CLEAN WATER ACTION

FINANCIAL STATEMENTS

December 31, 2022

Contents

Alan C. Young & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Clean Water Action

Opinion

We have audited the accompanying financial statements of Clean Water Action (a nonprofit Organization) (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 other 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 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.

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.

Alan C. Young & Asso.

Detroit, Michigan
October 16, 2023

Statement of Financial Position
December 31, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 3)	$	1,287,561
Contributions Receivable		86,480
Due From Affiliates (Note 5)		533,458
Prepaid Expenses		46,355
Total Current Assets		1,953,854
Property and Equipment, Net (Note 6)		42,899
Other Assets		
Deposits		54,221
Lease Right of Use Assets, Net (Note 9)		763,678
Total Assets	$	2,814,652
LIABILITIES		
Current Liabilities		
Accounts Payable	$	72,202
Accrued Payroll and Related Liabilities		193,048
Accrued Vacation		328,485
Current Portion of Lease Obligations (Note 9)		517,245
Total Current Liabilities		1,110,980
Lease Liability, Net of Current Portion (Note 9)		270,153
Total Liabilities		1,381,133
Net Assets		
Without Donor Restrictions		1,163,102
With Donor Restrictions (Note 7)		270,417
Total Net Assets		1,433,519
Total Liabilities and Net Assets	$	2,814,652

The accompanying notes are an integral part of these financial statements.

Statement of Activities
Year Ended December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains and Other Support			
Individual Contributions	$ 5,736,927	$ 51,691	$ 5,788,618
Institutional Giving and Corporate Contributions	10,196	657,440	667,636
In-kind Donations (Note 8)	603	4,492	5,095
Interest Income	19,295	-	19,295
Other Income	7,467	-	7,467
Net Assets Released From Restrictions (Note 7)	497,600	(497,600)	-
Total Revenue, Gains and Other Support	6,272,088	216,023	6,488,111
Expenses			
Program Services	3,969,730	-	3,969,730
General and Administrative	905,527	-	905,527
Fundraising	1,510,689	-	1,510,689
Total Expenses	6,385,946	-	6,385,946
Change In Net Assets	(113,858)	216,023	102,165
Net Assets, Beginning of Year	1,298,753	54,394	1,353,147
Cumulative Effect of Change in Accounting Principle	(21,793)	-	(21,793)
Net Assets, End of Year	$ 1,163,102	$ 270,417	$ 1,433,519

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total 2022 Functional Expenses
Salaries and Benefits	$ 2,991,724	$ 551,615	$ 1,013,768	$ 4,557,107
Professional Services	157,670	7,735	-	165,405
Office Expenses	383,339	185,350	315,034	883,723
Meetings and Conferences	48,752	6,057	13,395	68,204
Transportation	107,053	30,769	107,053	244,875
Occupancy	248,109	89,100	57,373	394,582
Depreciation	4,296	28,329	987	33,612
Other expenses	28,787	6,572	3,079	38,438
Total Expenses	$ 3,969,730	$ 905,527	$ 1,510,689	$ 6,385,946

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows From Operating Activities	
Change in Net Assets	$ 102,165
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	33,612
Amortization of Lease Right of Use Assets	487,175
Changes in Operating Assets and Liabilities that (Used) Provided Cash:	
Contributions Receivable	(51,041)
Due From Affiliates	(61,670)
Prepaid Expenses	(33,795)
Accounts Payable	(6,992)
Accrued Rent	(12,103)
Accrued Payroll and Related Liabilities	(188,937)
Accrued Vacation	37,634
Lease Obligations	(485,248)
Net Cash Used in Operating Activities	(179,200)
Cash Flows From Investing Activities	
Purchases of Property and Equipment	(6,090)
Net Cash Used in Investing Activities	(6,090)
Net Decrease In Cash and Cash Equivalents	(185,290)
Cash and Cash Equivalents, Beginning of Year	1,472,851
Cash and Cash Equivalents, End of Year	$ 1,287,561
Supplemental Disclosure of Cash Flows Information -	
Cash Paid for Interest	$ 499

The accompanying notes are an integral part of these financial statements.

