



International Right of Way Association

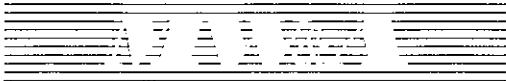
Financial Statements

Years Ended June 30, 2010 and 2009

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

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INDEPENDENT AUDITORS' REPORT

September 10, 2010

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, 2010 and 2009, 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, 2010 and 2009, 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 L.L.C.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents - Note 2	\$ 521,558	\$ 235,303
Investments - Note 3	532,064	923,709
Accounts receivable, net of allowance for doubtful accounts of \$10,000 and \$9,800 for 2010 and 2009, respectively	237,228	158,714
Due from foundations - Note 6	6,624	80,452
Interest receivable	73,912	135,748
Inventory	30,171	37,310
Prepaid expenses	137,263	316,247
Refundable building deposit	139,095	
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Total Current Assets	1,677,915	1,887,483
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<u>PROPERTY AND EQUIPMENT</u> , net - Note 4	2,429,431	206,856
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<u>OTHER ASSETS</u>		
Deposits	15,439	20,198
Investments - Note 3	242,658	1,846,323
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Total Other Assets	258,097	1,866,521
	<hr/>	<hr/>
Total Assets	\$ 4,365,443	\$ 3,960,860
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LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Note payable - Note 7	\$ 18,279	\$ -
Accounts payable and accrued expenses	552,733	977,440
Deferred membership dues revenue	808,957	830,289
Deferred other revenue	99,839	190,420
	<hr/>	<hr/>
Total Current Liabilities	1,479,808	1,998,149
	<hr/>	<hr/>
<u>NONCURRENT LIABILITIES</u>		
Note payable - Note 7	879,533	
	<hr/>	<hr/>
Total Liabilities	2,359,341	1,998,149
	<hr/>	<hr/>
<u>NET ASSETS</u> , Unrestricted	2,006,102	1,962,711
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Total Liabilities and Net Assets	\$ 4,365,443	\$ 3,960,860
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The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>REVENUES AND GAINS</u>		
Membership dues	\$ 1,663,195	\$ 1,636,522
Annual education conference	574,119	321,670
Educational courses	1,061,953	1,473,897
Right of Way magazine - Note 9	174,833	158,858
Other seminars and courses	139,957	165,490
Investment income - Note 3	77,167	50,443
SR/WA and certification fees	327,611	231,574
Pipeline committee	15,319	6,404
Other	1,561	3,869
	<hr/>	<hr/>
Total Revenues and Gains	4,035,715	4,048,727
	<hr/>	<hr/>
<u>EXPENSES</u>		
Program Services		
Annual education conference	800,407	786,433
Right of Way magazine - Note 9	458,125	294,549
Educational courses	1,014,747	1,426,152
Member services	459,808	25,184
SR/WA and certification expenses	246,344	74,111
Pipeline committee	26,637	12,118
	<hr/>	<hr/>
Total Program Services	3,006,068	2,618,547
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Supporting Services		
Management and general	404,176	108,967
Membership maintenance and promotion	59,663	243,228
Board of Directors and governance	522,417	1,049,819
	<hr/>	<hr/>
Total Supporting Services	986,256	1,402,014
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Total Expenses	3,992,324	4,020,561
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<u>CHANGE IN NET ASSETS</u>	43,391	28,166
<u>NET ASSETS, Unrestricted</u>		
Beginning of period	1,962,711	1,934,545
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End of period	\$ 2,006,102	\$ 1,962,711
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The accompanying notes are an integral part of this statement.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 43,391	\$ 28,166
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	121,274	86,710
Unrealized (gain) loss on investments	(18,284)	58,125
Loss on disposal of property and equipment	4,517	784
Net (increase) decrease in assets		
Accounts receivable	(78,514)	(82,304)
Due from foundations	73,828	53,906
Interest receivable	61,836	24,295
Inventory	7,139	22,195
Prepaid expenses	178,984	(147,251)
Refundable building deposit	(139,095)	
Deposits	4,759	
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	(424,707)	(115,256)
Deferred membership dues revenue	(21,332)	35,451
Deferred other revenue	(90,581)	43,135
Net Cash Provided by (Used for) Operating Activities	<u>(276,785)</u>	<u>7,956</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(1,449,159)	(46,527)
Proceeds from sale of property and equipment	5,793	461
Proceeds from sale of investments	<u>2,013,594</u>	<u>(108,664)</u>
Net Cash Used for Investing Activities	<u>570,228</u>	<u>(154,730)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal repayments	<u>(7,188)</u>	
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	286,255	(146,774)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of period	<u>235,303</u>	<u>382,077</u>
End of period	<u>\$ 521,558</u>	<u>\$ 235,303</u>

INTERNATIONAL RIGHT OF WAY ASSOCIATION

STATEMENT OF CASH FLOWS - Continued
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 31,581	\$ -

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY

During the year ended June 30, 2010, the Association purchased a building and land for \$1,927,629 from proceeds of a bank note of \$905,000. The remaining purchase price of \$1,022,629 was paid in cash.

