AGENDA

NATIONAL WATER RESEARCH INSTITUTE
Wednesday, September 09, 2026
1:30 PM – 3:00 PM Local Time
This meeting will be held in person at the date and time specified above.
Directors receive no compensation from NWRI for their participation.

Meeting Location:	18700 Ward Street Fountain Valley, CA 92708 Conference Room: C-2
Online Meeting Access:	Zoom Meeting ID: 836 5883 5973 Passcode: 510678

As a convenience for the public, this meeting is accessible via Zoom using the provided room ID. Note that if technical difficulties arise, the meeting will proceed without disruption.

Sites Open to the Public:	111 N. Hope Street Los Angeles, CA 90012 700 N. Alameda Street Los Angeles, CA 90012 6075 Kimball Ave Chino, CA 91708 21 Daffodil, Irvine, CA 92618
NWRI Contact:	Ana Alcaraz, aalcaraz@nwri-usa.org

OPENING ITEMS

1. Call to Order

Roll Call
Confirmation of Quorum

2. Items Received After Publication of Agenda

In accordance with the Brown act, the Board may take action on items that arise after the posting of the agenda only if there is a need for immediate action and the need for action came to the attention of the Board after the agenda was published.

Recommendation: Adopt a resolution authorizing consideration of items received after agenda posting. Approval requires a 2/3rds vote of members present, or a unanimous vote if fewer than 2/3rds are in attendance.

3. Visitor Participation

This item allows up to 3 minutes for visitors to address the Board of Directors on matters not listed on the agenda but within the authority of the Joint Powers Agency or related to Consent Calendar Items. In accordance with legal guidelines, the Board is prohibited from acting on comments made during this time. Directors may, when appropriate, provide direction to NWRI staff regarding the issues raised. Only a member of the Board of Directors may request the removal of a Consent Calendar Item for separate discussion.

CONSENT CALENDAR

At the discretion of the Chair, items on the Consent Calendar may be approved with a single motion and vote by the Directors present, or by the unanimous consent of the Directors present. Items are considered routine, and any director may request that an item be removed from the Consent Calendar for separate discussion and action.

4. Meeting Minutes – July 08, 2026

Approval of minutes is a routine action that formally records the proceedings of the previous Board meeting. Minutes are permanently retained.

Recommendation: Receive and file minutes as presented.

Attachments:
- Minutes of the Meeting of the NWRI Board of Directors

5. Financial Statements – Ending August 31, 2026

Unaudited monthly financial reports are provided to keep the Board informed of NWRI's financial position and performance between annual audits.

Recommendation: Receive and file NWRI's unaudited financial reports for the period stated above.

Attachments:
- Unaudited Statement of Profit & Loss
- Unaudited Balance Sheet
- Unaudited Report on Open Invoices
- Clarke Prize Funding Report

6. Disclosure of Third-Party Research Funding

The Executive Director is authorized to sign research contracts within approved limits. These contracts are disclosed to the Board at regular meetings for transparency and oversight.

New Contracts

- None

Contract Extensions

- None

Recommendation: Receive and file third-party research contracts signed by the Executive Director since the previous meeting of the NWRI Board of Directors.

ACTION ITEMS

The Board of Directors considers Action Items in the order presented, unless a specific motion is made to amend the order of consideration. Each Action Item requires a separate motion and affirmative vote by majority vote of the present Directors. The Board is not obligated to act on any item presented for consideration.

7. Independent Audit of NWRI's Financial Transactions and Statements, Audit Notes, and Auditor's Communications Report for the Fiscal Year Ending June 30, 2026

Pursuant to NWRI's Joint Powers Agreement and standard nonprofit governance practices, NWRI undergoes an annual independent financial audit. The audit provides assurance regarding the accuracy of NWRI's financial statements of the adequacy of internal financial controls.

Gruber and Lopez, Inc. will present key findings from the independent audit of NWRI's financial statements for the fiscal year ending June 30, 2026. The presentation will include findings from:

- Independent Auditor's Report & Financial Statements
- Report on Communication with those Charged with Governance and Internal Control Matters

<u>Key Findings:</u>

- **Auditors Report:** Unmodified ("clean") opinion; NWRI's financial statements present fairly, in all material respects, its financial position as of June 30, 2026.
- **Financial Statements:**
  - Total Assets: $4,127,949
  - Total Liabilities: $3,468,785
  - Total Net Assets (Equity): $659,164
- **Report on Internal Control Matters:**
  - No material weaknesses identified.
  - Ensure each new NWRI employee is trained and integrated into monthly, staff-level reviews of panel and research project invoicing, profit and loss, and other financial aspects of project management.

<u>Recommendation:</u>

1. Receive and file the Independent Auditor's Report, Financial Statements, and Auditor's Communications Report for fiscal year ending June 30, 2026.
2. Discuss and take other action as appropriate.

<u>Attachments:</u>

- NWRI's Independent Audit Report FY 2025-26
- Communications Report Letter

8. Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts, which offers the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer.

This resolution authorizes the investment of NWRI funds in the California Local Agency Investment Fund (LAIF) and authorizes designated representatives to manage NWRI's LAIF account and conduct transactions on behalf of the organization. The resolution is a standard form resolution authorized and approved by LAIF for NWRI.

Recommendation:

1. Adopt Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund as presented.
2. Discuss and take other action as appropriate

Attachments:

- Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund

9. Biennial Review of the National Water Research Institute's Conflict of Interest Policy

Under the Political Reform Act, the State of California's Fair Political Practices Commissions (FPPC) requires all public entities in California to review its FPPC mandated Conflict of Interest (COI) Policy on a biennial basis and notify the code reviewing body if their current code is accurate, or alternatively, that their code must be amended. NWRI last amended its COI policy in September 2024.

Recommendation:

1. Direct Staff to notify the County of Orange that no amendments will be made to the existing Conflict of Interest Policy.
2. Receive and file the existing Conflict of Interest policy.
3. Discuss and take other action as appropriate.

