
**WASHINGTON STATE ASSOCIATION
OF COUNTY OFFICIALS**

Board Communication

For the Year Ended December 31, 2022

August 23, 2023

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, 2022, and have issued our report thereon dated August 23, 2023. 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 February 7, 2023, 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

This identification is related to our audit planning and conduct of the audit; it is not an identification of noted issues.

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 2022. 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 August 23, 2023.

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

August 23, 2023

Washington State Association of County Officials
Accountants' Recommendations & Suggestions
For Improvement of Financial Records and Controls
For the Year Ended December 31, 2022

We have issued our audit report on the financial statements of the Washington State Association of County Officials as of December 31, 2022, and for the year then ended, and the accompanying footnotes and have issued our report thereon dated August 23, 2023. During the course of our engagement, we became aware of the following weaknesses which we believe would improve internal controls:

1. Jennifer reviews the bank reconciliation and signs off on the bank statement; however, the signed one is not scanned with the bank reconciliation package. We recommend that the signed off statement is stored in SharePoint along with the approved bank reconciliation.
2. Journal vouchers are done for a few ongoing accounting processes. We recommend that the journal vouchers are combined with the supporting documentation and are signed off on as reviewed by the appropriate oversight, i.e., Jennifer or the Board, whichever is applicable for the transaction.

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, 2022
With Comparative Totals for 2021**

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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, 2022, 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, 2022, 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, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aiken & Sanders

Montesano, WA

August 23, 2023

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF FINANCIAL POSITION

December 31, 2022 (With Comparative Totals for 2021)	2022	2021
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 883,767	\$ 854,326
Accounts Receivable	7,796	4,080
Prepaid Expenses	7,723	13,907
	<u>899,286</u>	<u>872,313</u>
<u>Property & Equipment</u>		
Leasehold Improvements, Net	14,094	14,578
Furniture and Equipment, Net	666	1,384
	<u>14,760</u>	<u>15,962</u>
<u>Other Assets</u>		
Investments	<u>143,598</u>	<u>150,393</u>
Total Assets	\$ 1,057,644	\$ 1,038,668
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 15,314	\$ 5,916
Deferred Revenue	5,863	-
Accrued Vacation	63,779	60,862
	<u>84,956</u>	<u>66,778</u>
<u>Net Assets</u>		
Without Donor Restrictions	241,224	242,603
Without Donor Restrictions-Board Designated	715,769	716,562
Total Without Donor Restrictions	956,993	959,165
With Donor Restrictions	15,695	12,725
	<u>972,688</u>	<u>971,890</u>
Total Liabilities and Net Assets	\$ 1,057,644	\$ 1,038,668

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, 2022 (With Comparative Totals for 2021)		2022		2021	
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL	
<u>Support and Revenue</u>					
Membership Dues	\$ 961,217	\$ -	\$ 961,217	\$ 929,611	
Contract Revenue	1,735	-	1,735	1,145	
Conference Income	172,655	-	172,655	91,325	
Rent Income	27,555	-	27,555	27,555	
Investment Income (Loss)	(6,795)	-	(6,795)	(7,856)	
Contributions	18,684	2,970	21,654	16,558	
In-Kind Revenue	12,951	-	12,951	-	
Interest Income	2,682	-	2,682	4,148	
Satisfaction of donor restriction	-	-	-	-	
Total Support and Revenue	1,190,684	2,970	1,193,654	1,062,486	
<u>Expenses</u>					
Program Services	965,613	-	965,613	863,736	
Management & General	227,243	-	227,243	186,373	
Total Expenses	1,192,856	-	1,192,856	1,050,109	
Change in Net Assets	(2,172)	2,970	798	12,377	
Net Assets at Beginning of Year	959,165	12,725	971,890	959,513	
Net Assets at End of Year	\$ 956,993	\$ 15,695	\$ 972,688	\$ 971,890	

