

**Association of Clean Water Administrators**

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

**JUNE 30, 2014**

**Association of Clean Water Administrators**

**YEAR ENDED JUNE 30, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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

***Report on Financial Statements***

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 statements of financial position as of June 30, 2014 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, 2014, 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.

September 30, 2014



**ASSOCIATION OF CLEAN WATER ADMINISTRATORS**  
**Statement of Financial Position**  
As of June 30, 2014

**ASSETS**

Checking/Savings		
Non-interest bearing operating account		\$ 36,544
Money market accounts		300,520
<b>Total Checking/Savings</b>		<u>337,065</u>
Grants and Accounts Receivable		
Grant receivable		27,841
FY14 Member dues receivable		11,270
Other accounts receivable		980
		<u>40,091</u>
Marketable Securities Held for Investment		<u>461,959</u>
Property and Furniture		
Office furniture and equipment		15,373
Less: accumulated depreciation		(3,860)
<b>Total Property and Furniture</b>		<u>11,513</u>
Other Assets		
Security deposit		<u>5,300</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 855,927</u></u>

**LIABILITIES & NET ASSETS**

<b>Liabilities</b>		
Accounts payable and accrued expenses		\$ 35,487
Deferred revenue		261,797
<b>Total Liabilities</b>		<u>297,284</u>
<b>Net Assets</b>		
Unrestricted net assets		<u>558,643</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<u><u>\$ 855,927</u></u>

ASSOCIATION OF CLEAN WATER ADMINISTRATORS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>Support, revenue and gains:</b>			
Federal research grants and exchange contracts	\$ -	\$ 173,772	\$ 173,772
Contributions and sponsorships	6,950		6,950
Meeting and program fees	64,899		64,899
Membership dues	691,714		691,714
Interest and dividends	8,147		8,147
Miscellaneous income/reimbursements/adjustments	8,021		8,021
	779,731	173,772	953,503
Released from grantor restrictions	173,772	(173,772)	-
<b>Expenses and losses:</b>			
Contract and research program expenses	\$ 173,772	\$ -	\$ 173,772
Membership program	300,565	-	300,565
Meetings and conferences	172,451	-	172,451
Outreach and other programmatic activities	24,552	-	24,552
	671,340	-	671,340
General and administrative	229,973	-	229,973
Fund raising and development	3,661	-	3,661
	233,634	-	233,634
Total expenses	904,974	-	904,974
Change in net assets before unrealised gains (losses) on marketable securities held for investment	48,529	-	48,529
Unrealized gains (losses) on marketable securities held for investment	19,421	-	19,421
<b>Change in net assets</b>	67,950	-	67,950
Net assets, beginning	490,693	-	490,693
<b>Net assets, ending</b>	\$ 558,643	\$ -	\$ 558,643

**ASSOCIATION OF CLEAN WATER ADMINISTRATORS**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2014**

**PROGRAM SERVICES**

	<u>EPA</u>	<u>Outreach</u>	<u>Meetngs and Conferences</u>	<u>Membership Support and Services</u>	<u>Total Programs</u>	<u>General &amp; Administrative</u>	<u>Fund Raising/Advocacy</u>	<u>Total</u>
Salaries	\$ 86,346	\$ 9,359	\$ 71,241	\$ 175,616	\$ 342,562	\$ 131,296	\$ 1,404	\$ 475,262
Fringe benefits and payroll taxes	25,958	3,250	21,740	54,728	105,676	45,794	347	151,817
Travel	14,767	7,049	8,770	9,149	39,735	2,193	1,556	43,484
Conference and Meetings	2,780	979	47,904	1,865	53,528	3,105	36	56,669
Bank and Credit Card Fees	-	-	-	-	-	1,634	-	1,634
Printing & Reproduction	1,346	-	1,971	830	4,147	2,934	-	7,081
Professional Fees and Contract Labor	2,072	570	1,803	18,368	22,813	22,220	56	45,089
Other Operating Expenses	32,916	1,829	13,161	25,623	73,529	5,413	174	79,116
Occupancy	7,587	1,516	5,861	14,386	29,350	13,316	88	42,754
Depreciation Expense	-	-	-	-	-	2,068	-	2,068
	<u>\$ 173,772</u>	<u>\$ 24,552</u>	<u>\$ 172,451</u>	<u>\$ 300,565</u>	<u>\$ 671,340</u>	<u>\$ 229,973</u>	<u>\$ 3,661</u>	<u>\$ 904,974</u>

**ASSOCIATION OF CLEAN WATER ADMINISTRATORS**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2014**

**OPERATING ACTIVITIES**

Change in net assets	\$ 67,950
Adjustments to reconcile Net Income to net cash provided by operations:	
Depreciation expense	2,068
Unrealized gains on marketable securities held for investment	(19,421)
(Increase) decrease in membership dues receivable	(11,270)
(Increase) decrease in accounts receivable	1,467
(Increase) decrease in grants receivable	(27,841)
(Increase) decrease in prepaid expenses and security deposits	7,100
Increase (decrease) in accounts payable and accrued expenses	11,232
Increase (decrease) in deferred revenue	67,555

**Net cash provided by Operating Activities** 98,840

**INVESTING ACTIVITIES**

Purchase of marketable securities, net of sales and reinvested maturities	(42,346)
Purchase of fixed assets, net of dispositions	(8,832)
	<u>(51,178)</u>

**Total adjustments** 47,662

**Cash and money market balances at beginning of period** 289,403

**Cash and money market balances at end of period** \$ 337,065

There are no non-cash investing and/or financing activities for the year ended June 30, 2014.

