



Alliance *for* Water Efficiency

A VOICE AND A PLATFORM FOR WATER USE EFFICIENCY AND WATER CONSERVATION THAT HAS NEVER BEFORE EXISTED, BRINGING A CRITICAL NEW PERSPECTIVE TO AN INCREASINGLY THIRSTY NORTH AMERICA.



2007 Annual Report

2007 Annual Report

Contents

- 3 Summary
- 4 Board of Directors
- 5 Outreach
- 5 Providing Technical Assistance
- 6 Launching the Website
- 7 Congressional Testimony
- 7 Plumbing Codes & Standards
- 8 Green Buildings
- 8 Funding
- 9 Charter Sponsorships
- 10 Financial Statements
- 14 Primary Benefits

Thank you to those who helped get us started!



After a highly successful first year of operation, the Alliance for Water Efficiency is well underway in promoting the efficient and sustainable use of water. Thank you to all who have shown support and taken part in our activities during

our first year. You have been great partners and motivators. Without your participation and enthusiasm, we would not be here.

A handwritten signature in black ink that reads "Mary Ann Dickinson". The signature is written in a cursive, flowing style.

Mary Ann Dickinson
Executive Director

Summary of 2007

In 2006, the Alliance for Water Efficiency was incorporated as a non-profit organization with a diverse 23-member Board of Directors. In 2007, the Alliance hit the ground running.

In its first full year of operation, the Alliance conducted technical training workshops, launched two Internet-based platforms for communicating with members and the water conservation/water management community, provided testimony to the U.S. Congress, had a significant voice in the ongoing conversations related to plumbing codes and standards, worked to raise the visibility and importance of water conservation in green building standards, initiated discussions with foundations, and began building its membership base.

With governance issues addressed, the Alliance for Water Efficiency is poised to be a meaningful voice for water conservation, water management, and water-use efficiency in Washington, in Ottawa, and across the North American continent.



The Beginning

On December 11, 2005, the U.S. Environmental Protection Agency (EPA) publicly announced the creation of the Alliance for Water Efficiency, North America's first advocacy organization focused specifically on water conservation, water efficiency, and the sustainable use of water. That first announcement contained scant information about the organization; the Alliance had not yet started the full effort of defining itself. Since that time, however, the Alliance has continuously built momentum.

Incorporation papers became official in April 2006. The membership of the 23-person Board of Directors became final in December of that year, with representation from a broad stakeholder group including representatives of government, industry, utilities, advocacy organizations, and academics, spanning every region of the U.S. and Canada. Through June 2007, the Alliance operated out of the office of the California Urban Water Conservation Council. On July 1, 2007, the Alliance began operating as a stand-alone organization with the appointment of Executive Director Mary Ann Dickinson. September 1, 2007, marked the day that the Alliance for Water Efficiency opened its doors in the city of Chicago and began its day-to-day operations.

The City of Chicago's "World Business Chicago," a non-profit economic development firm chaired by Mayor Richard M. Daley, donated start-up office space to the Alliance for a period of six months. The city's generosity allowed the Alliance to begin work immediately, without having to endure many of the logistical and financial burdens associated with acquiring and setting up a new office.

The Board of Directors

The Alliance Board of Directors met four times in 2007: January 19, March 23, June 23, and October 19.

The January 19 meeting, held via conference call, addressed the Alliance's non-profit status, Board issues and organizational issues, as well as a discussion of activities performed to begin to build the website.

At the March 23 meeting, held in Rosemont, Illinois, Board discussions addressed bylaws, Board issues, memberships, and grants.

The June 23 meeting coincided with the annual meeting of the American Water Works Association in Toronto, Ontario, Canada. At that meeting, the Alliance announced its new office space in

Chicago. In addition, the Board approved the mission statement and tag line—"to promote the efficient and sustainable use of water"—along with Board terms, bylaw revisions, a conflict of interest statement, membership categories, interim staffing, and a partnership with EPA's WaterSense program. The Board also discussed logo guidelines, the launching of the Alliance web site, and plans to be climate neutral.

On October 19, the Board met at the Alliance's new offices in Chicago, where it saluted the beginning of daily business operations. Topics of discussion included Board functions, research activities, and organizational and administrative matters.

