

**International Right of Way**  
**Association**

**Financial Statements**

**Years Ended June 30, 2013 and 2012**

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## 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 (Association), which comprise the statement of financial position as of June 30, 2013 and 2012, 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.

### **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, 2013 and 2012, 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 29, 2013

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents - Note 2	\$ 542,877	\$ 405,125
Investments - Note 3	1,188,460	982,858
Accounts receivable, net of allowance for doubtful accounts of \$4,695 and \$5,270 for 2013 and 2012, respectively	141,676	93,093
Due from foundations - Note 6	6,647	96,160
Interest receivable	11,725	22,359
Inventory	33,036	47,981
Prepaid expenses	182,023	117,790
Total Current Assets	<u>2,106,444</u>	<u>1,765,366</u>
<u>PROPERTY AND EQUIPMENT</u> , net - Note 4	<u>2,314,280</u>	<u>2,352,925</u>
<u>OTHER ASSETS</u>		
Deposits	21,297	22,002
Investments - Note 3	489,011	587,507
Total Other Assets	<u>510,308</u>	<u>609,509</u>
Total Assets	<u>\$ 4,931,032</u>	<u>\$ 4,727,800</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Note payable - Note 7	\$ 23,351	\$ 20,357
Accounts payable and accrued expenses	716,621	843,287
Advance from CRWEF	17,838	46,579
Deferred membership dues revenue	887,078	842,655
Deferred other revenue	195,388	116,963
Total Current Liabilities	1,840,276	1,869,841
<u>NONCURRENT LIABILITIES</u>		
Note payable - Note 7	819,065	841,436
Total Liabilities	2,659,341	2,711,277
<u>NET ASSETS</u> , Unrestricted	<u>2,271,691</u>	<u>2,016,523</u>
Total Liabilities and Net Assets	<u>\$ 4,931,032</u>	<u>\$ 4,727,800</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>REVENUES AND GAINS</u>		
Membership dues	\$ 1,770,335	\$ 1,678,881
Annual education conference	626,009	646,288
Educational courses	1,685,811	1,555,704
Right of Way magazine - Note 9	217,141	182,517
Other seminars and courses	25,675	19,370
Investment income - Note 3	65,806	31,421
SR/WA and certification fees	77,659	142,109
Pipeline committee	14,553	24,797
Other	18,133	12,004
	<u>4,501,122</u>	<u>4,293,091</u>
Total Revenues and Gains		
<u>EXPENSES - Note 11</u>		
Program Services		
Annual education conference	817,236	879,485
Right of Way magazine	448,341	421,271
Educational courses	1,041,675	1,051,559
Member services	499,300	450,170
SR/WA and certification expenses	211,078	200,721
Pipeline committee	19,010	22,290
	<u>3,036,640</u>	<u>3,025,496</u>
Total Program Services		
Supporting Services		
Management and general	584,034	485,424
Membership maintenance and promotion	74,663	162,585
Board of Directors and governance	550,617	630,389
	<u>1,209,314</u>	<u>1,278,398</u>
Total Supporting Services		
	<u>4,245,954</u>	<u>4,303,894</u>
Total Expenses		
	255,168	(10,803)
<u>CHANGE IN NET ASSETS</u>		
<u>NET ASSETS, Unrestricted</u>		
Beginning of year	<u>2,016,523</u>	<u>2,027,326</u>
End of year	<u>\$ 2,271,691</u>	<u>\$ 2,016,523</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 255,168	\$ (10,803)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	187,963	168,185
Unrealized gain on investments	(43,922)	(7,865)
Loss on disposal of property and equipment	3,153	
Net (increase) decrease in assets		
Accounts receivable	(48,583)	38,342
Due from foundations	89,513	(49,865)
Interest receivable	10,634	24,956
Inventory	14,945	(9,887)
Prepaid expenses	(64,233)	(3,875)
Deposits	705	(11,198)
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	(126,666)	195,271
Advance from CRWEF	(28,741)	(50,032)
Deferred membership dues revenue	44,423	51,609
Deferred other revenue	78,425	14,555
	<u>372,784</u>	<u>349,393</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(152,471)	(152,784)
Purchase of investments	(949,650)	(1,134,666)
Proceeds from sale of investments	886,466	989,885
	<u>(215,655)</u>	<u>(297,565)</u>
Net Cash Used for Investing Activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal repayments	(19,377)	(18,445)
	<u>137,752</u>	<u>33,383</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>		
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	405,125	371,742
End of year	<u>\$ 542,877</u>	<u>\$ 405,125</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 47,825	\$ 48,757

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 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, 2013 and 2012, 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 29, 2013, the date the financial statements were available to be issued.

