
**WASHINGTON STATE ASSOCIATION
OF COUNTY OFFICIALS**

Board Communication

For the Year Ended December 31, 2021



July 15, 2022
The Board of Directors of Washington State Association of County Officials
206 10th Ave SE
Olympia, WA 98501

Dear Board:

We have audited the financial statements of Washington State Association of County Officials as of and for the year ended December 31, 2021, and have issued our report thereon dated July 15, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 12, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Washington State Association of County Officials solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Fraudulent Disbursements
- Revenue Recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Washington State Association of County Officials is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are valuation of receivables, useful lives of depreciable property and equipment, and allocation of functional expenses.

Management's estimate of the valuation of receivables is based on past experience and composition of those receivables. We evaluated the key factors and assumptions used to develop the valuation of receivables and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the useful lives of depreciable property and equipment is based on past experience. We evaluated the key factors and assumptions used to develop the useful lives of depreciable property and equipment and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the useful lives of allocation of functional expenses is based on relative benefits provided to functional areas. We evaluated the key factors and assumptions used to develop the allocation of functional expenses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Washington State Association of County Officials' financial statements relate to: Revenue Recognition.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No known and likely misstatements were noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No material, corrected misstatements were made during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Washington State Association of County Officials' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated July 15, 2022.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Washington State Association of County Officials, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Washington State Association of County Officials' auditors.

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

Aiken & Sanders

July 15, 2022

Washington State Association of County Officials
Accountants' Recommendations & Suggestions
For Improvement of Financial Records and Controls
For the Year Ended December 31, 2021

We have issued our audit report on the financial statements of the Washington State Association of County Officials as of December 31, 2021, and for the year then ended, and the accompanying footnotes and have issued our report thereon dated July 15, 2022. During the course of our engagement we became aware of the following weaknesses which we believe would improve internal controls:

1. It was noted during the engagement Jennifer's reimbursements are not reviewed. We recommend that a board member review and approve Jennifer's reimbursements.
2. It was noted during the engagement the bank statement is not reviewed independently of the reconciliation process. We recommend that Jennifer get the bank statement herself online and review it. After it has been reviewed, documentation needs to be submitted to support that internal control. An email to finance director that it has been reviewed is sufficient to document the procedure.
3. It is our understanding that the purpose of the WAPA pass through funds are for the organization to provide prosecutor education / training. It was noted during the engagement that there are not any performance measures to determine if that designated purpose of the funds is being spent appropriately. Furthermore, the contract between WAPA and WACO dated 01/20/2011 does not indicate that performance measures are part of the pass-through agreement. We recommend that an updated agreement is implemented to add an annual reporting requirement.

This report is issued solely for the information of the Washington State Association of County Officials management. It should not be presented or quoted to anyone outside Washington State Association of County Officials because of the possibility of misunderstandings of other persons who are not aware of the objectives and limitations of internal controls within Washington State Association of County Officials. These comments are intended to be constructive suggestions for improvement in the effectiveness of your accounting and financial management.

**WASHINGTON STATE ASSOCIATION
OF COUNTY OFFICIALS**

Financial Statements

**For the Year Ended December 31, 2021
With Comparative Totals for 2020**

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Independent Auditor's Report

Board of Directors
Washington State Association of County Officials

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Washington State Association of County Officials, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Washington State Association of County Officials as of December 31, 2021, 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 (GAAS). 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 Washington State Association of County Officials 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 Washington State Association of County Officials' ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Washington State Association of County Officials' internal control. Accordingly, no such opinion is expressed.
- 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 Washington State Association of County Officials' 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 Washington State Association of County Officials' December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Montesano, WA

