

**International Right of Way
Association**

Financial Statements

Years Ended June 30, 2017 and 2016

TABLE OF CONTENTS

	Page
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



INDEPENDENT AUDITORS' REPORT

Board of Directors
International Right of Way Association
Gardena, California

We have audited the accompanying financial statements of the International Right of Way Association, which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the International Right of Way Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
August 23, 2017

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents - Note 2	\$ 999,329	\$ 179,459
Investments - Note 3		2,083,036
Accounts receivable, net of allowance for doubtful accounts of \$9,308 and \$9,855 for 2017 and 2016, respectively	110,585	149,173
Due from foundation - Note 6	15,000	5,747
Interest receivable		5,521
Inventory	55,754	46,164
Prepaid expenses	<u>382,082</u>	<u>307,020</u>
Total Current Assets	<u>1,562,750</u>	<u>2,776,120</u>
Property and Equipment, net - Notes 4 and 7	<u>2,077,644</u>	<u>2,087,975</u>
Other Assets		
Deposits	18,276	18,216
Investments - Note 3	<u>1,092,251</u>	<u>100,000</u>
Total Other Assets	<u>1,110,527</u>	<u>118,216</u>
Total Assets	<u>\$ 4,750,921</u>	<u>\$ 4,982,311</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Note payable - Note 7	\$ 102,704	\$ 98,959
Accounts payable and accrued expenses	766,357	870,309
Deferred membership dues revenue	918,146	917,947
Deferred other revenue	<u>111,627</u>	<u>129,288</u>
Total Current Liabilities	1,898,834	2,016,503
Noncurrent Liabilities		
Note payable - Note 7	<u>161,329</u>	<u>264,054</u>
Total Liabilities	2,060,163	2,280,557
Net Assets, Unrestricted	<u>2,690,758</u>	<u>2,701,754</u>
Total Liabilities and Net Assets	<u>\$ 4,750,921</u>	<u>\$ 4,982,311</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

**STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Revenues and Gains		
Membership dues	\$ 1,918,305	\$ 1,949,561
Annual education conference	605,085	852,810
Educational courses	1,961,021	2,022,414
Right of Way magazine	282,228	309,166
Other seminars and courses	15,360	18,430
Investment income - Note 3	76,346	43,284
SR/WA and certification fees	124,673	115,152
Pipeline committee	23,803	22,265
Other	<u>2,255</u>	<u>25,439</u>
Total Revenues and Gains	<u>5,009,076</u>	<u>5,358,521</u>
Expenses - Note 13		
Program Services		
Annual education conference	991,258	1,213,700
Educational courses	1,170,367	1,306,673
Right of Way magazine	447,861	514,035
Member services	749,277	732,574
SR/WA and certification expenses	206,453	252,580
Pipeline committee	<u>25,183</u>	<u>27,963</u>
Total Program Services	<u>3,590,399</u>	<u>4,047,525</u>
Supporting Services		
Management and general	718,980	628,485
Membership maintenance and promotion	115,446	101,497
Board of Directors and governance	<u>595,247</u>	<u>474,808</u>
Total Supporting Services	<u>1,429,673</u>	<u>1,204,790</u>
Total Expenses	<u>5,020,072</u>	<u>5,252,315</u>
Change in Net Assets	(10,996)	106,206
Net Assets, Unrestricted		
Beginning of year	<u>2,701,754</u>	<u>2,595,548</u>
End of year	<u>\$ 2,690,758</u>	<u>\$ 2,701,754</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (10,996)	\$ 106,206
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	176,563	180,138
Net gain on investments	(43,556)	(27,331)
Loss on disposal of property and equipment	1,605	
Net (increase) decrease in assets		
Accounts receivable	38,588	36,854
Due from foundation	(9,253)	7,222
Interest receivable	5,521	4,010
Inventory	(9,590)	(3,989)
Prepaid expenses	(75,062)	(156,023)
Deposits	(60)	(63)
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	(103,952)	(12,916)
Deferred membership dues revenue	199	(38,341)
Deferred other revenue	(17,661)	12,156
	<u>(47,654)</u>	<u>107,923</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(167,837)	(245,521)
Proceeds from sale of property and equipment		7,443
Purchase of investments	(22,562)	(1,691,401)
Proceeds from sale of investments	<u>1,156,903</u>	<u>1,292,806</u>
	<u>966,504</u>	<u>(636,673)</u>
Cash Flows from Financing Activities		
Principal payments on note payable	<u>(98,980)</u>	<u>(95,350)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	819,870	(624,100)
Cash and Cash Equivalents		
Beginning of year	<u>179,459</u>	<u>803,559</u>
End of year	<u>\$ 999,329</u>	<u>\$ 179,459</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 11,469	\$ 15,109
Cash paid during the year for income taxes	\$ 3,485	\$ 5,456