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.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

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 and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and 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, 2022 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.

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.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Prepaid Expenses

Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid expenses.

Compensated Absences

A liability is accrued where future vacation benefits are attributable to employee services already rendered. The obligation relates to rights that are accumulated or vested; payment of compensation is probable and reasonably estimated. At December 31, 2022, the liability for accrued vacation amounted to $328,485.

Tax-Exempt Status

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501 (c)(4). As a result the Organization’s continued status as an exempt organization is considered to be a “tax position” in that the Organization must adhere to various requirements to remain tax-exempt. In addition, any Organization activities that may subject it to “unrelated business taxable income” are also considered tax positions. Management has analyzed the Organization’s tax positions as of December 31, 2022 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements.

The Organization’s Federal tax returns for the prior three years remain subject to examinations by the Internal Revenue Service.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. Indirect costs have been allocated between the various programs and support services on several bases and estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. The Organization classifies its expenses according to the following functional classifications:

Expenses	Allocation Method
Salaries and Benefits	Time and Effort
Professional Services	Time and Effort
Office Expenses	Square Footage
Meetings and Conferences	Direct Usage
Occupancy	Square Footage
Depreciation	Square Footage
Automobile	Square Footage

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.

Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on January 1, 2022. The adoption of ASU 2020-07 resulted in no material changes to the recognition of contributions.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting and Change in Accounting Principle

Effective January 1, 2022, the Organization adopted the FASB's ASU No. 2016-02, Leases (as amended) Topic 842). ASC 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statements of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the organization's leasing activities.

The Organization elected the option to apply the transition requirements at the effective date of January 1, 2022, which allows the effects of initially applying ASU No. 2016-02 (as amended) to be recognized as a cumulative-effect adjustment to the retained earnings in the period of adoption. At the effective date of January 1, 2022, the Organization recognized a cumulative-effect adjustment of $21,793 as a decrease to the retained earnings and recorded noncash transactions to establish the liability for the present value of future minimum lease payments of $1,147,842 and right of use assets of $1,126,049. The Organization also elected the package of practical expedients, which permits the organizations to not reassess prior conclusions about lease identification, classification, and initial direct costs. In addition, the Organization elected the short-term lease recognition exemption for all leases with initial terms of 12 months or less that qualify under Topic 842.

In order to determine if a contract contains a lease, the Organization assesses whether it has the right to control the use of identified assets within the contract. This determination is made if the Organization has both the right to obtain substantially all of the economic benefits from use of the identified assets and the right to direct the use of the identified assets. The Organization allocates the consideration within a contract to respective lease and non lease components based on relative standalone prices. Leases are classified as either finance or operating, and a lease liability and right-of-use asset are recognized for all leases with a term greater than 12 months. All lease liabilities are measured as the present value of the future lease payments using a discount rate.

The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain to be exercised, if applicable.

The Organization makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Organization uses an incremental borrowing rate based on the remaining lease term in determining the present value of lease payments for all classes of underlying leased assets.

3) CASH AND CASH EQUIVALENTS

The deposits of the Organization in bank accounts total $1,288,406 of which $267,854 was insured through Federal Deposit Insurance Corporation. The total uninsured deposits at December 31, 2022 were $1,020,552.

4) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s working capital and cash flows have variations during the year attributable to the timing of grant and contribution receipts. The following reflects the Organization’s financial assets as of the statement of financial statement date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor imposed restrictions.

Cash and Cash Equivalents	$ 1,287,561
Accounts Receivable	86,480
Due from Affiliates	533,458
	1,907,499
Less: Donor Restricted Net Assets	(270,417)
Financial Assets available within one year to meet cash needs for general expenditure within one year.	$ 1,637,082

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 an 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.

