

Clean Water Fund

Financial Report
December 31, 2009

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 December 31, 2009 and the related statements of activities and changes in net assets (deficit), and cash flows for the 15-month period 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, 2009 and the changes in its net assets and its cash flows for the 15-month period then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 14, 2010

Clean Water Fund

Statement of Financial Position December 31, 2009

Assets	
Cash and cash equivalents	\$ 821,769
Foundation grants receivable	308,510
Corporate contributions receivable	129,091
Governmental agency receivable	25,000
Investments	257,373
Deposits and other prepaid expenses	5,125
Furniture and equipment - Net of accumulated depreciation of \$104,473	10,205
Total assets	<u><u>\$ 1,557,073</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 51,178
Deferred revenue	42,098
Total liabilities	93,276
Net Assets	
Unrestricted	(147,237)
Temporarily restricted	1,611,034
Total net assets	<u>1,463,797</u>
Total liabilities and net assets	<u><u>\$ 1,557,073</u></u>

Clean Water Fund

Statement of Activities and Changes in Net Assets (Deficit) 15-month Period Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Individual contributions	\$ 822,001	\$ -	\$ 822,001
Institutional giving and corporate contributions	646,839	-	646,839
Foundation grants	655,834	3,107,195	3,763,029
Governmental grants	28,000	-	28,000
Interest income	17,063	-	17,063
	<hr/>	<hr/>	<hr/>
Total revenue and support before net assets released from restrictions	2,169,737	3,107,195	5,276,932
Net assets released from restrictions	3,734,907	(3,734,907)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	5,904,644	(627,712)	5,276,932
Expenses			
Programs	4,865,079	-	4,865,079
General and administrative	979,865	-	979,865
Fundraising	361,389	-	361,389
	<hr/>	<hr/>	<hr/>
Total expenses	6,206,333	-	6,206,333
Decrease in Net Assets	(301,689)	(627,712)	(929,401)
Net Assets - Beginning of year	154,452	2,238,746	2,393,198
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Net Assets (Deficit) - End of year	\$ (147,237)	\$ 1,611,034	\$ 1,463,797

Clean Water Fund

Statement of Cash Flows 15-month Period Ended December 31, 2009

Cash Flows from Operating Activities	
Decrease in net assets	\$ (929,401)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	14,245
Bad debt expense	315,196
Unrealized loss on investments	(23,735)
Changes in operating assets and liabilities which provided (used) cash:	
Government agency receivable	(22,000)
Foundation grants receivable	589,171
Corporate contributions receivable	(61,829)
Deposits and other prepaids	(1,125)
Accounts payable	(230,716)
Deferred revenue	<u>(21,446)</u>
Net cash used in operating activities	(371,640)
Cash Flows from Investing Activities - Purchase of property and equipment	(5,724)
Cash Flows from Financing Activities - Net advances to affiliates	<u>(141,937)</u>
Net Decrease in Cash and Cash Equivalents	(519,301)
Cash and Cash Equivalents - Beginning of year	<u>1,341,070</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 821,769</u></u>

Clean Water Fund

Notes to Financial Statements December 31, 2009

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.

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, 2009 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).

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.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including June 14, 2010, which is the date the financial statements were available to be issued.

Clean Water Fund

Notes to Financial Statements December 31, 2009

Note 2 - 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 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 6 percent per annum.

Related party activities between the Organization and CWA for the year ended December 31, 2009 are as follows:

Allocated expenses:

Payroll and payroll-related expenses	\$ 3,651,000
Health insurance	330,000
Rent and occupancy related	459,000
Direct expenses	<u>713,000</u>
Total expenses paid on behalf of CWF	<u>\$ 5,153,000</u>
Total expense reimbursements by CWF	<u>\$ 5,415,000</u>

The Organization has a receivable from CWA of approximately \$309,000 at December 31, 2009. The amount has been fully reserved in the allowance for doubtful accounts at year end.

Note 3 - 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.

Clean Water Fund

Notes to Financial Statements December 31, 2009

Note 3 - Fair Value (Continued)

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.