July 15, 2022

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF FINANCIAL POSITION

| December 31, 2021 <i>(With Comparative Totals for 2020)</i> | 2021 | 2020 |
|---|---------------------|---------------------|
| ASSETS | | |
| <u>Current Assets</u> | | |
| Cash and Cash Equivalents | \$ 854,326 | \$ 831,504 |
| Accounts Receivable | 4,080 | 3,449 |
| Prepaid Expenses | 13,907 | 9,316 |
| | 872,313 | 844,269 |
| <u>Property & Equipment</u> | | |
| Leasehold Improvements, Net | 14,578 | 15,063 |
| Furniture and Equipment, Net | 1,384 | 2,138 |
| | 15,962 | 17,201 |
| <u>Other Assets</u> | | |
| Investments | 150,393 | 152,829 |
| Total Assets | \$ 1,038,668 | \$ 1,014,299 |
| LIABILITIES AND NET ASSETS | | |
| <u>Current Liabilities</u> | | |
| Accounts Payable | \$ 5,916 | \$ 10,735 |
| Accrued Vacation | 60,862 | 44,051 |
| | 66,778 | 54,786 |
| <u>Net Assets</u> | | |
| Without Donor Restrictions | 242,603 | 221,781 |
| Without Donor Restrictions-Board Designated | 716,562 | 723,296 |
| Total Without Donor Restrictions | 959,165 | 945,077 |
| With Donor Restrictions | 12,725 | 14,436 |
| | 971,890 | 959,513 |
| Total Liabilities and Net Assets | \$ 1,038,668 | \$ 1,014,299 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

| Year Ended December 31, 2021 (With Comparative Totals for 2020) | 2021 | | 2020 | |
|---|-------------------------------|----------------------------|-------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | TOTAL | TOTAL |
| <u>Support and Revenue</u> | | | | |
| Membership Dues | \$ 929,611 | \$ - | \$ 929,611 | \$ 929,597 |
| Contract Revenue | 1,145 | - | 1,145 | 1,575 |
| Conference Income | 91,325 | - | 91,325 | 27,900 |
| Rent Income | 27,555 | - | 27,555 | 27,555 |
| Investment Income (Loss) | (7,856) | - | (7,856) | (26,439) |
| Contributions | 16,558 | - | 16,558 | 11,470 |
| Interest Income | 4,148 | - | 4,148 | 9,306 |
| Satisfaction of donor restriction | 1,711 | (1,711) | - | - |
| Total Support and Revenue | 1,064,197 | (1,711) | 1,062,486 | 980,964 |
| <u>Expenses</u> | | | | |
| Program Services | 863,736 | - | 863,736 | 737,461 |
| Management & General | 186,373 | - | 186,373 | 192,174 |
| Total Expenses | 1,050,109 | - | 1,050,109 | 929,635 |
| Change in Net Assets | 14,088 | (1,711) | 12,377 | 51,329 |
| Net Assets at Beginning of Year | 945,077 | 14,436 | 959,513 | 908,184 |
| Net Assets at End of Year | \$ 959,165 | \$ 12,725 | \$ 971,890 | \$ 959,513 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTIES OFFICIALS

STATEMENT OF FUNCTIONAL EXPENSES

| Year Ended December 31, 2021 (With Comparative Totals for 2020) | 2021 | 2020 | | |
|---|-----------------------------|---|---------------------|-------------------|
| | <u>Program Services</u> | <u>Management & General</u> | <u>Total</u> | <u>Total</u> |
| Salary & Wages | \$ 294,496 | \$ 80,986 | \$ 375,482 | \$ 344,142 |
| Payroll Taxes & Employee Benefits | 86,095 | 27,013 | 113,108 | 102,445 |
| Conferences | 93,655 | - | 93,655 | 4,536 |
| WAPA Pass-through Dues | 225,428 | - | 225,428 | 225,428 |
| Lease Expense | 44,644 | 44,644 | 89,288 | 87,056 |
| Printing & Office Supplies | 4,453 | 3,642 | 8,095 | 6,913 |
| Membership Outreach | 2,060 | - | 2,060 | - |
| Miscellaneous Expense | - | 294 | 294 | 996 |
| Postage | 928 | 760 | 1,688 | 2,978 |
| Travel | 19,355 | - | 19,355 | 13,520 |
| Depreciation | - | 1,239 | 1,239 | 2,192 |
| Telephone | 643 | 527 | 1,170 | 720 |
| Technology | - | 8,392 | 8,392 | 12,599 |
| Insurance | - | 4,742 | 4,742 | 4,647 |
| Dues and Subscriptions | 2,979 | 2,979 | 5,958 | 5,807 |
| Professional Services | 80,000 | 11,155 | 91,155 | 106,656 |
| Scholarships | 9,000 | - | 9,000 | 9,000 |
| Total | \$ 863,736 | \$ 186,373 | \$ 1,050,109 | \$ 929,635 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF CASH FLOWS