Attachments:

- 2024 NWRI Conflict of Interest Policy

10. Resolution 2026-04 Staff Reimbursement Rates for 2027

The Board of Directors annually adopts staff recommended reimbursements rates for NWRI staff research activities to provide a clear and consistent framework for recovering the cost of staff time dedicated to research projects, advisory panels, and program deliverables. Formal adoption of these rates also aligns with reimbursement practices with NWRI's budgetary cycle and supports accurate financial planning.

This resolution establishes NWRI staff reimbursement rates for research services for the 2027 calendar year, starting on January 1, 2027 and ending on December 31, 2027.

Recommendation:

1. Consider the proposed resolution.
2. Adopt Resolution 2026-04 Staff Reimbursement Rates for 2027 as presented.
3. Discuss and take other action as appropriate.

Attachments:

- Resolution 2026-04 Staff Reimbursement Rates for 2027

11. Prospective New Member: Moulton Niguel Water District

This item provides for the Board's discussion of MNWD prospective membership.

Recommendation:

1. Authorize the Executive Director to take the administrative steps necessary and appropriate to add the Moulton Niguel Water District as a signatory to the Joint Powers Agreement Creating the National Water Research Institute.
2. Discuss and take other action as appropriate.

Attachments:

- None.

12. Clarke Prize Program Update No. 5

In July 2025, Executive Director (ED) Hardy engaged Rising Tide Partners (RTP) to support the development of a program titled "Elevating the Clarke Prize to Global Prominence". At that time, the Board directed ED Hardy to provide regular updates on key milestones on the program at future Board meetings.

Recommendation:

1. Receive and file the Clarke Prize Program Update.
2. Discuss and take other action as appropriate.

Attachments:

- None.

INFORMATION ITEMS

Information Items are presented to the Board of Directors to provide general updates and/or background information about the organization and require no immediate action.

13. Executive Director's Report

- NWRI Board of Directors
- WateReuse California
- Water Research Australia - WaterVal
- CalVal
- SCSC
- IT Services
- IRC Form 990

14. Board of Directors Comments

15. Important Dates

- October 24-26, 2026, at TBD (Clarke Prize Events)
- December 09, 2026, at 1:30 PM (Regular Board of Directors Meeting)
- February 10, 2027, at 1:30 PM (Regular Board of Directors Meeting)

16. Adjourn to Closed Session

CLOSED SESSION

17. **CALL TO ORDER - A Closed Session of the NWRI Board of Directors as Authorized by Section 54957.6 of the California Government Code:** The Board of Directors will meet in a closed session to discuss the succession of NWRI's Executive Director.

18. Return to Open Session

Disclosure of Reportable Action Taken in Closed Session

19. Adjournment

DATE:	September 09, 2026
TO:	NWRI Board of Directors
FROM:	Kevin M. Hardy, Executive Director
SUBJECT:	**Item 4 – Meeting Minutes**

Duly approved meeting minutes serve as the official and permanent public record of actions taken by the Board of Directors. Approval of these minutes ensures the accuracy and completeness of the record and supports ongoing compliance with public meeting requirements under the Ralph M. Brown Act.

Recommendation: 1. Receive and file meeting minutes for the Meeting held on July 08, 2026.

Attachments:
- Minutes of the Regular Meeting of the NWRI Board of Directors

DATE:	September 09, 2026
TO:	NWRI Board of Directors
SUBJECT:	**Minutes of the Board of Directors Meeting Held July 08, 2026**

1. **Call to Order.**

The meeting was called to order at 1:30 PM local time by Chair Bilodeau.

- **Roll Call**

The following Directors and Officers were present:

- Chair Denis Bilodeau, Orange County Water District
- Director Dennis Erdman, Metropolitan Water District
- Director Bob Ooten, Orange County Sanitation District
- Director John Withers, Irvine Ranch Water District - remote
- Director Steve Elie, Inland Empire Utilities Agency
- Alt. Director Mickey Chaudhuri, MWD - remote
- Alt. Director Rafael Villegas, LADWP - remote

Others present:

- David Albaugh, Orange County Water District
- Jim Colston, Irvine Ranch Water District

NWRI Staff present:

- Kevin M. Hardy, Executive Director (ED)
- Julie Abshire, Project Controller
- Ana Alcaraz, Research Project Coordinator
- Lisa Statugaard, Research Project Coordinator

- **Confirmation of Quorum.**

A quorum is established when at least four of the six member agencies are represented. All six member agencies were represented by either a Board Director or Alternate Director, or both. A quorum was determined.

2. **Items Received After Publication of Agenda. None.**
3. **Visitor Participation. None.**

CONSENT CALENDAR

4. **Regular Meeting Minutes – June 10, 2026**
5. **Financial Statements Ending June 30, 2026**

Staff provided an overview of the financial statements ending June 30, noting that NWRI remains in a strong fiscal position. Year-to-date operations reflect an approximate **$182,340 operating surplus**, which is favorable compared to typical performance at this point in the fiscal year when revenues and expenses are often closer to breakeven.

6. **Disclosure of Third-Party Research Funding**

Contracts entered by NWRI are disclosed to the Board at regular meetings for transparency, accountability, and oversight. The following contracts and extensions were reported on:

- **New Contracts**
  - Metropolitan Water District of Southern California: Pure Water Southern California Independent Scientific Advisory Services - $200,000
  - City of San Diego: CalVal Phase II & III- $2,000,000
  - Santa Clara Valley Water District: CalVal Phase II & III - $500,000
  - Los Angeles Department of Water and Power: Groundwater Replenishment Project and Headworks Direct Potable Reuse (DPR) Demonstration Project - $538,579 (Awaiting Final Signature)
- **Contract Extensions**
  - None.

Staff Recommendation

1. Receive and file Consent Calendar Items 4 – 6

Attachments:

- Minutes of the regular meeting held June 10, 2026
- Unaudited financial reports for the period ending June 30, 2026
  - Statement of Profit and Loss
  - Balance Sheet
  - Report on Account Receivables
- Third party research contracts signed by the Executive Director since the previous meeting of the NWRI Board of Directors

Action Taken:

Motion: Director Elie moved to receive and file Items 4 – 6. Director Ooten seconded. Motion carried unanimously.

