



International Right of Way Association

Financial Statements

Year Ended June 30, 2007

MANN . WEITZ & ASSOCIATES L.L.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

August 24, 2007

Board of Directors
International Right of Way Association
Torrance, California

We have audited the accompanying statement of financial position of the International Right of Way Association (Association) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Right of Way Association as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mann . Weitz & Associates L.L.C.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents - Note 2	\$ 188,283
Certificates of deposit	1,266,865
Accounts receivable, net of allowance for doubtful accounts of \$9,400	96,912
Due from foundations - Note 5	68,260
Interest receivable	125,478
Inventory	33,432
Prepaid expenses - Note 7	149,190

Total Current Assets 1,928,420

PROPERTY AND EQUIPMENT, net - Note 3 293,858

OTHER ASSETS

Deposits	14,326
Certificates of deposit	1,199,199

Total Other Assets 1,213,525

Total Assets \$ 3,435,803

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 721,998
Deferred membership dues revenue	726,359
Deferred other revenue	93,331

Total Liabilities 1,541,688

NET ASSETS - Unrestricted 1,894,115

Total Liabilities and Net Assets \$ 3,435,803

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

REVENUES AND GAINS

Membership dues	\$ 1,474,322
Annual education conference	412,167
Educational courses	1,234,680
Right of Way magazine - Note 7	128,468
Other seminars and conferences	175,046
Interest income	95,521
SR/WA and certification fees	151,083
Pipeline committee	11,291
Other	9,056

Total Revenues and Gains 3,691,634

EXPENSES

Program Services	
Annual education conference	919,109
Right of Way magazine - Note 7	265,378
Educational courses	1,185,386
Member services	27,358
SR/WA and certification expenses	52,988
Pipeline committee	20,928

Total Program Services 2,471,147

Supporting Services

Management and general	144,837
Membership maintenance and promotion	70,108
Board of Directors and governance	830,058

Total Supporting Services 1,045,003

Total Expenses 3,516,150

CHANGE IN NET ASSETS

175,484

NET ASSETS - Unrestricted

 Beginning of period 1,718,631

 End of period \$ 1,894,115

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 175,484
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	84,887
Net (increase) decrease in assets	
Accounts receivable	90,513
Due from foundations	6,962
Interest receivable	(43,278)
Inventory	762
Prepaid expenses	40,535
Net increase in liabilities	
Accounts payable and accrued expenses	87,799
Deferred membership dues revenue	9,177
Deferred other revenue	36,125
	<hr/>
Net Cash Provided by Operating Activities	488,966

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(275,231)
Net increase in certificates of deposit	(427,357)
	<hr/>
Net Cash Used for Investing Activities	(702,588)

NET DECREASE IN CASH AND CASH EQUIVALENTS (213,622)

CASH AND CASH EQUIVALENTS

Beginning of period	401,905
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End of period	\$ 188,283
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The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES AND ORGANIZATION

The International Right of Way Association (Association) is a tax-exempt, nonprofit, membership organization of approximately 8,000 right-of-way professionals. The Association is dedicated to the advancement of right-of-way and land acquisition work. The major services provided by the Association to members and others are educational in nature. These services include conducting an annual and other meetings, providing educational courses and publishing a magazine. Funding for these services is derived primarily from membership dues, fees charged for meeting and course registration and revenues from advertising in the magazine. The Association's national headquarters are located in Torrance, California. The Association's services are provided to members and others throughout the world; however, a majority of the services and products are provided within the United States.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION

Information regarding the financial position and activities of the Association are reported in three classes of net assets (as applicable): unrestricted, temporarily restricted and permanently restricted, which are based on the existence or absence of externally (donor) imposed restrictions on contributions. Donor restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. The Association's expenses are presented by function (i.e. by program).

CASH EQUIVALENTS

The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association uses the allowance method to account for uncollectible accounts receivable.

INVENTORY

Inventory consists primarily of educational materials and printing supplies. Inventory is valued at the lower of cost, on a first-in, first-out basis (FIFO), or market.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

PROPERTY AND EQUIPMENT

Property and equipment is recorded at historical cost. The Association capitalizes fixed asset additions over \$250. Depreciation is computed by use of the straight-line method for all property and equipment. The estimated useful lives used in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Office computer system	5
Office furniture and equipment	5 - 7
Leasehold improvements	3

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities.

