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ASSOCIATION OF CLEAN WATER ADMINISTRATORS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2015

ASSOCIATION OF CLEAN WATER ADMINISTRATORS
FINANCIAL STATEMENTS

DRAFT

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Association of Clean Water Administrators (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, 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 of 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 the entity'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, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC
DATE

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 340,588
Investments (Notes 2, 5 and 6)	538,140
Membership dues receivable (Note 2)	47,946
Grant receivables (Notes 2 and 4)	6,252
Prepaid expenses	11,057
Total Current Assets	<u>\$ 943,983</u>

PROPERTY AND EQUIPMENT, at cost: (Notes 2 and 7)

Office furniture and equipment	\$ 26,731
Less, Accumulated depreciation	(5,363)
Property and Equipment - Net	<u>\$ 21,368</u>

OTHER ASSETS:

Security deposit	<u>\$ 5,181</u>
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TOTAL ASSETS

\$ 970,532

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 5,127
Accrued payroll	4,485
Deferred rent (Note 8)	4,887
Deferred revenue (Note 2)	214,387
	<u>\$ 228,886</u>

NET ASSETS: (Notes 2, 10 and 11)

Unrestricted net assets	<u>\$ 741,646</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 970,532

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Federal research grants and exchange contracts	\$ 16,800	\$ 106,970	\$ 123,770
Meeting and program fees	77,776	-	77,776
Membership dues	781,272	-	781,272
Other income	5,351	-	5,351
Interest income (Note 5)	17,840	-	17,840
Net assets released from restriction: satisfaction of program accomplishment	106,970	(106,970)	-
Total Support and Revenue	\$ 1,006,009	\$ -	\$ 1,006,009
EXPENSES:			
Program services: (Note 1)			
EPA Cooperative Agreement	\$ 111,361	\$ -	\$ 111,361
Membership program	306,434	-	306,434
Meetings and conferences	191,794	-	191,794
Outreach and other programmatic activities	18,860	-	18,860
Total Program Services	\$ 628,449	\$ -	\$ 628,449
Supporting services:			
Management and General	\$ 233,761	\$ -	\$ 233,761
Fundraising	186	-	186
Total Supporting Services	\$ 233,947	\$ -	\$ 233,947
Total Expenses	\$ 862,396	\$ -	\$ 862,396
CHANGE IN NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS	\$ 143,613	\$ -	\$ 143,613
UNREALIZED LOSS ON INVESTMENTS (NOTE 5)	(13,194)	-	(13,194)
CHANGE IN NET ASSETS	\$ 130,419	\$ -	\$ 130,419

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS, JUNE 30, 2014 AS ORIGINALLY STATED	\$ 558,643	\$ -	\$ 558,643
Adjustment to Reflect Prior Period Adjustment (Note 10)	<u>52,584</u>	<u>-</u>	<u>-</u> <u>52,584</u>
NET ASSETS, JUNE 30, 2014 AS RESTATED	\$ 611,227	\$ -	\$ 611,227
CHANGE IN NET ASSETS	<u>130,419</u>	<u>\$ -</u>	<u>\$ 130,419</u>
NET ASSETS, JUNE 30, 2015	<u>\$ 741,646</u>	<u>\$ -</u>	<u>\$ 741,646</u>

