

Association of Clean Water Administrators

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2013

Association of Clean Water Administrators

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of Clean Water Administrators
Washington, DC

We have audited the accompanying financial statements of Association of Clean Water Administrators (ACWA) (a District of Columbia not-for-profit organization) which comprises the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

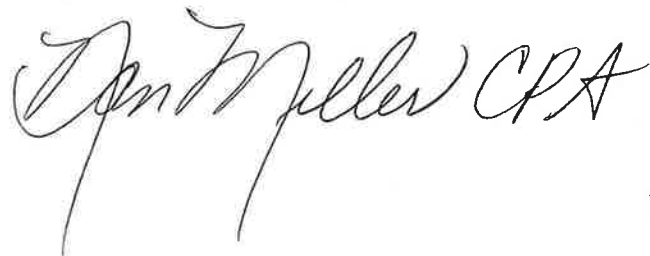
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACWA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Clean Water Administrators as of June 30, 2013, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 15, 2013



ASSOCIATION OF CLEAN WATER ADMINISTRATORS
Statement of Financial Position
As of June 30, 2013

ASSETS

Checking/Savings		
Non-interest bearing operating account		\$ 47,778
Money market accounts		<u>241,625</u>
Total Checking/Savings		<u>289,403</u>
Grants and Accounts Receivable		
Other accounts receivable		<u>2,447</u>
Marketable Securities Held for Investment		<u>400,190</u>
Property and Furniture		
Office furniture and equipment		6,542
Less: accumulated depreciation		<u>(1,792)</u>
Total Property and Furniture		<u>4,750</u>
Other Assets		
Prepaid expenses and security deposit		<u>12,400</u>

TOTAL ASSETS **\$ 709,190**

LIABILITIES & NET ASSETS

Liabilities

Accounts payable and accrued expenses		\$ 24,255
Deferred members dues - FY 14		<u>194,242</u>
Total Liabilities		<u>218,497</u>

Net Assets

Unrestricted net assets		<u>490,693</u>
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TOTAL LIABILITIES & EQUITY **\$ 709,190**

**Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2013**

PROGRAM SERVICES

	EPA	Outreach	Meetings and Conferences	Membership Support and Services	Total Programs	General & Administrative	Fund Raising/Advocacy	Total
Salaries	\$ 98,039	\$ -	\$ 50,042	\$ 197,519	\$ 345,600	\$ 97,044	\$ 581	\$ 443,225
Fringe benefits and payroll taxes	32,345	-	15,030	60,489	107,864	41,926	185	149,975
Travel	7,365	13,468	6,683	9,014	36,530	14	44	36,588
Conference and Meetings	83	1,591	59,574	3,159	64,407	212	275	64,894
Bank and Credit Card Fees	-	374	439	-	813	269	220	1,302
Printing & Reproduction	-	-	1,080	-	1,080	1,846	-	2,926
Professional Fees and Contract Labor	3,348	-	2,775	24,467	30,590	18,973	11	49,574
Office Operating Expenses	10,799	184	-	36,955	47,938	18,628	158	66,724
Occupancy	2,620	-	4,395	17,778	24,793	14,842	81	39,716
Depreciation Expense	-	-	-	-	-	1,529	-	1,529
	\$ 154,599	\$ 15,617	\$ 140,018	\$ 349,381	\$ 659,615	\$ 195,283	\$ 1,555	\$ 856,453

See Independent Auditor's Report and Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

OPERATING ACTIVITIES

Change in net assets	\$ 36,236
Adjustments to reconcile Net Income to net cash provided by operations:	
Depreciation expense	2,081
Unrealized gains on marketable securities held for investment	(7,899)
(Increase) decrease in membership dues receivable	11,368
(Increase) decrease in accounts receivable	(902)
(Increase) decrease in grants receivable	23,481
(Increase) decrease in prepaid expenses and security deposits	(8,393)
Increase (decrease) in accounts payable and accrued expenses	9,028
Increase (decrease) in deferred sponsorships	(9,600)
Increase (decrease) in deferred members dues	73,583

Net cash provided by Operating Activities 128,983

INVESTING ACTIVITIES

Purchase of marketable securities held for investment	(390,902)
Purchase of fixed assets, net of dispositions	(35)
	<u>(390,937)</u>

Total adjustments (261,954)

Cash and money market balances at beginning of period 551,357

Cash and money market balances at end of period \$ 289,403

There are no non-cash investing and/or financing activities for the year ended June 30, 2013.

