



**WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS**

**FINANCIAL REPORT**

**FOR YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Washington Association of School Business Officials  
Tumwater, Washington

We have reviewed the accompanying financial statements of Washington Association of School Business Officials (the Association), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### *Accountant's Responsibility*

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

We are required to be independent of Washington Association of School Business Officials and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement related to our review.

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### ***Basis for Qualified Conclusion***

The Association has entered into an agreement with a purchasing card provider which provides for rebates based on purchases by cardholders. The agreement with the provider calculates rebates utilizing a fiscal year ended March 31. The Association has advertised to members that holders of the purchasing cards will receive the entire rebate earned. As disclosed in Note 1 of the financial statements, the Association adopted Accounting Standards Codification 606 *Revenue from Contracts with Customers* (ASC 606) during the fiscal year ended 2021. Under this guidance, accounting principles generally accepted in the United States of America now require the rebates earned from the purchasing card program to be recognized as revenues and the disbursements to members as expenses applicable to each fiscal year of the Association. Instead, the Association has accounted for the activity consistent with the treatment prior to its adoption of ASC 606 which was as an agency transaction whereby the rebate received during the current fiscal year and the rebate disbursed to members were excluded from reported revenues and expenses. This treatment excludes from consideration rebates related to the period from March 31 through June 30. The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

### ***Qualified Conclusion***

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

### ***Report on 2020 Financial Statements***

The June 30, 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated November 6, 2020. We have not performed any auditing procedures since that date.

*Frost & Company, PLLC*

Lacey, Washington  
January 9, 2021

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS	(Reviewed) 2021	(Audited) 2020
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash, cash equivalents, and restricted cash	\$ 785,957	\$ 681,618
Accounts receivable	1,730	8,515
Rebates receivable	-	1,010,331
Prepaid expenses	<u>37,344</u>	<u>37,445</u>
Total current assets	<u>825,031</u>	<u>1,737,909</u>
Other Assets		
Property and equipment - net	256,858	266,785
Prepaid expenses	28,333	13,001
Investments	<u>134,063</u>	<u>112,905</u>
Total other assets	<u>419,254</u>	<u>392,691</u>
Total assets	<u>\$ 1,244,285</u>	<u>\$ 2,130,600</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,429	\$ 6,304
Rebates payable to members	-	1,007,358
Accrued liabilities	40,429	33,323
Deferred revenue	<u>181,589</u>	<u>207,588</u>
Total current liabilities	<u>223,447</u>	<u>1,254,573</u>
Net Assets		
Net assets without donor restrictions	995,049	851,088
Net assets with donor restrictions	<u>25,789</u>	<u>24,939</u>
Total net assets	<u>1,020,838</u>	<u>876,027</u>
Total liabilities and net assets	<u>\$ 1,244,285</u>	<u>\$ 2,130,600</u>

See independent accountant's review report and notes to financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2021 AND 2020

	(Reviewed) 2021	(Audited) 2020
	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions:		
Revenues and Other Support		
Annual conference	\$ 246,250	\$ 286,475
Curriculum	85,168	89,960
Membership dues	221,111	224,575
Workshops	319,715	383,786
Partner sponsorships	59,443	99,817
Other income	36,059	27,008
Net assets released from restrictions	<u>4,490</u>	<u>14,861</u>
Total revenues and other support	<u>972,236</u>	<u>1,126,482</u>
Expenses		
Program services		
Annual conference	166,041	164,173
Curriculum	117,480	136,654
Workshops	157,427	276,783
Member services	105,533	117,328
Support services		
Management and general	<u>281,794</u>	<u>217,095</u>
Total expenses	<u>828,275</u>	<u>912,033</u>
Change in net assets without donor restrictions	<u>143,961</u>	<u>214,449</u>
Net Assets With Donor Restrictions:		
Revenues and Other Support		
Contributions	5,340	7,540
Net assets released from restrictions	<u>(4,490)</u>	<u>(14,861)</u>
Change in net assets with donor restrictions	<u>850</u>	<u>(7,321)</u>
Change in net assets	144,811	207,128
Net Assets		
Beginning of year	<u>876,027</u>	<u>668,899</u>
End of year	<u>\$ 1,020,838</u>	<u>\$ 876,027</u>

See independent accountant's review report and notes to financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 (REVIEWED)