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Services			Total Expenses		
	EPA Cooperative Agreement	Outreach	Meetings and Conferences	Membership Support and Services	Total Program Services	Management and General		Fundraising	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,850	\$ -	\$ 5,850	\$ 5,850
Bad debt expense	-	-	-	5,759	5,759	-	-	-	5,759
Bank charges	-	-	965	-	965	1,134	-	1,134	2,099
Depreciation	572	72	534	1,428	2,606	1,299	1	1,300	3,906
Dues and subscriptions	-	-	-	8,322	8,322	930	-	930	9,252
Employee benefits	18,767	1,751	17,014	42,764	80,296	7,246	25	7,271	87,567
Equipment maintenance	1,743	288	2,380	4,865	9,276	504	1	505	9,781
Insurance	-	-	-	-	-	5,620	-	5,620	5,620
Miscellaneous	106	403	720	1,631	2,860	2,991	-	2,991	5,851
Meetings and conferences	-	1,443	76,088	2,327	79,858	31	-	31	79,889
Office supplies	637	65	1,730	1,497	3,929	2,190	1	2,191	6,120
Professional Fees	1,404	364	2,051	11,811	15,630	10,456	1	10,457	26,087
Payroll taxes	5,534	701	5,174	13,825	25,234	12,577	11	12,588	37,822
Postage and delivery	42	2	2,022	144	2,210	171	-	171	2,381
Printing and copying	-	-	1,017	1,915	2,932	2,750	-	2,750	5,682
Rent	4,358	200	4,358	10,230	19,146	14,840	3	14,843	33,989
Salaries	71,708	9,077	67,043	179,140	326,968	162,959	137	163,096	490,064
Staff Development	-	329	-	-	329	768	-	768	1,097
Telephone and communications	3,729	297	3,539	13,253	20,818	328	6	334	21,152
Travel	2,761	3,868	7,159	7,523	21,311	1,117	-	1,117	22,428
Total expenses	\$ 111,361	\$ 18,860	\$ 191,794	\$ 306,434	\$ 628,449	\$ 233,761	\$ 186	\$ 233,947	\$ 862,396

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	130,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		3,907
Prior period adjustment		52,584
Unrealized loss on investments		13,194
Changes in operating assets and liabilities:		
Increase in membership dues receivable		(35,696)
Decrease in grants receivable		21,589
Increase in prepaid expenses and security deposits		(10,938)
Decrease in accounts payable and accrued expenses		(25,875)
Decrease in deferred revenue		(42,523)
		<hr/>
Net cash provided by operating activities	\$	106,661

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		(13,762)
Purchase of investments, net of dispositions	\$	(36,349)
		<hr/>
Net cash used in investing activities		(50,111)

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$	56,550
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<hr/> 284,038
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<hr/> <hr/> 340,588

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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Note 1. **Organization:**

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 the U.S. Environmental Protection Agency.

Note 2. **Summary of Significant Accounting Policies:**

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Contributions

ACWA recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, based on donor intent. Contributions made by ACWA are recognized as expense in the period the commitment is made.

Cash Equivalents

ACWA considers all short term investments with original maturities of three months or less to be cash equivalents included in cash.

During the year ended June 30, 2015, ACWA's demand deposits with financial institutions may, at times, have exceeded federally insured limits. ACWA has not experienced any losses in such accounts and management believes ACWA is not exposed to any significant credit risks.

Investments

Investments are recorded at estimated fair values based on quoted market prices provided by the investment custodians. Realized and unrealized gains and losses are included with investment income in the statements of activities as increases or decreases in unrestricted net assets unless restricted by donor or by law

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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Note 2. **Summary of Significant Accounting Policies:** (Continued)

Accounts Receivable

Accounts receivable are recorded at the amount ACWA expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors amounts receivable and charges off any balances that are determined to be uncollectible. As of June 30, 2015, ACWA's allowance for doubtful accounts was \$0. Bad debt expense for the year ended June 30, 2015, was \$4,000.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on a straight line basis over the useful life of the assets which range from three to eight years. Leasehold improvements are amortized over the term of the lease.

Classes of Net Assets

ACWA is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are contributions without a donor imposed time and/or program restriction. The funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statement of activities as net assets released from restrictions.

