

**WASHINGTON FINANCE
OFFICERS ASSOCIATION**

**Financial Statements and
Independent Auditors' Report**

December 31, 2018 and 2017

Washington Finance Officers Association

CONTENTS

| | <u>Page</u> |
|---|-------------|
| <i>INDEPENDENT AUDITORS' REPORT</i> | 2-3 |
| <i>FINANCIAL STATEMENTS:</i> | |
| <i>Statements of financial position</i> | 4 |
| <i>Statements of activities and changes in net assets</i> | 5 |
| <i>Statements of cash flows</i> | 6 |
| <i>NOTES TO FINANCIAL STATEMENTS</i> | 7-10 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Finance Officers Association
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Finance Officers Association (a nonprofit Association), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 Finance Officers Association as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Northwest CPA Group PLLC

Tri-Cities, Washington
July 2, 2019

Washington Finance Officers Association Statements of Financial Position

| | December 31, | |
|---------------------------------------|--------------|------------|
| | 2018 | 2017 |
| ASSETS | | |
| <i>CURRENT ASSETS:</i> | | |
| Cash and cash equivalents | \$ 367,896 | \$ 432,610 |
| Deposits, <i>current</i> | 11,600 | 18,383 |
| Total current assets | 379,496 | 450,993 |
| <i>DEPOSITS, NONCURRENT</i> | 14,153 | 2,550 |
| | \$ 393,649 | \$ 453,543 |
| LIABILITIES AND NET ASSETS | | |
| <i>CURRENT LIABILITIES:</i> | | |
| Accounts payable and other accruals | \$ - | \$ 734 |
| <i>NET ASSETS:</i> | | |
| Without donor restrictions | 393,649 | 452,809 |
| | \$ 393,649 | \$ 453,543 |

Washington Finance Officers Association

Statements of Activities and Changes in Net Assets

| | Years Ended December 31, | |
|--------------------------------------|-----------------------------|------------|
| | 2018 | 2017 |
| <i>REVENUE:</i> | | |
| Conference | \$ 469,337 | \$ 375,945 |
| Classes and seminars | 109,250 | 134,715 |
| Membership dues | 61,350 | 63,375 |
| Finance contract fees | 11,000 | 6,000 |
| Interest income | 488 | 364 |
| Other income | 545 | 1,151 |
| | 651,970 | 581,550 |
| <i>EXPENSES:</i> | | |
| Program services: | | |
| Conferences | 530,462 | 321,711 |
| Classes and seminars | 45,155 | 66,610 |
| Member services | 41,589 | 26,348 |
| Newsletter | 600 | 830 |
| | 617,806 | 415,499 |
| General and administrative: | | |
| Board meetings | 40,436 | 48,309 |
| Professional fees | 21,790 | 31,365 |
| Other conferences and meetings | 11,615 | 11,784 |
| Bank fees | 8,000 | 25,741 |
| Website enhancement | 4,536 | 4,587 |
| Travel | 2,027 | 2,802 |
| Insurance | 1,518 | 718 |
| Recruitment | 1,217 | - |
| Office expenses | 582 | 195 |
| Postage | 256 | 199 |
| Other | 1,347 | 3,268 |
| | 93,324 | 128,968 |
| Total expenses | 711,130 | 544,467 |
| <i>CHANGES IN NET ASSETS</i> | (59,160) | 37,083 |
| <i>NET ASSETS, BEGINNING OF YEAR</i> | 452,809 | 415,726 |
| <i>NET ASSETS, END OF YEAR</i> | \$ 393,649 | \$ 452,809 |

Washington Finance Officers Association Statements of Cash Flows

| | Years Ended December 31, | |
|---|-----------------------------|------------|
| | 2018 | 2017 |
| <i>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i> | | |
| <i>CASH FLOWS FROM OPERATING ACTIVITIES:</i> | | |
| Cash received from operations | \$ 651,482 | \$ 581,186 |
| Cash paid to vendors | (716,684) | (554,170) |
| Interest received | 488 | 364 |
| | (64,714) | 27,380 |
| <i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i> | | |
| | (64,714) | 27,380 |
| <i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i> | 432,610 | 405,230 |
| <i>CASH AND CASH EQUIVALENTS, END OF YEAR</i> | \$ 367,896 | \$ 432,610 |
| | | |
| <i>Reconciliation of Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i> | | |
| Changes in net assets | \$ (59,160) | \$ 37,083 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Decrease (increase) in assets: | | |
| Prepaid expenses | - | 1,013 |
| Deposits | (4,820) | (11,450) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and other accruals | (734) | 734 |
| Total adjustments | (5,554) | (9,703) |
| Net cash provided by (used in) operating activities | \$ (64,714) | \$ 27,380 |

