

CEMENT KILN RECYCLING COALITION

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

Year Ended June 30, 2018

HOZIK & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
374 MAPLE AVENUE EAST, SUITE 305
VIENNA, VIRGINIA 22180
TELEPHONE (703) 272-7109
WEBSITE www.hozikcpa.com

*Member of the American Institute
of Certified Public Accountants*

Partners
Karen Fleming
James Hozik

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Executive Committee
Cement Kiln Recycling Coalition
Arlington, Virginia

We have reviewed the accompanying financial statements of Cement Kiln Recycling Coalition (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Coalition management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hozik & Company, P.L.C.

Vienna, Virginia
September 25, 2018

CEMENT KILN RECYCLING COALITION
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Cash	\$ 123,147
Accounts receivable	1,700
Certificates of deposit	272,367
Certificates of deposit - cash reserve fund	187,000
Prepaid expenses	1,582
Property and equipment, net	<u>16,284</u>
TOTAL ASSETS	<u>\$ 602,080</u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>\$ 9,394</u>
TOTAL LIABILITIES	9,394

NET ASSETS

Unrestricted	405,686
Unrestricted - Board designated	<u>187,000</u>
TOTAL UNRESTRICTED NET ASSETS	<u>592,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 602,080</u>

See accompanying notes and independent accountants' review report.

CEMENT KILN RECYCLING COALITION
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

OPERATING REVENUE

Member dues	\$ 356,250
Registration fees	25,550
Other income	<u>994</u>
TOTAL OPERATING REVENUE	382,794

OPERATING EXPENSES

Office expenses	34,668
Meetings and travel	65,506
Employee compensation	187,764
Project support	<u>60,947</u>
TOTAL OPERATING EXPENSES	<u>348,885</u>

INCREASE IN UNRESTRICTED NET ASSETS 33,909

NET ASSETS AT BEGINNING OF YEAR 558,777

NET ASSETS AT END OF YEAR \$ 592,686

See accompanying notes and independent accountants' review report.

CEMENT KILN RECYCLING COALITION
STATEMENT OF CASH FLOWS
Year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in unrestricted net assets	\$ 33,909
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities	
Depreciation and amortization expense	3,615
Unrealized loss on certificates of deposit	5,175
Changes in operating assets and liabilities	
Accounts receivable	6,400
Prepaid expenses	(32)
Accounts payable	<u>(2,580)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,487

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(6,261)
Purchase of certificate of deposit	<u>(200,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(206,261)</u>

NET DECREASE IN CASH (159,774)

CASH AT BEGINNING OF YEAR 282,921

CASH AT END OF YEAR \$ 123,147

See accompanying notes and independent accountants' review report.

CEMENT KILN RECYCLING COALITION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - ORGANIZATION AND PURPOSE

Cement Kiln Recycling Coalition (CKRC) is a District of Columbia non-profit organization dedicated to promoting the safe and beneficial reuse of waste for energy and materials recovery in cement production. The major program consists of executive branch advocacy. Members are cement producers, waste fuel suppliers and service providers located throughout the United States. CKRC's major source of revenue is membership dues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CKRC have been prepared on the accrual basis of accounting and, accordingly, dues, special assessments, and expenses are recognized in the period to which they relate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of interest and non-interest bearing bank accounts.

Certificates of Deposit

Certificates of deposit with readily determinable fair values are reflected at fair market value. To adjust the carrying value, unrealized gains and losses are reported in the statement of activities as other income.

CKRC held certificates of deposit totaling \$459,367 as of June 30, 2018. The certificates of deposit bear interest of 2.164% to 2.894%. Maturity dates range from September 2019 through November 2020.

Financial Risk

CKRC maintains cash and certificates of deposit, at several banks, which at times may exceed Federally insured limits. CKRC has not experienced any losses in such accounts. CKRC believes it is not exposed to any significant credit risk on cash and certificates of deposit.