Roll Call Vote:

- Chair Bilodeau – Yes
- Director Erdman – Yes
- Director Ooten – Yes
- Director Withers – Yes
- Director Elie – Yes
- Alt. Director Villegas - Yes

ACTION ITEMS

7. Resolution 2026-01 Adopting an Administrative Budget, Establishing Controls Thereon, and Scheduling Meeting Dates for the 2027 Fiscal Year

- ED Hardy presented Resolution 2026-01, which proposes the adoption of NWRI's Administrative and Research Budget for Fiscal Year 2027, which spans from July 1, 2026, through June 30, 2027. The resolution includes the proposed line-by-line budget, outlines budgetary controls, and presents the proposed board meeting schedule for the upcoming fiscal year.
- ED Hardy noted that CalVal is the primary driver of change in this year's budget and will require close monitoring of cash flow and project pacing throughout the year.
- Resolution 2026-01 further authorizes staff to manage expenditures in accordance with the approved budget, subject to any limitations or reallocation thresholds established by the Board. It also establishes internal financial controls, including thresholds for contract approvals and check issuance, and affirms the authority of the Executive Director to administer the budget and implement NWRI's research initiatives.

- **Board Discussion**

- One Board member sought clarification regarding the Board officers authorized to provide second signatures under the financial control policy. Ed Hardy clarified that the second signature for financial transactions must come from a Board officer (Treasurer Dadakis or Secretary Kennedy), while contracts for goods and services require a second signature from Treasurer Dadakis.

Staff Recommendation:	1. Adopt Resolution 2026-01 as presented 2. Discuss and take action as appropriate	
Attachments:	Resolution 2026-01 o FY 2027 Administrative and Research Budget o FY 2027 NWRI Board Meeting Schedule	
Action Taken:	**Motion:** Director Elie moved to adopt Resolution 2026-01 as presented. Director Ooten seconded. Motion carried unanimously.	**Roll Call Vote:** o Chair Bilodeau – Yes o Director Erdman – Yes o Director Ooten – Yes o Director Withers – Yes o Director Elie – Yes o Alt. Director Villegas - Yes

8. **Prospective New Member: Moulton Niguel Water District**

- ED Hardy provided an update on discussions with Moulton Niguel Water District, a prospective new member agency, regarding joining NWRI. ED Hardy shared that productive conversations have taken place with leadership, document exchanges have begun, and that Moulton Niguel has expressed strong interest in membership.

- **Board Discussion:**

- A Board member asked whether approval from the NWRI Board (as the JPA) would be sufficient, or whether individual member agencies' boards would also need to approve the addition. ED Hardy noted that adding a new member likely only requires the new agency to be added as a signatory and does not constitute a bylaws amendment but will confirm.
- Another Board member noted that, given experience with member agencies joining and later leaving, it would be valuable to explore longer-term membership commitments (e.g., multi-year terms) as new members are brought on, rather than strictly year-to-year arrangements.

Staff Recommendation	1. Authorize the Executive Director to take the administrative steps necessary and appropriate to add the Moulton Niguel Water District as a signatory to the Joint Powers Agreement Creating the National Water Research Institute. 2. Discuss and take action as appropriate
Attachments:	o None
Action Taken:	The Board gave direction and authorized ED Hardy to continue working with this prospective member agency. No further action was taken.

9. Clarke Prize Program Update No. 4

- ED Hardy provided an update on the Clarke Prize Program and noted continued positive collaboration with the Whittier Trust on the upcoming Clarke Prize events in October.
- The Clarke Prize Laureate Selection Committee has selected Dr. Susan Richardson, a professor at the University of South Carolina, as this year's laureate. Dr. Susan Richardson is a leading expert in the characterization of disinfection byproducts in drinking water and has done significant work with the EPA, including contributions to the Unregulated Contaminant Monitoring Rule (UCMR).

- **Board Discussion:**

- A Board member asked if Dr. Richardson was aware of her nomination. ED Hardy noted Dr. Richardson is aware she was under consideration (as part of the nomination process) but has not yet been formally notified of her selection.

Staff Recommendation	1. Receive and file the Clarke Prize Program Update 2. Discuss and take action as appropriate
Attachments:	o Clarke Prize Funding Report
Action Taken:	The Clarke Prize Program Update was received and filed. No further action was taken.

INFORMATION ITEMS

10. Executive Director's Report

- **NWRI Staffing**

  - ED Hardy shared that NWRI has returned to a full staff complement for the first time in four to five months with the addition of two Research Project Coordinators, Ana Alcaraz and Lisa Staugaard.
  - Ana Alcaraz and Lisa Staugaard bring complementary backgrounds in public health and engineering, respectively, which strengthen NWRI's technical capacity.

- **CalVal Initiative Updates**

  - ED Hardy provided an update on an upcoming meeting with the Division of Drinking Water, at which the first draft documents for MFRO and UV treatment will be presented.
  - ED Hardy highlighted the importance of maintaining project momentum in preparation for the planned November workshop and noted that project scheduling has become increasingly tight.

11. Board of Directors Comments

- None

12. Important Dates

The following dates were noted for the Board's calendar:

- September 09, 2026, at 1:30 PM (Regular Board of Directors Meeting)
- October 24, 2026, at TBD (Clarke Prize)
- December 09, 2026, at 1:30 PM (Regular Board of Directors Meeting)

13. Adjournment to Closed Session

CLOSED SESSION

14. Call to Order – Closed Session of the NWRI Board of Directors (Authorized by Section 54957.6 of the California Government Code)

- A closed session of the NWRI Board of Directors was convened to discuss the succession of NWRI's Executive Director.

15. Return to Open Session

- Following the Closed Session, the Board reported that no reportable action was taken. Staff received direction from the Board.

16. Adjournment

The meeting was adjourned at 2:40 PM by Chair Bilodeau.

