

Clean Water Fund

Financial Report
September 30, 2007

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, 2007 and 2006 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, 2007 and 2006 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

February 11, 2008

Clean Water Fund

Statement of Financial Position

	September 30, 2007	September 30, 2006
Assets		
Cash and cash equivalents	\$ 1,344,315	\$ 1,841,610
Foundation grants receivable	1,152,027	900,297
Corporate contributions receivable	81,177	21,132
Governmental agency receivable	2,219	15,000
Deposits and other prepaid expenses	3,108	972
Furniture and equipment - Net of accumulated depreciation of \$85,190 and \$73,841 for 2007 and 2006, respectively	19,124	16,423
Total assets	<u>\$ 2,601,970</u>	<u>\$ 2,795,434</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 88,977	\$ 112,195
Due to affiliate (Note 3)	194,110	150,338
Deferred revenue	113,246	40,200
Total liabilities	396,333	302,733
Net Assets		
Unrestricted	238,110	526,718
Temporarily restricted	1,967,527	1,965,983
Total net assets	2,205,637	2,492,701
Total liabilities and net assets	<u>\$ 2,601,970</u>	<u>\$ 2,795,434</u>

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
Government grants	2,219	-	2,219
Interest	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 Activities and Changes in Net Assets Year Ended September 30, 2006

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	\$ 598,226	\$ -	\$ 598,226
Institutional giving and corporate contributions	172,359	-	172,359
Foundation grants	1,559,206	3,298,820	4,858,026
Government grants	49,973	-	49,973
Interest	41,261	-	41,261
Total revenue and support before net assets released from restrictions	2,421,025	3,298,820	5,719,845
Net assets released from restrictions	2,392,465	(2,392,465)	-
Total revenue and support	4,813,490	906,355	5,719,845
Expenses			
Programs	3,755,207	-	3,755,207
General and administrative	550,398	-	550,398
Fund-raising	362,425	-	362,425
Total expenses	4,668,030	-	4,668,030
Increase (Decrease) in Net Assets	145,460	906,355	1,051,815
Net Assets - Beginning of year	381,258	1,059,628	1,440,886
Net Assets - End of year	\$ 526,718	\$ 1,965,983	\$ 2,492,701

Clean Water Fund

Statement of Cash Flows

	Year Ended	
	September 30, 2007	September 30, 2006
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (287,064)	\$ 1,051,815
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	11,349	11,305
Changes in operating assets and liabilities which provided (used) cash:		
Government grants receivable	12,781	23,809
Foundation grants receivable	(251,730)	(534,422)
Corporate grants receivable	(60,045)	(4,898)
Deposits and other prepaids	(2,136)	(472)
Accounts payable and other accrued expenses	(23,218)	51,420
Deferred revenue	73,046	6,683
Net cash (used in) provided by operating activities	(527,017)	605,240
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,050)	(10,476)
Proceeds from disposition of property and equipment	-	549
Net cash used in investing activities	(14,050)	(9,927)
Cash Flows from Financing Activities - Advances from (repayments to) affiliates - Net	43,772	(86,562)
Net (Decrease) Increase in Cash and Cash Equivalents	(497,295)	508,751
Cash and Cash Equivalents - Beginning of year	1,841,610	1,332,859
Cash and Cash Equivalents - End of year	\$ 1,344,315	\$ 1,841,610

Clean Water Fund

Notes to Financial Statements September 30, 2007 and 2006

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.

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, 2007 and 2006 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).

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Notes to Financial Statements September 30, 2007 and 2006

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, 2007 and 2006 since it is the opinion of management that all grant receivables are collectible in full. Foundation grants receivable are as follows:

	<u>2007</u>	<u>2006</u>
Amounts due in:		
Less than one year	\$ 985,986	\$ 900,297
One to two years	166,041	-
Total	<u>\$ 1,152,027</u>	<u>\$ 900,297</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 23 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.

Related party activities between the Organization and CWA for the years ended September 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Amounts due to CWA including interest	\$ 194,110	\$ 150,338
Allocated accrued payroll and payroll-related expenses	260,700	162,500
Allocated expenses:		
Payroll and payroll-related expenses	2,872,000	2,494,000
Health insurance	197,000	190,000
Rent and occupancy related	285,000	275,000
Total expenses paid on behalf of CWF	4,309,000	4,022,000
Total expense reimbursements by CWF	4,270,000	4,103,000

Note 4 - Line of Credit

The Organization maintains a line of credit for operations. The line of credit bears interest at 6.75 percent annum and is collateralized by all of the assets of the Organization. The Organization may borrow up to \$300,000 on the line of credit. There was no amount outstanding on the line of credit as September 30, 2007 and 2006.