Alliance for Water Efficiency Board of Directors

Seated, from left to right:

Alice Miller Keyes, *Georgia Environmental Protection Division*

David Bracciano, *Tampa Bay Water*

Carole Baker (Chair), *Harris-Galveston Subsidence District*

Kelly Kopp, *Utah State University*

Glen Pleasance, *Regional Municipality of Durham, Ontario*

Standing, from left to right:

Rebecca Pearson, *Great Lakes Commission*

Gunnar Baldwin, *TOTO USA*

J.B. Hoyt, *Whirlpool Corporation*

Thomas Swihart, *Florida Department of Environmental Protection*

Richard Harris, *East Bay Municipal Utility District*

James Heaney, *University of Florida*

Alice Darilek, *PCR Consulting*

David Viola, *International Association of Plumbing and Mechanical Officials*

Elizabeth Gardener, *Denver Water*

Ron Wolfarth, *Rain Bird Corporation*

Amy Vickers, *Amy Vickers & Associates*

Timothy Brick, *Metropolitan Water District of Southern California*

Warren Gorowitz, *Ewing Irrigation Products*

Not pictured:

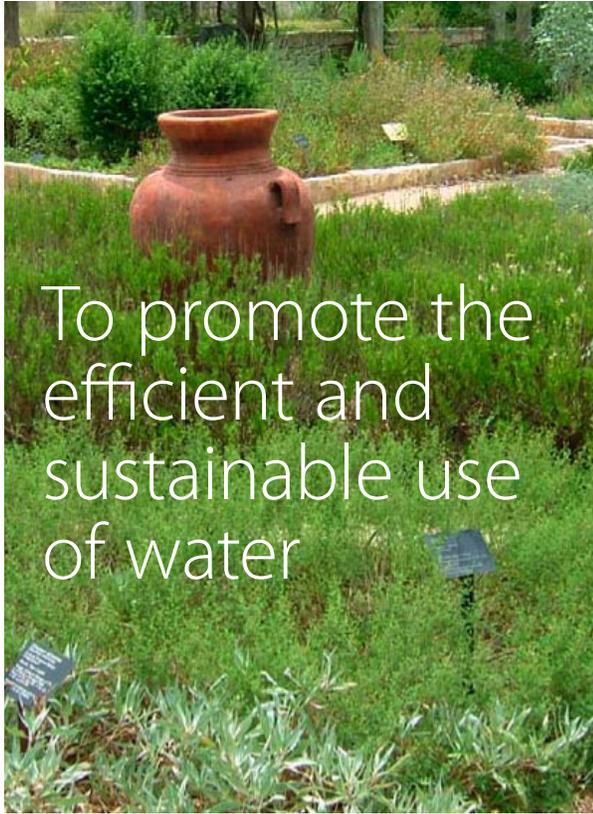
Joyce Coffee, *Chicago Department of the Environment*

Al Dietemann, *Seattle Public Utilities*

Betsy Otto, *American Rivers*

Susan Stratton, *Energy Center of Wisconsin*





To promote the efficient and sustainable use of water

Outreach to a Growing Membership

In its first year, the Alliance came closer to its goal of raising \$1 million in new charter sponsorships. With member services and outreach a high priority, the Alliance announced its first water conservation workshop in October via a global email to its email distribution list.

Since that time, electronic communications have played a vital role in maintaining contact with Alliance members, charter sponsors, and individuals. From October 10 through December 31, 2007, the Alliance sent eight global emails on a variety of topics. During 2007, the contact list grew from 891 to 1,107.

Providing Technical Assistance

As one of its primary services to members, the Alliance for Water Efficiency provides technical assistance related to water conservation and water management. Even before office operations began in September 2007, the Alliance responded to numerous technical assistance requests.

On October 18, 2007, the Alliance hosted a free workshop for water conservation professionals at the Chicago Cultural Center. This workshop also served as a vehicle for the Alliance to introduce itself to the Chicago-area water conservation community. The presentations, all from recognized leaders in the field of water efficiency, covered such topics as cost-effective water conservation planning, climate change, avoiding revenue loss, residential water use, commercial and industrial water use, and drinking water, as well as a panel discussion about water conservation in the Great Lakes region. The City of Chicago and the Great Lakes and St. Lawrence Cities Initiative co-sponsored the event.

Early in its existence, the Alliance also provided help to the City of Atlanta on its drought response efforts by providing a memorandum to the city with background information, relevant web links, and expert commentary. The background information included discussions of historical water rationing efforts and the San Antonio drought ordinance. The web links provided press releases about imposed water restrictions resulting from

drought and ten different drought plan documents from city- and state-level organizations. Al Dietemann of the City of Seattle and Thomas Pape, a technical advisor for the Alliance, provided expert commentary.

In addition, the Alliance responded to numerous questions and provided information about California's high efficiency toilet legislation, water efficient plumbing fixtures, water use ordinances, conservation programs, the water/energy connection, plumbing manufacturers, outdoor water use saving strategies, and general inquiries about water conservation.