Washington Finance Officers Association

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 1 – ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Association:

Washington Finance Officers Association (the Association), a nonprofit corporation, promotes excellence in governmental finance in the state of Washington through leadership, education, and communication for the public benefit. To accomplish its mission, the Association conducts an annual conference, numerous seminars and classes, and facilitates cooperation and exchange of information among members.

Summary of Significant Accounting Policies:

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under those principles, the Association is required to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2018 and 2017, there were no net assets with donor restrictions.

Cash and cash equivalents – For the purpose of the statements of cash flows, the Association considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Association maintains its cash in bank accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant risk.

Financial instruments – At December 31, 2018 and 2017, the carrying value of the Association's financial instruments approximated fair value.

Revenue recognition – The Association's revenue is largely derived from membership dues, training classes, and the annual conference. Membership dues are recognized as revenue in the applicable membership period. Training and conference registration fees are recorded when earned. Refunds are recorded as a reduction to revenue in the appropriate period.

Federal income tax – The Internal Revenue Service has determined that the Association is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Association is not a private foundation under the Section 509(a) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Washington Finance Officers Association

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 1 – ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Federal income tax (continued) – The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Allocations of functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on their actual consumption or usage.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications – Certain prior year balances have been reclassified to conform to the current year presentation with no effect on previously reported changes in net assets.

Change in accounting principle – On August 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly.

New accounting pronouncement effective in future accounting periods – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amended guidance clarifies the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for annual reporting periods beginning after December 15, 2018.

Washington Finance Officers Association

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 1 – ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

New accounting pronouncements effective in future accounting periods (continued) – In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard 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. This standard will be effective for contributions received for reporting periods beginning after December 15, 2018, and for contributions made for reporting periods beginning after December 31, 2019.

The Association’s management is currently in the process of evaluating the impact of the adoption of these ASU’s on the financial statements.

NOTE 2 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY:

The Association strives to maintain liquid financial assets sufficient to cover one-half of the conference expenditures and 60 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds.

The Association’s financial assets as of December 31, 2018 and 2017, consisted of cash and cash equivalents for \$367,896 and \$432,610, respectively.

NOTE 3 – DEPOSITS:

The following deposits are conference and board meeting expense prepayments:

| | At December 31, | |
|---------------------------------------|-----------------|-----------|
| | 2018 | 2017 |
| Deposits for future conferences: | | |
| 2018 conference | \$ - | \$ 15,000 |
| 2018 board meetings | - | 3,383 |
| 2019 conference | 10,000 | - |
| 2019 board meetings | 1,600 | - |
| 2020 conference | 7,050 | 2,550 |
| 2020 board meetings | 7,103 | - |
| Total deposits for future conferences | \$ 25,753 | \$ 20,933 |

Washington Finance Officers Association

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 4 – FINANCE CONTRACT FEES:

In March 2007, the Association entered into a master-financing contract with the Washington State Treasurer's Office. The agreement provides financing to support the State's consolidated program of lease and purchase of real and personal property for state and local agencies. Financing contracts and certificates are issued under the agreement. Financing contracts establish rental payments in amounts sufficient to satisfy principal and interest payments due on the certificates, and other responsibilities of the contracting parties. The certificates are payable solely from the payments of the state or local agency and the State of Washington contingent upon their ability to appropriate funds. The title to property is retained by the respective agency subject to a security interest for performance and payment of principal and interest. The Association receives fees as the nominal lessor when certificates are sold to state agencies.

The Association entered into various supplemental agreements, which assigned their rights to rental payments and security interest to a fiscal agent (a commercial bank). Ultimate risk of loss lies with the fiscal agent.

The Association earned finance contract fees related to this agreement totaling \$11,000 and \$6,000, for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through July 2, 2019, which is the date the financial statements were available to be issued.