

CLEAN WATER ACTION

FINANCIAL STATEMENTS

December 31, 2023

CLEAN WATER ACTION

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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, 2023, 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, 2023, 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.

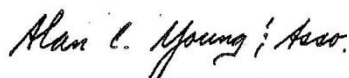
Auditor's Responsibilities for the Audit of the Financial Statements

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.



Detroit, Michigan
July 29, 2024

CLEAN WATER ACTION

Statement of Financial Position December 31, 2023

ASSETS

Current Assets

Cash and Cash Equivalents (Note 3)	\$ 1,321,213
Receivables	85,003
Due From Affiliates (Note 5)	207,612
Prepaid Expenses	57,521
Total Current Assets	1,671,349

Property and Equipment, Net (Note 6)

7,171

Other Assets

Deposits	51,221
Lease Right of Use Assets, Net (Note 9)	261,306
Total Assets	\$ 1,991,047

LIABILITIES

Current Liabilities

Accounts Payable	\$ 38,409
Accrued Payroll and Related Liabilities	206,430
Accrued Vacation (Note 2)	305,031
Current Portion of Lease Obligations (Note 9)	270,152
Total Current Liabilities	820,022

Total Liabilities

820,022

Net Assets

Without Donor Restrictions	1,099,146
With Donor Restrictions (Note 7)	71,879
Total Net Assets	1,171,025

Total Liabilities and Net Assets

\$ 1,991,047

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

CLEAN WATER ACTION

Statement of Activities Year Ended December 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains and Other Support			
Individual Contributions	\$ 5,010,090	\$ 84,500	\$ 5,094,590
Institutional Giving and Corporate Contributions	44,685	50,000	94,685
In-kind Donations (Note 8)	4,604	-	4,604
Interest Income	10,921	-	10,921
Gain on Sale of Fixed Assets	4,000	-	4,000
Other Income	10,954	-	10,954
Net Assets Released From Restrictions (Note 7)	333,038	(333,038)	-
Total Revenue, Gains and Other Support	5,418,292	(198,538)	5,219,754
Expenses			
Program Services	3,246,723	-	3,246,723
General and Administrative	940,171	-	940,171
Fundraising	1,295,354	-	1,295,354
Total Expenses	5,482,248	-	5,482,248
Change In Net Assets	(63,956)	(198,538)	(262,494)
Net Assets, Beginning of Year	1,163,102	270,417	1,433,519
Net Assets, End of Year	\$ 1,099,146	\$ 71,879	\$ 1,171,025

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

CLEAN WATER ACTION

Statement of Functional Expenses Year Ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total 2023 Functional Expenses</u>
Salaries and Benefits	\$ 2,469,883	\$ 588,896	\$ 879,595	\$ 3,938,374
Professional Services	96,862	4,595	-	101,457
Office Expenses	334,112	173,987	256,284	764,383
Meetings and Conferences	43,937	10,347	20,280	74,564
Transportation	76,748	40,800	76,748	194,296
Occupancy	195,551	83,611	57,840	337,002
Depreciation	5,662	27,655	2,411	35,728
Bad Debts	5,000	-	-	5,000
Other Expenses	18,968	10,280	2,196	31,444
Total Expenses	<u>\$ 3,246,723</u>	<u>\$ 940,171</u>	<u>\$ 1,295,354</u>	<u>\$ 5,482,248</u>

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

CLEAN WATER ACTION

Statement of Cash Flows Year Ended December 31, 2023

Cash Flows From Operating Activities

Change in Net Assets	\$ (262,494)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation	35,728
Bad Debts	5,000
Gain On Sale of Property and Equipment	(4,000)
Amortization of Lease Right of Use Assets	502,372
Changes in Operating Assets and Liabilities that	
Provided (Used) Cash:	
Receivables	(3,523)
Due From Affiliates	325,846
Prepaid Expenses	(11,166)
Deposits	3,000
Accounts Payable	(33,793)
Accrued Payroll and Related Liabilities	13,382
Accrued Vacation	(23,454)
Lease Obligations	(517,246)
Net Cash Provided by (Used in) Operating Activities	<u>29,652</u>

Cash Flows From Investing Activities

Proceeds From Sale of Property and Equipment	<u>4,000</u>
Net Cash Provided by (Used in) Investing Activities	<u>4,000</u>

Net Increase In Cash and Cash Equivalents 33,652

Cash and Cash Equivalents, Beginning of Year 1,287,561

Cash and Cash Equivalents, End of Year \$ 1,321,213

Supplemental Disclosure of Cash Flows Information -

 Cash Paid for Interest \$ 5,793

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. Clean Water Action is registered in 35 states and has offices/programs in 15.

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.

Receivables

The Organization's receivables are primarily composed of amounts committed from individuals, corporations, or foundations for the use in the Organization's activities. Receivables at December 31, 2023 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 if contributed 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, 2023, the liability for accrued vacation amounted to \$305,031.

