



ASSOCIATION OF CLEAN WATER ADMINISTRATORS

FINANCIAL STATEMENTS

JUNE 30, 2022

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

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JUNE 30, 2022

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Independent Auditor's Report

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association of Clean Water Administrators and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACWA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association of Clean Water Administrators' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of Clean Water Administrators' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
January 12, 2023

Certified Public Accountants

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

Assets

Current Assets

Cash and Cash Equivalents	\$ 565,698
Investments	1,284,693
Membership Dues Receivable	9,785
Grants Receivable	13,110
Prepaid Expenses	<u>12,357</u>

Total Current Assets 1,885,643

Non-Current Assets

Fixed Assets	51,203
Less Accumulated Depreciation	<u>(40,611)</u>

Fixed Assets, Net 10,592

Security Deposits 5,181

Total Assets \$ 1,901,416

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 35,786
Accrued Vacation	17,930
Current Portion of Deferred Rent	6,354
Deferred Revenue	<u>451,349</u>

Total Current Liabilities 511,419

Deferred Rent 18,417

Total Liabilities 529,836

Net Assets

Without Donor Restrictions 1,371,580

Total Liabilities and Net Assets \$ 1,901,416

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>
Support and Revenue	
Membership Dues	\$ 849,787
Grants and Federal Cooperative Agreements	206,284
Miscellaneous Income	30
Investment Loss	<u>(62,266)</u>
Total Support and Revenue	993,835
Expenses	
Program Services	
Federal Cooperative Agreements	194,036
Membership and Support Services	499,231
Meetings and Conferences	44,389
Outreach and Other Programs Activities	<u>21,275</u>
Total Program Services	758,931
Supporting Services	
Management and General	<u>298,279</u>
Total Expenses	<u>1,057,210</u>
Change in Net Assets	(63,375)
Net Assets, Beginning of Year	<u>1,434,955</u>
Net Assets, End of Year	<u><u>\$ 1,371,580</u></u>

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	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	\$ -	\$ 750	\$ -	\$ -	\$ 750	\$ 1,299	\$ 2,049
Depreciation	-	-	-	-	-	4,231	4,231
Dues and Subscriptions	-	13,380	-	-	13,380	-	13,380
Employee Benefits	25,884	71,447	6,785	2,076	106,192	40,943	147,135
Insurance	-	-	-	-	-	6,209	6,209
Miscellaneous	-	12	-	87	99	616	715
Meetings and Conferences	4,778	541	-	1,470	6,789	-	6,789
Office Supplies and Expense	25	1,303	103	2	1,433	976	2,409
Professional Fees	814	32,496	71	40	33,421	24,138	57,559
Payroll Processing Fees	898	2,500	244	69	3,711	1,911	5,622
Payroll Taxes	8,635	23,834	2,264	693	35,426	13,658	49,084
Postage and Delivery	86	265	16	8	375	730	1,105
Rent	12,563	34,910	2,971	1,022	51,466	19,519	70,985
Salaries	112,108	309,449	29,389	8,993	459,939	177,332	637,271
Staff Development	-	15	-	-	15	674	689
Telephone and Communications	2,847	8,329	722	223	12,121	4,538	16,659
Travel	25,398	-	1,824	6,592	33,814	1,505	35,319
Total Expenses	\$ 194,036	\$ 499,231	\$ 44,389	\$ 21,275	\$ 758,931	\$ 298,279	\$ 1,057,210

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash Flows from Operating Activities	
Change in Net Assets	\$ (63,375)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	4,231
Realized and Unrealized Loss on Investments	64,257
<u>(Increase) Decrease in Assets</u>	
Grants Receivable	(2,540)
Membership Dues Receivable	56,776
Prepaid Expenses	(7,452)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	19,666
Accrued Vacation	(266)
Deferred Revenue	134,858
Deferred Rent	<u>(6,354)</u>
Net Cash Provided by Operating Activities	<u>199,801</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	(2,201)
Sale of Investments	300,000
Purchase of Investments	<u>(369,032)</u>
Net Cash Used in Investing Activities	<u>(71,233)</u>
Net Increase in Cash and Cash Equivalents	128,568
Cash and Cash Equivalents, Beginning of Year	<u>437,130</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 565,698</u></u>

See accompanying Notes to Financial Statements.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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, 2022, ACWA's allowance for doubtful accounts was \$-0-. ACWA had no bad debt expense for the year ended June 30, 2022.

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, 2022

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, 2022.

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.

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.

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, 2022, 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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. 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, 2022.

Financial Assets

Cash and Cash Equivalents	\$ 565,698
Investments	1,284,693
Membership Dues Receivable	9,785
Grants Receivable	<u>13,110</u>
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 1,873,286</u></u>

4. INVESTMENT LOSS

The components of investment loss at June 30, 2022, consisted of the following:

Interest and Dividends	\$ 1,991
Unrealized/Realized Loss	<u>(64,257)</u>
Net Investment Loss	<u><u>\$ (62,266)</u></u>

5. 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 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds - Fixed Income	\$ 726,086	\$ 726,086	\$ -	\$ -
Mutual Funds - Equities	112,058	112,058	-	-
Mutual Funds - Bonds and Preferred Equities	16,758	16,758	-	-
Money Market Funds	<u>429,791</u>	<u>429,791</u>	-	-
Total	<u><u>\$ 1,284,693</u></u>	<u><u>\$ 1,284,693</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

5. FAIR VALUE OF MEASUREMENTS (CONTINUED)

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.

6. 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.

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, 2022:

For the Years Ending June 30,

2024	\$	76,373
2025		78,473
2026		39,861
Total	\$	<u>194,707</u>

7. 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, 2022, ACWA contributed a total of \$69,930 to this retirement plan.

8. CONCENTRATIONS AND RISKS

Concentration

For the year ended June 30, 2022, 100% 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.

ASSOCIATION OF CLEAN WATER ADMINISTRATORS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

8. CONCENTRATIONS AND RISKS (CONTINUED)

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.

9. 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.

Conference Space Agreements

ACWA had commitments for conferences at various venues for meetings in fiscal year 2023. The contracts 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.

As of June 30, 2022, ACWA is committed for future conferences for approximately \$76,000.

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.

10. SUBSEQUENT EVENTS

ACWA has evaluated all subsequent events through January 12, 2023, which was the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.