Permanently restricted net assets must be maintained by ACWA in perpetuity. There were no permanently restricted net assets as of June 30, 2015.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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Note 2. **Summary of Significant Accounting Policies:** (Concluded)

Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with FASB ASC 820-10, fair value is defined as the price that the Association would receive to sell an investment or to pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The FASB ASC 820-10 hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets that the Association had the access to at the measurement date and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable inputs for the asset and have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Functional Allocation of Expenses

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes

ACWA has adopted FASB ASC 740-10, *Income Taxes*, which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The Interpretation provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management's belief that ACWA does not hold any uncertain tax positions. ACWA's Form 990, *Return of Organization Exempt from Income Tax* for the years ended 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

Note 3. Tax Status:

ACWA has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

Note 4. Grants Receivable:

Grants receivable are due in one year or less. As of June 30, 2015 the balance of grants receivable \$6,252.

Note 5. Investments:

Investments consist of bonds, mutual funds and money market funds. As of June 30, 2015 the fair value of investments was \$538,141.

Investment income is comprised of the following at June 30, 2015:

Interest and dividends	\$	17,820
Realized and unrealized losses		(13,194)
Total	\$	<u>4,626</u>

Note 6. Fair Value Measurements:

ACWA's investments in debt and equity securities are reported at fair value in the accompanying statement of financial position.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Inputs Other Than Quoted Prices for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Balance as of June 30, 2015				
Mutual Funds, ETFs, UIT	\$ 161,906	\$ 161,906	\$ ---	\$ ---
Bonds and Preferred	225,619	225,619		
Money Market Funds	150,615	150,615	---	---
Total	<u>\$ 538,140</u>	<u>\$ 538,140</u>	<u>\$ ---</u>	<u>\$ ---</u>

The fair value of bond mutual funds and money market funds are based on quoted prices in active markets provided by the custodian. ACWA does not have any level 2 or 3 inputs.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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Note 7. **Property and Equipment:**

At June 30, 2015, property and equipment consisted of the following:

Furniture and equipment	\$ 26,731
Less: Accumulated Depreciation	<u>(5,363)</u>
Property and Equipment, Net	<u>\$ 21,368</u>

ACWA capitalizes all property and equipment with a cost basis of \$500 or more.

Note 8. **Operating Lease:**

ACWA leases office space under a non- cancelable lease that terminates December 31, 2024. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments are recognized on a straight line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent in the accompanying statements of financial position. Future minimum lease payments required under the lease agreement at June 30, 2015 are:

2016	\$ 64,022
2017	65,783
2018	67,592
2019	69,451
2020	71,361
Thereafter	<u>305,614</u>
Total	<u>\$ 643,823</u>

Note 9. **Retirement Plan:**

ACWA maintains an IRC 457 (b) plan (the Plan) that covers all full-time employees. All employees are eligible to make voluntary contributions to the Plan commencing on the date they are hired.

ACWA also maintains an IRC section 401 Money Purchase Plan with the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust. Employees are eligible to receive employer contributions to this plan after one year of service. ACWA will make employer discretionary contributions to the retirement plan equal to 5% of the employee's gross salary. After five years of service the maximum discretionary contribution by ACWA to an employee will be 10% of gross salary. For the year ended June 30, 2015, ACWA contributed a total of \$28,295 to this plan. .

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2015

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Note 10. **Prior Period Adjustment:**

During the year ended June 30, 2015, management determined that earned revenue from an EPA grant had been understated by \$26,201 in fiscal year 2014, due to an understatement of grant receivables as of June 30, 2014. Management also determined that as of June 30, 2014 the liability for accrued vacation was overstated by \$24,273. As a result, the unrestricted net assets were understated at June 30, 2014 by \$52,584.

Note 11. **Meeting Commitments:**

ACWA is financially committed under contracts entered into with hotel facilities to reserve space for future meetings. There are existing contracts for conferences to be held in fiscal year 2016. The hotels have agreed to hold meeting space and rooms available for the dates of the meetings and, in return, ACWA has committed that certain levels of attendance and facilities usage will be achieved at the events. Management of ACWA does not believe that any losses will be incurred under these contracts. Accordingly no amount for the potential liability has been reflected in the accompanying financial statements.

Note 12. **Subsequent Events**

ACWA has evaluated all subsequent events through DATE the financial statements were issued. No subsequent events requiring disclosure were identified-based on this evaluation.