

ASSOCIATION OF CLEAN WATER ADMINISTRATORS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2016

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016

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Chaconas & Wilson, P.C.

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, 2016 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, 2016 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.

Chaconas & Wilson, P.C.

Washington, DC
December 15, 2016

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 223,934
Investments (Notes 2, 5 and 6)	666,181
Membership dues receivable (Note 2)	95,625
Grants receivable (Note 2)	11,464
Other accounts receivable (Notes 2)	1,150
Prepaid expenses	9,773
Total Current Assets	<u>\$ 1,008,127</u>

PROPERTY AND EQUIPMENT, at cost: (Notes 2 and 6)

Office furniture and equipment	\$ 28,869
Less, Accumulated depreciation	(15,802)
Property and Equipment - Net	<u>\$ 13,067</u>

OTHER ASSETS:

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

\$ 1,026,375

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 9,302
Accrued payroll	5,952
Deferred rent (Note 8)	12,266
Deferred revenue (Note 2)	183,630
Total Current Liabilities	<u>\$ 211,150</u>

NET ASSETS: (Notes 2, 10 and 11)

Unrestricted net assets	<u>\$ 815,225</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 1,026,375

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Membership dues	\$ 751,475	\$ -	\$ 751,475
Federal research grants	-	129,666	129,666
Sponsorships	1,250	-	1,250
Meeting and program fees	68,111	-	68,111
Other income	2,425	-	2,425
Investment income (Note 5)	15,193	-	15,193
Net assets released from restriction: satisfaction of program accomplishment	129,666	(129,666)	-
Total Support and Revenue	\$ 968,120	\$ -	\$ 968,120
EXPENSES:			
Program services: (Note 1)			
EPA Cooperative Agreement	\$ 148,140	\$ -	\$ 148,140
Membership support and services	289,854	-	289,854
Meetings and conferences	161,071	-	161,071
Outreach and other programmatic activities	26,419	-	26,419
Total Program Services	\$ 625,484	\$ -	\$ 625,484
Supporting services:			
Management and general	\$ 251,765	\$ -	\$ 251,765
Total Supporting Services	\$ 251,765	\$ -	\$ 251,765
Total Expenses	\$ 877,249	\$ -	\$ 877,249
CHANGE IN NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS	\$ 90,871	\$ -	\$ 90,871
UNREALIZED LOSS ON INVESTMENTS (NOTE 5)	(11,462)	-	(11,462)
CHANGE IN NET ASSETS	\$ 79,409	\$ -	\$ 79,409
NET ASSETS, BEGINNING OF YEAR	735,816	-	735,816
NET ASSETS, END OF YEAR	\$ 815,225	\$ -	\$ 815,225

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, 2016

	Program Services							Supporting Services		Total Expenses
	EPA Cooperative Agreement	Outreach and Other Program Activities	Meetings and Conferences	Membership Support and Services	Total Program Services	Management and General		Total Supporting Services		
Bad debt expense	\$ -	\$ -	\$ -	\$ 500	\$ 500	\$ -	\$ -	\$ -	\$ 500	
Bank charges	267	-	424	-	691	3,355	3,355	3,355	4,046	
Depreciation	750	137	611	1,683	3,181	1,428	1,428	1,428	4,609	
Dues and subscriptions	-	-	-	8,735	8,735	-	-	-	8,735	
Employee benefits	14,289	2,180	12,888	29,872	59,229	33,334	33,334	33,334	92,563	
Equipment maintenance	1,056	124	834	2,185	4,199	5,175	5,175	5,175	9,374	
Insurance	-	-	-	-	-	5,789	5,789	5,789	5,789	
Miscellaneous	97	394	147	1,911	2,549	1,661	1,661	1,661	4,210	
Meetings and conferences	19,183	861	58,120	470	78,634	-	-	-	78,634	
Office supplies and expense	844	160	1,839	2,428	5,271	1,786	1,786	1,786	7,057	
Professional Fees	998	1,234	361	13,792	16,385	14,206	14,206	14,206	30,591	
Payroll taxes	5,653	863	5,098	11,818	23,432	10,661	10,661	10,661	34,093	
Postage and delivery	602	12	980	84	1,678	152	152	152	1,830	
Printing and copying	917	-	-	1,790	2,707	2,381	2,381	2,381	5,088	
Rent	11,180	2,294	9,080	26,609	49,163	18,220	18,220	18,220	67,383	
Salaries	75,414	13,758	61,416	169,261	319,849	143,611	143,611	143,611	463,460	
Staff Development	-	75	-	700	775	3,228	3,228	3,228	4,003	
Telephone and communications	2,028	505	1,686	11,869	16,088	5,709	5,709	5,709	21,797	
Travel	14,862	3,822	7,587	6,147	32,418	1,069	1,069	1,069	33,487	
Total Expenses	\$ 148,140	\$ 26,419	\$ 161,071	\$ 289,854	\$ 625,484	\$ 251,765	\$ 251,765	\$ 251,765	\$ 877,249	

