

# **Clean Water Fund**

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**Financial Report  
December 31, 2010**

# Clean Water Fund

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## Contents

<b>Report Letter</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets (Deficit)	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8

## 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, 2010 and the related statements of activities and changes in net assets (deficit) 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, 2010 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 6, 2011

# Clean Water Fund

## Statement of Financial Position December 31, 2010

<b>Assets</b>	
Cash and cash equivalents	\$ 1,008,261
Foundation grants receivable (Note 2)	706,310
Corporate contributions receivable	101,249
Governmental agency receivable	8,361
Investments	280,367
Prepaid expenses and other	13,475
Furniture and equipment - Net of accumulated depreciation of \$84,193	<u>6,209</u>
Total assets	<u><u>\$ 2,124,232</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable	\$ 154,873
Due to affiliate (Note 3)	10,532
Deferred revenue	<u>30,625</u>
Total liabilities	196,030
<b>Net Assets</b>	
Unrestricted	110,842
Temporarily restricted	<u>1,817,360</u>
Total net assets	<u>1,928,202</u>
Total liabilities and net assets	<u><u>\$ 2,124,232</u></u>

## Clean Water Fund

### Statement of Activities and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Individual contributions	\$ 917,327	\$ -	\$ 917,327
Institutional giving and corporate contributions	450,868	-	450,868
Foundation grants	57,363	2,844,122	2,901,485
Governmental grants	18,361	-	18,361
Interest income	404	-	404
	<hr/>	<hr/>	<hr/>
Total revenue and support before net assets released from restrictions	1,444,323	2,844,122	4,288,445
Net assets released from restrictions	2,637,796	(2,637,796)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	4,082,119	206,326	4,288,445
<b>Expenses</b>			
Programs	3,134,349	-	3,134,349
General and administrative	386,226	-	386,226
Fundraising	303,465	-	303,465
	<hr/>	<hr/>	<hr/>
Total expenses	3,824,040	-	3,824,040
<b>Increase in Net Assets</b>	258,079	206,326	464,405
<b>Net (Deficit) Assets - Beginning of year</b>	(147,237)	1,611,034	1,463,797
	<hr/>	<hr/>	<hr/>
<b>Net Assets - End of year</b>	<b>\$ 110,842</b>	<b>\$ 1,817,360</b>	<b>\$ 1,928,202</b>

# Clean Water Fund

## Statement of Cash Flows Year Ended December 31, 2010

<b>Cash Flows from Operating Activities</b>	
Increase in net assets	\$ 464,405
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	7,643
Unrealized gain on investments	(22,994)
Changes in operating assets and liabilities which provided (used) cash:	
Government agency receivable	16,639
Foundation grants receivable	(397,800)
Corporate contributions receivable	27,842
Deposits and other prepaids	(8,350)
Accounts payable	103,695
Deferred revenue	<u>(11,473)</u>
Net cash provided by operating activities	179,607
<b>Cash Flows from Investing Activities</b> - Purchase of property and equipment	(3,647)
<b>Cash Flows from Financing Activities</b> - Net repayments by affiliates	<u>10,532</u>
<b>Net Increase in Cash and Cash Equivalents</b>	186,492
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>821,769</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 1,008,261</u></u>

# Clean Water Fund

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## Notes to Financial Statements December 31, 2010

### 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, 2010 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.

# Clean Water Fund

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## Notes to Financial Statements December 31, 2010

### **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 (deficit). 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). The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2007.

**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 May 6, 2011, which is the date the financial statements were available to be issued.

# Clean Water Fund

## Notes to Financial Statements December 31, 2010

### 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, 2010 since it is the opinion of management that all grant receivables are collectible in full. Foundation grants receivable are as follows:

	<u>Amount</u>
Amounts due in:	
Less than one year	\$ 481,310
One to two years	<u>225,000</u>
 Total	 <u>\$ 706,310</u>

### 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, 2010 are as follows:

Allocated expenses:	
Payroll and payroll-related expenses	\$ 2,230,000
Health insurance	266,000
Rent and occupancy related	305,000
Direct expenses	<u>727,000</u>
 Total expenses paid on behalf of CWA	 <u>\$ 3,528,000</u>
 Total expense reimbursements by CWA	 <u>\$ 3,202,000</u>

At December 31, 2009, the Organization had a receivable from CWA of approximately \$309,000, which was fully reserved. During 2010, the full amount of the receivable was repaid from CWA.

The Organization has a payable due to CWA of approximately \$11,000 at December 31, 2010.

### 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.