



ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

JUNE 30, 2021

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

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Independent Auditors' Report

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, 2021, 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, 2021, 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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
December 13, 2021

Certified Public Accountants

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

Assets

Current Assets

Cash and Cash Equivalents	\$ 437,130
Investments	1,279,918
Membership Dues Receivable	66,561
Grants Receivable	10,570
Prepaid Expenses	<u>4,905</u>

Total Current Assets 1,799,084

Non-Current Assets

Fixed Assets	49,002
Less Accumulated Depreciation	<u>(36,380)</u>

Fixed Assets, Net 12,622

Security Deposits 5,181

Total Assets \$ 1,816,887

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 16,120
Accrued Vacation	18,196
Current Portion of Deferred Rent	6,354
Deferred Revenue	<u>316,491</u>

Total Current Liabilities 357,161

Deferred Rent 24,771

Total Liabilities 381,932

Net Assets

Without Donor Restrictions 1,434,955

Total Liabilities and Net Assets \$ 1,816,887

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions
Support and Revenue	
Membership Dues	\$ 868,620
Grants and Federal Cooperative Agreements	138,636
Grants from Small Business Administration	117,382
Investment Income	55,093
Total Support and Revenue	1,179,731
Expenses	
Program Services	
Federal Cooperative Agreements	137,899
Membership and Support Services	460,506
Meetings and Conferences	63,223
Outreach and Other Programs Activities	1,849
Total Program Services	663,477
Supporting Services	
Management and General	285,870
Total Expenses	949,347
Change in Net Assets	230,384
Net Assets, Beginning of Year	1,204,571
Net Assets, End of Year	\$ 1,434,955

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services				Total Program Services	Supporting Services	Total Expenses
	Federal Cooperative Agreements	Membership and Support Services	Meetings and Conferences	Outreach and Other Programs Activities		Management and General	
Bank Charges	\$ -	\$ 728	\$ 203	\$ -	\$ 931	\$ 1,148	\$ 2,079
Depreciation	-	-	-	-	-	4,194	4,194
Dues and Subscriptions	-	12,752	-	-	12,752	-	12,752
Employee Benefits	18,528	59,554	7,798	205	86,085	34,996	121,081
Equipment Maintenance	525	1,557	239	1	2,322	1,062	3,384
Insurance	-	-	-	-	-	8,351	8,351
Miscellaneous	-	97	-	-	97	308	405
Meetings and Conferences	2,000	-	5,000	-	7,000	-	7,000
Office Supplies and Expense	7	17	5	-	29	879	908
Professional Fees	2,471	15,575	149	5	18,200	17,408	35,608
Payroll Processing Fees	830	2,647	325	124	3,926	1,517	5,443
Payroll Taxes	7,124	22,899	2,998	79	33,100	13,456	46,556
Postage and Delivery	134	464	65	1	664	803	1,467
Printing and Copying	-	717	-	-	717	-	717
Rent	12,348	40,197	6,118	43	58,706	23,864	82,570
Salaries	91,347	293,604	38,443	1,013	424,407	172,532	596,939
Staff Development	-	520	-	-	520	-	520
Telephone and Communications	2,585	9,178	1,880	378	14,021	5,352	19,373
Total Expenses	\$ 137,899	\$ 460,506	\$ 63,223	\$ 1,849	\$ 663,477	\$ 285,870	\$ 949,347

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 230,384
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	4,194
Realized and Unrealized Gain on Investments	(39,588)
<u>(Increase) Decrease in Assets</u>	
Membership Dues Receivable	(7,842)
Grants Receivable	(71)
Prepaid Expenses	11,790
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	12,104
PPP Refundable Advance	(117,382)
Accrued Vacation	4,528
Deferred Rent	19,706
Deferred Revenue	<u>7,204</u>
Net Cash Provided by Operating Activities	<u>125,027</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	(6,838)
Sale of Investments	520,534
Purchase of Investments	<u>(625,997)</u>
Net Cash Used in Investing Activities	<u>(112,301)</u>
Net Increase in Cash and Cash Equivalents	12,726
Cash and Cash Equivalents, Beginning of Year	<u>424,404</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 437,130</u></u>

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 cooperative agreements with 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.

Investments

Investments are carried at fair market value based on quotations received from national security exchanges.

Membership Dues Receivable and Grants Receivable

Membership dues receivable 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 accounts receivable and charges off any balances that are determined to be uncollectible. As of June 30, 2021, ACWA's allowance for doubtful accounts was \$-0-. ACWA had no bad debt expense for the year ended June 30, 2021.

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 ten years. ACWA capitalizes property and equipment with a cost basis of \$1,000 or more.

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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classes of Net Assets (Continued)

- *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 donor restrictions at June 30, 2021.

