

Clean Water Fund

Financial Report
September 30, 2008

Clean Water Fund

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Independent Auditor's Report

To the Board of Directors
Clean Water Fund
Washington, D.C.

We have audited the accompanying statement of financial position of Clean Water Fund as of September 30, 2008 and 2007 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clean Water Fund at September 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 13, 2009

Clean Water Fund

Statement of Financial Position

	September 30, 2008	September 30, 2007
Assets		
Cash and cash equivalents	\$ 1,341,070	\$ 1,344,315
Foundation grants receivable	904,260	1,152,027
Corporate contributions receivable	67,262	81,177
Governmental agency receivable	3,000	2,219
Due from affiliate (Note 3)	166,680	-
Investments	233,638	-
Deposits and other prepaid expenses	4,000	3,108
Furniture and equipment - Net of accumulated depreciation of \$96,677 and \$85,910 for 2008 and 2007, respectively	18,726	19,124
Total assets	<u><u>\$ 2,738,636</u></u>	<u><u>\$ 2,601,970</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 155,774	\$ 88,977
Accrued severance payable	126,120	-
Due to affiliate (Note 3)	-	194,110
Deferred revenue	63,544	113,246
Total liabilities	345,438	396,333
Net Assets		
Unrestricted	154,452	238,110
Temporarily restricted	2,238,746	1,967,527
Total net assets	<u>2,393,198</u>	<u>2,205,637</u>
Total liabilities and net assets	<u><u>\$ 2,738,636</u></u>	<u><u>\$ 2,601,970</u></u>

Clean Water Fund

Statement of Activities and Changes in Net Assets Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	\$ 847,831	\$ -	\$ 847,831
Institutional giving and corporate contributions	487,526	-	487,526
Foundation grants	602,215	3,880,385	4,482,600
Governmental grants	3,781	-	3,781
Interest income	55,728	-	55,728
	<hr/>	<hr/>	<hr/>
Total revenue and support before net assets released from restrictions	1,997,081	3,880,385	5,877,466
Net assets released from restrictions	3,609,166	(3,609,166)	-
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Total revenue and support	5,606,247	271,219	5,877,466
Expenses			
Programs	4,533,195	-	4,533,195
General and administrative	661,608	-	661,608
Fund-raising	495,102	-	495,102
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Total expenses	5,689,905	-	5,689,905
Increase (Decrease) in Net Assets	(83,658)	271,219	187,561
Net Assets - Beginning of year	238,110	1,967,527	2,205,637
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Net Assets - End of year	\$ 154,452	\$ 2,238,746	\$ 2,393,198
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Clean Water Fund

Statement of Activities and Changes in Net Assets Year Ended September 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	\$ 545,090	\$ -	\$ 545,090
Institutional giving and corporate contributions	368,489	-	368,489
Foundation grants	650,232	3,388,106	4,038,338
Governmental grants	2,219	-	2,219
Interest income	65,149	-	65,149
Total revenue and support before net assets released from restrictions	1,631,179	3,388,106	5,019,285
Net assets released from restrictions	3,386,562	(3,386,562)	-
Total revenue and support	5,017,741	1,544	5,019,285
Expenses			
Programs	4,189,954	-	4,189,954
General and administrative	727,523	-	727,523
Fund-raising	388,872	-	388,872
Total expenses	5,306,349	-	5,306,349
Increase (Decrease) in Net Assets	(288,608)	1,544	(287,064)
Net Assets - Beginning of year	526,718	1,965,983	2,492,701
Net Assets - End of year	\$ 238,110	\$ 1,967,527	\$ 2,205,637

Clean Water Fund

Statement of Cash Flows

	Year Ended	
	September 30, 2008	September 30, 2007
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 187,561	\$ (287,064)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	11,487	11,349
Unrealized loss on investments	16,362	-
Changes in operating assets and liabilities which provided (used) cash:		
Government grants receivable	(781)	12,781
Foundation grants receivable	247,767	(251,730)
Corporate grants receivable	13,915	(60,045)
Deposits and other prepaids	(892)	(2,136)
Accounts payable and other accrued expenses	66,797	(23,218)
Deferred revenue	(49,702)	73,046
Net cash provided by (used in) operating activities	492,514	(527,017)
Cash Flows from Investing Activities		
Purchase of property and equipment	(11,089)	(14,050)
Purchases of investments	(250,000)	-
Net cash used in investing activities	(261,089)	(14,050)
Cash Flows from Financing Activities - (Repayments to) advances from affiliates - Net	(234,670)	43,772
Net Decrease in Cash and Cash Equivalents	(3,245)	(497,295)
Cash and Cash Equivalents - Beginning of year	1,344,315	1,841,610
Cash and Cash Equivalents - End of year	<u>\$ 1,341,070</u>	<u>\$ 1,344,315</u>

Clean Water Fund

Notes to Financial Statements September 30, 2008 and 2007

Note I - Nature of Activities 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 accompanying financial statements have been prepared on the accrual basis of accounting.

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments consist of mutual funds which are recorded at fair value based on quoted market prices.

Accounts 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 September 30, 2008 and 2007 since it is the opinion of management that all accounts receivables are collectible in full.

Property 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).

Deferred Revenue - The Organization receives advance payments on contracts, which are reported as deferred revenue and recognized as income when earned.

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.

Note I - Nature of Activities and Significant Accounting Policies (Continued)

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. 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.

Functional Allocation of Expenses - The costs of providing 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.

Concentration of Credit Risk - The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses related to these accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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

New Accounting Pronouncement - In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The provisions of SFAS 157 are effective for the fiscal year beginning after November 15, 2007. The Organization is currently evaluating the impact, if any, of the provisions of SFAS 157 on its financial statements.

Clean Water Fund

Notes to Financial Statements September 30, 2008 and 2007

Note 1 - Nature of Activities 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.

Note 2 - Foundation Grants Receivable

The Organization's foundation grants receivable consist primarily of amounts due in less than one year. No provision for doubtful accounts has been recorded at September 30, 2008 and 2007 since it is the opinion of management that all grant receivables are collectible in full. Foundation grants receivable are as follows:

	<u>2008</u>	<u>2007</u>
Amounts due in:		
Less than one year	\$ 830,510	\$ 985,986
One to two years	73,750	166,041
Total	<u>\$ 904,260</u>	<u>\$ 1,152,027</u>

Note 3 - Due to/from Affiliate

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 25 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 8 percent per annum.

Clean Water Fund

Notes to Financial Statements September 30, 2008 and 2007

Note 3 - Due to/from Affiliate (Continued)

Related party activities between the Organization and CWA for the years ended September 30, 2008 and 2007 are as follows:

	2008	2007
Amounts due (from) to CWA including interest	\$ (40,560)	\$ 194,110
Allocated accrued payroll and payroll-related expenses	294,000	260,700
Allocated expenses:		
Payroll and payroll-related expenses	3,310,000	2,872,000
Health insurance	243,000	197,000
Rent and occupancy related	276,000	285,000
Total expenses paid on behalf of CWF	4,720,000	4,309,000
Total expense reimbursements by CWF	5,054,000	4,270,000

Note 4 - Line of Credit

The Organization maintains a line of credit for operations. The line of credit bears interest at the prime rate (with a 6 percent floor) and is collateralized by all of the assets of the Organization. The Organization may borrow up to \$300,000 on the line of credit. The interest rate was 6.0 percent and 7.75 percent at September 30, 2008 and 2007, respectively. There was no amount outstanding on the line of credit as September 30, 2008 and 2007.