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, 2023 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:

<u>Expenses</u>	<u>Allocation Method</u>
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

Concentration of Credit Risk Arising from Deposit Accounts

The Organization maintains cash balances at various banks. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

New Accounting Standards Effective January 1, 2023, the Organization adopted FASB ASC 326, Financial Instruments – Credit Losses, (“ASC 326”), which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses that are expected to occur over the remaining life of the asset using historical experience, current conditions, and reasonable and supportable forecasts about collectability, such that the assets must be presented in the financial statements at the net amount expected to be collected. The Organization adopted ASC 326, using the modified retrospective approach with January 1, 2023, as the date of initial adoption, which did not result in any adjustment to the Organization’s financial statements.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Organization accounts for its leases under FASB's ASU No. 2016-02, Leases (as amended) (Topic 842). Under the provisions of Topic 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 has 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 has 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 \$1,299,792 of which \$258,379 was insured through Federal Deposit Insurance Corporation. The total uninsured deposits at December 31, 2023 were \$1,041,413.

CLEAN WATER ACTION

Notes to the Financial Statements (Continued)
December 31, 2023

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 position 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	\$ 1,321,213
Receivables	85,003
Due from Affiliates	<u>207,612</u>
	1,613,828
Less: Donor Restricted Net Assets	<u>(71,879)</u>
Financial Assets available within one year to meet cash needs for general expenditure within one year.	<u>\$ 1,541,949</u>

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.

CLEAN WATER ACTION

Notes to the Financial Statements (Continued)
December 31, 2023

5) RELATED PARTY TRANSACTIONS (Continued)

Activities between the Organization and the respective affiliates for the year ended December 31, 2023 were as follows:

January 1, 2023- Amount Due from CWF, including interest	\$ 433,499
Add: Allocated Expenses:	
Payroll and Payroll Related Expenses	4,797,908
Health Insurance	596,409
Rent and Occupancy Related	266,811
Direct Expenses, including interest	<u>287,270</u>
Total Expenses Paid on Behalf of CWF	5,948,398
Less: Expense Reimbursements by CWF	<u>(6,279,242)</u>
December 31, 2023- Amount Due from CWF, including interest	<u>\$ 102,655</u>
January 1, 2023- Amount Due from CCI, including interest	\$ 99,959
Add: Allocated Expenses:	
Direct Expenses, Including Interest, Paid on Behalf of CCI	<u>4,998</u>
December 31, 2023- Amount Due from CCI, including interest	<u>\$ 104,957</u>

6) PROPERTY AND EQUIPMENT

Property and equipment comprised of the following for the year ended December 31, 2023.

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2023</u>
Automobiles	\$ 200,345	\$ -	\$ -	\$ 200,345
Furniture and Fixtures	205,105	-	(45,983)	159,122
Total	<u>405,450</u>	<u>-</u>	<u>(45,983)</u>	<u>359,467</u>
Accumulated Depreciation	<u>362,551</u>	<u>35,728</u>	<u>(45,983)</u>	<u>352,296</u>
Net Property and Equipment	<u>\$ 42,899</u>	<u>\$ (35,728)</u>	<u>\$ -</u>	<u>\$ 7,171</u>

Depreciation expense was \$35,728 for the year ended December 31, 2023.

CLEAN WATER ACTION

Notes to the Financial Statements (Continued)
December 31, 2023

7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions at December 31, 2023 are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Restricted for Energy Programs	\$ 32,105
Restricted for Civic Engagement	17,068
Restricted for Other Programs	11,947
Restricted for Health Programs	10,759
Total Net Assets with Donor Restrictions	\$ 71,879

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:

<u>Released from Purpose Restriction During the Year</u>	<u>Amount</u>
Purpose Restrictions Accomplished - Release of Contributions	\$ 333,038
Total Restrictions Released	\$ 333,038

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, 2023:

<u>Description</u>	<u>Amount</u>	<u>Donor Restrictions</u>	<u>Utilization in Programs/ Activities</u>
In-kind Donations	\$ 4,604	Unrestricted	General Support
Total In-kind Contributions	\$ 4,604		

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:

	<u>Amount</u>
Operating Lease Cost, Included in Lease Expense:	\$ 507,842

CLEAN WATER ACTION

Notes to the Financial Statements (Continued)
December 31, 2023

9) LEASES (Continued)

The maturities of lease liability as of December 31, 2023 were as follows:

<u>For Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 271,301
Less: Interest	1,149
Present Value of Lease Liabilities	<u>\$ 270,152</u>

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

	<u>Amount</u>
Current Portion of Operating Lease Obligations	<u>\$ 270,152</u>
	<u>\$ 270,152</u>

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	\$ 522,720
Right of Use Assets :	
Balance as of January 1, 2023	\$ 763,678
Less: Amortization during year	<u>502,372</u>
Balance as of December 31, 2023	\$ 261,306

Other supplemental information as of and for the year ended December 31, 2023 is as follows:

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

CLEAN WATER ACTION

Notes to the Financial Statements (Continued)
December 31, 2023

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, 2023:

Program Expenses	\$ 2,755,522
General and Administrative Expenses	575,230
Fundraising Expenses	<u>1,030,692</u>
Total	<u>\$ 4,361,444</u>

11) RETIREMENT PLAN

The Organization sponsors a 401 (k) retirement plan which is a defined contribution plan covering all eligible participants who have completed six months of service and are age 21 or older. 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, 2023.

12) SUBSEQUENT EVENTS

Clean Water Action has evaluated events through July 29, 2024, 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.