

**ALLIANCE FOR WATER EFFICIENCY**

**FINANCIAL STATEMENTS**

**For the Year Ended  
December 31, 2021**

# ALLIANCE FOR WATER EFFICIENCY

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Directors of  
Alliance for Water Efficiency  
Chicago, IL

### ***Opinion***

We have audited the accompanying financial statements of Alliance for Water Efficiency (the 'Organization'), which comprise the statements of financial position as of December 31, 2021, and the related statement of activities, functional expenses and cash flow 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 Alliance for Water Efficiency as of December 31, 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.

### ***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 Alliance for Water Efficiency 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 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.

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 Alliance for Water Efficiency'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 Responsibility 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. Misstatements, including omissions, 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 Alliance for Water Efficiency's 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 Alliance for Water Efficiency's 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.

*Desmond & Ahern, Ltd*

September 15, 2022  
Chicago, IL

**ALLIANCE FOR WATER EFFICIENCY  
STATEMENT OF FINANCIAL POSITION  
December 31, 2021**

**Assets**

Current Assets

Cash and cash equivalents	\$ 227,837
Investments	120,841
Accounts Receivable	135,373
Inventory	12,022
Total current assets	<u>496,073</u>

Furniture and Equipment	79,437
Less accumulated depreciation	<u>(74,898)</u>
Net property and equipment	<u>4,539</u>

Other Assets

Security deposits	<u>10,000</u>
Total other assets	<u>10,000</u>

<b>Total Assets</b>	<b><u><u>\$ 510,612</u></u></b>
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**Liabilities and Net Assets**

Accounts payable	28,786
Accrued expenses	60,323
Deferred revenue	130,000
Funds held for other entities	<u>10,042</u>
Total current liabilities	229,151

Net Assets

Without donor restrictions	8,495
With donor restrictions	<u>272,966</u>
Total net assets	<u>281,461</u>

<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 510,612</u></u></b>
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See independent auditor's report and notes to financial statements.

**ALLIANCE FOR WATER EFFICIENCY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Revenues and Other Support</u></b>			
Membership dues	\$ 738,547	\$ -	\$ 738,547
Special projects	165,029	109,516	274,545
Grants and contributions	17,148	130,000	147,148
Board member donations	5,108	-	5,108
Investment income	525	-	525
Miscellaneous income	15,655	-	15,655
Net assets released from restrictions	171,953	(171,953)	-
Total public support and revenue	<u>1,113,965</u>	<u>67,563</u>	<u>1,181,528</u>
<b><u>Expenses</u></b>			
Program services	978,714	-	978,714
Administrative	286,223	-	286,223
Fundraising	13,170	-	13,170
Total expenses	<u>1,278,107</u>	<u>-</u>	<u>1,278,107</u>
<b>Change in net assets</b>	(164,142)	67,563	(96,579)
<b>Net assets, beginning of year</b>	<u>172,637</u>	<u>205,403</u>	<u>378,040</u>
<b>Net assets, end of year</b>	<u>\$ 8,495</u>	<u>\$ 272,966</u>	<u>\$ 281,461</u>

See independent auditor's report and notes to financial statements.

**ALLIANCE FOR WATER EFFICIENCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**

	Program Services	Administrative	Fundraising	Total
<b><u>Functional Expenses</u></b>				
Salaries and Wages	\$ 422,892	\$ 172,057	\$ 7,926	\$ 602,875
Payroll taxes	43,096	2,485	265	45,846
Employee benefits	48,600	25,258	1,938	75,796
Consultant and program costs	355,883	-	-	355,883
Telephone and internet costs	25,805	10,799	828	37,432
Occupancy	49,799	25,881	1,986	77,666
Professional fees	4,376	16,742	-	21,118
Travel and meetings	18,996	641	42	19,679
Printing and postage	-	4,874	-	4,874
Dues and subscriptions	-	15,754	-	15,754
Insurance	1,320	3,838	53	5,211
Office Supplies	-	2,920	-	2,920
Advertising	3,891	1,177	51	5,119
Miscellaneous	2,030	2,744	-	4,774
Depreciation	2,026	1,053	81	3,160
<b>Total Expenses</b>	<b>\$ 978,714</b>	<b>\$ 286,223</b>	<b>\$ 13,170</b>	<b>\$ 1,278,107</b>

See independent auditor's report and notes to financial statements.