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 79,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debt expense	500
Depreciation	4,609
Unrealized loss on investments	11,462
Changes in operating assets and liabilities:	
Increase in membership dues receivable	(48,179)
Increase in grants receivable	(11,464)
Decrease in other accounts receivable	5,102
Decrease in prepaid expenses	1,284
Increase in accounts payable and accrued expenses	5,642
Increase in deferred revenue	7,379
Decrease in deferred rent	(30,757)
	<hr/>
Net cash provided by operating activities	\$ 24,987

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture and equipment	\$ (2,138)
Purchase of investments	(143,310)
Sale of investments	3,807
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Net cash used in investing activities	\$ (141,641)

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (116,654)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	340,588
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 223,934
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The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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, 2016, 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

Accounts Receivable

Accounts and grants 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, 2016, ACWA's allowance for doubtful accounts was \$0. Bad debt expense for the year ended June 30, 2016, was \$500.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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

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, 2016.

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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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

Revenue Recognition

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.

Revenue from membership dues is recognized as revenue in the membership period to which the dues relate. Accordingly membership dues received in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position.

Fees include conference and meeting registrations. These fees are recognized in the year the conference or meetings takes place.

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 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Note 4. Investments:

Investments consist of bonds, mutual funds and money market funds. As of June 30, 2016 the fair value of investments was \$666,181.

Investment income is comprised of the following at June 30, 2016:

Interest and dividends	\$	15,138
Realized and unrealized losses		(11,462)
Total	\$	<u>3,676</u>

ACWA also earned \$55 in interest income on a money market account.

Note 5. Fair Value Measurement:

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, 2016				
Mutual Funds, ETFs, UIT	\$ 225,015	\$ 225,015	\$ ---	\$ ---
Bonds and Preferred	278,443	278,443		
Money Market Funds	162,723	162,723		
Total	<u>\$ 666,181</u>	<u>\$ 666,181</u>	<u>\$ ---</u>	<u>\$ ---</u>

The fair value of bonds and preferred, mutual funds, ETFs, UIT 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.

Note 6. Property and Equipment:

At June 30, 2016, property and equipment consisted of the following:

Furniture and equipment	\$	28,869
Less: Accumulated Depreciation	(<u>15,802)</u>
Property and Equipment, Net	\$	<u>13,067</u>

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

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Note 7. 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, 2016 are:

2017	\$	65,783
2018		67,592
2019		69,451
2020		71,361
2021		73,323
Thereafter		232,291
Total	\$	<u>579,801</u>

Note 8. 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, 2016, ACWA contributed a total of \$32,308 to this plan.

Note 9. 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 2017. 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 10. Subsequent Events

ACWA has evaluated all subsequent events through December 15, 2016 the financial statements were issued. No subsequent events requiring disclosure were identified-based on this evaluation.

