

**WASHINGTON SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

*Audited Consolidated Financial Statements
and Supplementary Information*

May 31, 2023 and 2022

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Audited Consolidated Financial Statements
and Supplementary Information

May 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors and Trustees
Washington Society of Certified Public Accountants,
Washington CPA Foundation and Washington CPA/PAC
Bellevue, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Washington Society of Certified Public Accountants (the "WSCPAC"), Washington CPA Foundation (the "Foundation") and Washington CPA/PAC (the "PAC") (collectively, the "Society"), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as of May 31, 2023 and 2022, 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 ("U.S. GAAP").

Change in Accounting Principle

As discussed in Note 8 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of June 1, 2022, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. 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 consolidated financial statements.

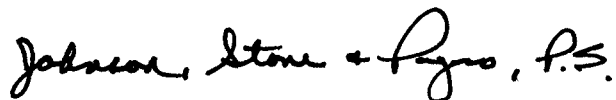
In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Society's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position as of May 31, 2023 and schedule of activities for the year ended May 31, 2023 on pages 27 through 29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



JOHNSON, STONE & PAGANO, P.S.

October 2, 2023

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 688,788	\$ 739,473
Investments	11,193,401	11,347,025
Accounts receivable	302,766	54,580
Prepaid expenses	<u>190,778</u>	<u>167,549</u>
Total Current Assets	12,375,733	12,308,627
NONCURRENT ASSETS		
Endowment investments	2,239,036	2,297,833
Property and equipment, net	<u>59,566</u>	<u>137,259</u>
Total Noncurrent Assets	2,298,602	2,435,092
OTHER ASSETS		
Finance right-of-use assets, net	15,825	
Operating right-of-use asset, net	847,697	
Investments held under agency contract	<u>2,161,921</u>	<u>2,554,266</u>
Total Other Assets	<u>3,025,443</u>	<u>2,554,266</u>
TOTAL ASSETS	<u>\$ 17,699,778</u>	<u>\$ 17,297,985</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 553,399	\$ 470,151
Deferred revenue - continuing professional education programs	290,111	360,760
Deferred revenue - membership dues	773,410	855,741
Deferred revenue - other	9,970	8,773
Current portion of finance lease liability	11,024	
Current portion of operating lease liability	<u>71,297</u>	
Total Current Liabilities	1,709,211	1,695,425
OBLIGATION UNDER AGENCY CONTRACT	2,161,921	2,554,266
FINANCE LEASE LIABILITY , less current portion	5,026	
OPERATING LEASE LIABILITY , less current portion	808,728	
Total Liabilities	<u>4,684,886</u>	<u>4,249,691</u>
NET ASSETS		
Without donor restrictions - the WSCPA	10,110,802	10,005,245
Without donor restrictions - the Foundation	<u>561,699</u>	<u>616,496</u>
Total Net Assets without Donor Restrictions	10,672,501	10,621,741
With donor restrictions	<u>2,342,391</u>	<u>2,426,553</u>
Total Net Assets	<u>13,014,892</u>	<u>13,048,294</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,699,778</u>	<u>\$ 17,297,985</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended May 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Education programs	\$ 1,630,243		\$ 1,630,243	\$ 1,683,654		\$ 1,683,654
Membership dues	1,622,502		1,622,502	1,673,243		1,673,243
Peer review fees	184,475		184,475	219,467		219,467
Interest and dividend income, net of related expenses (2023 - \$45,080; 2022 - \$38,090)	192,629	\$ 41,964	234,593	71,486	\$ 27,993	99,479
Networking events	6,400		6,400	1,900		1,900
Advertising	34,093		34,093	43,765		43,765
Contributions	71,995	68,285	140,280	61,613	148,140	209,753
In-kind contributions	22,250		22,250	62,444		62,444
Grant income	263,286		263,286	299,070		299,070
Other	126,349		126,349	137,420		137,420
Net assets released from restrictions	166,542	(166,542)		75,293	(75,293)	
Total Revenue	4,320,764	(56,293)	4,264,471	4,329,355	100,840	4,430,195
EXPENSES						
Program services						
Education programs	1,504,419		1,504,419	1,562,279		1,562,279
Member services programs	964,890		964,890	894,473		894,473
Peer review expenses	296,130		296,130	277,773		277,773
Advocacy	517,672		517,672	385,641		385,641
Total Program Expenses	3,283,111		3,283,111	3,120,166		3,120,166
General and administrative	924,377		924,377	846,536		846,536
Foundation	281,536		281,536	236,565		236,565
Total Expenses	4,489,024		4,489,024	4,203,267		4,203,267
Change in Net Assets Before Gain (Loss) on Sale/Disposition of Property and Equipment and Gain (Loss) on Investments	(168,260)	(56,293)	(224,553)	126,088	100,840	226,928
Gain (loss) on sale/disposition of property and equipment	(7,162)		(7,162)	4,393,849		4,393,849
Gain (loss) on investments	226,182	(27,869)	198,313	(410,835)	(181,699)	(592,534)
CHANGE IN NET ASSETS	50,760	(84,162)	(33,402)	4,109,102	(80,859)	4,028,243
Net Assets at Beginning of Year	10,621,741	2,426,553	13,048,294	6,512,639	2,507,412	9,020,051
NET ASSETS AT END OF YEAR	\$ 10,672,501	\$ 2,342,391	\$ 13,014,892	\$ 10,621,741	\$ 2,426,553	\$ 13,048,294

