

NATIONAL WATER RESEARCH INSTITUTE

Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)



An Independent CPA Firm

NATIONAL WATER RESEARCH INSTITUTE

Financial Statements

June 30, 2016

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An Independent CPA Firm

Board of Directors
National Water Research Institute
Fountain Valley, California

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the National Water Research Institute (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 National Water Research Institute 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.

Gruber and Associates, Inc.

Gruber and Associates, Inc

Newport Beach, CA
October 4, 2016

NATIONAL WATER RESEARCH INSTITUTE

Statement of Financial Position

June 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$	119,739
Accounts receivable		587,057
Prepaid expenses		<u>8,103</u>

Total current assets 714,899

Property and equipment:

Furniture and equipment		22,298
Less: accumulated depreciation		<u>(18,273)</u>
Total property and equipment, net		<u>4,025</u>

Total assets \$ 718,924

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities	\$	223,232
Deferred revenue		<u>160,000</u>
Total liabilities		<u>383,232</u>

Net assets:

Unrestricted		335,692
Temporarily restricted (Note 3)		<u>-</u>
Total net assets		<u>335,692</u>

Total liabilities and net assets \$ 718,924

See independent auditors' report and accompanying notes to financial statements

NATIONAL WATER RESEARCH INSTITUTE

Statement of Activities

Year Ended June 30, 2016

UNRESTRICTED NET ASSETS

Support and revenue:	
Contributions	\$ 431,349
Research projects	1,195,779
Memberships	12,500
Conferences and panels	82,147
Donated facilities (Note 4)	18,000
Interest	225
Other	<u>228</u>
Total unrestricted support and revenues	1,740,228
Net assets released from restrictions (Note 3)	<u>-</u>
Total support and revenue	<u>1,740,228</u>
Expenses:	
Program services	1,589,645
Management and general	<u>139,639</u>
Total expenses	<u>1,729,284</u>
Increase (decrease) in unrestricted net assets	10,944

TEMPORARILY RESTRICTED NET ASSETS

Support and revenue:	
Contributions	<u>-</u>
Total temporarily restricted support and revenues	-
Net assets released from restriction (Note 3)	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>-</u>
Increase (decrease) in net assets	10,944
Net assets beginning of year	<u>324,748</u>
Net assets at end of year	<u>\$ 335,692</u>

See independent auditors' report and accompanying notes to financial statements.

NATIONAL WATER RESEARCH INSTITUTE**Statement of Functional Expenses**

Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Conferences/research/ advisory panels	\$ 176,993	-	176,993
Salaries and benefits	417,154	75,511	492,665
Printing and postage	12,601	569	13,170
Travel and training	285,885	1,421	287,306
Honorariums	303,728	-	303,728
Fellowship awards	40,000	-	40,000
Professional fees	132,079	13,815	145,894
Website and information technology	-	2,389	2,389
Postage/shipping	-	918	918
Other program costs	8,781	1,135	9,916
Other administrative costs	-	24,063	24,063
Telephone	-	4,530	4,530
Charitable contribution/membership	122,424	10,742	133,166
Donated facilities (Note 4)	15,000	3,000	18,000
Depreciation	-	1,546	1,546
Clarke prize	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total Expenses	<u>\$ 1,589,645</u>	<u>139,639</u>	<u>1,729,284</u>

See independent auditors' report and accompanying notes to financial statements.

NATIONAL WATER RESEARCH INSTITUTE
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 10,944
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	1,546
Decrease (increase) in accounts receivable	(384,541)
Decrease (increase) in prepaid expenses	1,678
(Decrease) increase in accounts payable and accrued liabilities	178,041
(Decrease) increase in deferred revenue	<u>139,375</u>
Net cash provided by (used for) operating activities	<u>\$ (52,957)</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(1,356)</u>
Net cash provided by (used for) investing activities	<u>(1,356)</u>
Increase (decrease) in cash and cash equivalents	(54,313)
Cash and cash equivalents at beginning of year	<u>174,052</u>
Cash and cash equivalents at end of year	<u>\$ 119,739</u>
 <u>Supplemental disclosures of noncash investing and capital related financing activities:</u>	
For the year ended June 30, 2016, there were no material non-cash investing or financing activities.	
 <u>Supplemental disclosure of cash flow information:</u>	
Cash paid for interest expense	<u>\$ -</u>
Cash paid for tax expense	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

NATIONAL WATER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - ORGANIZATION

The significant accounting policies of the National Water Research Institute (the Organization) are presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

National Water Research Institute is a 501(c)(3) nonprofit organization and was formed under a Joint Powers Agreement in June of 1991. The Organization was created to provide financial support for the research, development and implementation of water projects for the purpose of developing and conserving water, improving the quality of water, preventing or remediating degradation of water quality and efficiently using water resources. The Organization is funded primarily from contributions and conference sponsorships for educating professionals in the area of water research.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958 Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all unrestricted short-term investments with an original maturity of three (3) months or less to be cash equivalents. Cash and cash equivalents consisted of deposits with financial institutions of \$119,739 at June 30, 2016, which at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC).

NATIONAL WATER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

The Organization actively evaluates the credit worthiness of the institutions with which it invests.

Approximately 32% of accounts receivable was from one agency as of June 30, 2016.

Furniture and Equipment

Property and equipment are recorded at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Total depreciation expense for the year ended June 30, 2016 was \$1,546. Repairs and maintenance to furniture and equipment are expensed as incurred. When furniture and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts, and any gain or loss on such disposition is reflected in income. It is the Organization's policy to capitalize property and equipment over \$1,000.

Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Restricted and Unrestricted Revenue and Support

In accordance with ASC 958-605, all revenues, gains and other support are categorized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All support received that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements requires the Organization to make estimates and assumptions that affect the reported amounts of assets and disclosures of contingent assets and liabilities, and the reported revenue and expenses. Actual results may differ from those estimates.

NATIONAL WATER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of amounts due from funding sources. There is no allowance for doubtful accounts because the majority of the receivables are from government agencies and the Organization believes that all of its receivables are fully collectable.

Membership Support

Under the Joint Powers Agreement, each district that is a member contributes \$50,000 per year to fund the administrative operations of the Organization. Membership dues are also collected from members and are assessed based on the Organization's fiscal year. Some dues were collected for the subsequent membership year and were presented as deferred membership revenue.

Fair Value Measurements

The Organization's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments.

Expense Allocation

The costs of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization's principal program is to educate professionals in the area of water research.

Income Tax Status

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Accrued Vacation

The executive director of the Organization is entitled to paid vacation days. The Organization's management estimated the amount of compensation for future absences to be \$13,192 as of June 30, 2016 which was recorded on the balance sheet as *accounts payable and accrued liabilities*.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

There were no temporarily or permanently restricted net assets during the year ended June 30, 2016.

NATIONAL WATER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - DONATED SERVICES, SUPPLIES AND FACILITIES

Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value. For the year ended June 30, 2016, the Organization received \$18,000 in donated facilities, which is the estimated fair market value of what would have been paid.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2016, the date the financial statements were available to be issued.