



ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

JUNE 30, 2019

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

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Independent Auditors' Report

To the Board of Directors
Association of Clean Water Administrators
Washington, D.C.

We have audited the accompanying financial statements of Association of Clean Water Administrators (ACWA), which comprise the statement of financial position as of June 30, 2019, 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.

Auditors' 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 auditors' 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 auditors consider 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 Association of Clean Water Administrators as of June 30, 2019, 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.

To the Board of Directors
Association of Clean Water Administrators

Emphasis of Matter

As discussed in Note 3 of the financial statements, Association of Clean Water Administrators adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
December 17, 2019

Certified Public Accountants

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

Assets

Current Assets

Cash and Cash Equivalents	\$ 395,958
Investments	904,331
Membership Dues Receivable	59,587
Grants Receivable	31,203
Other Receivables	1,055
Prepaid Expenses	<u>18,465</u>

Total Current Assets	1,410,599
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Fixed Assets, at Cost

Fixed Assets	37,839
Less Accumulated Depreciation	<u>(29,402)</u>

Fixed Assets, Net	8,437
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Other Assets

Security Deposits	<u>5,181</u>
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Total Other Assets	<u>5,181</u>
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Total Assets	<u><u>\$ 1,424,217</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 5,976
Accrued Vacation	12,494
Deferred Rent	23,781
Deferred Revenue	<u>285,166</u>

Total Current Liabilities	<u>327,417</u>
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Total Liabilities	327,417
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Net Assets

Without Donor Restrictions	<u>1,096,800</u>
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Total Net Assets	<u>1,096,800</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,424,217</u></u>
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See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Support and Revenue	
Membership Dues	\$ 842,396
Federal Research Grants	320,322
Meetings and Program Fees	69,288
Other Income	695
Investment Income	<u>24,115</u>
Total Support and Revenue	1,256,816
Expenses	
Program Services	
Federal Cooperative Agreements	316,472
Membership and Support Services	489,463
Meetings and Conferences	194,917
Other Programs	<u>12,345</u>
Total Program Services	1,013,197
Supporting Services	
Management and General	<u>243,635</u>
Total Supporting Services	<u>243,635</u>
Total Expenses	<u>1,256,832</u>
Change in Net Assets	(16)
Net Assets, Beginning of Year	<u>1,096,816</u>
Net Assets, End of Year	<u><u>\$ 1,096,800</u></u>

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services		Total Expenses	
	Federal Cooperative Agreements	Membership and Support Services	Meetings and Conferences	Other Programs	Total Program Services	Management and General		Total Supporting Services
Bank Charges	\$ -	\$ 218	\$ 1,238	\$ -	\$ 1,456	\$ 1,733	\$ 1,733	\$ 3,189
Depreciation	1,145	1,997	561	-	3,703	1,081	1,081	4,784
Dues and Subscriptions	-	14,427	-	-	14,427	-	-	14,427
Employee Benefits	25,317	44,152	12,395	-	81,864	23,889	23,889	105,753
Equipment and Maintenance	1,478	2,268	1,133	-	4,879	2,132	2,132	7,011
Insurance	-	-	-	-	-	7,117	7,117	7,117
Miscellaneous	117	3,153	596	-	3,866	10,333	10,333	14,199
Meetings and Conferences	10,707	26,637	75,186	2,206	114,736	-	-	114,736
Office Supplies and Expense	966	2,672	657	1,227	5,522	-	-	5,522
Payroll Taxes	10,966	19,124	5,369	-	35,459	10,347	10,347	45,806
Professional Fees	12,895	40,728	9	-	53,632	15,587	15,587	69,219
Payroll Processing Fees	1,255	2,032	684	-	3,971	1,258	1,258	5,229
Postage and Delivery	1,295	161	1,133	-	2,589	329	329	2,918
Printing	2,026	481	4,485	-	6,992	3,127	3,127	10,119
Rent	16,505	28,823	7,844	-	53,172	18,572	18,572	71,744
Salaries	148,773	259,458	72,841	-	481,072	140,386	140,386	621,458
Staff Development	-	1,678	-	84	1,762	2,397	2,397	4,159
Telephone	7,045	13,778	2,016	562	23,401	5,346	5,346	28,747
Travel	75,983	27,676	8,770	8,266	120,695	-	-	120,695
Total Expenses	\$ 316,472	\$ 489,463	\$ 194,917	\$ 12,345	\$ 1,013,197	\$ 243,635	\$ 243,635	\$ 1,256,832