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 1 - Organization and Purpose

The Association of State and Interstate Water Pollution Control Administrators changed its name to the Association of Clean Water Administrators (ACWA) (See Note 7). ACWA is a not for-profit corporation established in the District of Columbia in 1986. ACWA is an independent, nonpartisan organization of state water program managers and serves as a liaison between and among the states. ACWA also provides for coordination and communication between the federal government and the public and private sectors. The primary sources of revenue are member dues and grants from the United States Environmental Protection Agency (USEPA).

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of ACWA have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities

Cash and Cash Equivalents

Certificates of deposit, savings accounts, and money market funds as of June 30, 2013 are included in cash in the accompanying financial statements and are treated as cash equivalents in the statement of cash flows. Money market accounts and those investments with high liquidity and considered cash equivalents for the purpose of the Statement of Cash Flows.

Equipment

Equipment is carried at cost. Depreciation is provided over the estimated useful lives of the assets by straight-line methods. Computer equipment is depreciated over three years. Furniture and equipment are depreciated over seven years. Leased equipment is depreciated over the life of the lease

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statement date and the reported amounts of revenues and expenses during the years then ended. Actual results could differ from those estimates.

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Grants and Membership Dues Receivables

ACWA utilizes the direct write-off method for membership dues that are not collectible. Membership dues collected in advance of when due appear as deferred revenue in the statement of financial position. Uncollectible accounts are directly written off first offset against deferred revenue and current year membership dues if subsequently determined not collectible by management. As of June 30, 2013, there were no grants receivable and collectible management dues for FY 13 have been collected.

Investments

In accordance with FASB ASC Sub-Topic 958-320 relating to the accounting for certain investments held by non-profit organizations, investments are carried at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair market value at the date of donation. Investment income or losses (including realized gains and losses on investments, interest and dividends) are reported when earned and included as operating activities in the Statement of Activity. Unrealized gains and losses have been classified as other (income) losses in the Statement of Activities. In the absence of any donor-imposed or legal restrictions on how investment income may be used, gains are reported as an increase in unrestricted net assets. A loss, realized or unrealized, is recorded as a decrease in unrestricted net assets. If restrictions do exist on the use of an investment, the gain or loss is shown as an increase or decrease in either temporarily or permanently restricted net assets, depending on the type of restriction existing. Investment income (i.e., interest and dividends) earned during the year is reported as an increase in unrestricted net assets, unless the income's use is restricted; in that case, temporarily or permanently restricted net assets are increased depending upon the restriction.

Risk and Uncertainties

Investment securities including cash equivalents are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the Statement of Financial Position and the Statement of Activities.

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue and support are recognized by the Organization when the unconditional promise to give by a donor is assured. Certain grants and awards stipulate that the grantor will reimburse expenditures incurred by the Organization on their behalf once the Organization submits these expenditures for approval. The grantor retains discretionary rights on all expenditures incurred on their behalf. Expenditures funded by unrestricted net assets prior to the receipt of the unconditional promise to pay from the donor are recorded as a reduction to unrestricted net assets. There is no deferred income relating to these research grants as of June 30, 2013 since the Organization is reimbursed subsequent to when expenses are incurred and has not received any funds in advance. The grant period is March 7, 2012 through February 28, 2015.