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 8,300 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 new 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.

SUBSEQUENT EVENTS

The Association has evaluated subsequent events for potential recognition and/or disclosures through September 10, 2010, the date the financial statements were issued.

RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2009 financial statements to conform to the classifications used in June 30, 2010.

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

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for the identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS AND INVESTMENT INCOME- Continued

The following table sets forth by level within the fair value hierarchy the investment assets at fair value, as of June 30, 2010 and 2009. As required by FASB ASC 820, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investment Assets at Fair Value as of June 30, 2010				
	Level 1	Level 2	Level 3	Total
Mutual Fund Investments	\$ 276,924	\$ -	\$ -	\$ 276,924
Certificates of Deposit		497,798		497,798
Total Investments at Fair Value	\$ 276,924	\$ 497,798	\$ -	\$ 774,722
Investment Assets at Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Mutual Fund Investments	\$ 254,786	\$ -	\$ -	\$ 254,786
Certificates of Deposit		2,515,246		2,515,246
Total Investments at Fair Value	\$ 254,786	\$ 2,515,246	\$ -	\$ 2,770,032

These amounts are classified as follows on the statement of financial position:

	2010	2009
Current assets	\$ 532,064	\$ 923,709
Non-current assets	242,658	1,846,323
Total Investments	\$ 774,722	\$ 2,770,032

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.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS AND INVESTMENT INCOME- Continued

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 58,883	\$ 108,568
Unrealized gain (loss)	<u>18,284</u>	<u>(58,125)</u>
Total Investment Income	<u>\$ 77,167</u>	<u>\$ 50,443</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Land	\$ 509,004	\$ -
Building	1,418,625	
Office computer system	428,688	417,108
Office furniture and equipment	223,689	153,779
Online curriculum	230,741	
Leasehold improvements		4,862
	<u>2,810,747</u>	<u>575,749</u>
Less: Accumulated depreciation	<u>381,316</u>	<u>368,893</u>
Net Property and Equipment	<u>\$ 2,429,431</u>	<u>\$ 206,856</u>

Depreciation expense was \$121,274 and \$86,710 for the years ended June 30, 2010 and 2009, 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 approximately \$41,927 and \$41,881 for the years ended June 30, 2010 and 2009, respectively.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

6. DUE FROM FOUNDATIONS

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

	<u>2010</u>	<u>2009</u>
Right of Way International Education Foundation	\$ 6,247	\$ 77,573
Canadian Right of Way Education Foundation	<u>377</u>	<u>2,879</u>
Total	<u>\$ 6,624</u>	<u>\$ 80,452</u>

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

	<u>2010</u>	<u>2009</u>
Right of Way International Education Foundation	\$ 106,658	\$ 233,465
Canadian Right of Way Education Foundation	<u>2,879</u>	<u>23,384</u>
Total	<u>\$ 109,537</u>	<u>\$ 256,849</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.

Maturity of noncurrent note payable for the years subsequent to June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 19,309
2013	20,004
2014	<u>840,220</u>
Total	<u>\$ 879,533</u>

8. LEASE COMMITMENTS

The Association had entered into a non-cancelable operating lease agreement for the rental of office facilities that expired on December 31, 2009. In addition to base rent, the Association was required to pay a proportionate share of operating expenses in excess of a base amount as defined in the lease. Rent expense charged to operations for the office lease was approximately \$109,000 and \$120,000 for the years ended June 30, 2010 and 2009, respectively.

INTERNATIONAL RIGHT OF WAY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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, 2010 or 2009.

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, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Awards and recognition	\$ 1,063	\$ 1,405
Bad debts	150	2,254
Bank charges	118,373	118,618
Building expenses (excluding depreciation)	127,465	120,440
Chapter assistance	10,074	13,416
Computer consulting fees		400
Depreciation-building	12,125	
Depreciation and amortization-other	109,149	86,710
Dues	17,242	11,892
Education and meetings	816,642	841,482
Employees-temporary and training	24,373	53,168
Equipment leases	2,482	15,637
Insurance	33,766	32,683
Interest expense	31,581	
Inventory obsolescence	1,608	5,017
Leadership modules	49,668	
Marketing	34,727	88,814
Membership development	6,008	10,688
Membership directory	26,856	13,573
Miscellaneous	12,747	24,279
Pipeline committee	19,525	21,036
Postage	30,960	25,743
Printing	2,106	3,781
Professional fees	29,536	41,846
Publication	114,014	113,113
Recruitment	3,052	860
Repairs and maintenance	22,858	18,400
Salaries, taxes and benefits	1,801,116	1,821,831
Software Licenses	6,110	18,167
Supplies	10,496	13,622
SR/WA and certification	17,045	28,460
Taxes and licenses	1,780	2,015
Telephone	33,622	34,586
Travel	430,578	403,150
Website	33,427	33,475
Total Expenses	<u>\$ 3,992,324</u>	<u>\$ 4,020,561</u>