SIGNED: ______________________________ DATE: ________________

John Kennedy, OCWD

Secretary, NWRI Board of Directors

OR

SIGNED: ______________________________ DATE: ________________

Kevin Hardy, NWRI

Executive Director

DATE:	September 09, 2026
TO:	NWRI Board of Directors
FROM:	Kevin M. Hardy, Executive Director
SUBJECT:	**Item 5 – Financial Statements**

Monthly financials reports provide a current snapshot of the Institute's financial position and resiliency. Variations from the annual income and expense plan are anticipated and reflect the timing of project reimbursements, grant revenues, and contracted expenses. The financial statements are reviewed regularly by staff to ensure alignment with budget projections, maintain fiscal accountability, and identify any emerging trends that may require management attention.

<u>Recommendation:</u>

1. Receive and file unaudited financial statements for the period ending August 31, 2026.

<u>Attachments:</u>

- Unaudited Statement of Profit and Loss
- Unaudited Balance Sheet
- Unaudited Report on Open Invoices
- Clarke Prize Funding Report

11:39 AM
08/27/26
Accrual Basis

National Water Research Institute
Profit & Loss
July through August 2026

			Jul - Aug 26
Income			
4000 · JPA Contributions (Member 50K)			300,000.00
4250 · Grants			371,821.80
4400 · Contract Svc/Reimburseable			
4401 · SCSC / Workshops		6,256.00	
4400 · Contract Svc/Reimburseable - Other		5,670.00	
Total 4400 · Contract Svc/Reimburseable			11,926.00
4800 · Interest Income			8,159.92
4900 · Other Income			411.99
Total Income			692,319.71
Gross Profit			692,319.71
Expense			
6010 · Accounting/Audit			11.52
6030 · Charges/Tax & Other Fees			
6032 · Banking Fees		364.49	
Total 6030 · Charges/Tax & Other Fees			364.49
6040 · Telephone/Communication			
6041 · Cell Phone/Connference Calls		250.00	
Total 6040 · Telephone/Communication			250.00
6070 · Office Equipment/Furniture			2,302.77
6090 · Subscriptions and Dues			462.24
6120 · Misc Admin Expenses			
6124 · Insurance		1,448.00	
6125 · Payroll Processing		174.00	
Total 6120 · Misc Admin Expenses			1,622.00
6140 · Salary & Benefits			
6141 · Professional Services		1,152.00	
6143 · Payroll Taxes		5,108.64	
6144 · Director		4,337.27	
6145 · Simple IRA Match		919.05	
6140 · Salary & Benefits - Other		14,181.97	
Total 6140 · Salary & Benefits			25,698.93
7010 · Admin Program Expenses			
7011 · Salary & Benefits			
7018 · Director	7,140.69		
7011 · Salary & Benefits - Other	8,814.47		
Total 7011 · Salary & Benefits		15,955.16	
Total 7010 · Admin Program Expenses			15,955.16
7020 · Advisory Panels			
7021 · Salary & Benefits			
7027 · Director	15,348.97		
7021 · Salary & Benefits - Other	17,843.31		
Total 7021 · Salary & Benefits		33,192.28	
7022 · Professional Svc		1,050.00	
7023 · Honorariums		20,862.50	
7024 · Travel/Lodging/meals		1,292.56	
Total 7020 · Advisory Panels			56,397.34
7030 · Clarke Prize			
7031 · Salary & Benfits			
7037 · Director	4,626.40		
7031 · Salary & Benfits - Other	4,518.33		
Total 7031 · Salary & Benfits		9,144.73	

National Water Research Institute
Profit & Loss
July through August 2026

			Jul - Aug 26
7032 · Professional Svc		631.25	
7030 · Clarke Prize - Other		8,554.00	
Total 7030 · Clarke Prize			18,329.98
7040 · Conf/Workshops/Contract Svc			
7041 · Salary & Benefits			
7049 · Director	2,644.99		
7041 · Salary & Benefits - Other	1,992.16		
Total 7041 · Salary & Benefits		4,637.15	
Total 7040 · Conf/Workshops/Contract Svc			4,637.15
7050 · Education & Outreach			
7051 · Salary & Benefits		2,403.77	
Total 7050 · Education & Outreach			2,403.77
7070 · Research/Proj/Grant - Specific			
7072 · Salary & Benefits			
7078 · Director	7,338.57		
7072 · Salary & Benefits - Other	13,688.94		
Total 7072 · Salary & Benefits		21,027.51	
7073 · Professional Svc		360,673.20	
7075 · Project Expense		4,647.60	
Total 7070 · Research/Proj/Grant - Specific			386,348.31
8000 · Ask Accountant			950.74
Total Expense			515,734.40
Net Income			**176,585.31**

National Water Research Institute
Balance Sheet
As of August 31, 2026

	Aug 31, 26
ASSETS	
Current Assets	
Checking/Savings	
1000 · Wells Fargo Checking	-508,480.94
1003 · Petty Cash	89.67
Total Checking/Savings	-508,391.27
Accounts Receivable	
1201 · Accounts Receivable-General	825,687.00
Total Accounts Receivable	825,687.00
Other Current Assets	
SWEEP	3,259,068.03
Total Other Current Assets	3,259,068.03
Total Current Assets	3,576,363.76
Fixed Assets	
1500 · Equipment-Office - >1 yr. >2.5k	13,679.62
1550 · Accum Depreciation	-13,679.62
Total Fixed Assets	0.00
Other Assets	
1650 · Investments	17,465.91
Total Other Assets	17,465.91
TOTAL ASSETS	**3,593,829.67**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accts Pay-Vendors	666,623.06
Total Accounts Payable	666,623.06
Other Current Liabilities	
2100 · Payroll Lia/Vac Accrual - Staff	1,153.88
2101 · Payroll Lia/Vac&Sick - Dir	21,911.24
2500 · Deferred Revenue	2,045,974.92
2504 · Deferred Revenue - Restricted	22,417.15
Total Other Current Liabilities	2,091,457.19
Total Current Liabilities	2,758,080.25
Total Liabilities	2,758,080.25
Equity	
3900 · Retained Earnings-Unrestricted	649,164.11
3910 · Retained Earnings-Temp Restrict	10,000.00
Net Income	176,585.31
Total Equity	835,749.42
TOTAL LIABILITIES & EQUITY	**3,593,829.67**