The Chicago Technical Assistance workshop in October 2007

Launching the Alliance Web Site

An initial startup grant through the California Urban Water Conservation Council enabled the Alliance to begin building its comprehensive web site. Efforts focused on construction of the basic architecture of the site and the creation and structure of the web site's data clearinghouse. This "Resource Library" contains information covering in detail the subject headings listed at right. The site also includes a robust internal search engine.

The web site includes a regularly updated home page, information on codes and standards, a page dedicated to the EPA's WaterSense program, a news page, and an "about AWE" page containing general information. Alliance staff updates website content on a daily basis.

On October 17, 2007, the Alliance established a bimonthly online newsletter, Water Efficiency Watch. It provides updates on water efficiency topics and may be found in the News section of the website.

Early home page design of the Alliance for Water Efficiency website.

Resource Library subjects

Indoor water use

Gray water

Rainwater harvesting and use

Pools and spas

Outdoor water use

Commercial, institutional and industrial

Efficiency programs and projects

Statutes, ordinances, and water service agreements

Benefit cost analysis

Efficiency program evaluation

Water and energy

Glossary of terms

Research and development

Irrigation scheduler

Alternative sources

Plumbing codes and product standards

Green building

Water rates and charges

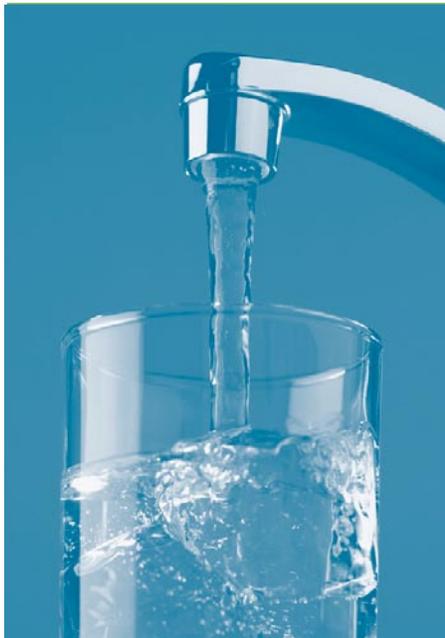
Water utility bidding and rfp procedures

Social marketing



Congressional Testimony

In November 2007, the Alliance submitted written testimony to Congress in response to a hearing held by the Energy and Environment Subcommittee of the House Science and Technology Committee entitled “Research to Improve Water-Use Efficiency and Conservation: Technologies and Practices.” The hearing related to House Bill H.R. 3957, *The Water Use Efficiency and Conservation Research Act (Matheson)*. The Alliance’s twenty-four-page written testimony included descriptions of 29 proposed research projects with a budget of over thirty-one million dollars. The U.S. House of Representatives passed a version of this bill, H.R. 631, on July 30, 2008. The text of the testimony is posted on the Alliance web site.



Plumbing Codes & Standards

Plumbing Codes

Plumbing codes have a direct impact on water consumption, and providing a voice for water efficiency in plumbing codes design is a key part of the Alliance for Water Efficiency’s strategic plan. As part of this effort, the Alliance participates in the International Association of Plumbing and Mechanical Officials (IAPMO) Codes Technical Committee. This participation is timely, since IAPMO’s Uniform Plumbing Code will be revised in 2009.

The Alliance is focusing most closely on requirements for non-water using urinals, reduction of hot water loss, and addressing the installation of multiple showerheads in a single shower stall.

Plumbing Standards

The Alliance provided a voice for water efficiency in the national plumbing standards process. In 2007, our representatives participated actively in various committees and teams of the American National Standards Institute plumbing standards committees, including:

ASME A112.18.1/CSA B125.1 Plumbing Supply Fittings—
Joint Harmonization Task Group (JHTG) on Water-Efficient Shower Heads

ASME A112.18.1/CSA B125.1 Plumbing Supply Fittings—
JHTG on Water Conservation

ASME A112.19.2 Vitreous China Plumbing Fixtures and Hydraulic Requirements—Project Team

ASME A112 Plumbing Materials and Equipment—
Main Committee



Green Buildings

Since its inception, the Alliance for Water Efficiency has been at the table promoting water efficiency in the Green Building industry, and we will continue to do so. Specifically, the Alliance is leading an effort to increase the importance of water efficiency in green building certification programs, including the U.S. Green Building Council's Leadership in Energy and

Environmental Design Program (LEED), ASHRAE's green building standards, and the green building standards of the Green Globes/Green Building Initiative.

