Clean Water Fund

Financial Report

December 31, 2015

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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, 2015 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clean Water Fund as of December 31, 2015 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 29, 2016

Clean Water Fund

Statement of Financial Position
December 31, 2015

Assets		
Cash and cash equivalents	$	1,391,417
Accounts receivable:		
Foundation awards receivable		787,251
Institutional and corporate grants receivable		27,855
Governmental grants receivable		38,600
Individual contributions receivable		25,000
Donated rent receivable		21,847
Due from affiliate (Note 2)		120,784
Investments		365,916
Prepaid expenses and other		33,946
Furniture and equipment - Net of accumulated depreciation of $92,905		15,281
Intangible assets - Net of accumulated amortization of $17,199 (Note 5)		21,127
Total assets	**$**	**2,849,024**
Liabilities and Net Assets		
Liabilities		
Pass-through liabilities	$	249,659
Accounts payable		86,636
Deferred revenue		44,800
Accrued rent		10,596
Total liabilities		391,691
Net Assets		
Unrestricted		513,449
Temporarily restricted		1,943,884
Total net assets		2,457,333
Total liabilities and net assets	**$**	**2,849,024**

Clean Water Fund

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

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	$ 815,579	$ 55,000	$ 870,579
Institutional and corporate grants	608,446	-	608,446
Foundation awards	216,374	3,236,773	3,453,147
Governmental grants	154,498	-	154,498
In-kind donations	2,280	-	2,280
Investment loss (Note 4)	(13,053)	-	(13,053)
Total revenue and support	1,784,124	3,291,773	5,075,897
Net Assets Released from Restrictions	2,702,748	(2,702,748)	-
Total revenue, support, and net assets released from restrictions	4,486,872	589,025	5,075,897
Expenses			
Programs	3,845,534	-	3,845,534
General and administrative	548,270	-	548,270
Fundraising	178,429	-	178,429
Total expenses	4,572,233	-	4,572,233
(Decrease) Increase in Net Assets	(85,361)	589,025	503,664
Net Assets - Beginning of year	598,810	1,354,859	1,953,669
Net Assets - End of year	**$ 513,449**	**$ 1,943,884**	**$ 2,457,333**

Clean Water Fund

Statement of Cash Flows
Year Ended December 31, 2015

Cash Flows from Operating Activities	
Increase in net assets	$ 503,664
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	22,030
Amortization	12,210
Unrealized and realized loss on investments	53,716
Donated rent receivable	14,412
Changes in operating assets and liabilities which (used) provided cash:	
Foundation awards receivable	(566,301)
Institutional and corporate grants receivable	(20,055)
Governmental grants receivable	34,181
Individual contributions receivable	25,000
Prepaid expenses and other	(1,490)
Accounts payable and pass-through liability	(102,494)
Deferred revenue	(24,460)
Accrued rent	4,961
Net cash used in operating activities	(44,626)
Cash Flows from Investing Activities	
Purchase of property and equipment	(5,562)
Purchase of intangible assets	(20,365)
Re-investment of investing earnings	(40,047)
Net advances to affiliate	(120,784)
Net cash used in investing activities	(186,758)
Cash Flows from Financing Activities - Net advances from affiliates	(200,907)
Net Decrease in Cash and Cash Equivalents	(432,291)
Cash and Cash Equivalents - Beginning of year	1,823,708
Cash and Cash Equivalents - End of year	**$ 1,391,417**

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.

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.

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, 2015 since it is the opinion of management that all accounts receivable are collectible in full. All receivables 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).

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.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Note 1 - Nature of Business and 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 - 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, timing, 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. The new guidance will be effective for the Organization's year ending December 31, 2019. 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.

In February 2016, the Financial Accounting Standards Board issued ASU No. 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 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, 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 - 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, 2015 were approximately as follows:

January 1, 2015 - Amount due to CWA, 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 by CWA on behalf of the Organization		3,598,000
Less expense reimbursements by CWF		(3,920,000)
December 31, 2015 - Amount due from CWA, including interest	$	121,000

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 and 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 or liability. 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 or liability.

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 Loss

Investment loss consists of the following for the year ended December 31, 2015:

Realized and unrealized losses	$ (53,716)
Dividends and interest	40,663
Total investment loss	$ (13,053)

Note 5 - Intangible Assets

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

Software	$ 17,960
Website	20,366
Total cost	38,326
Accumulated amortization	17,199
Net intangible assets	$ 21,127

Amortization expense was $12,210 for the year ended December 31, 2015. Expected amortization expense for the next three years is approximately $12,800, $7,800, and $600, respectively.

Note 6 - Operating Leases

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

Years Ending December 31		Amount
2016		$ 130,403
2017		72,745
2018		41,266
2019		43,035
2020		33,308
	Total	$ 320,757

Total rent expense for real property was $142,995 for the year ended December 31, 2015.

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 was no balance on the line at January 1, 2015 and it was not used in 2015. The Organization cancelled the line of credit in 2015.