5) RELATED PARTY TRANSACTIONS (Continued)

Activities between the Organization and the respective affiliates for the year ended December 31, 2022 were as follows:

January 1, 2022- Amount Due from CWF, including interest	$	388,039
Add: Allocated Expenses:		
Payroll and Payroll Related Expenses		3,867,378
Health Insurance		374,620
Rent and Occupancy Related		360,852
Direct Expenses, including interest		78,540
Total Expenses Paid on Behalf of CWF		4,681,390
Less: Expense Reimbursements by CWF		(4,635,930)
December 31, 2022- Amount Due from CWF, including interest	$	433,499

January 1, 2022- Amount Due from CCI, including interest	$	83,749
Add: Allocated Expenses:		
Direct Expenses, including interest		16,210
Total Expenses Paid on Behalf of CCI		16,210
December 31, 2022- Amount Due from CCI, including interest	$	99,959

6) PROPERTY AND EQUIPMENT

Property and equipment comprised of the following for the year ended December 31, 2022.

	Balance January 1, 2022	Additions	Balance December 31, 2022
Automobiles	$ 200,345	$ -	$ 200,345
Furniture and Fixtures	199,015	6,090	205,105
Total	399,360	6,090	405,450
Accumulated Depreciation	328,939	33,612	362,551
Net Property and Equipment	$ 70,421	$ (27,522)	$ 42,899

Depreciation expense was $33,612 for the year ended December 31,2022.

7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions at December 31, 2022 are available for the following purposes:

Description	Amount
Restricted for Energy Programs	$ 119,990
Restricted for Civic Engagement	71,820
Restricted for Other Programs	32,157
Restricted for Health Programs	46,450
Total Net Assets with Donor Restrictions	$ 270,417

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:

Released from Purpose Restriction During the Year	Amount
Purpose Restrictions Accomplished - Release of Contributions	$ 493,108
Time Restrictions Expired - Use of In-Kind Rent	4,492
Total Restrictions Released	$ 497,600

8) IN-KIND DONATIONS

In-kind donations are recorded at their fair value in the period in which they are received and consisted of the following at December 31, 2022:

Description	Amount	Donor Restrictions	Utilization in Programs/ Activities
In-kind Donations	$ 5,095	Unrestricted	General Support
Total In-Kind Contributions	$ 5,095		

9) LEASES

The Organization has entered into operating lease agreements for various properties, vehicles and copiers. Only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. Lease assets are amortized over the life of the underlying lease.

The components of total lease cost are as follows:

	Amount
Operating Lease Cost, Included in Lease Expense:	$ 347,125

9) LEASES (Continued)

The maturities of lease liability as of December 31, 2022 were as follows:

For Year Ended December 31,		Amount
2023	$	522,718
2024		271,301
Total Lease Payments		794,019
Less: Interest		6,621
Present Value of Lease Liabilities	$	787,398

The present value of lease liabilities are reported in the balance sheet as follows:

		Amount
Current Portion of Operating Lease Obligations	$	517,245
Operating Lease Obligations, Net of Current Portion		270,153
	$	787,398

Cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Net Operating Cash Flows from Operating Leases	$	507,571
Right of Use Assets obtained in exchange for new Operating Lease Liabilities:	$	1,250,853
Amortization during year	$	487,175
Balance as of December 31, 2022	$	763,678

Other supplemental information as of and for the year ended December 31, 2022 is as follows:

Remaining Lease Term (in years), Operating Leases:	1 - 2
Discount Rate, Operating Leases:	1.00%

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, 2022:

Program Expenses	$ 3,368,557
General and Administrative Expenses	418,610
Fundraising Expenses	1,199,355
Total	$ 4,986,522

11) 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, 2022.

12) SUBSEQUENT EVENTS

Clean Water Action has evaluated events through October 16, 2023, the date accompanying financial statements were available to be issued. No significant subsequent event was noted that required adjustment or disclosure in the financial statements.