



**Washington Association of School Business Officials**

**FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2020**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Washington Association of School Business Officials, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Association of School Business Officials as of June 30, 2020, 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.

*Frost & Company, PLLC*

Lacey, Washington  
November 6, 2020

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

## ASSETS

Current Assets	
Cash, cash equivalents, and restricted cash	\$ 681,618
Accounts receivable	8,515
Rebates receivable	1,010,331
Prepaid expenses	<u>37,445</u>
Total current assets	<u>1,737,909</u>
Other Assets	
Property and equipment - net	266,785
Prepaid expenses	13,001
Investments	<u>112,905</u>
Total other assets	<u>392,691</u>
Total assets	<u>\$ 2,130,600</u>

## LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 6,304
Rebates payable to members	1,007,358
Accrued liabilities	33,323
Deferred revenue	<u>207,588</u>
Total current liabilities	<u>1,254,573</u>
Net Assets	
Net assets without donor restrictions	851,088
Net assets with donor restrictions	<u>24,939</u>
Total net assets	<u>876,027</u>
Total liabilities and net assets	<u>\$ 2,130,600</u>

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

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

## Net Assets Without Donor Restrictions:

## Revenues and Other Support

Conference	\$ 286,475
Curriculum	89,960
Membership dues	224,575
Workshops	383,786
Partner sponsorships	99,817
Other income	27,008
Net assets released from restrictions	<u>14,861</u>

Total revenues and other support	<u>1,126,482</u>
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## Expenses

## Program services

Conference	164,173
Curriculum	136,654
Workshops	276,783
Member services	117,328

## Support services

Management and general	<u>217,095</u>
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Total expenses	<u>912,033</u>
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Change in net assets without donor restrictions	<u>214,449</u>
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## Net Assets With Donor Restrictions:

## Revenues and Other Support

Contributions	7,540
Net assets released from restrictions	<u>(14,861)</u>

Change in net assets with donor restrictions	<u>(7,321)</u>
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Change in net assets	207,128
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## Net Assets

Beginning of year	<u>668,899</u>
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End of year	<u>\$ 876,027</u>
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The accompanying notes are an integral part of these financial statements.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	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
<b>Total</b>	<b>\$ 164,173</b>	<b>\$ 136,654</b>	<b>\$ 276,783</b>	<b>\$ 117,328</b>	<b>\$ 694,938</b>	<b>\$ 217,095</b>	<b>\$ 912,033</b>

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

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities	
Change in net assets	
Adjustments to reconcile change in net assets to net cash flows provided by operating activities	\$ 207,128
Depreciation	9,926
Unrealized loss on investments	907
(Increase) decrease in operating assets	
Accounts receivable	56,905
Rebates receivable	(1,010,331)
Prepaid expense	(18,740)
Increase (decrease) in operating liabilities	
Accounts payable	3,287
Rebates payable to members	1,007,358
Accrued liabilities	21,030
Deferred revenue	<u>(94,557)</u>
Net cash flows provided by operating activities	<u>182,913</u>
Net changes in cash and cash equivalents	182,913
Cash, Equivalents, and Restricted Cash	
Beginning of year	<u>498,705</u>
End of year	<u>\$ 681,618</u>

The accompanying notes are an integral part of these 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). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards (ASC) 958 Not-for-Profit entities and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide).

Under the provisions of the Guide, net asset 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.

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.

## 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, 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 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.

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

Cash, equivalents and restricted cash consisted of the following at June 30, 2020:

Unrestricted cash and equivalents	\$ 677,868
Restricted cash	<u>3,750</u>
Total cash, equivalents and restricted cash	<u>\$ 681,618</u>

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 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.

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.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

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

Fair Value

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, Accounts Receivable, and Deferred Revenue

Operating revenues are primarily derived through annual conference, workshops/curriculum, and contributions. Revenue is recognized when the event or services have been performed. Membership dues are recognized according to contracts and the related time period. Contributions are recognized when received or receivable from the donor.