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, 2013 and 2012, are comprised of the following:

	<u>2013</u>	<u>2012</u>
Index mutual funds	\$ 290,930	\$ 241,335
Money market funds		204,056
Guaranteed investment certificate		<u>100,000</u>
Total investments at fair market value	<u>290,930</u>	<u>545,391</u>
Certificates of deposit	<u>1,386,541</u>	<u>1,024,974</u>
Total Investments	<u>\$ 1,677,471</u>	<u>\$ 1,570,365</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>2013</u>	<u>2012</u>
Interest and dividend income	\$ 21,884	\$ 23,556
Unrealized gain	<u>43,922</u>	<u>7,865</u>
Total Investment Income	<u>\$ 65,806</u>	<u>\$ 31,421</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 509,004	\$ 509,004
Building	1,423,818	1,423,818
Office computer system	437,025	434,355
Office furniture and equipment	271,076	269,198
Online curriculum	<u>573,830</u>	<u>444,229</u>
	3,214,753	3,080,604
Less: Accumulated depreciation	<u>900,473</u>	<u>727,679</u>
Net Property and Equipment	<u>\$ 2,314,280</u>	<u>\$ 2,352,925</u>

Depreciation expense was \$187,963 and \$168,185 for the years ended June 30, 2013 and 2012, 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 \$45,270 and \$43,067 for the years ended June 30, 2013 and 2012, respectively.

6. DUE FROM FOUNDATIONS

The Association had amounts due from the Right of Way International Education Foundation of \$6,647 and \$96,160 at June 30, 2013 and 2012, respectively.

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

	<u>2013</u>	<u>2012</u>
Right of Way International Education Foundation	\$ 14,792	\$ 48,223
Canadian Right of Way Education Foundation	<u>16,803</u>	<u>53,421</u>
Total	<u>\$ 31,595</u>	<u>\$ 101,644</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	\$ 819,065

As of June 30, 2013, the Association is in compliance with its loan covenants.

Interest expense was \$47,825 and \$48,757 for the years ended June 30, 2013 and 2012, respectively.

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 expired in August 2013. The vehicle was purchased upon expiration of the lease agreement. Rent expense charged to operations for the lease amounted to approximately \$6,600 for the years ended June 30, 2013 and 2012.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 494

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, 2013 and 2012.

10. 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

11. SCHEDULE OF EXPENSES

Expenses by natural classification for the years ended June 30, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Automobile expense	\$ 8,400	\$ 8,400
Awards and recognition	2,402	
Bad debt expense (recovery)	(575)	(6,441)
Bank charges	122,436	117,865
Building expenses (excluding depreciation)	72,497	81,314
Chapter assistance		8,910
Computer consulting fees		5,220
Depreciation-building	36,508	36,508
Depreciation and amortization-other	151,455	131,677
Dues	16,550	15,980
Education and meetings	839,902	881,819
Employees-temporary and training	30,649	80,208
Equipment leases	1,383	1,642
Insurance	35,954	37,120
Interest expense	47,825	48,757
Inventory obsolescence	1,270	32
Leadership modules	11,843	3,438
Marketing	56,720	132,046
Membership development	20,134	5,162
Membership directory	19,875	16,737
Miscellaneous	7,104	8,561
Pipeline committee	12,778	16,028
Postage	33,208	31,519
Printing	3,713	5,543
Professional fees	81,222	51,976
Publication	103,541	111,494
Recruitment	7,316	2,050
Repairs and maintenance	20,004	21,327
Salaries, taxes and benefits	1,958,097	1,838,484
Supplies	14,285	15,223
SR/WA and certification	1,032	4,808
Taxes and licenses	7,071	8,128
Telephone	44,522	35,291
Travel	454,337	523,639
Website	22,496	23,429
Total Expenses	<u>\$ 4,245,954</u>	<u>\$ 4,303,894</u>

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