

**NATIONAL WATER RESEARCH INSTITUTE**  
***Report On Communication With Those Charged with Governance***  
***And***  
***Report On Communication Of Internal Control Related Matters***  
*June 30, 2017*

**NATIONAL WATER RESEARCH INSTITUTE**  
**COMMUNICATION OF THOSE CHARGED WITH GOVERNANCE**  
**JUNE 30, 2017**

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An Independent CPA Firm

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, 2017, and have issued our report thereon dated December 8, 2017. 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 July 28, 2017. 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 fiscal year 2017, no new accounting policies were adopted. 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 estimate was for donated facilities and functional expenses allocation of salaries which we deemed both to be reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were not any disclosures noted that were considered sensitive.

### *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 December 8, 2017.

### *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 ASSOCIATES, INC.

*Gruber and Associates, Inc.*

Newport Beach, California  
December 8, 2017



An Independent CPA Firm

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, 2017, 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 ASSOCIATES, INC.

*Gruber and Associates, Inc.*

Newport Beach, California  
December 8, 2017