Accounts payable and accrued expenses

Accounts payable and accrued expenses as of June 30, 2013 are comprised of the following:

Description	Amount
Accounts payable - vendors	\$ 1,877
Credit card	5,765
Accrued vacation - unused and payable as of June 30, 2013	16,612
	<u>\$ 24,254</u>

Deferred Revenue

Membership dues are recognized in the period to which they apply. The dues cycle is a twelve-month period beginning July 1 and ending June 30 of each year. The invoices for FY 14 dues were sent to members during FY 13. Deferred revenue is recorded for dues received in the current fiscal year for future periods. As of June 30, 2013, \$194,242 of FY14 dues were received during the year ended June 30, 2013 and has been properly deferred to FY14.

Expense Allocation

The costs of providing program services and management and general expenses have been summarized on a functional basis. Identifiable expenses are charged to programs and supporting services, and expenses related to more than one function are directly allocated as an expense of that program. Management and general expenses include those indirect expenses that are incurred to the mutual benefit of the Organization and its programs and are not directly identifiable with any other specific function but provide for the overall support and direction of ACWA.

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

ACWA is exempt from federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been recorded in the financial statements.

Uncertain tax positions

In accordance with the disclosure provisions of FASB ASC Sub-Topic 740-19 "Accounting for Uncertainty in Income Taxes" as of and for the year ended June 30, 2013, ACWA has no uncertain tax positions requiring disclosure or accrual occurred for the year ended June 30, 2013. The open tax years are fiscal years FY 11; FY 12; and FY 13.

Note 3 - Fair Value Measurement

The Organization complies with FASB ASC Topic 820, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. These investments are considered highly liquid instruments which include money market instruments, corporate securities and mutual funds.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 3 - Fair Value Measurement (continued)

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 securities include U.S. government and agency securities and bonds, corporate bonds, commercial paper and other investments with maturity dates greater than 3 months.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These investments would include corporate stocks not actively traded, agency, loans receivable, and other non-marketable investments. As of June 30, 2013, there were no Level 3 investments.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2013, all investments are considered unrestricted funds. The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2013:

<u>Description</u>	<u>Assets Measured at Fair Value</u>	<u>Fair Value Hierarchy Level</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 212,266	\$ 212,266	\$ -	\$ -
U.S Government and U.S. Agency Bonds - Fixed Income	187,924	-	187,924	-
	400,190	212,266	187,924	-
Money Market Funds	241,625	241,625	-	-
	<u>\$ 641,815</u>	<u>\$ 453,891</u>	<u>\$ 187,924</u>	<u>\$ -</u>

ASSOCIATION CLEAN WATER ADMINISTRATORS

Notes to Financial Statements

Year ended June 30, 2013

Note 4 - Equipment

Equipment net of accumulated depreciation as of June. 30, 2013, consisted of the following:

Description	Amount
Office furniture and equipment	\$ 6,542
Less Accumulated depreciation	-1,792
	<u>\$ 4,749</u>

During the year ended June 30, 2013, the Organization disposed of fixed assets no longer in use. For year ended June 30, 2013 depreciation expense totaled \$1,529.

Note 5 – Commitments

In March 2012, ACWA amended its operating lease for office space expiring on October 31, 2014. Rent is payable in equal monthly installments of \$2,981 plus certain operating expenses including storage, cleaning and any pass-through expenses determined by the landlord. As of June 30, 2013, the landlord holds a security deposit totaling \$5,300. For the year ended June 30, 2013, rent and occupancy related expenses totaled \$39,716.

Note 6 - Retirement Plan

ACWA maintains a IRC 457(b) plan (the Plan) covering substantially all employees. The Plan has no fixed matching percentage, however allows for discretionary contributions when approved by the Board of Directors. For the year ended June 30, 2013, total discretionary contributions to this plan were \$38,932. As of June 30, 2013, all employee contributions and approved discretionary pension contributions are fully funded.

Note 7- Contributed Services

In accordance with FASB ASC Topic 958, in-kind contributions, if any, are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured. In kind contributions are not included in the accompanying financial statements because the value of the donated services and materials can not be objectively measured.

Note 8 – Subsequent Events

Subsequent events have been updated through November 15, 2013. No events subsequent to June 30, 2013 through the issuance date were noted requiring adjustment to the year ended June 30, 2013 financial statements and/or disclosure.