National Water Research Institute
Open Invoices
As of August 27, 2026

Date	Class	Open Balance
Los Angeles Department of Water and Power		
07/01/26	Administrative - 6000:JPA Contributions-Income	50,000.00
Total Los Angeles Department of Water and Power		50,000.00
Palmdale Water District		
07/08/26	Projects and Grants - 7070:Phase 3 CalVal	30,000.00
Total Palmdale Water District		30,000.00
Public Utilities Department		
07/31/26	Advisory Panels - 7020:SD Pure Water Panel (...	5,670.00
Total Public Utilities Department		5,670.00
Southern California Salinity Coalition		
08/27/26	Conf/Wrkshp/Contrct Svc - 7040:SCSC	6,256.00
Total Southern California Salinity Coalition		6,256.00
State Water Resources Control Board		
12/31/25	Projects and Grants - 7070:Phase 2 CalVal	502,130.75
03/31/26	Projects and Grants - 7070:Phase 2 CalVal	109,055.50
06/30/26	Projects and Grants - 7070:Phase 2 CalVal	122,574.75
Total State Water Resources Control Board		733,761.00
TOTAL		**825,687.00**

CY 2025 - 2027 NWRI Clarke Prize Budget
as of August 27, 2026

Clarke Prize Program CY 2026	Budget	Actual	Balance
Expense			
Salaries	$125,000	$83,122	$41,878
Professional Services	$78,288	$34,189	$44,099
Event Expenses	$308,708	$14,476	$294,232
Research Support	$166,250	$0	$166,250
Clarke Prize Cash Award	$50,000	$0	$50,000
Laureate Enrichment	$25,000	$0	$25,000
	$753,246	$131,787	$621,459
Revenue			
Donations Received	$753,246	$30,000	-$723,246
Prorgam Balance			-$101,787

DATE: September 09, 2026

TO: NWRI Board of Directors

FROM: Kevin M. Hardy, Executive Director

SUBJECT: **Item 7 – NWRI's Independently Audited Financial Statements, Audit Notes, and Auditor's Communications Report for the Fiscal Year Ending June 30, 2026**

Pursuant to NWRI's Joint Powers Agreement and standard nonprofit governance practices, NWRI undergoes an annual independent financial audit. The audit provides assurance regarding the accuracy of NWRI's financial statements and the adequacy of internal controls.

For Fiscal Year 2025-2026, the audit included:

- Independent Auditor's Report & Financial Statements
- Report on Communication with those Charged with Governance and Internal Control Matters

Recommendations:
1. Receive and file the Independent Auditor's Report, Financial Statements, and Auditor's Communications Report for fiscal year ending June 30, 2026.
2. Discuss and take other action as appropriate.

Attachments:
- NWRI's Independent Audit Report FY 2025-26
- Communications Report Letter

NATIONAL WATER RESEARCH INSTITUTE

Financial Statements

June 30, 2026

(With Independent Auditors' Report Thereon)

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL WATER RESEARCH INSTITUTE

Financial Statements

June 30, 2026

TABLE OF CONTENTS

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Water Research Institute
Fountain Valley, California

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of **National Water Research Institute** (a nonprofit organization), which comprise the statement of financial position as of **June 30, 2026**, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **National Water Research Institute** as of **June 30, 2026**, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Water Research Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Water Research Institute 's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **National Water Research Institute's** internal control. Accordingly, no such opinion is expressed.

438 Old Newport Blvd – Newport Beach, CA 92663
Phone (949) 346-2900 –www.gruberlopezinc.com

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **National Water Research Institute's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the **National Water Research Institute’s** financial statements, and our report dated August 31, 2025, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2025, is consistent, in all material respects, the audited financial statements from which it has been derived.

Gruber and Lopez, Inc.

Newport Beach, CA
August XX, 2026

NATIONAL WATER RESEARCH INSTITUTE
Statements of Financial Position
June 30, 2026
(with comparative totals as of June 30, 2025)

	Totals	
Assets	**2026**	**2025**
Current assets:		
Cash and cash equivalents	$ 2,983,547	541,457
Investments	17,466	33,344
Accounts receivable	1,125,488	226,625
Contributions receivable	-	-
Prepaid expenses	1,448	1,595
Total current assets	4,127,949	803,021
Noncurrent assets:		
Property and equipment:		
Furniture and equipment	13,680	13,680
Less: accumulated depreciation	(13,680)	(13,680)
Total property and equipment, net	-	-
Total Noncurrent assets	-	-
Total assets	$ 4,127,949	803,021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,011,071	$ 193,770
Unearned revenue - pass through payable	2,457,714	153,169
Total liabilities	3,468,785	346,939
Net assets (Note 3):		
Without donor restrictions - undesignated	649,164	426,082
With donor restrictions	10,000	30,000
Total net assets	659,164	456,082
Total liabilities and net assets	$ 4,127,949	$ 803,021

NATIONAL WATER RESEARCH INSTITUTE
Statements of Activities
For the Year Ended June 30, 2026
(with comparative totals for the year ended June 30, 2025)

	Without Donor Restrictions	With Donor Restrictions	Totals 2026	Totals 2025
Operating activities:				
Support and revenue:				
Contributions - grants	$ 2,134,494	-	2,134,494	66,840
Contributions - others	39,637	-	39,637	93,089
Research projects and panels (Note 6)	741,025	-	741,025	924,493
Memberships	300,000	-	300,000	300,000
Donated facilities (Note 4)	18,000	-	18,000	18,000
Other	579	-	579	450
Subotal support and revenues	3,233,735	-	3,233,735	1,402,872
Net assets released from restrictions (Note 3)	20,000	(20,000)	-	-
Total support and revenue	3,253,735	(20,000)	3,233,735	1,402,872
Expenses:				
Program services	2,767,769	-	2,767,769	1,261,983
Management and general	251,414	-	251,414	292,060
Fundraising	35,085	-	35,085	35,533
Total expenses	3,054,268	-	3,054,268	1,589,576
Change in net assets from operations	199,467	(20,000)	179,467	(186,704)
Non-operating activities:				
Investment earnings	23,615	-	23,615	12,789
Total non-operating activities	23,615	-	23,615	12,789
Change in net assets	223,082	(20,000)	203,082	(173,915)
Net assets beginning of year	426,082	30,000	456,082	629,997
Net assets at end of year	$ 649,164	10,000	659,164	456,082

See independent auditors' report and accompanying notes to financial statements.

