Clean Water Fund

Financial Report
December 31, 2011

Contents

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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 (the "Organization") as of December 31, 2011 and the related statements of activities and changes in net assets and cash flows for the year 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 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 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 audit provides 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 December 31, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 16, 2012

Statement of Financial Position
December 31, 2011

Assets		
Cash and cash equivalents	$	1,177,330
Foundation grants receivable (Note 2)		655,000
Corporate contributions receivable		112,737
Governmental agency receivable		16,845
Investments		294,029
Prepaid expenses and other		12,918
Furniture and equipment - Net of accumulated depreciation of $75,248		11,078
Total assets	**$**	**2,279,937**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	90,479
Due to affiliate (Note 3)		15,246
Deferred revenue		71,782
Total liabilities		177,507
Net Assets		
Unrestricted		308,146
Temporarily restricted		1,794,284
Total net assets		2,102,430
Total liabilities and net assets	**$**	**2,279,937**

Clean Water Fund

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	$ 855,347	$ -	$ 855,347
Institutional giving and corporate contributions	545,689	-	545,689
Foundation grants	174,177	2,225,672	2,399,849
Governmental grants	30,388	-	30,388
Interest income	673	-	673
Total revenue and support before net assets released from restrictions	1,606,274	2,225,672	3,831,946
Net Assets Released from Restrictions	2,248,748	(2,248,748)	-
Total revenue and support and net assets released from restrictions	3,855,022	(23,076)	3,831,946
Expenses			
Programs	3,009,902	-	3,009,902
General and administrative	363,214	-	363,214
Fundraising	284,602	-	284,602
Total expenses	3,657,718	-	3,657,718
Increase (Decrease) in Net Assets	197,304	(23,076)	174,228
Net Assets - Beginning of year	110,842	1,817,360	1,928,202
Net Assets - End of year	**$ 308,146**	**$ 1,794,284**	**$ 2,102,430**

Clean Water Fund

Statement of Cash Flows
Year Ended December 31, 2011

Cash Flows from Operating Activities		
Increase in net assets	$	174,228
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation		4,867
Unrealized gain on investments		(13,662)
Changes in operating assets and liabilities which (used) provided cash:		
Government agency receivable		(8,484)
Foundation grants receivable		51,310
Corporate contributions receivable		(11,488)
Deposits and other prepaids		557
Accounts payable		(64,394)
Deferred revenue		41,157
Net cash provided by operating activities		174,091
Cash Flows from Investing Activities - Purchase of property and equipment		(9,736)
Cash Flows from Financing Activities - Net advances from affiliates		4,714
Net Increase in Cash and Cash Equivalents		169,069
Cash and Cash Equivalents - Beginning of year		1,008,261
Cash and Cash Equivalents - End of year	**$**	**1,177,330**

Note 1 - 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.

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, 2011 since it is the opinion of management that all accounts receivable are collectible in full. All accounts receivable 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).

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 1 - 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.

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). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2011 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2008.

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 1 - Nature of Activities and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 16, 2012, which is the date the financial statements were available to be issued.

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 December 31, 2011 since it is the opinion of management that all grant receivables are collectible in full. Foundation grants receivable are as follows:

Amounts due in:	
Less than one year	$ 536,000
One to two years	119,000
Total	$ 655,000

Note 3 - 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 18 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, 2011 were approximately as follows:

Allocated expenses:	
Payroll and payroll-related expenses	$ 2,163,000
Health insurance	218,000
Rent and occupancy related	263,000
Direct expenses	397,000
Total expenses paid by CWA on behalf of the Organization	$ 3,041,000
Total expense reimbursements by the Organization	$ 3,037,000

Note 3 - Related Party (Continued)

The Organization has a payable due to CWA of approximately $15,000 at December 31, 2011.

Note 4 - 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.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or 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.

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. 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.

In instances where 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.

The Organization's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels during the year ended December 31, 2011.

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 2014. Future minimum lease payments under all cancelable and noncancelable lease obligations are as follows:

Years Ending December 31		Amount
2012		$ 83,780
2013		81,329
2014		28,190
	Total	$ 193,299

Total rent expense for real property under cancelable and noncancelable leases was $270,574 for the year ended December 31, 2011.