the statement of financial position. For the year ended December 31, 2015, the following information applies to the Organization's plan:

Health insurance expense	$	655,956
Amount paid by employees		190,538
Estimated and recorded liability for claims incurred and incurred but not reported		12,491

Note 10 - 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 $69,581 in employer match contributions to the plan for the year ended December 31, 2015.

Note 11 - New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)*, for the year ended December 31, 2015. The standard establishes accounting and auditing guidance for management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. It also states that substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet is obligations as they become due within one year after the date that the financial statements are available to be issued.

Due to the deficit reflected on the Organization's statement of financial position and statement of activities and changes in net assets (deficit), management has evaluated whether there is a probable substantial doubt about the Organization's ability to continue as a going concern. As a result of those evaluations, management does not feel there is a substantial doubt that the Organization will be able to satisfy obligations as they become due within one year.