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended May 31, 2023 with Comparative Totals for 2022

	Education	Member Services	Peer Review	Advocacy	Total Programs	General and Administrative	Foundation	Total Expenses	
								2023	2022
Salaries and compensation	\$ 380,919	\$ 493,809	\$ 151,705	\$ 201,515	\$ 1,227,948	\$ 468,873	\$ 61,067	\$ 1,757,888	\$ 1,699,588
Employee benefits and taxes	100,169	129,855	39,893	52,991	322,908	123,297	16,059	462,264	497,592
Total Compensation Expense	481,088	623,664	191,598	254,506	1,550,856	592,170	77,126	2,220,152	2,197,180
Professional services	613,813	20,000	45,043	164,922	843,778		183,419	1,027,197	1,026,494
Facility costs	79,908	40,209			120,117			120,117	36,293
In-kind lease expense									62,444
Lease	26,379	26,402	16,856	26,465	96,102	51,240	1,707	149,049	
Food and beverage	85,560				85,560			85,560	13,362
Credit card fees	44,783	37,514			82,297			82,297	91,334
Marketing, postage and printing	16,869	45,565			62,434		3,497	65,931	46,415
Repair and maintenance	7,307	7,314	4,669	7,331	26,621	14,194	473	41,288	44,666
Utilities and phone	8,920	11,526	3,584	4,780	28,810	11,072	1,418	41,300	66,032
Insurance and taxes	10,908	275	85	112	11,380	42,380	34	53,794	74,780
Supplies and subscriptions	23,064	24,803	2,581	7,031	57,479	10,471	2,072	70,022	65,669
Technology	59,998	71,856	15,936	21,168	168,958	49,253	6,415	224,626	202,806
Travel	4,924	9,716	3,920	10,416	28,976	8,867	981	38,824	14,927
Depreciation and amortization	22,281	28,885	8,874	11,787	71,827	27,427	3,572	102,826	104,554
Administrative and other	18,617	17,161	2,984	9,154	47,916	117,303	822	166,041	156,311
TOTAL EXPENSES	\$ 1,504,419	\$ 964,890	\$ 296,130	\$ 517,672	\$ 3,283,111	\$ 924,377	\$ 281,536	\$ 4,489,024	\$ 4,203,267