**ALLIANCE FOR WATER EFFICIENCY**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended December 31, 2021**

**Cash Flows from Operating Activities**

Increase in net assets	\$ (96,579)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,160
Changes in operating assets and liabilities	
Accounts receivable	(34,896)
Inventory	57
Prepaid expenses	8,819
Accounts payable	(128,486)
Accrued liabilities	14,595
Deferred revenue	39,943
Refundable advances	(126,088)
Net cash used in operating activities	<u>(319,475)</u>

**Cash Flows from Investing Activities**

Purchases of furniture and equipment	(3,110)
Purchases of investments	20,473
Net cash provided by investing activities	<u>17,363</u>

**Net decrease in cash and cash equivalents** (302,112)

**Cash and cash equivalents**

<b>Beginning of year</b>	<u>529,949</u>
<b>End of year</b>	<u>\$ 227,837</u>

See independent auditor's report and notes to financial statements.



**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Alliance

The Alliance for Water Efficiency (“the Alliance”) is a stakeholder-based not-for-profit entity founded in 2006. The Alliance’s mission is dedicated to the efficient and sustainable use of water in North America by advocating for water-efficient products, programs, information, and assistance on water conservation efforts. The Alliance is a partnership Alliance that is comprised of a collective of Alliances and professionals that belief using water efficiently saves money, preserves the environment, and helps communities thrive.

Basis of Accounting

The financial statements of the Alliance have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Alliance is required to report information regarding its financial position and activities according to two classes:

Without Donor Restrictions – Net assets that are available to finance the general operations of the Alliance. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Alliance, the environment in which it operates, and the purposes specified in its articles of incorporation. Voluntary resolutions by the Alliance’s Board of Directors to designate a portion of its net assets without donor restrictions for specific purposes do not result in restricted funds, therefore are included within the category net assets without donor restrictions.

With Donor Restrictions – Net assets that are either purpose restricted or perpetual in nature. Purpose restricted net assets result from (a) contributions and other inflows of assets, the Alliance’s use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Alliance pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment. Purpose restricted contributions, for which the purpose is accomplished in the same year, are classified as without donor restrictions in the consolidated financial statements.

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit.

For purposes of the statements of cash flows, the Alliance considers certificates of deposits with an original maturity date of three months or less to be cash equivalents. No cash was paid for taxes or interest during the year ended December 31, 2021.

Investments

Investments are measured at fair value, determined by quoted market price, in the statements of financial position. Investment income or loss (including gains and losses on investments and interest and dividends) are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Receivables

Receivables are recorded at fair value and recognized as revenue in the period in which the grant pledge is made. The Alliance reviews receivables and determines the need for an allowance for doubtful accounts based on management's experience and information. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will be collected. Management has determined that no allowance is necessary as of December 31, 2021.

Furniture and Equipment

Expenditures for furniture and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. The Alliance capitalizes all expenditures and contributions of property and equipment valued over \$500. Any donated property and equipment are recorded at their estimated fair value when received. Depreciation is computed on the straight-line method at rates designed to depreciate the costs of assets over the estimated useful lives of depreciable assets, currently at 3 years for equipment and 5 years for furniture. Depreciation for the year ended December 31, 2021 was \$3,160.

Support and Revenue

The Alliance recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met

The Alliance reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

The Alliance reports gifts of land, buildings, and equipment as net assets without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending December 31, 2021 no such gifts of land, buildings, or equipment were received.

**Membership Dues**

Membership dues are on a calendar year basis and management has identified distinct performance obligations, including bi-monthly journal subscription, and general member services, such as advocacy and education. Because all performance obligations related to membership dues are in the calendar year and refundable, the Alliance has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Membership dues received but applicable to the following year are recorded as deferred revenue.