	Program Expenses				Total Program	Supporting Services	Total Expenses
	Annual Conference	Curriculum	Workshops	Member Services		General and Administrative	
Payroll and related expenses	\$ 99,795	\$ 54,887	\$ 104,785	\$ 79,836	\$ 339,303	\$ 159,672	\$ 498,975
Workshop expenses	-	-	27,414	-	27,414	-	27,414
Curriculum expenses	-	51,206	-	-	51,206	-	51,206
ASBO	-	-	-	-	-	10,463	10,463
Board meetings	-	-	-	-	-	19,278	19,278
Office expenses	11,815	6,499	12,406	9,452	40,172	18,905	59,077
Professional fees	-	-	-	-	-	32,726	32,726
Credit card fees	5,469	1,891	7,100	4,910	19,370	-	19,370
Conference Expenses	43,513	-	-	-	43,513	-	43,513
Government relations and lobbying	-	-	-	-	-	18,225	18,225
Building expenses	3,464	1,905	3,637	2,771	11,777	5,542	17,319
Taxes and insurance	-	-	-	-	-	13,619	13,619
Scholarships	-	-	-	4,490	4,490	-	4,490
Depreciation	1,985	1,092	2,085	1,588	6,750	3,177	9,927
Miscellaneous expenses	-	-	-	2,486	2,486	187	2,673
Total	<u>\$ 166,041</u>	<u>\$ 117,480</u>	<u>\$ 157,427</u>	<u>\$ 105,533</u>	<u>\$ 546,481</u>	<u>\$ 281,794</u>	<u>\$ 828,275</u>

See independent accountant's review report and notes to financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 (AUDITED)

	Program Expenses				Total Program	Supporting Services	Total Expenses
	Annual Conference	Curriculum	Workshops	Member Services		General and Administrative	
Payroll and related expenses	\$ 120,312	\$ 72,187	\$ 125,125	\$ 86,625	\$ 404,249	\$ 77,000	\$ 481,249
Workshop expenses	-	-	127,540	-	127,540	-	127,540
Curriculum expenses	-	53,676	-	-	53,676	-	53,676
ASBO	-	-	-	-	-	35,846	35,846
Board meetings	-	-	-	-	-	35,068	35,068
Office expenses	7,566	4,539	7,868	5,447	25,420	4,842	30,262
Professional fees	-	-	-	-	-	24,294	24,294
Credit card fees	6,984	2,137	9,116	-	18,237	5,334	23,571
Conference Expenses	22,452	-	-	-	22,452	-	22,452
Government relations and lobbying	-	-	-	-	-	19,003	19,003
Building expenses	4,377	2,626	4,553	3,152	14,708	2,802	17,510
Taxes and insurance	-	-	-	-	-	11,292	11,292
Scholarships	-	-	-	14,861	14,861	-	14,861
Depreciation	2,482	1,489	2,581	1,787	8,339	1,587	9,926
Miscellaneous expenses	-	-	-	5,456	5,456	27	5,483
Total	<u>\$ 164,173</u>	<u>\$ 136,654</u>	<u>\$ 276,783</u>	<u>\$ 117,328</u>	<u>\$ 694,938</u>	<u>\$ 217,095</u>	<u>\$ 912,033</u>

See independent accountant's review report and notes to financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	(Reviewed) 2021	(Audited) 2020
	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets		
Adjustments to reconcile change in net assets to net cash flows provided by operating activities	\$ 144,811	\$ 207,128
Depreciation	9,927	9,926
Unrealized (gain) loss on investments	(21,158)	907
(Increase) decrease in operating assets		
Accounts receivable	6,785	56,905
Rebates receivable	1,010,331	(1,010,331)
Prepaid expense	(15,231)	(18,740)
Increase (decrease) in operating liabilities		
Accounts payable	(4,875)	3,287
Rebates payable to members	(1,007,358)	1,007,358
Accrued liabilities	7,106	21,030
Deferred revenue	<u>(25,999)</u>	<u>(94,557)</u>
Net cash flows provided by operating activities	<u>104,339</u>	<u>182,913</u>
Net changes in cash and cash equivalents	104,339	182,913
Cash, Cash Equivalents, and Restricted Cash		
Beginning of year	<u>681,618</u>	<u>498,705</u>
End of year	<u>\$ 785,957</u>	<u>\$ 681,618</u>

See independent accountant's review report and notes to financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Washington Association of School Business Officials (WASBO) is a professional association that provides programs and services to its members and non-members by promoting best practices of school business management, professional growth, and the effective use of educational resources.

WASBO (the Association) provides training to ensure that the public good is served by the use of sound business management practices and concepts. It sponsors and provides workshop classes and an annual conference for the improvement of skills and abilities of school business officials. It also provides programs of an advisory and consultant capacity in school districts and other organizations in matters relating to school business administration, research, information, technical assistance, and legislative activity.

WASBO is a member of the Association of School Business Officials International (ASBO) and its members can choose to also join ASBO for an additional fee.