As part of the USGBC LEED Program, a representative of the Alliance participates in the 12-person Water Efficiency Technical Advisory Group (WETAG) that is working to refine and augment the water efficiency guidelines within LEED products. The WETAG is composed of water efficiency and stormwater management advocates from the water, plumbing, landscape, and landscape irrigation industries.

WETAG is further working to influence a broad range of water use issues, including the use of reclaimed water for landscape irrigation and the use of alternate on-site sources—such as stormwater/rainwater, foundation drainage, filter backwash water, cooling tower blowdown, air conditioner condensate, pass-through cooling water, and graywater—for indoor and outdoor uses.

Other concerns being addressed by WETAG include prohibitions on once-through cooling, water use thresholds for residential appliances, high-efficiency plumbing fixtures and fittings, ETo specifications for landscape irrigation design, limitations on turfgrass irrigation with potable water, weather-based irrigation controllers, water use requirements for medical, laboratory, and food service equipment, specifications for cooling towers, pools, spas, and fountains, and sub-metering.

LEED products that have been addressed by the WETAG include:

LEED-NC	for New Construction and Major Renovation
LEED-CI	for Commercial Interiors
LEED-EB	for Existing Buildings
LEED-CS	for Core and Shell
LEED-H	for Homes
LEED-ND	for Neighborhood Developments
LEED	for Schools
LEED	for Retail
LEED	for Healthcare
LEED	for Campus

Transforming the Market

The Alliance is working to transform the marketplace to make water conservation an everyday part of the purchasing landscape. In 2007, the Alliance registered with the U.S. Environmental Protection Agency as a promotional partner of the WaterSense™ program.

Seeking Long-Term Funding

In 2007, the Alliance initiated discussions with a number of funding sources. Those discussions led to a three-year, \$450,000 commitment from The Home Depot Foundation for four independent projects. The projects include a conservation savings model for utilities, the roots of a consumer media campaign, support for a consumer website, and groundbreaking work on a design for affordable, water-efficient housing.

2007 Charter Sponsorships

As part of its fund-raising effort, the Alliance for Water Efficiency offered Charter Sponsorships to founding partner organizations. In return for their contribution to helping create the organization, the Charter Sponsors receive permanent recognition as founding supporters. These twenty-five sponsors, listed below, contributed a total of \$329,000 in 2007.

In addition, the Metropolitan Water District of Southern California's membership included an in-kind contribution of \$80,100 to cover the annual salary of the Executive Director.



2007 Charter Sponsors

Platinum: \$50,000

Harris-Galveston Subsidence District
Metropolitan Water District of Southern California
Rain Bird Corporation

Gold: \$25,000

Denver Water
Ewing Irrigation Products, Inc.
City of Houston, Texas

Silver: \$10,000

EnviroMedia
City of Seattle, Washington
Toto USA, Inc.
Veritec Consulting Inc.
Water Management, Inc.

Bronze: \$5,000

American Society of Irrigation Consultants
Aquatrols Corporation of America
Caroma North America
Eugene Water & Electric Board
Hazen and Sawyer
International Association of Plumbing and Mechanical Officials
International Code Council, Inc.
Lower Colorado River Authority
Panhandle Groundwater Conservation District
Portland Water Bureau

Individual/Non-Profit: \$1,000

New Mexico Water Conservation Alliance
Barbara Payne
Alan Plummer
Chris Woodcock



Financial Statements

Period from April 24, 2006 (inception) to December 31, 2007

Independent Auditor's Report

Board of Directors
Alliance for Water Efficiency
Chicago, Illinois

We have audited the accompanying statement of financial position of Alliance for Water Efficiency (Alliance) as of December 31, 2007 and the related statements of activities and of cash flows for the period from April 24, 2006 (inception) to December 31, 2007. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Water Efficiency as of December 31, 2007 and the changes in its net assets and its cash flows for the period from April 24, 2006 (inception) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.
Sacramento, California

September 24, 2008

The accompanying notes (page 13) are an integral part of these financial statements.

Statement of Financial Position

December 31, 2007

Assets

Current assets:

Cash	\$ 72,934
Accounts receivable	154,307
Inventories	12,175
Prepaid expenses and deposits	4,880
Total current assets	244,296

Computer equipment

Net of accumulated depreciation of \$440	4,627
--	-------

Total assets \$ 248,923

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 14,856
Accrued expenses	1,931
Deferred revenue	5,250
Total current liabilities	22,037

Net assets—unrestricted 226,886

Total liabilities and net assets \$ 248,923



Statement of Activities

Period from April 24, 2006 (inception) to December 31, 2007

Unrestricted net assets:

Revenues:

Charter sponsorships	\$ 383,000
Gifts in-kind	72,958
Turner Foundation grant	50,000
Events	4,000
Other	2,604
Total revenues	512,562