Revenue Recognition

- *Membership Dues* - revenues are recorded over the periods of the membership and are recognized as revenue in the membership period to which the dues relate.
- *Grants and Federal Cooperative Agreements* - revenues are recognized when conditions stipulated by the award are met. The conditions are generally met based on reimbursable costs incurred during the year or when the contract has specific milestones.
- *Grants from Small Business Administration* - ACWA was approved for a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) for approximately \$117,000 in the year ended June 30, 2020. The loan was reflected as a refundable advance at June 30, 2020. PPP provided up to eight weeks of cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 (coronavirus disease) public health emergency and cover certain other expenses. If recipients maintain the workforce, up to 100% of the loan is forgivable by the SBA as long as the loan proceeds are used to cover the first eight weeks of payroll, and certain other expenses. ACWA applied for forgiveness and the loan was forgiven in January 2021. The forgiven loan was reflected as revenue on the statement of activities for the year ended June 30, 2021.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits and other personnel expenses, rent costs, and insurance. The basis of the allocations is direct salary costs which have been allocated to program and supporting functions based on documentation of employee time and effort.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

ACWA is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than unrelated business income. No provisions for income tax are required for the year ended June 30, 2021, as ACWA had no unrelated business income. In addition, ACWA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

ACWA requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. ACWA does not believe its financial statements include, or reflect, any uncertain tax positions. ACWA’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by tax authorities generally for three years after filing.

3. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 606

During the year ended June 30, 2021, ACWA adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopted using the modified retrospective method as of July 1, 2020. The adoption resulted in no significant changes in the way ACWA recognizes revenue.

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. ACWA strives to keep financial assets on hand to meet 90 days of normal operating expenses.

The following represents financial assets and liquidity resources that were available for general operating expenditures at June 30, 2021.

Financial Assets

Cash and Cash Equivalents	\$ 437,130
Investments	1,279,918
Membership Dues Receivable	66,561
Grants Receivable	10,570
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 1,794,179</u>

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

5. INVESTMENT INCOME

The components of investment income at June 30, 2021, consisted of the following:

Interest and Dividends	\$ 15,505
Unrealized/Realized Income	39,588
Net Investment Income	\$ 55,093

6. 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 ACWA 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 ACWA 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. ACWA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
		Inputs	Inputs	Inputs
Mutual Funds - Fixed Income	\$ 764,868	\$ 764,868	\$ -	\$ -
Mutual Funds - Equities	139,119	139,119	-	-
Mutual Funds - Bonds and Preferred Equities	78,211	78,211	-	-
Money Market Funds	297,720	297,720	-	-
Total	\$ 1,279,918	\$ 1,279,918	\$ -	\$ -

ACWA invests in professionally managed portfolios that contain various mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in market conditions in the near term could materially affect investment balances and the amounts reported in the financial statements.

7. OPERATING LEASE

ACWA leases office space under a non-cancelable lease that terminates on December 31, 2024. Under the terms of the lease agreement, the base rent increases annually based on scheduled increases provided for in the lease.

ACWA received \$25,903 in rent abatement under its current lease. 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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

7. OPERATING LEASE (CONTINUED)

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, 2021:

For the Years Ending June 30,

2022	\$ 74,329
2023	76,373
2024	78,473
2025	39,861
Total	<u>\$ 269,036</u>

8. 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, 2021, ACWA contributed a total of \$46,501 to this retirement plan.

9. CONCENTRATIONS AND RISKS

Concentration

For the year ended June 30, 2021, 54% of revenue derived from Federal Cooperative Agreements is from agreements with the Environmental Protection Agency. The remaining revenue is the award from the Paycheck Protection Program with which ACWA has met the conditions for forgiveness.

Credit Risk

ACWA maintains operating cash and various money market fund accounts at banks or financial institutions which exceeded federally insured limits at times during the year. ACWA has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

10. COMMITMENTS AND CONTINGENCIES

Government Grants

Amounts received or receivable from government agencies under various federal grant awards may be subject to audit and adjustment by the government agencies. The amounts, if any, of expenditures which may be potentially disallowed cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Conference Space Agreements

ACWA has entered into noncancelable commitments for future conference space at various hotels.

ACWA had a commitment for conference space at a hotel for its 59th Annual Meeting in fiscal year 2021. The contract contained clauses whereby ACWA was liable for liquidated damages in the event of cancellation, based upon a percentage of the contract price determined by the length of time between the cancellation and event date. ACWA canceled its Annual Meeting. ACWA successfully agreed with the hotel to postpone the commitment for its Annual Meeting in fiscal year 2023 with an additional minimum payment.

As of June 30, 2021, ACWA is committed for future conferences for approximately \$86,000.

COVID-19 Pandemic

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

11. SUBSEQUENT EVENTS

ACWA has evaluated all subsequent events through December 13, 2021, which was the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.