

Clean Water Fund

Financial Report
September 30, 2004

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 (the "Organization") as of September 30, 2004 and 2003 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 as of September 30, 2004 and 2003 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

January 27, 2005

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Clean Water Fund

Statement of Financial Position

	September 30	
	2004	2003
Assets		
Cash and cash equivalents	\$ 974,188	\$ 304,898
Foundation grants receivable (Note 3)	890,744	753,369
Corporate contributions receivable (Note 3)	64,980	141,575
Government grants receivable (Note 3)	39,744	19,351
Other receivable	7,262	6,937
Furniture and equipment - Net of accumulated depreciation of \$51,323 and \$40,612 for 2004 and 2003, respectively	21,426	12,870
Deposits	1,800	-
Total assets	<u>\$ 2,000,144</u>	<u>\$ 1,239,000</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 45,746	\$ 59,142
Deferred revenue	27,250	17,186
Due to affiliate (Note 2)	<u>162,793</u>	<u>112,725</u>
Total liabilities	235,789	189,053
Net Assets		
Unrestricted	278,298	96,740
Temporarily restricted (Note 1)	<u>1,486,057</u>	<u>953,207</u>
Total net assets	<u>1,764,355</u>	<u>1,049,947</u>
Total liabilities and net assets	<u>\$ 2,000,144</u>	<u>\$ 1,239,000</u>

Clean Water Fund

Statement of Activities and Changes in Net Assets

	Year Ended September 30, 2004		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	\$ 688,746	\$ 141,958	\$ 830,704
Government grants	244,593	-	244,593
Foundation grants	1,208,783	2,772,836	3,981,619
Interest	4,270	-	4,270
	<u>2,146,392</u>	<u>2,914,794</u>	<u>5,061,186</u>
Total revenue before net assets released from restrictions	2,146,392	2,914,794	5,061,186
Net assets released from restrictions	<u>2,381,944</u>	<u>(2,381,944)</u>	<u>-</u>
Total revenue	4,528,336	532,850	5,061,186
Expenses			
Programs	3,383,428	-	3,383,428
General and administrative	630,522	-	630,522
Fund-raising	332,828	-	332,828
	<u>4,346,778</u>	<u>-</u>	<u>4,346,778</u>
Total expenses	4,346,778	-	4,346,778
Increase in Net Assets	181,558	532,850	714,408
Net Assets - Beginning of year	<u>96,740</u>	<u>953,207</u>	<u>1,049,947</u>
Net Assets - End of year	<u>\$ 278,298</u>	<u>\$ 1,486,057</u>	<u>\$ 1,764,355</u>

Clean Water Fund

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended September 30, 2003		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	\$ 506,504	\$ 178,455	\$ 684,959
Government grants	199,911	-	199,911
Foundation grants	384,969	1,320,365	1,705,334
Interest	4,448	-	4,448
Miscellaneous	20	-	20
	<u>1,095,852</u>	<u>1,498,820</u>	<u>2,594,672</u>
Total revenue before net assets released from restrictions			
	1,095,852	1,498,820	2,594,672
Net assets released from restrictions	<u>2,387,263</u>	<u>(2,387,263)</u>	<u>-</u>
Total revenue	3,483,115	(888,443)	2,594,672
Expenses			
Programs	2,854,949	-	2,854,949
General and administrative	411,046	-	411,046
Fund-raising	193,684	-	193,684
	<u>3,459,679</u>	<u>-</u>	<u>3,459,679</u>
Total expenses			
	3,459,679	-	3,459,679
Increase (Decrease) in Net Assets	23,436	(888,443)	(865,007)
Net Assets - Beginning of year	<u>73,304</u>	<u>1,841,650</u>	<u>1,914,954</u>
Net Assets - End of year	<u>\$ 96,740</u>	<u>\$ 953,207</u>	<u>\$ 1,049,947</u>

Clean Water Fund

Statement of Cash Flows

	Year Ended September 30	
	2004	2003
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 714,408	\$ (865,007)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation expense	10,711	11,524
Changes in certain assets and liabilities:		
Increase in government grants receivable	(20,393)	(6,247)
(Increase) decrease in foundation grants receivable	(137,375)	254,725
Decrease in corporate grants receivable	76,595	3,158
(Increase) decrease in other receivable	(325)	1,103
(Increase) decrease in deposits	(1,800)	1,624
Decrease in accounts payable	(13,396)	(6,717)
Increase in deferred revenue	10,064	17,186
Net cash provided by (used in) operating activities	638,489	(588,651)
Cash Flows from Investing Activities - Purchases of property and equipment	(19,267)	(6,739)
Cash Flows from Financing Activities - Advances from affiliates - Net	50,068	122,347
Net Increase (Decrease) in Cash and Cash Equivalents	669,290	(473,043)
Cash and Cash Equivalents - Beginning of year	304,898	777,941
Cash and Cash Equivalents - End of year	<u>\$ 974,188</u>	<u>\$ 304,898</u>
Supplemental Cash Flow Information - Cash paid for interest	<u>\$ 9,202</u>	<u>\$ 4,915</u>

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities - 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.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

A summary of significant accounting policies is as follows:

Cash Equivalents - The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - The Organization's accounts receivable consist primarily of amounts due from various grantors and contributors. No provision for doubtful accounts has been recorded at September 30, 2004 and 2003 since it is the opinion of management that all receivables are collectible in full.

Furniture and Equipment - Furniture and equipment are recorded at cost if purchased and fair value 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 when earned.

Classification of Net Assets - Net assets of the Organization are classified as temporarily restricted or unrestricted 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 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 Summary of Significant Accounting Policies (Continued)

Contributions - Contributions of cash and other assets, including unconditional promises to give, are reported as revenue 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.

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 and expenses during the reporting period. Actual results may differ from those estimates.

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

Note 2 - 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 17 states nationwide. CWA acts as a paymaster for the Organization 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 affiliate account. The Organization remits an estimated amount to the CWA to cover monthly expenses. The difference is then reconciled and applied to the subsequent month's activity. Interest on balances between the Organization and CWA is calculated at 8 percent per annum.

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Notes to Financial Statements September 30, 2004 and 2003

Note 2 - Due to/from Affiliate (Continued)

Related party activities between the Organization and CWA for the years ended September 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Expenses paid on behalf of Clean Water Fund	\$ 3,781,000	\$ 2,857,000
Interest expense charged to Clean Water Fund	9,150	4,900
Clean Water Fund's portion of accrued payroll included in CWA's liability	135,000	77,000
Clean Water Fund's portion of accrued vacation included in CWA's liability	116,000	79,500

Note 3 - Promises to Give

Included in contributions receivable are several unconditional promises to give generated from corporations, foundation grants, and government grants. The government grants and corporation receivables at September 30, 2004 and 2003 are expected to be collected within one year. The foundation grant receivables as of September 30 are included as follows:

	<u>2004</u>	<u>2003</u>
Unconditional promises to give	<u>\$ 890,744</u>	<u>\$ 753,369</u>
Amounts due in:		
Less than one year	\$ 850,744	\$ 733,369
One to two years	<u>40,000</u>	<u>20,000</u>
Total	<u>\$ 890,744</u>	<u>\$ 753,369</u>