**In-Kind Contributions**

In addition to receiving cash contributions, the Alliance may receive in-kind contributions from various donors. It is the policy of the Alliance to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ending December 31, 2021, the Alliance did not receive any in-kind donations.

**Inventory**

Inventory consists of various publications sold or distributed by the Alliance. Total inventory at December 31, 2021 is recorded at \$12,022, at the lower of cost or market.

**Funds Held for Other Entities**

Various third-party entities have transferred funds to the Alliance with the specification that the Alliance is to hold and distribute the funds to pre-determined designees as work is performed on certain projects that are of interest to the Alliance and the water efficiency community. The Alliance has no variance power over the funds and is required to return any unspent funds that the contributors choose to work with another organization. As of December 31, 2021, the Alliance has recognized amounts received as funds held for other entities on the statement of financial position in the amount of \$10,042.

**Related Party Transactions**

The Alliance has a related party agreement with California Water Efficiency Partnership chapter, which consists of membership fees collected from California members and transferred over to the Alliance.

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Income Taxes

The Alliance was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Alliance qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Alliance that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Alliance and the nature in which it operates is described above. The Alliance continues to operate in compliance with its tax-exempt purpose. The Alliance's annual information and income tax returns filed with the federal and state governments are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing various programs and other activities have 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 financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses such as consultants and program costs that can be identified with a specific program are recorded directly according to their natural expense classification. All other expenses are allocated based on estimates of time and effort

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Alliance has evaluated subsequent events through September 15, 2022, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

**Note 2 – Financial Assets and Liquidity**

The Alliance regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Alliance considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 2 – Financial Assets and Liquidity (cont.)**

Financial assets, at year-end:	
Cash and cash equivalents	\$ 227,837
Investments	120,841
Accounts receivable	135,373
Total financial assets, at year-end	<u>484,051</u>
Less: Amounts not available to be used within one year, due to contractual or donor-imposed restrictions:	
Funds held for other entities	(10,042)
Net assets with donor restrictions	<u>(272,966)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 201,043</u>

The Alliance manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the

**Note 3 – Fair Value Measurements**

Generally accepted accounting principles (GAAP) define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

GAAP also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimized the use of unobservable inputs when measuring fair value. The hierarchy consists of three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets, or liabilities.

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 3 – Fair Value Measurements (cont.)**

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2021:

***Cash and cash equivalents:*** The Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

***Mutual Funds:*** Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the year ended December 31, 2021, the Alliance held cash and cash equivalents of \$50,178 and mutual funds of \$70,663 both with the classification and method of valuation as Level 1.

**Note 4 – Employee Benefit Plan**

The Alliance has a retirement plan under IRS Code Section 401(k) that covers all eligible employees. Employees are eligible after six months of continued employment. The Alliance contributes up to 6% of the employee's annual salary to the plan and matches 100% of the employee contributions to the plan up to 3% of the employee's contribution. Employer contributions vest immediately. Employer contributions to the 401(k) plan amounted to \$22,015.

**Note 5 – Commitments**

In April 2015, the Alliance entered into a lease for office space for its headquarters in Chicago, IL. The lease agreement expired July 31, 2020 and the Alliance extended until July 31, 2023. The agreement has a security deposit of \$10,000. The Alliance is committed for 2022 and 2023 to a minimum annual rent payment of \$83,022 and \$48,825, respectively.

**ALLIANCE FOR WATER EFFICIENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**Note 6 – Net Assets with Donor Restrictions**

Net assets with donor restrictions for the year ended December 31, 2021 available in future periods are designated for the following:

Cooling towers and technology studies	\$ 50,556
Water conservation low income	6,091
Scotts positive	90,000
Energy solutions	16,855
ComEd CT EE	40,000
MAD Water Sustainability Fund	21,910
Park Foundation	40,000
Tracking tool revision	7,554
Total net assets with donor restrictions	<u>\$ 272,966</u>