Accounts Receivable

Accounts receivable are reported on the statement of financial position as the outstanding principal balance adjusted for any write-offs. Uncollectible accounts receivable are written off when it is finally determined they are uncollectible. Accounts receivable are considered past due based on agreed payment terms. No allowance for doubtful accounts is considered necessary at June 30, 2018.

CEMENT KILN RECYCLING COALITION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment, Depreciation and Amortization

Property and equipment is stated at cost. CKRC capitalizes acquisitions of property and equipment over \$500. Equipment and furniture are depreciated on a straight-line basis over an estimated life of three to ten years. The website is amortized over an estimated life of five years.

Income Taxes

The Organization is exempt from Federal income taxes under section 501(c)(6) of the Internal Revenue Code. In accordance with Internal Revenue Code section 162(e), the Coalition has opted to notify members of the non-deductible portion of dues relating to lobbying expenditures.

As of June 30, 2018, the federal and state statute of limitations remains open for the June 30, 2015 through June 30, 2018 tax years.

Functional Allocation of Expenses

The costs of providing the program – membership and the administrative and general have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service benefited.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 25, 2018, the date the financial statements were available to be issued. None were noted.

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The framework establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

CEMENT KILN RECYCLING COALITION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3: Unobservable inputs for the asset or liability.

The following table summarizes the valuation of the financial instruments by the above pricing levels as of June 30, 2018:

	Unadjusted quoted market prices <u>(Level 1)</u>	<u>Total</u>
Certificates of deposit	\$272,367	\$272,367
Certificates of deposit – cash reserve fund	\$187,000	\$187,000

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 consists of the following:

Furniture and equipment	\$8,638
Website	16,000
Accumulated depreciation and amortization	<u>(8,354)</u>
	<u>\$16,284</u>

NOTE 5 - MEMBER DUES

For the year ended June 30, 2018 six members were billed \$45,000 each which represents 76% of total member dues.

NOTE 6 - OTHER INCOME

Interest and other income for the year ended June 30, 2018 consists of:

Interest income	\$6,169
Unrealized loss on certificates of deposit	<u>(5,175)</u>
	<u>\$994</u>

NOTE 7 - NET MEETINGS AND TRAVEL EXPENSE

Net meetings and travel expense for the year ended June 30, 2018 is as follows:

Meetings and travel expense	\$65,506
Less registration fee revenue	<u>(25,550)</u>
Net meetings and travel expense	<u>\$39,956</u>

CEMENT KILN RECYCLING COALITION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - FRINGE BENEFITS

CKRC has a 401(k) plan that covers its employee. The employee is allowed to contribute to the 401(k) plan subject to the Internal Revenue Service limits. The Organization makes a contribution of 6% of the employee's gross compensation and also matches 100% of the employee's contributions up to 6% of her gross compensation. Employer contributions vest immediately. Pension expense for the year ended June 30, 2018 is \$18,819. CKRC does not provide health insurance to its employee.

NOTE 9 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

<u>Year ended June 30, 2018</u>	<u>Program - Membership</u>	<u>Administrative and General</u>	<u>Total</u>
Office expenses	\$28,217	\$6,451	\$34,668
Meetings and travel	65,506	-	65,506
Employee compensation	150,211	37,553	187,764
Project support	<u>60,947</u>	<u>-</u>	<u>60,947</u>
	<u>\$304,881</u>	<u>\$44,004</u>	<u>\$348,885</u>

NOTE 10 - NET ASSETS – BOARD DESIGNATED AND COMMITMENTS

CKRC has entered into an employment agreement with its Executive Director. Under the agreement, if she is involuntary terminated within 20 years of the date of the agreement (June 24, 2015) she will be granted a special severance pay of \$150,000. Related to the June 2015 agreement, the Executive Committee also decided that the Organization should maintain a reserve fund balance of \$187,000, to cover the costs of the special severance pay and estimated close down costs should the Executive Committee ever decide in the future to dissolve the Organization.