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, 2022 (With Comparative Totals for 2021)		2022		2021	
	Program Services	Management & General	Total		Total
Salary & Wages	\$ 302,886	\$ 93,253	\$ 396,139	\$	375,482
Payroll Taxes & Employee Benefits	106,090	36,734	142,824		113,108
Conferences	132,432	-	132,432		93,655
WAPA Pass-through Dues	233,088	-	233,088		225,428
Lease Expense	46,339	46,339	92,678		89,288
Printing & Office Supplies	4,698	3,844	8,542		8,095
Membership Outreach	2,495		2,495		2,060
Miscellaneous Expense	560	229	789		294
Postage	1,255	1,026	2,281		1,688
Travel	37,932	-	37,932		19,355
Depreciation	-	1,202	1,202		1,239
Telephone	792	648	1,440		1,170
Technology	-	10,257	10,257		8,392
Insurance	-	4,770	4,770		4,742
Dues and Subscriptions	3,077	3,077	6,154		5,958
Professional Services	72,018	25,864	97,882		91,155
In-Kind Expense	12,951	-	12,951		-
Scholarships	9,000	-	9,000		9,000
Total	\$ 965,613	\$ 227,243	\$ 1,192,856	\$	1,050,109

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, 2022 (With Comparative Totals for 2021)	2022	2021
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 798	\$ 12,377
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,202	1,239
Investment Loss (Gain)	6,795	7,856
(Increase) Decrease in Accounts Receivable	(3,716)	(631)
(Increase) Decrease in Reimbursement Receivable	-	-
(Increase) Decrease in Prepaid Expenses	6,184	(4,591)
Increase (Decrease) in Accounts Payable	9,398	(4,819)
Increase (Decrease) in Deferred Revenue	5,863	-
Increase (Decrease) in Accrued Vacation	2,917	16,811
Total Adjustments	28,643	15,865
Net Cash Provided (Used) by Operating Activities	29,441	28,242
<u>Cash Flows from Investing Activities</u>		
Cash Capital Contribution to Building Investment	-	(5,420)
Net Cash Provided (Used) by Investing Activities	-	(5,420)
<u>Cash Flows from Financing Activities</u>	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	29,441	22,822
Cash and Cash Equivalents at Beginning of Year	854,326	831,504
Cash and Cash Equivalents at End of Year	\$ 883,767	\$ 854,326
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, 2022

NOTE 1 - ORGANIZATION AND PURPOSE

The Washington State Association of County Officials (WACO) was incorporated in the State of Washington in 1960. 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 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 are 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 on December 31, 2022:

Program Restrictions:	
Scholarship Program	\$ 15,695
	\$ 15,695

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, 2022

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. WACO does not charge interest on past due receivables. As of December 31, 2022, 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 on 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. WACO follows these principles. 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, 2022:

Accounts Receivable	\$ <u>1,933</u>
Deferred Revenue	\$ <u>5,863</u>

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2022

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

Leases

WACO recognizes and measures its leases in accordance with FASB ASC 842, leases. WACO is a lessee in several noncancellable operating leases, for office space and office equipment. WACO determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. WACO recognizes lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise WACO uses the U.S. Treasury Bill risk free rate with a term equivalent to the lease term. The implicit rate of the leases were not readily determinable and accordingly, WACO used the U.S. Treasury Bill risk free rate based on the information available at the commencement date for the leases.

The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments). Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Management classifies all leases greater than \$5,000 in value and twelve months or more in length as operating or finance leases. In order to meet the classification as a finance lease, leases must meet at least one of the following criteria; 1) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, 3) the lease term is for a major part of the economic life of the leased asset, 4) the present value of the sum of the lease payments and any residual value equals or exceeds substantially all of the fair value of the underlying asset, or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

WACO has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that WACO is reasonably certain to exercise. WACO recognizes lease cost associated with the short-term leases on a straight-line basis over the lease term.

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.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2022

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

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, 2022, and 2021 totaled \$63,779 and \$60,862, 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, 2022, and 2021. 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, 2022, and 2021 were \$30,361 and \$18,432 respectively.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

WACO, although it expects to receive current support to fund operations for 2023 and later years, has \$870,005 and \$845,681 of financial assets available within one year of the statement of financial position dates on December 31, 2022, and 2021, respectively, to meet cash needs for general operating expenditures of WACO. Financial assets available within one year consists of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 883,767	\$ 854,326
Accounts Receivable	1,933	4,080
Donor Restriction Imposed	<u>(15,695)</u>	<u>(12,725)</u>
Financial Assets Available to Meet		
Cash Needs Within One Year	\$ <u>870,005</u>	\$ <u>845,681</u>

NOTE 4 – CREDIT RISK CONCENTRATION

WACO places its cash assets in federally insured institutions and limits the amount of credit risk by employing different institutions. On December 31, 2022, WACO had cash deposits, at one institution, exceeding the \$250,000 insurance limit provided by the Federal Deposit Insurance Corporation in the amount of \$112,538.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2022

NOTE 5 – BOARD DESIGNATED NET ASSETS

WACO has a board designated 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, 2022, and 2021, the board restricted reserve was \$715,769 and \$716,562, respectively.