| Year Ended December 31, 2021 (With Comparative Totals for 2020) | 2021 | 2020 |
|--|-------------------|-------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in Net Assets | \$ 12,377 | \$ 51,329 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 1,239 | 2,192 |
| Investment Loss (Gain) | 7,856 | 26,439 |
| (Increase) Decrease in Accounts Receivable | (631) | 4,510 |
| (Increase) Decrease in Reimbursement Receivable | - | - |
| (Increase) Decrease in Prepaid Expenses | (4,591) | (1,821) |
| Increase (Decrease) in Accounts Payable | (4,819) | (9,876) |
| Increase (Decrease) in Accrued Vacation | 16,811 | 17,977 |
| | 15,865 | 39,421 |
| Total Adjustments | | |
| | 28,242 | 90,750 |
| Net Cash Provided (Used) by Operating Activities | | |
| <u>Cash Flows from Investing Activities</u> | | |
| Cash Capital Contribution to Building Investment | (5,420) | (2,801) |
| Purchase of Fixed Assets | - | - |
| | (5,420) | (2,801) |
| Net Cash Provided (Used) by Investing Activities | | |
| <u>Cash Flows from Financing Activities</u> | | |
| | - | - |
| Net Increase (Decrease) in Cash & Cash Equivalents | 22,822 | 87,949 |
| Cash and Cash Equivalents at Beginning of Year | 831,504 | 743,555 |
| | 854,326 | 831,504 |
| Cash and Cash Equivalents at End of Year | \$ 854,326 | \$ 831,504 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Paid During the Year for Interest | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 1 - ORGANIZATION AND PURPOSE

The Washington State Association of County Officials (the WACO) was incorporated in the State of Washington in 1960. The WACO has approximately 270 members. The membership of WACO includes elected county assessors, auditors, clerks, coroners and medical examiners, prosecuting attorneys, sheriffs, treasurers & comparable appointed officials in charter counties.

WACO provides its members legislative representation; education and training; informational publications; day-to-day assistance concerning a wide variety of issues of importance to counties; local, state, and federal agency liaison; an annual conference for training and to develop a legislative package; affiliate support; and other forums in which to develop ideas and build consensus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

WACO maintains its financial records on the accrual basis of accounting. Therefore, revenue is recognized when it is earned and expenses are recognized when the obligations are incurred.

Presentation Method for Financial Statements

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the WACO and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Net assets that are not subject to donor-imposed stipulations. Includes public support and revenues which are not restricted by the donor and currently available for the support of WACO.

Net Assets With Donor Restrictions — Net assets subject to donor imposed restrictions that may or will be met whether by actions of the project and/or the passage of time. Generally, the donors of these assets permit the project to use all or part of the income or gains earned on related investments for general or specific purposes. Net assets are released from restrictions when the purpose or time restrictions have been satisfied. The following represent net assets with donor restrictions at December 31, 2021:

| | |
|-----------------------|-------------------------|
| Program Restrictions: | |
| Scholarship Program | \$ <u>12,725</u> |
| | \$ <u><u>12,725</u></u> |

Statement of Cash Flows

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions with an original maturity of three months or less to be cash equivalents.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Use of Accounting Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the consolidated financial statements. Actual results could differ, either positively or negatively, from those estimates.