DUES AND DEFERRED MEMBERSHIP DUES REVENUE

Dues are collected annually from members at rates which vary with the type of membership. The value of membership benefits made available to members in exchange for their dues is deemed to equal or exceed the dues paid. Revenue recognized during a period relates to dues earned for that period of membership. All dues collected for future years are deferred and recorded as deferred membership dues revenue.

DEFERRED OTHER REVENUE

Deferred other revenue includes registration fees received in the current period which are applicable to a future period.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Costs that are easily identifiable with these various program and supporting services have been directly allocated to those functions. Certain costs have been allocated among the program and supporting services benefited based on estimates of time devoted to the functional areas.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Continued

INCOME TAXES

The Association is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code for all business income related to the Association's tax-exempt purpose. The Association is subject to Federal and State income taxes on its net unrelated business income after related expenses, arising from the sale of advertising in its magazine

2. CONCENTRATION OF CREDIT RISK

The Association maintains cash and cash equivalents in certain financial institutions. At times during the year, balances at these institutions exceeded the FDIC insured limits. Amounts exceeding these limits total approximately \$88,000.

3. PROPERTY AND EQUIPMENT

Major classes of fixed assets at June 30, 2007 are as follows:

Office computer system	\$ 385,258
Office furniture and equipment	126,165
Leasehold improvements	<u>4,862</u>
	516,285
Less: Accumulated depreciation	<u>222,427</u>
Net Property and Equipment	<u><u>\$ 293,858</u></u>

Depreciation expense was \$84,887 for the year ended June 30, 2007.

4. EMPLOYEE BENEFIT PLAN

The Association has a 401(k) plan for all employees who meet the age and service requirements specified in the plan document. The plan receives employee and employer contributions as defined in the plan document. The employer contribution for the year ended June 30, 2007 was approximately \$32,000.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

5. DUE FROM FOUNDATIONS

At June 30, 2007, the Association had monies due from the Right of Way International Education Foundation and the Canadian Right of Way Education Foundation of \$54,435 and \$13,825, respectively.

6. LEASE COMMITMENTS

In May 2004, the Association renewed its non-cancelable operating lease agreement for the rental of office facilities that will expire on December 31, 2009. In addition to base rent, the Association is required to pay a proportionate share of operating expenses in excess of a base amount as defined in the lease. Minimum rental payments on an annual basis are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 110,801
2009	114,440
2010	<u>63,504</u>
Total	<u>\$ 288,745</u>

Rent expense charged to operations for the year ended June 30, 2007 for the office lease was approximately \$112,000.

7. INCOME TAXES

The Association receives revenues, primarily from advertising in the magazine, which are considered unrelated business income and are taxed on a net basis after related expenses. No income tax provision was required for the year ended June 30, 2007.

8. VOLUNTEER SERVICES

A significant amount of donated services is contributed to the Association by various members to support the Association's programs and supporting services. These volunteer activities include participating on the Board of Directors and numerous other committees. The value of these services has not been included in the financial statements.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

10. SCHEDULE OF EXPENSES

Avecetra project management	\$ 25,124
Awards and recognition	2,852
Bad debts	4,125
Bank charges	76,528
Building expenses	111,964
Chapter assistance	13,714
Depreciation	84,887
Dues	10,495
Education and meetings	808,201
Employee temporary and training	46,780
Equipment leases	32,939
Insurance	30,826
Inventory obsolescence	2,181
Leadership modules	11,256
Marketing	7,363
Membership development	13,262
Membership directory	16,830
Miscellaneous	15,233
Pipeline committee	20,928
Postage	3,770
Printing	29,238
Professional fees	55,658
Publication	101,981
Recruitment	1,084
Repairs and maintenance	22,690
Salaries, taxes and benefits	1,557,493
Supplies	14,095
SR/WA and certification	20,362
Taxes and licenses	2,001
Telephone	17,843
Travel	318,979
Website	35,468
Total Expenses	<u>\$ 3,516,150</u>