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 8,600 right-of-way professionals. The Association's purpose is to improve people's quality of life through infrastructure development. The Association's mission is to empower professionals by elevating ethics, learning, and a standard of excellence within the global infrastructure real estate community. 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 is recorded as unrestricted contributions. The Association has no temporarily or permanently restricted net assets. 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.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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

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.

Property and Equipment

Property and equipment is recorded at historical cost. The Association capitalizes fixed asset additions over \$500. Depreciation and amortization 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
Vehicle	5
Website redesign	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 and advertising received in the current period which are applicable to a future period.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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

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.

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, and internet job ads.

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, 2017 and 2016, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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

Effect of Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. In July 2015, the FASB approved a one year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2018. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures and has not yet selected a transition method.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures.

On August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (NFP)*. This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets. Some of the changes in ASU 2016-14 include:

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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

Effect of Recently Issued Accounting Standards - Continued

- The existing three-class system of classifying net asset as unrestricted, temporarily restricted and permanently restricted will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- NFPs will be required to present an analysis of expenses by both function and natural classification on a separate statement, on the face of the statement of activities, or in the footnotes. Additional disclosures will also be required regarding specific methodologies used to allocate costs among program and support functions.
- NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

The effective date for ASU 2016-14 will be for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures.

Subsequent Events

The Association has evaluated subsequent events for potential recognition and/or disclosures through August 23, 2017, the date the financial statements were available to be issued.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

2. CONCENTRATION OF CREDIT RISK

The Association maintains cash and cash equivalents in certain financial institutions. At times during the years, 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, 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.

Investments at June 30, 2017 and 2016, are comprised of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 18,690	\$ 14,158
Mutual funds - level 1		
Bond funds	555,725	590,752
Equity funds	388,684	369,498
Alternative investment funds	129,152	66,142
Certificates of deposit		1,050,000
Guaranteed investment certificate		92,486
Total Investments	<u>\$ 1,092,251</u>	<u>\$ 2,183,036</u>

Interest and dividends, as well as realized and unrealized gains and losses on investments, are included in the statement of activities. Investment income for the years ended June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 32,790	\$ 15,953
Unrealized gain	43,431	27,331
Realized gain	125	
Total Investment Income	<u>\$ 76,346</u>	<u>\$ 43,284</u>

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 509,004	\$ 509,004
Building	1,443,873	1,443,448
Office computer system	521,874	512,514
Office furniture and equipment	306,027	296,885
Online curriculum	835,815	760,880
Website redesign	52,800	
	<u>3,669,393</u>	<u>3,522,731</u>
Less: Accumulated depreciation and amortization	<u>1,591,749</u>	<u>1,434,756</u>
Net Property and Equipment	<u><u>\$ 2,077,644</u></u>	<u><u>\$ 2,087,975</u></u>

Depreciation and amortization expense was \$176,563 and \$180,138 for the years ended June 30, 2017 and 2016, respectively.

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 \$54,106 and \$55,799 for the years ended June 30, 2017 and 2016, respectively.

