

Clean Water Fund

Financial Report
September 30, 2005

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, 2005 and 2004 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, 2005 and 2004 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 26, 2006

Clean Water Fund

Statement of Financial Position

	September 30, 2005	September 30, 2004
Assets		
Cash and cash equivalents	\$ 1,332,859	\$ 974,188
Foundation grants receivable (Note 2)	365,875	890,744
Corporate contributions receivable	16,234	64,980
Government grants receivable	38,809	39,744
Other receivables	-	7,262
Deposits	500	1,800
Furniture and equipment - Net of accumulated depreciation of \$62,536 and \$51,323 for 2005 and 2004, respectively	17,801	21,426
Total assets	<u>\$ 1,772,078</u>	<u>\$ 2,000,144</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 60,775	\$ 45,746
Due to affiliate (Note 3)	236,900	162,793
Deferred revenue	33,517	27,250
Total liabilities	331,192	235,789
Net Assets		
Unrestricted	381,258	278,298
Temporarily restricted	1,059,628	1,486,057
Total net assets	1,440,886	1,764,355
Total liabilities and net assets	<u>\$ 1,772,078</u>	<u>\$ 2,000,144</u>

Clean Water Fund

Statement of Activities and Changes in Net Assets Year Ended September 30, 2005

	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	\$ 741,145	\$ -	\$ 741,145
Foundation grants	1,417,900	1,999,425	3,417,325
Government grants	133,474	-	133,474
Interest	15,408	-	15,408
	<hr/>	<hr/>	<hr/>
Total revenue before net assets released from restrictions	2,307,927	1,999,425	4,307,352
Net assets released from restrictions	2,425,854	(2,425,854)	-
	<hr/>	<hr/>	<hr/>
Total revenue	4,733,781	(426,429)	4,307,352
Expenses			
Programs	3,699,301	-	3,699,301
General and administrative	594,994	-	594,994
Fund-raising	336,526	-	336,526
	<hr/>	<hr/>	<hr/>
Total expenses	4,630,821	-	4,630,821
Increase (Decrease) in Net Assets	102,960	(426,429)	(323,469)
Net Assets - Beginning of year	278,298	1,486,057	1,764,355
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Net Assets - End of year	\$ 381,258	\$ 1,059,628	\$ 1,440,886

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
Foundation grants	1,208,783	2,772,836	3,981,619
Government grants	244,593	-	244,593
Interest	4,270	-	4,270
	<hr/>	<hr/>	<hr/>
Total revenue before net assets released from restrictions	2,146,392	2,914,794	5,061,186
Net assets released from restrictions	2,381,944	(2,381,944)	-
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total expenses	4,346,778	-	4,346,778
Increase (Decrease) in Net Assets	181,558	532,850	714,408
Net Assets - Beginning of year	96,740	953,207	1,049,947
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Net Assets - End of year	\$ 278,298	\$ 1,486,057	\$ 1,764,355

Clean Water Fund

Statement of Cash Flows

	Year Ended	
	September 30, 2005	September 30, 2004
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (323,469)	\$ 714,408
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	11,213	10,711
Loss on sale of assets	1,674	-
Changes in certain assets and liabilities:		
(Increase) decrease in government grants receivable	935	(20,393)
(Increase) decrease in foundation grants receivable	524,869	(137,375)
Decrease in corporate grants receivable	48,746	76,595
(Increase) decrease in other receivables	7,262	(325)
(Increase) decrease in deposits	1,300	(1,800)
Increase (decrease) in accounts payable	15,029	(13,396)
Increase in deferred revenue	6,267	10,064
Net cash provided by operating activities	293,826	638,489
Cash Flows from Investing Activities - Purchase of property and equipment	(9,262)	(19,267)
Cash Flows from Financing Activities - Advances from affiliates - Net	74,107	50,068
Net Increase in Cash and Cash Equivalents	358,671	669,290
Cash and Cash Equivalents - Beginning of year	974,188	304,898
Cash and Cash Equivalents - End of year	\$ 1,332,859	\$ 974,188
Supplemental Cash Flow Information - Cash paid for interest	\$ 7,965	\$ 9,202

Clean Water Fund

Notes to Financial Statements September 30, 2005 and 2004

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 in 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. No provision for doubtful accounts has been recorded at September 30, 2005 and 2004 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 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 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

Notes to Financial Statements
September 30, 2005 and 2004

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

Contributions - Contributions of cash and other assets, including unconditional promises to give, 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 the 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 accepted 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).

Note 2 - 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, 2005 and 2004 are expected to be collected within one year. The foundation grant receivables as of September 30 are as follows:

	<u>2005</u>	<u>2004</u>
Amounts due in:		
Less than one year	\$ 345,875	\$ 850,744
One to two years	<u>20,000</u>	<u>40,000</u>
Total	<u>\$ 365,875</u>	<u>\$ 890,744</u>

Clean Water Fund

Notes to Financial Statements September 30, 2005 and 2004

Note 3 - Due to/from Affiliate

The Organization is affiliated with Clean Water Action (CWA) through common board membership. CWA does not have the 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 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/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, 2005 and 2004 are as follows:

	2005	2004
Amounts due to CWA	\$ 236,900	\$ 162,793
Allocated accrued payroll and payroll related expenses	147,600	251,000
Interest payable charged to CWF	7,940	9,150
Allocated expenses:		
Payroll and payroll related expenses	1,624,500	-
Health insurance	128,000	89,000
Rent and occupancy related	257,000	359,000
Total expenses paid on behalf of CWF	4,016,000	3,781,000
Total expense reimbursements by CWF	3,950,000	3,740,000

Note 4 - Line of Credit

During the fiscal year ending September 30, 2005, the Organization entered into a line of credit agreement. 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 \$ 200,000 on the line of credit. There was no amount outstanding on the line of credit at September 30, 2005.