Significant estimates include the allowance for loss provisions on performing loans receivable, present value discount of deferred loan receivables, the provision for depreciation, and the allocation of expenses by function.

Accounts Receivable

Bad debts have been immaterial in the past; therefore, an allowance for doubtful accounts has not been established. Receivables are considered past due if not collected within 90 days. The WACO does not charge interest on past due receivables. As of December 31, 2021, management believes that all accounts receivable are collectible.

Allocation of Indirect Costs

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of WACO. These expenses include facilities, printing and office supplies, postage, and dues and subscriptions and are allocated based a ratio determined by management to be appropriate. Payroll and related costs are allocated based on time spent on each function.

Advertising Costs

The costs of advertising are expensed as incurred.

Recognizing Revenue from Contracts

The Financial Accounting Standards Board (FASB) issued guidance which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The WACO follows these principles. The WACO, if it receives an advance of funds from grants or contracts, recognizes deferred revenue in the amount of the advance for its performance obligation to perform services in the future. The balances of receivables and deferred revenue from contracts are as follows as of December 31, 2021:

| | | |
|---------------------|----|--------------|
| Accounts Receivable | \$ | <u>4,080</u> |
| Deferred Revenue | \$ | <u>-</u> |

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

New Accounting Pronouncement Effect in Future Accounting Periods: Leases

In February 2016, FASB issued ASU No. 2016-02, Leases, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. The WACO has adopted the new standard as of January 1, 2022.

Property and equipment

Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair value at the date donated. Depreciation is computed utilizing the straight-line method and the following estimated useful lives:

| | |
|---------------------------|-------------|
| Equipment and furnishings | 3 - 7 years |
| Leasehold improvements | 39 years |

Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

Employee Benefits And Compensated Absences

WACO provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Accrued and unused annual leave is payable to the employee in cash upon termination. Unused balances as of December 31, 2021 and 2020 totaled \$60,862 and \$44,051, respectively

All WACO employees are eligible to participate in their retirement program, a 401(k) plan. The amount of the contribution is determined annually during the budget process and must be approved by the Board of Directors. WACO approved a matching contribution of 7.5% of employee wages for the years ended December 31, 2021 and 2020. Once the contribution is made to an employee's 401K account, control over the account is vested in the employee. Pension cost for the years ended December 31, 2021 and 2020 were \$18,432 and \$16,754 respectively.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

WACO, although it expects to receive current support to fund operations for 2022 and later years, has \$845,681 and \$820,517 of financial assets available within one year of the statement of financial position dates on December 31, 2021 and 2020, respectively, to meet cash needs for general operating expenditures of WACO. Financial assets available within one year consists of the following:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 854,326 | \$ 831,504 |
| Accounts Receivable | 4,080 | 3,449 |
| Donor Restriction Imposed | <u>(12,725)</u> | <u>(14,436)</u> |
| Financial Assets Available to Meet Cash Needs Within One Year | \$ <u>845,681</u> | \$ <u>820,517</u> |

NOTE 4 – CREDIT RISK CONCENTRATION

The WACO places its cash assets in federally insured institutions and limits the amount of credit risk by employing different institutions. At December 31, 2021, the WACO had cash deposits, at one institution, exceeding the \$250,000 insurance limit provided by the Federal Deposit Insurance Corporation in the amount of \$91,622.

