



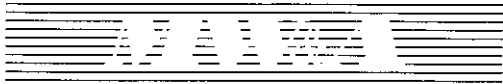
International Right of Way Association

Financial Statements

Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

August 30, 2012

Board of Directors
International Right of Way Association
Gardena, California

We have audited the accompanying statement of financial position of the International Right of Way Association (Association) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years 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 audits 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 audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mann Weitz & Associates LLC

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents - Note 2	\$ 405,125	\$ 371,742
Investments - Note 3	982,858	886,757
Accounts receivable, net of allowance for doubtful accounts of \$5,270 and \$11,700 for 2012 and 2011, respectively	93,093	131,435
Due from foundations - Note 6	96,160	46,295
Interest receivable	22,359	47,315
Inventory	47,981	38,094
Prepaid expenses	117,790	113,915
 Total Current Assets	 <u>1,765,366</u>	 <u>1,635,553</u>
 <u>PROPERTY AND EQUIPMENT</u> , net - Note 4	 <u>2,352,925</u>	 <u>2,368,326</u>
 <u>OTHER ASSETS</u>		
Deposits	22,002	10,804
Investments - Note 3	587,507	530,962
 Total Other Assets	 <u>609,509</u>	 <u>541,766</u>
 Total Assets	 <u>\$ 4,727,800</u>	 <u>\$ 4,545,645</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Note payable - Note 7	\$ 20,357	\$ 19,309
Accounts payable and accrued expenses	843,287	648,017
Advance from CRWEF	46,579	96,611
Deferred membership dues revenue	842,655	791,046
Deferred other revenue	116,963	102,408
 Total Current Liabilities	 <u>1,869,841</u>	 <u>1,657,390</u>
 <u>NONCURRENT LIABILITIES</u>		
Note payable - Note 7	841,436	860,929
 Total Liabilities	 <u>2,711,277</u>	 <u>2,518,319</u>
 <u>NET ASSETS</u> , Unrestricted	 <u>2,016,523</u>	 <u>2,027,326</u>
 Total Liabilities and Net Assets	 <u>\$ 4,727,800</u>	 <u>\$ 4,545,645</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>REVENUES AND GAINS</u>		
Membership dues	\$ 1,678,881	\$ 1,644,092
Annual education conference	646,288	486,130
Educational courses	1,555,704	1,398,631
Right of Way magazine - Note 9	182,517	165,747
Other seminars and courses	19,370	62,761
Investment income - Note 3	31,421	73,145
SR/WA and certification fees	142,109	143,680
Pipeline committee	24,797	14,631
Other	12,004	13,744
	<u>4,293,091</u>	<u>4,002,561</u>
 <u>EXPENSES</u> - Note 11		
Program Services		
Annual education conference	879,485	785,769
Right of Way magazine	421,271	432,611
Educational courses	1,051,559	1,125,114
Member services	450,170	456,326
SR/WA and certification expenses	200,721	199,038
Pipeline committee	22,290	7,579
	<u>3,025,496</u>	<u>3,006,437</u>
 Supporting Services		
Management and general	485,424	483,843
Membership maintenance and promotion	162,585	74,005
Board of Directors and governance	630,389	417,052
	<u>1,278,398</u>	<u>974,900</u>
	<u>4,303,894</u>	<u>3,981,337</u>
	<u>4,303,894</u>	<u>3,981,337</u>
<u>CHANGE IN NET ASSETS</u>	(10,803)	21,224
 <u>NET ASSETS</u> , Unrestricted		
Beginning of year	<u>2,027,326</u>	<u>2,006,102</u>
End of year	<u>\$ 2,016,523</u>	<u>\$ 2,027,326</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (10,803)	\$ 21,224
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	168,185	192,074
Unrealized gain on investments	(7,865)	(49,806)
Loss on disposal of property and equipment		967
Net (increase) decrease in assets		
Accounts receivable	38,342	105,793
Due from foundations	(49,865)	(39,671)
Interest receivable	24,956	26,597
Inventory	(9,887)	(7,923)
Prepaid expenses	(3,875)	23,348
Refundable building deposit		139,095
Deposits	(11,198)	4,635
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	195,271	95,284
Advance from CRWEF	(50,032)	96,611
Deferred membership dues revenue	51,609	(17,911)
Deferred other revenue	14,555	2,569
	<u>349,393</u>	<u>592,885</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(152,784)	(131,936)
Purchase of investments	(1,134,666)	(593,191)
Proceeds from sale of investments	989,885	
	<u>(297,565)</u>	<u>(725,127)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal repayments	(18,445)	(17,574)
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
	33,383	(149,816)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	371,742	521,558
End of year	<u>\$ 405,125</u>	<u>\$ 371,742</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 48,757	\$ 47,570

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 8,400 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 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 Gardena, 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, excluding those amounts contained in the investment portfolios.

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>
Building	39
Office computer system	5
Office furniture and equipment	5 - 7
Online curriculum	5

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.

EVALUATION OF TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2012 and 2011, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

SUBSEQUENT EVENTS

The Association has evaluated subsequent events for potential recognition and/or disclosures through August 30, 2012, the date the financial statements were available to be issued.

RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2011 financial statements to conform to the classifications used in June 30, 2012.

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.

3. INVESTMENTS AND INVESTMENT INCOME

Investments consist of mutual funds and money market funds, which are recorded at fair value and certificates of deposit and guaranteed investment certificates, which are recorded at cost, which approximates fair value. Fair value measurements under FASB ASC 820 are categorized as: level 1, fair value using quoted market prices; level 2, using other unobservable inputs; or level 3, using significant unobservable inputs. All of the Associations investments that are valued at fair value are valued using quoted market prices, level 1.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS AND INVESTMENT INCOME- Continued

Investments at June 30, 2012 and 2011, are comprised of the following:

	<u>2012</u>	<u>2011</u>
Index mutual funds	\$ 241,335	\$ 228,933
Money market funds	204,056	101,714
Guaranteed investment certificate	100,000	
Certificates of deposit	1,024,974	1,087,072
Total Investments	<u>\$ 1,570,365</u>	<u>\$ 1,417,719</u>

Interest and dividends, as well as realized and unrealized gains and losses on investments, are included in the statement of activities. Interest and dividends are reported as increases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets.

Investment income for the years ended June 30 consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 23,556	\$ 23,339
Unrealized gain	7,865	49,806
Total Investment Income	<u>\$ 31,421</u>	<u>\$ 73,145</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Land	\$ 509,004	\$ 509,004
Building	1,423,818	1,423,818
Office computer system	434,355	426,148
Office furniture and equipment	269,198	259,096
Online curriculum	444,229	309,754
	<u>3,080,604</u>	<u>2,927,820</u>
Less: Accumulated depreciation	727,679	559,494
Net Property and Equipment	<u>\$ 2,352,925</u>	<u>\$ 2,368,326</u>

Depreciation expense was \$168,185 and \$192,074 for the years ended June 30, 2012 and 2011, respectively.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

5. 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 was \$43,067 and \$43,636 for the years ended June 30, 2012 and 2011, respectively.

6. DUE FROM FOUNDATIONS

The Association had monies due from the foundations as follows at June 30:

	<u>2012</u>	<u>2011</u>
Right of Way International Education Foundation	\$ 96,160	\$ 42,907
Canadian Right of Way Education Foundation	-	3,388
Total	<u>\$ 96,160</u>	<u>\$ 46,295</u>

The foundations reimbursed the Association for new course development costs for the years ended June 30 as follows:

	<u>2012</u>	<u>2011</u>
Right of Way International Education Foundation	\$ 48,223	\$ 227,728
Canadian Right of Way Education Foundation	53,421	135,470
Total	<u>\$ 101,644</u>	<u>\$ 363,198</u>

7. NOTE PAYABLE

On December 8, 2009, the Association purchased a building in Gardena, California as their new headquarters in the amount of \$1,927,629. The Association paid for this purchase utilizing cash and borrowing \$905,000 from Bank of America using the building as collateral.

Under the terms of the five-year note, the Association is to make sixty monthly installments of \$5,600, commencing December 2009, including interest at 5.5% with a final balloon payment due November 2014.

Maturities of noncurrent note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 841,436

As of June 30, 2012, the Association is in compliance with its loan covenants.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

8. LEASE COMMITMENTS

During the year ended June 30, 2011, the Association entered into a vehicle operating lease agreement which expires in August 2013. Rent expense charged to operations for the lease amounted to approximately \$6,700 and \$6,000 for the years ended June 30, 2012 and 2011, respectively.

Approximate future minimum rental payments due under the vehicle lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 6,665
2014	<u>620</u>
Total	<u>\$ 7,285</u>

9. 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 years ended June 30, 2012 and 2011.

10. 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

11. SCHEDULE OF EXPENSES

Expenses by natural classification for the years ended June 30, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Automobile expense	\$ 8,400	\$ 8,193
Bad debt expense (recovery)	(6,441)	1,714
Bank charges	117,865	112,119
Building expenses (excluding depreciation)	81,314	73,848
Chapter assistance	8,910	7,273
Computer consulting fees	5,220	7,560
Contribution-Japan disaster		2,500
Depreciation-building	36,508	36,375
Depreciation and amortization-other	131,677	155,699
Dues	15,980	14,371
Education and meetings	881,819	840,777
Employees-temporary and training	80,208	28,637
Equipment leases	1,642	1,631
Insurance	37,120	41,403
Interest expense	48,757	47,570
Inventory obsolescence	32	679
Leadership modules	3,438	10,292
Marketing	132,046	40,356
Membership development	5,162	3,341
Membership directory	16,737	21,894
Miscellaneous	8,561	9,780
Pipeline committee	16,028	11,309
Postage	31,519	32,265
Printing	5,543	5,925
Professional fees	51,976	42,284
Publication	111,494	114,623
Recruitment	2,050	
Repairs and maintenance	21,327	23,831
Salaries, taxes and benefits	1,838,484	1,865,007
Supplies	15,223	13,754
SR/WA and certification	4,808	4,428
Taxes and licenses	8,128	1,563
Telephone	35,291	31,728
Travel	523,639	342,636
Website	23,429	25,972
Total Expenses	<u>\$ 4,303,894</u>	<u>\$ 3,981,337</u>