A summary of the Association's significant accounting policies follows:

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), except as relates to the accounting for the Purchasing card program revenues, expenses, and related accruals. The Association acts as an agent and treats the funds from the Purchasing card program as a pass-through transaction in the period the funds are received and disbursed rather than reporting the amounts earned during the fiscal year as revenues, expenses, and related accruals for the period ending June 30, 2021. Although this was in accordance with GAAP for the fiscal year ended June 30, 2020, the accounting is no longer in accordance with GAAP after the required adoption of the new revenue recognition standard discussed below.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations (the Guide). The aforementioned sources were updated for recent guidance, the most significant of which applicable to the Association's financial statements are the requirements of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as follows:

**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 Association. The Board of Directors may designate assets without restrictions for specific purposes over which the Board retains control and may, at its discretion, subsequently use for other purposes.

**Net assets with donor restrictions** – net assets subject to donor-imposed stipulations, that will be met by actions of the Association and/or the passage of time.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

Recently Adopted Authoritative Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The Association adopted this update, along with all subsequent amendments (collectively, “ASC 606”), in fiscal year 2021 under the modified retrospective method.

The Association opted to apply the practical expedient which allows for application of the guidance to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within the portfolio. An analysis was performed of the various provisions of this standard. Additionally, the Association applied the practical expedient to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year.

Aside from the matter discussed above regarding the purchasing card program, the adoption had no significant changes in the way the Association recognizes revenue. However, the presentation and disclosures of revenue has been modified and enhanced. Management has concluded that the adoption of the provisions of ASC 606 as it relates to their purchasing card program, was not considered cost beneficial and has elected to continue its prior accounting for these transactions as a pass through in accordance with prior GAAP, but which is not in compliance with current GAAP.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies the recording of contributions. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Association adopted this update in 2021 fiscal year under the modified retrospective method and it had no impact on the presentation of the financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on the time spent, specific identification or allocation methodologies.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Personnel costs	Time and effort
Office, building and depreciation	Full time equivalent
Credit card fees	Revenue source

The program and supporting services are as follows:

**Annual conference:** Provides a three-day event dedicated to the professional development of Association members and non-members. Content is delivered through a series of educational sessions relevant to the duties, roles and hot topics currently affecting school business professionals across the state. Organized networking opportunities are also provided at the event.

In addition, it serves as the annual meeting of Association members in which Board elections are held, important organization updates/announcements are made, and members are recognized for their accomplishments and work throughout the year.

**Workshops:** Provide half- to full-day trainings administered to support the professional growth and success in Association members and non-members. Content is evaluated and curated on a yearly basis to promote standardized skillsets and establish a basic level of competency for those in similar roles across Washington. Meetings are held in central locations that best fit each region of the state.

**Curriculum:** Provide multi-day course programs available to Association members and non-members. Course curriculum is designed to build, standardize, and strengthen professional competencies and contribute to the ability to earn professional certifications with WASBO. Curriculum is generally characterized by the assessments administered at the end to determine whether the individual can adequately demonstrate and apply what they have learned over the course of the program.

**Member services:** Provide organizational activities designed to enhance Association member and non-member experiences to retain and gain new membership.

**General and administrative** Involves the direction of the overall affairs of the Association, which includes accounting, personnel, professional fees, administrative, and related expenses.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Restricted Cash

The Association considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Association considers all restricted highly liquid instruments with a maturity of three months or less at the time of issuance to be restricted cash and cash equivalents. In accordance with the provisions of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, the Association includes restricted cash and cash equivalents within the balance of cash and cash equivalents presented in the statement of cash flows. Cash and cash equivalents consist of checking and money market accounts.

Cash, equivalents, and restricted cash consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
	(reviewed)	(audited)
Unrestricted cash and cash equivalents	\$ 782,187	\$ 677,868
Restricted cash	<u>3,770</u>	<u>3,750</u>
Total	<u>\$ 785,957</u>	<u>\$ 681,618</u>

The Association has cash deposits in a FDIC insured bank which may exceed federally insured limits. No losses have been experienced on these accounts.

Investments

Investments are reported at fair value. The estimated fair value of mutual funds is based on the closing net asset value per share of each underlying fund as reported by the investment manager as of the reporting date.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities as investments return. Investment return is presented net of investment fees and is included in the Statements of Activities and Changes in Net Assets as a part of other income.

All investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term, and such change could materially affect the amounts reported in the financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability between market participants on the measurement date. The three levels of fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable inputs that cannot be corroborated by observable market data for the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Revenue Recognition

The Association's significant revenue recognition policies are described below:

*Membership dues*

Amounts charged by the Association to members for the general rights of membership, includes access to the members-only section of the Association's website; advocacy representation for members on issues affecting their interest; a members-only subscription to the Association's daily, weekly, and bi-weekly electronic communications; and access to networking groups, and other professional resources. Although the Association does not execute a contract with its members, management considers payment of annual dues, based on prices determined by the Association, to constitute member acceptance of the offered benefits. The performance obligations are satisfied over the membership period, using the input method, which coincides with the Association's reporting period.

*Conference, Curriculum, Workshops, and Sponsorships*

The Association holds and sponsors events throughout the year, that require the purchase of registration fees or sponsorship proposals. Performance obligations are satisfied at the time of the event when the services are transferred.

For registration fees, discounts are offered to members as part of their membership. Sponsors and exhibitors receive benefits such as complementary registrations, name recognition and other benefits at the event.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable and Deferred Revenue

Accounts receivable are primarily related to events and membership dues and are recorded at the amount management expects to collect. With respect to estimating the allowance for uncollectible accounts, management analyzes the aging of accounts receivable, historical bad debts, customer credit worthiness and current economic trends and records an allowance as appropriate. No allowance for uncollectible accounts are reported at June 30, 2021 and 2020, since management considers the balance in accounts receivable to be collectible.

Revenues are deferred when monies for events and services are received prior to events occurring and consist of the following at June 30:

	<u>2021</u> <u>(reviewed)</u>	<u>2020</u> <u>(audited)</u>
Membership dues	\$ 149,669	\$ 167,563
Vendor dues	2,800	12,775
Workshops, curriculum, and other	<u>29,120</u>	<u>27,250</u>
Total deferred revenue	<u>\$ 181,589</u>	<u>\$ 207,588</u>

The Association has a policy of recording receivables and deferred revenues when members enroll or renew their membership or participants register for various programs. At June 30, 2021 and 2020, the Association had advance billings of approximately \$- and \$120,000 which would otherwise be included in receivables and corresponding deferred revenues which have been excluded from these financial statements.

Purchasing Card Program

WASBO has partnered with the Illinois Association of School Business Officials and Bank of Montreal (collectively, the Provider) to offer purchasing cards to Washington school districts at no cost. The agreement terminates on April 1, 2022 unless cancelled under the terms provided. After April 1, 2022 the agreement automatically extends for one-year periods unless cancelled. The program runs from April 1st through March 31st and a rebate is earned based on several factors, including the amount of the school districts purchases and the number of grace days from payment. The agreement with the Provider stipulates that the Association will receive the rebate without restrictions as to use. WASBO has advertised it will, and has historically paid, the entire rebate received each year to its members. During the agreement years ended March 31, 2021 and 2020, the Association earned rebates of \$712,840 and \$1,010,331.

The Association accounts for the arrangement as an agent. In addition, no amounts have been accrued for rebates earned between March 31 and June 30 each year. As discussed in Note 1 above, this accounting was in accordance with prior GAAP but is not in accordance with GAAP subsequent to the required adoption of ASC 606. The rebates received and payments to members have been excluded from the statement of activities.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (concluded)

Purchasing Card Program

For the year ended June 30, 2021, the funds were received and disbursed within the fiscal year. Therefore, no receivable or payable balances are presented related to rebates in the fiscal year ended June 30, 2021. For the year ended June 30, 2020, the funds were received subsequent to year-end, resulting in the rebate receivable balance in the statement of financial position. A corresponding payable to the rebate recipients was also recorded for the year ended June 30, 2020. The Association has a policy to distribute the rebates within 30 days of receipt.

Property and Equipment

Property and equipment are stated at original cost or donated fair value, less accumulated depreciation. All acquisitions of property and equipment in excess of \$1,000 with a useful life of more than one year are capitalized and depreciated using the straight-line method over the estimated useful lives of the related assets ranging as follows:

Building	39 years
Furniture, fixtures, and equipment	5 – 10 years

Income Tax Status

The Association is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Association is not a private foundation. Taxes are imposed on unrelated business taxable income as defined in the Internal Revenue Code. No provision for unrelated business income taxes was recognized for the years ended June 30, 2021 and 2020.

The Association adopted the accounting standard on accounting for uncertain tax positions, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. No liability has been recognized by the Association for uncertain tax positions as of June 30, 2021 and 2020.

Subsequent Events

The Association has evaluated subsequent events through January 9, 2021, which is the date the financial statements were available for issuance.