NOTE 5 – BOARD DESIGNATED NET ASSETS

WACO has a board restricted reserve that can be used for maintenance or improvements to the Partnership (see note 6), anticipated expenses for annual events, and unforeseen expenditures. As of December 31, 2021 and 2020, the board restricted reserve was \$723,296 and \$723,296, respectively

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------------|-------------------|
| Board Reserve For: | | |
| Operations | \$ 500,000 | \$ 500,000 |
| Capital Expenditures | 90,000 | 90,000 |
| Conference | 30,000 | 30,000 |
| Audit Reserve | 766 | 9,000 |
| Earmarked for Unemployment Claim | 20,500 | 19,000 |
| Earmarked for Current Year Income | 75,000 | - |
| Other | <u>296</u> | <u>296</u> |
| Total Board Restricted Net Assets | \$ <u>716,562</u> | \$ <u>723,296</u> |

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 6 – INVESTMENTS & FAIR VALUE MEASUREMENTS

The WACO is the general partner of Washington Counties Building (Partnership). WACO is a 50% participant in the income/loss of the Partnership. The WACO's invested capital in the Partnership at December 31, 2021 and 2020 was \$150,393 and \$152,829, respectively.

Investment (loss) on the statement of activities for the year ended December 31, 2021 was \$(7,856).

Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the WACO has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Washington Counties Building: The equity method of accounting.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the WACO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 6 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CONT.)

The following table sets forth by level, within the fair value hierarchy, the WACO assets at fair value as of December 31, 2021 with comparable totals for 2020:

| | Level 1 | Level 2 | Level 3 | 2021 Total | 2020 Total |
|---------------------------|----------------|----------------|----------------|-----------------------|-----------------------|
| Washington Counties | | | | | |
| Building | \$ - | \$ - | \$ 150,393 | \$ 150,393 | \$ 152,829 |
| | \$ - | \$ - | \$ 150,393 | \$ 150,393 | \$ 152,529 |
| Level 3 Losses | | | | | |
| Balance January 1, 2021 | | | \$ 152,829 | | |
| Capital Contributions | | | | 5,420 | |
| Realized Loss | | | | (7,856) | |
| Balance December 31, 2021 | | | \$ | 150,393 | |

NOTE 7 – LEASES

The WACO leases office space that is classified as an operating lease. The lease is year to year. Lease expense for the years ended December 31, 2021 and 2020, was \$85,200 and \$83,200 respectively.

The WACO also leases a copier that is classified as an operating lease. The lease expired in 2020 and the WACO currently uses it on a month to month agreement. Lease expense for the years ended December 31, 2021 and 2020, was \$4,088 and 3,856, respectively.

NOTE 8 - SUBSEQUENT EVENTS

No events have occurred through July 15, 2022, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2021.

NOTE 9 - UNCERTAIN TAX POSITIONS

The WACO is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

The WACO files income tax returns in the U.S. federal jurisdiction. The WACO is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2018. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2021, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

| | Beginning Balance 01/01/2021 | Additions | Disposals | Ending Balance 12/31/2021 |
|-------------------------------|------------------------------------|-----------------|---------------|---------------------------------|
| Furniture and Equipment | \$ 37,841 | \$ - | \$ (10,965) | \$ 26,876 |
| Less Accumulated Depreciation | <u>(35,703)</u> | <u>(754)</u> | <u>10,965</u> | <u>(25,492)</u> |
| Net Furniture and Equipment | <u>\$ 2,138</u> | <u>\$ (754)</u> | <u>\$ -</u> | <u>\$ 1,384</u> |
| Leasehold Improvements | \$ 18,886 | \$ - | \$ - | \$ 18,886 |
| Less Accumulated Depreciation | <u>(3,823)</u> | <u>(485)</u> | <u>-</u> | <u>(4,308)</u> |
| Net Leasehold Improvements | <u>\$ 15,063</u> | <u>\$ (485)</u> | <u>\$ -</u> | <u>\$ 14,578</u> |

Net property and equipment as of December 31, 2020, was \$17,201.

NOTE 11 – COVID-19 CORONAVIRUS

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required The WACO to make adjustments to operating practice and delivery of services. The WACO has continued to provide program services. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. Economic uncertainties and government mandates, which are expected to be temporary, could have a negative impact on operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.