NATIONAL WATER RESEARCH INSTITUTE
Statement of Functional Expenses
For the Year Ended June 30, 2026
(with comparative totals for the year ended June 30, 2025)

		Supporting Services			Totals	
	Program Services	Management and General	Fundraising	Subtotal	2026	2025
Conferences/research advisory	$ 59,818	-	-	-	59,818	17,104
Salaries and benefits	532,249	208,678	35,085	243,763	776,012	857,055
Travel and training	50,492	203	-	203	50,695	47,624
Honorariums	187,925	-	-	-	187,925	61,201
Fellowship awards	20,000	-	-	-	20,000	29,386
Professional fees	1,866,299	17,774	-	17,774	1,884,073	427,527
Website and information technology	-	1,065	-	1,065	1,065	1,203
Postage/shipping	41	210	-	210	251	287
Other program costs	3,808	-	-	-	3,808	2,113
Other administrative costs	-	16,699	-	16,699	16,699	18,101
Telephone	-	1,720	-	1,720	1,720	2,160
Charitable contribution/ membership	32,137	2,065	-	2,065	34,202	57,815
Donated facilities (Note 4)	15,000	3,000	-	3,000	18,000	18,000
Clarke prize	-	-	-	-	-	50,000
Total Expenses	$ 2,767,769	251,414	35,085	286,499	3,054,268	1,589,576

NATIONAL WATER RESEARCH INSTITUTE
Statement of Cash Flows
For the Year Ended June 30, 2026
(with comparative totals for the year ended June 30, 2025)

	Totals 2026	Totals 2025
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 203,082	(173,915)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Unearned investment earnings (losses)	15,878	7,939
Decrease (increase) in accounts receivable	(898,863)	(54,165)
Decrease (increase) in prepaid expenses	147	383
(Decrease) increase in accounts payable and accrued liabilities	817,301	80,334
(Decrease) increase in pass through payable	2,304,545	49,996
Net cash provided by (used for) operating activities	$ 2,442,090	(89,428)
Increase (decrease) in cash and cash equivalents	2,442,090	(89,428)
Cash and cash equivalents at beginning of year	541,457	630,885
Cash and cash equivalents at end of year	$ 2,983,547	541,457

Supplemental disclosures of noncash investing and capital related financing activities:
For the year ended June 30, 2026, there were no material non-cash investing or financing activities.

Supplemental disclosure of cash flow information:

Cash paid for interest expense	$ -	-
Cash paid for tax expense	$ -	-

See independent auditors' report and accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The significant accounting policies of the National Water Research Institute (the Organization) are presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

National Water Research Institute is a 501(c)(3) nonprofit organization and was formed under a Joint Powers Agreement in June of 1991. The Organization was created to provide financial support for the research, development and implementation of water projects for the purpose of developing and conserving water, improving the quality of water, preventing or remediating degradation of water quality and efficiently using water resources. The Organization is funded primarily from contributions and conference sponsorships for educating professionals in the area of water research.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-14 Not for Profit Entities [Topic 958] – Presentation of Financial Statements of Not for Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all unrestricted short-term investments with an original maturity of three (3) months or less to be cash equivalents. Cash and cash equivalents consisted of deposits with financial institutions of $2,983,457 at June 30, 2026. The balance is insured by the Federal Deposit Insurance Corporation up to $250,000 per custodian with sweep accounts being collateralized. Cash deposits did not exceed federally insured limits during the year.

Furniture and Equipment

Property and equipment are recorded at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Total depreciation expense for the years ended June 30, 2026 was $0. Repairs and maintenance to furniture and equipment are expensed as incurred. When furniture and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts, and any gain or loss on such disposition is reflected in income. It is the Organization's policy to capitalize property and equipment over $2,500.

Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Use of Estimates

The preparation of financial statements requires the Organization to make estimates and assumptions that affect the reported amounts of assets and disclosures of contingent assets and liabilities, and the reported revenue and expenses. Actual results may differ from those estimates.

Accounts Receivable

Accounts receivable consist of amounts due from funding sources (i.e. contracts with customers). There is no allowance for doubtful accounts because the majority of the receivables are from government agencies and the Organization believes that all of its receivables are fully collectable.

Membership Support

Under the Joint Powers Agreement, each district that is a member contributes $50,000 per year to fund the administrative operations of the Organization. Membership support is recognized when due which is at the beginning of the Organization's fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. The Organization's investments of $17,466 as of June 30, 2026 consist of securities and were considered Level 1 investment as described below.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.
- Level 3 – Unobservable inputs not corroborated by market data therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost on the balance sheet which approximates fair value because of the short-term nature of these financial instruments and hence, are not categorized. These instruments include cash and cash equivalents, fees receivable, grants receivable, other receivables, prepaid expenses, other assets, accounts payable, accrued expenses and long-term debt.

The fair value of the Organization's investments represents donated stock and is based on the market value as of June 30, 2026. This input is based on prices paid for identical stock on the open market (Level 1 input). Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The fair value of contributed supplies, facilities and services has been measured on a nonrecurring basis using prices for similar assets in inactive markets (Level 2 input).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The costs of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations between program and supporting services benefited are determined by management on an equitable basis. All allocations for program and supporting services are based on time and effort.

Income Tax Status

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2025, 2024, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

Accrued Vacation

The executive director and employees of the Organization are entitled to paid vacation days. The Organization's management estimated the amount of compensation for future absences to be $23,065 as of June 30, 2026 which was recorded on the statement of financial position as *accounts payable and accrued liabilities.*

Concentration of Risk

The Organization actively evaluates the credit worthiness of the institutions with which it invests. Approximately 68% of accounts receivable was from one contributor as of June 30, 2026. Approximately 42% of revenue support was from one contributor for the year ended June 30, 2026.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or non-recurring nature.

Reclassifications

For comparability purposes, certain amounts in the 2025 financial statements have been reclassified to conform to the 2026 classifications. These reclassifications have no effect on reported change in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Support Revenue Recognition

In accordance with *ASC 958,* unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other unconditional donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional contributions are recognized when the conditions on which they depend are substantially met.