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 is reported at June 30, 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, 2020:

Membership dues	\$ 167,563
Vendor dues	12,775
Workshops, Curriculum, and other	<u>27,250</u>
Total deferred revenue	<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, 2020, the Association had advance billings of approximately \$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 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 school districts may earn a rebate based on several factors, including the amount of their purchases and the number of grace days from payment. At June 30, 2020, the Washington participants in the program earned rebates of \$1,010,331.

The Association accounts for the arrangement as an agent. Therefore, the rebates received and payments to members have been excluded from the statement of activities. The funds were received subsequent to year-end. A corresponding payable has been recorded, since the Association has a policy to distribute the rebates within 30 days of receipt. No amounts have been accrued for account activity between March 31, 2020 and June 30, 2020 as the amount cannot be reasonably estimated.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

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

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 year ended June 30, 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, 2020.

New Accounting Pronouncements

New accounting pronouncements include the following:

Effective July 1, 2019, the Association adopted an Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, to address the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU is effective for the Association using a retrospective approach. The implementation of this new guidance had no impact on the financial statements.

In May 2015, the FASB issued an ASU, *Revenue from Contracts with Customers*, which supersedes previous revenue recognition guidance. The new standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. Companies will need to use more judgment and estimates than under the guidance currently in effect, including estimating the amount of variable revenue to recognize over each identified performance obligation. Additional disclosures will be required to help users of financial statements understand the nature, amount and timing of revenue and cash flows arising from contracts. The new standard will become effective for the Association in the year beginning July 1, 2020. The Association can apply the revenue standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings (simplified transition method). 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 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (concluded)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, accounting guidance on 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.

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 amendments become effective for the Association in the fiscal year beginning July 1, 2020 and shall be applied on a modified prospective basis. Early application of the amendments is permitted. The Association is currently evaluating the impact of adopting this new guidance on the financial statements.

Subsequent Events

The Association has evaluated subsequent events through November 6, 2020, which is the date the financial statements were available for issuance.

## NOTE 2 – INVESTMENTS

The Association has the following investments at June 30, 2020:

	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, 2020 consisted of the following:

Interest and dividend income	\$ 4,890
Unrealized losses	(1,912)
Investment management fees	<u>(1,168)</u>
Total	<u>\$ 1,810</u>

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## 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:

As of June 30, 2020				
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual funds	<u>\$ 112,905</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 112,905</u>

## NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Buildings	\$ 387,148
Furniture, fixtures, and equipment	<u>12,383</u>
Total cost	399,531
Less accumulated depreciation and amortization	<u>132,746</u>
Property and equipment - net	<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 not to exceed 5% of participant's compensation. Employer matching contributions were \$8,834 for the year ended June 30, 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 \$278 over the total lease term and includes an option to purchase 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:

2021	\$ 3,342
2022	3,342
2023	3,342
2024	<u>278</u>
Total lease payments	<u>\$ 10,304</u>

Rent expense was \$4,102 for the year ended June 30, 2020.

## WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

## NOTES TO FINANCIAL STATEMENTS

## NOTE 7 – RISKS, COMMITMENTS, AND CONTINGENCIES

During the year ended June 30, 2020, the COVID-19 virus has been declared a global pandemic. The 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.

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.

2021	\$ 140,528
2022	121,873
2023	124,321
2024	60,553
2025	<u>138,227</u>
Total contingent liability	<u>\$ 585,502</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	\$ 681,618
Accounts receivable	8,515
Prepaid expenses	<u>37,445</u>
	727,578
Less: designated and restricted cash	<u>28,039</u>
Available assets	<u>\$ 699,539</u>

The Association's financial assets have been reduced by amounts not available for general use because of donor restrictions and the rebate receivable which is distributed to members.

The resources listed above exclude investments in mutual funds totaling \$112,905 which have been classified as long-term assets but are not subject to restrictions of use.

As part of the Association's liquidity management, it has a policy to structure 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.