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities	
Change in Net Assets	\$ (16)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	4,784
Realized and Unrealized Loss on Investments	(435)
Changes in Assets and Liabilities	
Membership Dues Receivable	(17,233)
Grants Receivable	102,312
Other Receivables	(1,055)
Prepaid Expenses	15,885
Accounts Payable	(6,933)
Accrued Vacation	(2,661)
Deferred Rent	2,024
Deferred Revenue	50,110
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Net Cash Provided by Operating Activities	146,782
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Cash Flows from Investing Activities	
Sale of Investments	686,045
Purchase of Investments	(644,342)
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Net Cash Provided by Investing Activities	41,703
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Net Increase in Cash and Cash Equivalents	188,485
Cash and Cash Equivalents, Beginning of Year	207,473
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Cash and Cash Equivalents, End of Year	\$ 395,958
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See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. ORGANIZATION

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.

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. Management manages cash balances to provide liquidity to pay current operating expenses and invest in short-term securities when excess funds exist.

ACWA's demand deposits with financial institutions at times 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 fair market value.

Accounts, Dues, and Grants Receivables

Accounts receivable are recorded at the amount ACWA expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors accounts receivable and charges off any balances that are determined to be uncollectible. As of June 30, 2019, ACWA's allowance for doubtful accounts was \$-0-. ACWA had no bad debt expense for the year ended June 30, 2019.

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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classes of Net Assets

ACWA has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, ACWA is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - resources that are available for general operations and resources designated by ACWA's board of directors for approved expenditures.
- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed time and/or program restrictions; temporary or permanent. Temporary restrictions are those that expire either by passage of time or fulfillment of purpose by actions of ACWA. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received. Permanent restrictions are that neither expire by passage of time nor fulfillment of purpose. There were no net assets with restrictions at June 30, 2019.

Revenue Recognition

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 statement of financial position.

Fees include conference and meeting registrations. These fees are recognized in the year the conference or meeting 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 costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes

ACWA has adopted Financial Accounting Standards Board Accounting Standards Codification 740-10, *Income Taxes*, which prescribes measurements and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax positions. It is management's belief that ACWA does not hold any uncertain tax positions.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended June 30, 2019, ACWA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

ACWA's cash flows have seasonal variations due to the timing of contributions, program revenues, and vendor payments. ACWA manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

The following reflects ACWA's financial assets as of June 30, 2019, reduced by amounts not available for general operating expenditure within one year:

Financial Assets

Cash	\$ 395,958
Investments	904,331
Membership Dues Receivable	59,587
Grants Receivable	31,203
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 1,391,079</u>

5. 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
JUNE 30, 2019**

6. INVESTMENTS

Investments consist of bonds, mutual funds, and money market funds. The balance of investments at June 30, 2019 was \$904,331.

The components of investment income consisted of the following:

Interest and Dividends	\$ 23,680
Realized and Unrealized Gain	<u>435</u>
Net Investment Income	<u><u>\$ 24,115</u></u>

7. FAIR VALUE OF 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 Organization 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 Organization 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, and Level 3 inputs are unobservable inputs for the asset and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

ACWA's investments in money market funds, ETS, UIT and tax exempt bonds are reported at fair value in the accompanying statement of financial position.

	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Inputs Other than Quoted for Prices for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds, ETFs, UIT	\$ 656,027	\$ 656,027	\$ -	\$ -
Bonds and Preferred	51,446	51,446	-	-
Money Market Funds	<u>196,861</u>	<u>196,861</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 904,334</u></u>	<u><u>\$ 904,334</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

8. PROPERTY AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2019:

Furniture and Equipment	\$ 37,839
Less Accumulated Depreciation	<u>(29,402)</u>
Fixed Assets, Net	<u><u>\$ 8,437</u></u>

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

9. OPERATING LEASE

ACWA leases office space under a non-cancelable lease that terminates on 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 statement of financial position. Future minimum lease payments required under the lease agreement are as follows at June 30, 2019:

For the Years Ending June 30,

2020	\$	70,404
2021		72,340
2022		74,329
2023		76,373
Thereafter		<u>118,334</u>
Total	\$	<u>411,780</u>

10. RETIREMENT PLANS

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 retirement 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, 2019, ACWA contributed a total of \$40,997 to this retirement plan.

11. MEETING COMMITMENTS

ACWA is financially committed under contracts entered with hotel facilities to reserve space for future meetings. There are existing contracts for conferences to be held in fiscal year 2019. 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.

12. SUBSEQUENT EVENTS

ACWA has evaluated all subsequent events through December 17, 2019, which was the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.