6. DUE FROM FOUNDATION

The Association had amounts due from the Right of Way International Education Foundation of \$15,000 and \$5,747 at June 30, 2017 and 2016, respectively.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

7. NOTE PAYABLE

On December 8, 2009, the Association purchased a building in Gardena, California as their 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 was to make sixty monthly installments of \$5,600, commencing December 2009, including interest at 5.5% with a final balloon payment due November 2014.

The note was renewed in November, 2014 for another five years, requiring sixty monthly installments of approximately \$2,900 including interest at 3.65%, commencing January 2015, with a final balloon payment due December 2019. This note was amended in March 2015, requiring 57 monthly installments of approximately \$9,225 including interest at 3.65% commencing on April 1, 2015, with the final payment due December 2019. The remaining note payable balance is \$264,033 and \$363,013 at June 30, 2017 and 2016, respectively.

Maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 102,704
2019	106,570
2020	<u>54,759</u>
Total	<u>\$ 264,033</u>

As of June 30, 2017, the Association is in compliance with its loan covenants.

Interest expense was \$11,469 and \$15,109 for the years ended June 30, 2017 and 2016, respectively.

8. LINE OF CREDIT

The Association established a \$150,000 unsecured line of credit on July 22, 2015 with a maturity date of August 12, 2016. The agreement expired and was not renewed. Interest on outstanding amounts was payable monthly at the prime rate (3.5% at June 30, 2016) plus 2.75%. As of June 30, 2016, no amounts were outstanding on this line of credit.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

9. LEASE COMMITMENT

On June 22, 2016, the Association entered into a vehicle operating lease agreement which expires on November 22, 2020. Rent expense charged to operations for the lease amounted to approximately \$6,600 and \$550 for the years ended June 30, 2017 and 2016, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 6,600
2019	6,600
2020	<u>2,750</u>
Total	<u>\$ 15,950</u>

10. INCOME TAXES

The Association receives revenues, primarily from advertising in the magazine, and internet job ads which are considered unrelated business income and are taxed on a net basis after related expenses. The federal and state income tax expense was \$3,485 and \$5,456 for the years ended June 30, 2017 and 2016, respectively.

11. RELATED PARTY TRANSACTIONS

The International Right of Way Association Regions are not-for-profit regional organizations that were formed to assist the Association chapters in 10 geographic regions of the United States and Canada. The regional organizations financial statements are not consolidated with those of the Association due to immateriality.

12. VOLUNTEER SERVICES

A significant amount of volunteer 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

13. SCHEDULE OF EXPENSES

Expenses by natural classification for the years ended June 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Automobile expense	\$ 12,000	\$ 8,924
Awards and recognition	2,371	2,510
Bad debt recovery	(547)	(1,760)
Bank charges	133,224	151,124
Building expenses (excluding depreciation)	65,095	61,061
Computer consulting fees	2,048	5,422
Depreciation-building	37,022	36,902
Depreciation and amortization-other	139,541	139,780
Dues	11,118	10,988
Education and meetings	1,024,028	1,260,532
Employees-temporary and training	47,680	71,679
Equipment leases	1,021	1,095
Insurance	25,107	25,871
Interest expense	11,469	15,109
Leadership modules	8,819	4,125
Marketing	48,632	58,300
Membership development	48,267	23,113
Membership directory	20,891	23,706
Miscellaneous	9,152	9,299
Pipeline committee	20,028	20,112
Postage	39,278	32,994
Printing	1,305	728
Professional fees	67,630	63,201
Publication	121,478	123,040
Recruitment	9,718	5,494
Repairs and maintenance	38,711	40,591
Salaries, taxes and benefits	2,441,992	2,528,033
Supplies	20,557	18,357
SR/WA and certification	4,484	4,113
Taxes and licenses	11,678	13,087
Telephone	59,569	69,081
Travel	509,953	399,738
Website	26,753	25,966
Total Expenses	<u>\$ 5,020,072</u>	<u>\$ 5,252,315</u>

111 Deer Lake Road, Suite 125, Deerfield, IL 60015
Main:847.267.3400 Fax:847.267.3401 Web:mannweitz.com