New Accounting Pronouncements

New accounting pronouncements include the following:

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. The guidance is effective for the Association in the fiscal year beginning July 1, 2023. Early adoption is permitted, and the modified retrospective approach must be used to adopt the guidance. The Association is currently evaluating the impact of adopting this new guidance on the financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 2 – INVESTMENTS

The Association has the following investments at June 30:

	2021 (reviewed)	
	Fair Value	Unrealized Gains
Mutual funds	\$ 134,063	\$ 27,065
	2020 (audited)	
	Fair Value	Unrealized Gains
Mutual funds	\$ 112,905	\$ 6,334

Investment income is included in other income on the statement of activities and for the year ended June 30 consisted of the following:

	<u>2021</u> <u>(reviewed)</u>	<u>2020</u> <u>(audited)</u>
Interest and dividend income	\$ 2,268	\$ 4,890
Unrealized gains (losses)	20,731	(1,912)
Investment management fees	<u>(1,365)</u>	<u>(1,168)</u>
Total	<u>\$ 21,634</u>	<u>\$ 1,810</u>

Subsequent to year-end, the Association liquidated its investments and transferred the funds to a new custodian.

## NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the Association's fair value hierarchy for investments measured at fair value on a recurring basis:

	Mutual Funds			Total
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
As of June 30, 2021 (reviewed)	\$ 134,063	\$ --	\$ --	\$ 134,063
As of June 30, 2020 (audited)	\$ 112,905	\$ --	\$ --	\$ 112,905

Financial instruments as of June 30, 2021 and 2020 consisted of mutual funds. Mutual funds are valued based on the fair value of the net assets in the funds which are published daily. As a result, all instruments have been classified as Level 1.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u> <u>(reviewed)</u>	<u>2020</u> <u>(audited)</u>
Buildings	\$ 387,148	\$ 387,148
Furniture, fixtures, and equipment	<u>12,383</u>	<u>12,383</u>
Total cost	399,531	399,531
Less accumulated depreciation and amortization	<u>142,673</u>	<u>132,746</u>
Property and equipment - net	<u>\$ 256,858</u>	<u>\$ 266,785</u>

## NOTE 5 – RETIREMENT PLAN

The Association has a 403(b) retirement plan which covers all employees after 30 days of employment. The plan provides for discretionary employer matching contributions. Employer matching contributions were \$22,979 and \$8,834 for the years ended June 30, 2021 and 2020.

## NOTE 6 – OPERATING LEASE

In July 2018, the Association entered into a lease for a copier under a 60-month operating lease agreement. The lease requires monthly payments of \$305 over the total lease term and includes an option to purchase the copier at the end of the lease for the fair value of the asset.

Minimum lease payments are as follows for future years ending June 30:

2022	\$ 3,656
2023	3,656
2024	<u>305</u>
Total lease payments	<u>\$ 7,617</u>

Total equipment rent expense was \$4,116 and \$4,102 for the years ended June 30, 2021 and 2020.

## NOTE 7 – RISKS, COMMITMENTS, AND CONTINGENCIES

During the year ended June 30, 2020, the COVID-19 virus was declared a global pandemic. The continuing effects of the outbreak and related actions, including the potential of significant portions of the workforce becoming unable to work effectively due to facilities closures, illness, quarantines, government actions, or other restrictions, may impede the Association's ability to perform on its obligations to its customers, and may also result in increased costs to the Association. Therefore, depending on the severity and duration of the outbreak and its effects, there could be an adverse effect on the Association's business, results of operations and financial condition. In response to the pandemic, the Association shifted to having virtual conferences and meetings, which have different cost and participation characteristics. The future impact to the Association has not been determined. Accordingly, no adjustment has been made to these financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 7 – RISKS, COMMITMENTS, AND CONTINGENCIES

A conference is held each year to provide members the opportunity to improve their skills and to network with other school business officials. WASBO has contracted with various vendors to make future conferences possible. The amounts shown below are estimated total commitments for which the Association is currently obligated to for future events. The Association carries special event insurance to cover potential losses for the current annual conference.

2022	\$ 129,214
2023	131,662
2024	60,553
2025	150,239
2026	62,488
Thereafter	<u>44,975</u>
Total contingent liability	<u>\$ 579,131</u>

## NOTE 8 – LIQUIDITY

The Association's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 785,957
Accounts receivable	1,730
Prepaid expenses	<u>37,344</u>
	825,031
Less: designated and restricted cash	<u>27,913</u>
Available assets	<u>\$ 797,118</u>

The Association's financial assets have been reduced by amounts not available for general use because of donor restrictions and internal designations.

The resources listed above exclude investments in mutual funds totaling \$134,063 which have been classified as long-term assets which are not subject to restrictions of use.

As part of the Association's liquidity management, it has a practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in investments, including short-term investments.