# ASSOCIATION CLEAN WATER ADMINISTRATORS

## Notes to Financial Statements

Year ended June 30, 2014

### Note 1 - Organization and Purpose

The Association of Clean Water Administrators (ACWA) is a not for-profit corporation established in the District of Columbia in 1986 as the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA). On September 23, 2011 ASIWPCA officially changed its name to ACWA.

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 USEPA. As of June 30, 2014, grants receivable from USEPA totaled \$13,023.

### 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, 2014 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, 2014

### Note 2 - Summary of Significant Accounting Policies (continued)

#### *Membership Dues Receivables*

ACWA utilizes the direct write-off method for membership dues that are not collectible. Membership dues collected in advance of the fiscal year actually due appear as deferred revenue in the statement of financial position. Prior year uncollectible accounts are directly written off as bad debt expense. Current year membership dues deemed uncollectible are removed from membership dues revenue. As of June 30, 2014, collectible membership dues relating to FY 14 totaled \$11,270 which management believes will be fully collectible.

#### *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, 2014

### 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. As of June 30, 2014, grants receivable from EPA relating to FY14 expenditures totaled \$27,841. 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, 2014 are comprised of the following:

Description	Amount
Accounts payable - vendors	\$ 8,532
Credit card	2,682
Accrued vacation - unused and payable as of June 30, 2014	24,273
	<u>\$ 35,487</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 15 dues were sent to members during FY 14. Deferred revenue is recorded for dues received in the current fiscal year for future periods. As of June 30, 2014, \$254,597 of FY15 dues and \$7,200 of FY15 meeting sponsorships were received during the year ended June 30, 2014 and have been properly deferred to FY15.

#### *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.

# ASSOCIATION CLEAN WATER ADMINISTRATORS

## Notes to Financial Statements

Year ended June 30, 2014

### 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, 2014, ACWA has no uncertain tax positions requiring disclosure or accrual occurred for the year ended June 30, 2014. The open tax years are fiscal years FY 12; FY 13; and FY 14.

### 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, 2014

### 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, 2014, 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, 2014, 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, 2014:

<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	\$ 228,206	\$ 228,206	\$ -	\$ -
U.S Government/ U.S. Agency Bonds - Fixed Income	<u>233,753</u>	<u>-</u>	<u>233,753</u>	<u>-</u>
	461,959	228,206	233,753	-
Money Market Funds	<u>300,520</u>	<u>300,520</u>	<u>-</u>	<u>-</u>
	<u>\$ 762,479</u>	<u>\$ 528,726</u>	<u>\$ 233,753</u>	<u>\$ -</u>

# ASSOCIATION CLEAN WATER ADMINISTRATORS

## Notes to Financial Statements

Year ended June 30, 2014

### Note 4 - Equipment

Equipment net of accumulated depreciation as of June. 30, 2014, consisted of the following:

Description	Amount
Office furniture and equipment	\$ 15,373
Less Accumulated depreciation	-3,860
	<u>\$ 11,513</u>

For year ended June 30, 2014 depreciation expense totaled \$2,068.

### 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 \$3,223 plus certain operating expenses including storage, cleaning and any pass-through expenses determined by the landlord. As of June 30, 2014, the landlord holds a security deposit totaling \$5,300. For the year ended June 30, 2014, rent and occupancy related expenses totaled \$42,754.

On June 18, 2014, ACWA signed a letter of intent and subsequently signed a ten year for office space located in Washington, DC commencing on December 1, 2014 and terminating on November 30, 2024. Annual minimum rent under this office operating lease will be \$62,167. The lease contains provisions for rent escalations, payment of shared/common operating expenses and real estate taxes, lease termination options, leasehold improvements, etc.

### Note 6 - Retirement Plan

ACWA maintains an IRC 457(b) plan (the Plan) covering substantially all employees. The Plan has allows for voluntary employee contributions. As of June 30, 2014, all employee contributions have been fully funded.

ACWA also maintains an IRC Section 401 Money Purchase Plan with The ICMA Retirement Corporation Governmental Money Purchase Plan and Trust. The Plan has no fixed matching percentage, however allows for discretionary employer contributions when approved by the Board of Directors. For the year ended June 30, 2014, total discretionary contributions to this plan were \$39,841. As of June 30, 2014, all approved discretionary pension contributions have been fully funded.

# **ASSOCIATION CLEAN WATER ADMINISTRATORS**

## **Notes to Financial Statements**

**Year ended June 30, 2014**

### **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 cannot be objectively measured.

### **Note 8 – Subsequent Events**

Subsequent events have been updated through September 30, 2014. No events subsequent to June 30, 2014 through the issuance date were noted requiring adjustment to the year ended June 30, 2014 financial statements and/or disclosure.