In accordance with *ASC 606*, research projects and panels contract revenues are classified as exchange transactions and are recognized as performance obligations are satisfied based on the amount of the transaction price that is allocated to those performance obligations (i.e. based on progress billings on completed portions of contracts which are primarily less than a year). There were no provisions recorded for uncollectible accounts as the majority of research revenues were funded by government or quasi-government agencies. The Organization determined that the transaction price with its grantors include fixed consideration as it relates to research data. The Organization also determined that the transfer of the research data rights is the date the data milestone stage is completed and turned over to the grantor and include only one bundled performance obligation, hence, there was no allocation of the transaction price considered necessary under *ASC 606*.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

NOTE 3 - NET ASSETS

Net assets with donor restriction were as follows as of June 30, 2026:

Specific purpose and timing restriction:

Clarke Prize – FY 2027	$ 10,000

Net assets released from donor restrictions during the fiscal year 2026 were as follows:

Satisfaction of restrictions:

None	$ 20,000

NOTE 4 - DONATED SERVICES, SUPPLIES AND FACILITIES

Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value. For the years ended June 30, 2026, the Organization received $18,000 in donated facilities from the Orange County Water District, which is the estimated fair market value of what would have been paid based on local comps.

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following represents the Organizations financial assets at June 30, 2026:

Financial assets at year end:	
Cash and cash equivalents	$2,983,457
Investments	17,466
Accounts receivables	1,125,488
Subtotal	4,126,501
Less amounts not available to be used within one year:	
Net assets with donor restrictions	10,000
Less net assets with purpose restrictions to be met within one year	(10,000)
Subtotal	-
Financial assets available to meet general expenses over the next twelve months	$4,126,501

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $763,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 6 - REVENUES FROM CONTRACTS WITH CUSTOMERS

The Organization's revenues from *research projects and panels* contracts (i.e. contracts with customers) are generated from service fees of which do not create an asset with an alternative use for the Organization.

Revenue derived from such service fees consists of fixed consideration as it relates to research data. As a result, revenue is recognized at a point in time, after the service is provided. In summary, revenue is disaggregated by timing of satisfaction of performance obligations. For the year ended June 30, 2026, $741,025 of performance obligations were satisfied at a point in time.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through ________ __, 2026, the date the financial statements were available to be issued.

NATIONAL WATER RESEARCH INSTITUTE

Report On Communication With Those Charged with Governance

And

Report On Communication Of Internal Control Related Matters

June 30, 2026

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL WATER RESEARCH INSTITUTE

COMMUNICATION OF THOSE CHARGED WITH GOVERNANCE

JUNE 30, 2026

INDEX

Board of Directors of the
National Water Research Institute
Fountain Valley, California

REPORT ON COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of the **National Water Research Institute** (Organization) for the year ended **June 30, 2026**, and have issued our report thereon dated August XX, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 20, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the National Water Research Institute are described in Note 2 to the financial statements. During 2026, there were no new accounting pronouncements that were applicable to the Organization. The pronouncement did not have a significant impact on the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates were for donated facilities and functional expenses allocation which were both deemed to be reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no disclosures that were deemed to be particularly sensitive.

438 Old Newport Blvd, Newport Beach, CA 92663
Phone (949) 346-2900 –www.gruberlopezinc.com

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no significant misstatements as a result of audit procedures. We were not aware of any uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August XX, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

GRUBER AND LOPEZ, INC.

Newport Beach, California
August XX, 2026

GRUBER and LOPEZ, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of the
National Water Research Institute
Fountain Valley, California

REPORT ON COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

In planning and performing our audit of the financial statements of **National Water Research Institute** (Organization) as of and for the year ended **June 30, 2026**, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. and, therefore, there can be no assurance that all such deficiencies have been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

GRUBER AND LOPEZ, INC.

Newport Beach, California
August XX, 2026

EXHIBIT A

MATTERS AND GENERAL RECOMMENDATIONS

The following are general recommendations that will help strengthen controls of the Organization.

25-1 Employee Turnover Controls

We were informed that there was turnover at the Project Manager position. One of the key controls in the cash disbursement and bank reconciliation process is the comparison of the detailed financial project management expense reports and budgets to the actuals in the general ledger, which is then reviewed by the Executive Director. The previous Project Manager performed the reconciliation, however, upon her departure the detailed reconciliation has not been completed. This is a key tool management uses to oversee each project financially and assist with the financial management and future budgeting that occurs.

Recommendation: We recommend that the new staff members be brought up to date and insert this into the reconciliation process to ensure that the project expenses are accurately documented in the general ledger.

DATE: September 09, 2026

TO: NWRI Board of Directors

FROM: Kevin M. Hardy, Executive Director

SUBJECT: **Item 8 – Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund**

The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts, which offers the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer.

This resolution authorizes the investment of NWRI funds in the California Local Agency Investment Fund (LAIF) and authorizes designated representatives to manage NWRI's LAIF account and conduct transactions on behalf of the organization. The resolution is a standard form resolution authorized and approved by LAIF for NWRI.

Recommendation:

1. Adopt Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund as presented.
2. Discuss and take other action as appropriate.

Attachments:

- Resolution 2026-03 Authorizing Investment of Monies in the Local Agency Investment Fund

NWRI NATIONAL WATER RESEARCH INSTITUTE

RESOLUTION 2026-03: AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

Whereas, The Local Agency Investment Fund is established in the State Treasury under Government Code section16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

Whereas, the National Water Research Institute Board of Directors hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of National Water Research Institute (NWRI);

NOW THEREFORE, BE IT RESOLVED as follows:

The NWRI Board of Directors hereby authorizes the deposit and withdrawal of NWRI monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED as follows:

Section 1. The following NWRI officers holding the title(s) specified hereinbelow or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

______________________	______________________	______________________
John Kennedy, Secretary	Kevin Hardy, Executive Director	Jason Dadakis, Treasurer

Section 2. This resolution shall remain in full force and effect until rescinded by NWRI Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

Passed and adopted by the NWRI Board of Directors this 9th day of September 2026 in Fountain Valley, California.

