

**NATIONAL WATER RESEARCH INSTITUTE**

***Financial Statements***

*June 30, 2014*

*(With Independent Auditors' Report Thereon)*

**NATIONAL WATER RESEARCH INSTITUTE**

**Financial Statements**

June 30, 2014

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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, 2014, 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, 2014, 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.

**David L. Gruber and Associates, Inc.**

*David L. Gruber and Associates, Inc.*  
Huntington Beach, CA  
December 17, 2014

**NATIONAL WATER RESEARCH INSTITUTE**

**Statement of Financial Position**

June 30, 2014

**Assets**

Current assets:

Cash and cash equivalents	\$	309,993
Accounts receivable		97,174
Prepaid expenses		<u>44,505</u>

Total current assets 451,672

Property and equipment:

Furniture and equipment		18,423
Less: accumulated depreciation		<u>(15,453)</u>

Total property and equipment, net 2,970

Total assets \$ 454,642

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued liabilities	\$	60,730
Deferred revenue		<u>22,780</u>

Total liabilities 83,510

Net assets:

Unrestricted		371,132
Temporarily restricted (Note 3)		<u>-</u>

Total net assets 371,132

Total liabilities and net assets \$ 454,642

See independent auditors' report and accompanying notes to financial statements

**NATIONAL WATER RESEARCH INSTITUTE**

**Statement of Activities**

Year Ended June 30, 2014

**UNRESTRICTED NET ASSETS**

Support and revenue:	
Contributions	\$ 430,612
Research projects	489,887
Memberships	12,500
Conferences and panels	14,150
Donated facilities (Note 4)	18,000
Interest	20
Other	<u>20,256</u>
Total unrestricted support and revenues	985,425
Net assets released from restrictions (Note 3)	<u>-</u>
Total support and revenue	<u>985,425</u>
Expenses:	
Program services	875,501
Management and general	<u>105,953</u>
Total expenses	<u>981,454</u>
Increase (decrease) in unrestricted net assets	3,971

**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	3,971
Net assets beginning of year	<u>367,161</u>
Net assets at end of year	<u>\$ 371,132</u>

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

**NATIONAL WATER RESEARCH INSTITUTE**

**Statement of Functional Expenses**

Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Conferences/research advisory	\$ 80,875	-	80,875
Salaries and benefits	278,645	53,522	332,167
Printing and postage	11,425	1,669	13,094
Travel and training	92,701	2,624	95,325
Honorariums	84,188	-	84,188
Fellowship awards	10,000	-	10,000
Professional fees	105,929	16,468	122,397
Website	-	973	973
Postage/shipping	-	571	571
Other program costs	25,126	681	25,807
Other administrative costs	-	16,456	16,456
Telephone	-	3,887	3,887
Charitable contribution/membership	121,612	5,049	126,661
Donated facilities (Note 4)	15,000	3,000	18,000
Depreciation	-	1,053	1,053
Clarke prize	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Expenses	<u>\$ 875,501</u>	<u>105,953</u>	<u>981,454</u>

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

**NATIONAL WATER RESEARCH INSTITUTE**  
**Statement of Cash Flows**  
Year Ended June 30, 2014

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 3,971
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	1,053
Decrease (increase) in accounts receivable	(39,829)
Decrease (increase) in prepaid expenses	(34,604)
(Decrease) increase in accounts payable and accrued liabilities	(2,886)
(Decrease) increase in deferred revenue	<u>2,780</u>
Net cash provided by (used for) operating activities	<u>\$ (69,515)</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(3,015)</u>
Net cash provided by (used for) investing activities	<u>(3,015)</u>
Increase (decrease) in cash and cash equivalents	(72,530)
Cash and cash equivalents at beginning of year	<u>382,523</u>
Cash and cash equivalents at end of year	<u>\$ 309,993</u>
<u>Supplemental disclosures of noncash investing and capital related financing activities:</u>	
For the year ended June 30, 2014, 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, 2014**

**NOTE 1 - ORGANIZATION**

The significant accounting policies of the National Water Research Institute (the Organization) are presented to assist in the understanding of the Institute's financial statements. The financial statements and notes are representations of the Institute'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 incorporated in the state of California in June of 1991. The Institute 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 *Accounting Standards Codification (ASC) 958*, the Institute 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 \$309,993 at June 30, 2014, 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, 2014**

**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 11% of the Organization's support and revenue was received from one contributor during the year ended June 30, 2014. Although the Organization does not have a long-term commitment from the contributor, the Organization believes that this contributor will continue to make significant contributions to the Organization.

**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, 2014 was \$1,053. 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**

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 Institute 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, 2014**

**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 Institute 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 assessed based on the Institute's fiscal year. Dues are collected for the subsequent membership years are 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 Institute'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 2013, 2012, and 2011 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 \$11,919 as of June 30, 2014.

**NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS**

There were no temporarily or permanently restricted net assets during the year ended June 30, 2014.

**NATIONAL WATER RESEARCH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014, 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 December 17, 2014, the date the financial statements were available to be issued.