Expenses:

Program services	93,204
Fund development	91,866
General and administrative	100,606
Total expenses	285,676

Increase in net assets 226,886

Net assets, April 24, 2006 -

Net assets, December 31, 2007 \$ 226,886



Statement of Cash Flows

Period from April 24, 2006 (inception)
to December 31, 2007

Cash flows from operating activities:

Increase in net assets \$ 226,886

**Reconciliation to net cash provided
by operating activities:**

Depreciation 440

Changes in:

Accounts receivable (154,307)

Inventories (12,175)

Prepaid expenses and deposits (4,880)

Accounts payable 14,856

Accrued expenses 1,931

Deferred revenues 5,250

Net cash provided by operating
activities 78,001

Cash flows from investing activities:

Purchases of computer equipment (5,067)

Cash, December 31, 2007 \$ 72,934

1. Organization and Significant Accounting Policies

Alliance for Water Efficiency (Alliance) is a nonprofit corporation dedicated to the efficient and sustainable use of water in North America.

Basis of presentation—The financial statements are presented in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*.

Revenue recognition—Contributions, including charter sponsorships and private foundation grants, are recognized in full when received or unconditionally promised, in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributed services are recorded at fair market value when received.

Grants from private sources and donor-restricted contributions are reported as an increase in temporarily restricted net assets. When restrictions expire, as funds are expended for the specified purpose or through the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Deferred revenues—Membership dues received but applicable to the following year are recorded as deferred revenues. Dues totaling \$5,250 were deferred as of year-end.

Inventories consist of various educational publications sold or distributed by the Alliance. Inventory is recorded at the lower of cost or market, using the first-in, first-out method. Materials that have become obsolete are not included in the inventory balance.

Computer equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 years.

Income taxes—The Alliance is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, the financial statements do not reflect any provision for income taxes.

Functional allocation of expenses—The costs of providing the program services have been summarized on a functional basis in the

statements of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and on resource usage.

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

2. Accounts Receivable

At December 31, 2007, the balance of accounts receivable consisted entirely of charter sponsorship contributions promised by various donors and a \$50,000 private grant awarded by the Turner Foundation.

3. Contributed Services

The salary of the Alliance's Executive Director has been paid by the Metropolitan Water District of Southern California. The value of this in-kind contribution for the period from April 24, 2006 to December 31, 2007 was \$72,958.

4. Operating Lease Agreements

The Alliance entered into a one-year, non-cancellable operating lease agreement on September 1, 2007. Rent expense for the period from April 24, 2006 to December 31, 2007 totaled \$8,800.

5. Concentration of Credit Risk

The Alliance maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts. Management believes the Alliance is not exposed to any significant credit risk related to cash.

6. Employee Benefit Plan

In March 2008, the Alliance approved a retirement plan under IRS Code Section 401(k) that covers all eligible employees. Employees are eligible after six months of continued employment. Employer contributions vest after five years of service.

Primary Benefits of the Alliance for Water Efficiency

1. Stand as a clear and authoritative national voice for water efficiency.

The Alliance for Water Efficiency will be a forceful advocate for the sustainable use and stewardship of our precious water resources.

2. Provide comprehensive information about water-efficient products, practices, and programs—what works and what doesn't.

The Alliance for Water Efficiency will create and maintain a web-based water conservation clearinghouse that offers product information, best practices specifications, research reports, training materials, program descriptions, codes and standards, program evaluation tools, drought planning and response, and professional expertise.

3. Represent the interest of water efficiency in the development of codes and standards.

Codes and standards that mandate water efficiency have driven significant water-use savings. The Alliance will provide knowledgeable representation in standards writing and advocacy.

4. Transform the market for fixtures and appliances.

Consumers want to do the right thing, and water efficiency should be an easy choice. The Alliance for Water Efficiency will help ensure that efficient products are available, tested, and clearly labeled.

5. Coordinate with green building initiatives to institutionalize water efficiency.

New green building programs are working to integrate water conservation into other efficiency practices. The Alliance for Water Efficiency will coordinate these efforts to ensure that water savings are part of the overall effort.

6. Train water conservation professionals.

Water efficiency is a diverse field drawing upon a broad range of disciplines. The Alliance for Water Efficiency will develop core curriculum and technical training materials, and it will work with colleges and universities, trade organizations, and other educational entities to support the development of a professional water conservation work force.

7. Educate water users.

Good consumer education represents a key to the long-term success of water conservation efforts. The Alliance for Water Efficiency will provide up-to-date information on water efficient products, practices, and behaviors for the general public.