Signed

____

Denis Bilodeau, Chair

Attest

____

John Kennedy, Secretary

NATIONAL WATER RESEARCH INSTITUTE

DATE: September 09, 2026

TO: NWRI Board of Directors

FROM: Kevin M. Hardy, Executive Director

SUBJECT: Item 9 – Biennial Review of the National Water Research Institute's Conflict of Interest Policy

---

Under the Political Reform Act, the State of California's Fair Political Practices Commissions (FPPC) requires all public entities in California to review its FPPC mandated Conflict of Interest (COI) Policy on a biennial basis and notify the code reviewing body if their current code is accurate, or alternatively, that their code must be amended. NWRI last amended its COI policy in September 2024.

<u>Recommendation:</u>

1. Direct Staff to notify the County of Orange that no amendments will be made to the existing Conflict of Interest Policy.
2. Receive and file the existing Conflict of Interest policy.
3. Discuss and take other action as appropriate.

<u>Attachments:</u>

- 2024 NWRI Conflict of Interest Policy

NATIONAL WATER RESEARCH INSTITUTE

ATTACHMENT A

CONFLICT OF INTEREST CODE FOR

THE NATIONAL WATER RESEARCH INSTITUTE JOINT POWERS AUTHORITY

Amended: September 2024

The Political Reform Act, Government Code Sections 8100, et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Section 18730) which contains the terms of a standard Conflict of Interest Code, which may be incorporated by reference in an agency's code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. This regulation and the attached Exhibits A and B designating officials and employees and establishing disclosure categories, shall constitute the Conflict of Interest Code of the National Water Research Institute. Designated employees shall file statements of economic interest with the National Water Research Institute's Political Reform Act Filing Officer or Executive Director who will make the statements available for public inspection and reproduction (Government Code Section 82008). Upon receipt of the statements of the Executive Director, Board Members, General Counsel, Treasurer, and Secretary, the Filing Officer shall make and retain a copy and forward the original of these statements to the Clerk of the Orange County Board of Supervisors. Statements for all other designated employees will be retained by the Filing Officer.

Exhibit A

NATIONAL WATER RESEARCH INSTITUTE

LIST OF DESIGNATED POSITIONS CONFLICT OF INTEREST CODE

Designated Positions	Disclosure Categories
Executive Director	1,2
Board Members	1,2
Alternate Board Members	1,2
Treasurer	1,2
Secretary	1,2
General Counsel	1,2
Consultants (as determined)	3

Exhibit B

NATIONAL WATER RESEARCH INSTITUTE

Disclosure Categories and Description

Category 1. All interests in real property within the boundaries of Orange County and within the boundaries of the jurisdiction of any current member agency. Member agency is defined as any agency who has paid their member agency fee for the current filing year.

Category 2. All investments, business positions and sources of income including gifts, honoraria, payments, loans, and travel reimbursements.

Category 3. Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest category in the code subject to the following limitation: The Executive Director may determine that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure required. The determination of disclosure is a public record and shall be filed with the Form 700 and retained by the Filing Officer for public inspection.

DATE: September 9, 2026

TO: NWRI Board of Directors

FROM: Kevin M. Hardy, Executive Director

SUBJECT: **Item 10 – Resolution 2026-04 Staff Reimbursement Rates for 2027**

The Board of Directors annually adopts staff recommended reimbursements rates for NWRI staff research activities to provide a clear and consistent framework for recovering the cost of staff time dedicated to research projects, advisory panels, and program deliverables. Formal adoption of these rates also aligns with reimbursement practices with NWRI's budgetary cycle and supports accurate financial planning.

This resolution establishes NWRI staff reimbursement rates for research services for the 2027 calendar year, starting on January 1, 2027, and ending on December 31, 2027.

Recommendation:

1. Consider the proposed resolution.
2. Adopt Resolution 2026-04 Staff Reimbursement Rates for 2027 as presented.
3. Discuss and take other action as appropriate.

Attachments:

- Resolution 2026-04 Staff Reimbursement Rates for 2027

RESOLUTION NO. 2026-04 – ADOPTING AND ESTABLISHING POLICY FOR YEARLY STAFF REIMBURSEMENT RATES FOR RESEARCH SERVICES, FOR THE YEAR BEGINNING JANUARY 1, 2027, AND ENDING DECEMBER 31, 2027

Whereas, the Staff Reimbursement Rate Schedule allows the National Water Research Institute (NWRI) to recover research project-related staff time based on structure approved by the Board of Directors, which reflect the support received from the NWRI Joint Powers Agency member agencies; and,

Whereas, the Board of Directors most recent action to update NWRI's staff reimbursement rates became effective on January 1, 2026.

NOW THEREFORE, BE IT RESOLVED as follows:

1. The Board of Directors hereby establishes rate tiers and reimbursement rates for its JPA member agencies and unaffiliated organizations as set forth in Table 1 below.

2. The rate tiers and reimbursement rates set forth in Table 1 shall take effect immediately for all research proposals staff anticipates will result in staff research effort on or after January 1, 2027.

3. Staff shall make reasonable efforts to update rates on existing contracts as allowable.

Table 1: Staff Reimbursement Rates

	NWRI JPA Member Agency Rates			Unaffiliated Organization Rates		
	Current	Increase	Proposed	Current	Increase	Proposed
Executive Director	$ 202.00	$ 6.67	$ 209.00	$ 309.00	$ 20.39	$ 330.00
Project Manager	$ 133.00	$ 4.39	$ 138.00	$ 206.00	$ 13.60	$ 220.00
Project Editor	$ 121.00	$ 3.99	$ 125.00	$ 185.00	$ 12.21	$ 198.00
Project Coordinator	$ 106.00	$ 3.50	$ 110.00	$ 165.00	$ 10.89	$ 176.00
Project Controller	$ 106.00	$ 3.50	$ 110.00	$ 165.00	$ 10.89	$ 176.00

Approved this 9th day of September 2026, at Fountain Valley, California.

Signed

Denis Bilodeau, Chair

Attest

John Kennedy, Secretary