	2022	2021
Board Reserve For:		
Operations	\$ 500,000	\$ 500,000
Capital Expenditures	88,633	90,000
Conference	30,000	30,000
Audit Reserve	766	766
Earmarked for Unemployment Claim	20,500	20,500
Earmarked for Current Year Income	75,000	75,000
Other	870	296
Total Board Designated Net Assets	\$ <u>715,769</u>	\$ <u>716,562</u>

NOTE 6 – INVESTMENTS & FAIR VALUE MEASUREMENTS

WACO is the general partner of Washington Counties Building (Partnership). WACO is a 50% participant in the income/loss of the Partnership. WACO's invested capital in the Partnership on December 31, 2022, and 2021 was \$143,598 and \$150,393, respectively.

Investment (loss) on the statement of activities for the year ended December 31, 2022, was \$(6,795).

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 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.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2022

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

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.

The 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, 2022.

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 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.

The following table sets forth by level, within the fair value hierarchy, WACO assets at fair value as of December 31, 2022, with comparable totals for 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2022 Total</u>	<u>2021 Total</u>
Washington Counties					
Building	\$ -	\$ -	\$ 143,598	\$ 143,598	\$ 150,393
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,598</u>	<u>\$ 143,598</u>	<u>\$ 150,393</u>

Level 3 Losses

Balance January 1, 2022	\$ 150,393
Realized Loss	<u>(6,795)</u>
Balance December 31, 2022	<u>\$ 143,598</u>

NOTE 7 – 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 WACO to adjust operating practice and delivery of services. 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.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2022

NOTE 8 – LEASES

WACO leases office space that is classified as an operating lease. The lease is year to year and is not recognized as a right to use assets due to a lease term of 12 months or less. Lease expenses for the years ended December 31, 2022, and 2021, were \$88,344 and \$85,200 respectively, which include fixed payments.

WACO also leases a copier that is classified as a finance lease. The lease has a 60-month term, expiring June 30, 2024. Lease expenses for the years ended December 31, 2022, and 2021, were \$4,333 and 4,088, respectively. The following is a schedule of total finance fixed lease payments at 2.50% interest.

NOTE 9 – DONATED MATERIALS

During the year ended December 31, 2022, WACO received the following in-kind donations that are used in the programs sponsored by WACO. These in-kind donations have been recorded as in-kind revenue at estimated fair market value when received. When they are used, an offsetting entry to in-kind expense is made.

Conference Materials	\$	4,972
Professional Services		<u>7,979</u>
Total In-Kind Donations	\$	<u>12,951</u>

NOTE 10 - UNCERTAIN TAX POSITIONS

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.

WACO files income tax returns in the U.S. federal jurisdiction. WACO is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2022, 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, 2022

NOTE 11 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

	Beginning Balance 01/01/2022	Additions	Disposals	Ending Balance 12/31/2022
Furniture and Equipment	\$ 26,876	\$ -	\$ -	\$ 26,876
Less Accumulated Deprecation	(25,492)	(718)	-	(26,210)
Net Furniture and Equipment	\$ 1,384	\$ (718)	\$ -	\$ 666
Leasehold Improvements	\$ 18,886	\$ -	\$ -	\$ 18,886
Less Accumulated Deprecation	(4,308)	(484)	-	(4,792)
Net Leasehold Improvements	\$ 14,578	\$ (484)	\$ -	\$ 14,094

Net property and equipment as of December 31, 2021, was \$15,962.

NOTE 12 - SUBSEQUENT EVENTS

No events have occurred through August 23, 2023, which is the date the financial statements were available to be issued based on WACO facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2022.