

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-10

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, 2017 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, 2017 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
DATE

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 513,787
Investments (Notes 2, 4 and 5)	554,113
Membership dues receivable (Note 2)	38,397
Grants receivable (Note 2)	48,641
Accounts receivable meeting (Notes 2)	605
Prepaid expenses	17,356
Total Current Assets	<u>\$ 1,172,899</u>

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

Office furniture and equipment	\$ 31,256
Less, Accumulated depreciation	(20,509)
Property and Equipment - Net	<u>\$ 10,747</u>

OTHER ASSETS:

Security deposit	<u>\$ 5,181</u>
------------------	-----------------

TOTAL ASSETS

\$ 1,188,827

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 12,345
Accrued payroll	8,667
Deferred rent (Note 7)	17,909
Deferred revenue (Note 2)	200,255
Total Current Liabilities	<u>\$ 239,176</u>

NET ASSETS: (Notes 2)

Unrestricted net assets	<u>\$ 949,651</u>
-------------------------	-------------------

TOTAL LIABILITIES AND NET ASSETS

\$ 1,188,827

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Membership dues	\$ 842,865	\$ -	\$ 842,865
Federal research grants	-	220,294	220,294
Sponsorships	594	-	594
Meeting and program fees	67,103	-	67,103
Other income	2,456	-	2,456
Investment income (Note 4)	13,760	-	13,760
Net assets released from restriction: satisfaction of program accomplishment	220,294	(220,294)	-
Total Support and Revenue	\$ 1,147,072	\$ -	\$ 1,147,072
EXPENSES:			
Program services: (Note 1)			
Federal Coopererative Agreements	\$ 200,972	\$ -	\$ 200,972
Membership support and services	323,963	-	323,963
Meetings and conferences	173,988	-	173,988
Outreach and other programmatic activities	12,467	-	12,467
Total Program Services	\$ 711,390	\$ -	\$ 711,390
Supporting services:			
Management and general	\$ 308,318	\$ -	\$ 308,318
Total Supporting Services	\$ 308,318	\$ -	\$ 308,318
Total Expenses	\$ 1,019,708	\$ -	\$ 1,019,708
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS	\$ 127,364	\$ -	\$ 127,364
UNREALIZED GAIN ON INVESTMENTS (NOTE 4)	7,062	-	7,062
CHANGE IN NET ASSETS	\$ 134,426	\$ -	\$ 134,426
NET ASSETS, BEGINNING OF YEAR	815,225	-	815,225
NET ASSETS, END OF YEAR	\$ 949,651	\$ -	\$ 949,651

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, 2017

	Program Services					Supporting Services		Total Expenses
	Federal Cooperative Agreements	Membership Support and Services	Meetings and Conferences	Outreach and Other Program Activities	Total Program Services	Management and General	Total Supporting Services	
Bank charges	\$ -	\$ 249	\$ 2,077	\$ -	\$ 2,326	\$ 680	\$ 680	\$ 3,006
Depreciation	1,137	1,543	495	-	3,175	1,534	1,534	4,709
Dues and subscriptions	-	9,021	-	-	9,021	-	-	9,021
Employee benefits	13,921	18,882	6,054	-	38,857	18,774	18,774	57,631
Equipment maintenance	1,320	2,237	988	-	4,545	2,535	2,535	7,080
Insurance	-	-	-	-	-	4,494	4,494	4,494
Miscellaneous	43	3,478	638	946	5,105	2,563	2,563	7,668
Meetings and conferences	374	3,760	79,761	2,995	86,890	28	28	86,918
Office supplies and expense	723	919	133	-	1,775	901	901	2,676
Professional Fees	476	47,488	320	350	48,634	49,090	49,090	97,724
Payroll processing fees	669	979	307	-	1,955	1,005	1,005	2,960
Payroll taxes	9,016	12,230	3,921	-	25,167	12,160	12,160	37,327
Postage and delivery	72	115	2,303	-	2,490	250	250	2,740
Printing and copying	272	1,638	1,447	-	3,357	2,833	2,833	6,190
Rent	16,337	23,508	8,554	-	48,399	25,008	25,008	73,407
Retirement	7,158	9,709	3,113	-	19,980	9,653	9,653	29,633
Salaries	122,657	166,375	53,339	-	342,371	165,429	165,429	507,800
Staff Development	-	1,384	82	443	1,909	3,869	3,869	5,778
Telephone and communications	4,704	13,133	1,492	17	19,346	6,268	6,268	25,614
Travel	22,093	7,315	8,964	7,716	46,088	1,244	1,244	47,332
Total Expenses	\$ 200,972	\$ 323,963	\$ 173,988	\$ 12,467	\$ 711,390	\$ 308,318	\$ 308,318	\$ 1,019,708

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 134,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,707
Unrealized gain on investments	(7,062)
Changes in operating assets and liabilities:	
Decrease in membership dues receivable	57,228
Increase in grants receivable	(37,177)
Decrease in other accounts receivable	545
Increase in prepaid expenses	(7,583)
Increase in accounts payable and accrued expenses	5,758
Increase in deferred revenue	16,625
Increase in deferred rent	5,643
	<hr/>
Net cash provided by operating activities	\$ 173,110
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	\$ (2,387)
Purchase of investments	(12,651)
Sale of investments	131,781
	<hr/>
Net cash provided by investing activities	\$ 116,743
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 289,853
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 223,934
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <hr/> \$ 513,787

The accompanying notes are an integral part of this statement.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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, 2017, ACWA's allowance for doubtful accounts was \$0. Bad debt expense for the year ended June 30, 2017, was \$0. All accounts receivable at June 30, 2017 were collected as of the date of this audit report.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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, 2017, ACWA's allowance for doubtful accounts was \$0. Bad debt expense for the year ended June 30, 2017, was \$0. All accounts receivable at June 30, 2017 were collected as of the date of this audit report.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017.

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, 2017

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.

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, 2017

Note 4. Investments:

Investments consist of bonds, mutual funds and money market funds. As of June 30, 2017, the fair value of investments was \$554,113.

Investment income is comprised of the following at June 30, 2017:

Interest and dividends	\$	14,995
Realized loss		(1,362)
Unrealized gains		<u>7,062</u>
Total	\$	<u>20,695</u>

ACWA also earned \$127 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, 2017				
Mutual Funds, ETFs, UIT	\$ 241,009	\$ 241,009	\$ ---	\$ ---
Bonds and Preferred	275,202	275,202	---	---
Money Market Funds	<u>37,902</u>	<u>37,902</u>	---	---
Total	<u>\$ 554,113</u>	<u>\$ 554,113</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, 2017, property and equipment consisted of the following:

Furniture and equipment	\$	31,256
Less: Accumulated Depreciation		<u>(20,509)</u>
Property and Equipment, Net	\$	<u>10,747</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, 2017

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, 2017 are:

2018	\$ 66,685
2019	68,519
2020	70,404
2021	72,340
2022	74,329
2023-2025	<u>194,707</u>
Total	<u>\$ 546,984</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, 2017, ACWA contributed a total of \$29,633 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 DATE the financial statements were issued. No subsequent events requiring disclosure were identified based on this evaluation.