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended May 31, 2022

	<u>Education</u>	<u>Member Services</u>	<u>Peer Review</u>	<u>Advocacy</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Foundation</u>	<u>Total Expenses 2022</u>
Salaries and compensation	\$ 401,471	\$ 474,565	\$ 135,360	\$ 195,649	\$ 1,207,045	\$ 445,485	\$ 47,058	\$ 1,699,588
Employee benefits and taxes	<u>117,539</u>	<u>138,939</u>	<u>39,630</u>	<u>57,281</u>	<u>353,389</u>	<u>130,426</u>	<u>13,777</u>	<u>497,592</u>
Total Compensation Expense	519,010	613,504	174,990	252,930	1,560,434	575,911	60,835	2,197,180
Professional services	698,881	22,500	65,339	76,834	863,554		162,940	1,026,494
Facility costs	16,976	19,317			36,293			36,293
In-kind lease expense	34,969	11,240	624	3,747	50,580	11,240	624	62,444
Food and beverage	13,362				13,362			13,362
Credit card fees	54,406	36,928			91,334			91,334
Marketing, postage and printing	15,738	29,144			44,882		1,533	46,415
Repair and maintenance	25,012	8,040	447	2,680	36,179	8,040	447	44,666
Utilities and phone	22,625	16,284	3,748	6,405	49,062	15,526	1,444	66,032
Insurance and taxes	33,643	6,037	414	2,039	42,133	32,297	350	74,780
Supplies and subscriptions	25,477	23,736	1,912	5,474	56,599	8,359	711	65,669
Technology	63,560	69,730	11,426	16,515	161,231	37,603	3,972	202,806
Travel	824	1,590	8,957	1,908	13,279	1,454	194	14,927
Depreciation	27,248	28,413	7,778	11,602	75,041	26,757	2,756	104,554
Administrative and other	<u>10,548</u>	<u>8,010</u>	<u>2,138</u>	<u>5,507</u>	<u>26,203</u>	<u>129,349</u>	<u>759</u>	<u>156,311</u>
TOTAL EXPENSES	<u>\$ 1,562,279</u>	<u>\$ 894,473</u>	<u>\$ 277,773</u>	<u>\$ 385,641</u>	<u>\$ 3,120,166</u>	<u>\$ 846,536</u>	<u>\$ 236,565</u>	<u>\$ 4,203,267</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from education programs	\$ 1,311,408	\$ 1,700,350
Cash received from membership dues	1,540,171	1,586,165
Cash received from other sources	778,328	977,618
Cash paid for employees	(2,226,491)	(2,212,359)
Cash paid to vendors and others	(2,112,441)	(2,125,759)
Interest and dividends received	279,676	137,569
	<u> </u>	<u> </u>
Net Cash Flow Provided (Used) by Operating Activities	(429,349)	63,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,347,716	1,554,966
Purchase of investments	(936,982)	(7,030,488)
Proceeds from sale of property and equipment		4,998,314
Purchases of property and equipment	(19,519)	(48,393)
	<u> </u>	<u> </u>
Net Cash Flow Provided (Used) by Investing Activities	391,215	(525,601)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on finance lease	(12,551)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,134)	(462,017)
Cash and Cash Equivalents at Beginning of Year	<u>739,473</u>	<u>1,201,490</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 688,788</u>	<u>\$ 739,473</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (33,402)	\$ 4,028,243
Adjustments to reconcile change in net assets to net cash flow provided (used) by operating activities		
Amortization of operating right-of-use asset	65,807	
Depreciation and amortization	102,826	104,554
(Gain) loss on investments	(198,313)	592,534
(Gain) loss on sale/disposition of property and equipment	7,162	(4,393,849)
Paycheck Protection Program loan forgiveness		(299,070)
Changes in operating assets and liabilities		
Accounts receivable	(248,186)	(37,902)
Prepaid expenses	(23,229)	86,953
Accounts payable and accrued expenses	83,248	10,802
Deferred revenue	(151,783)	(28,681)
Operating lease liability	(33,479)	
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (429,349)</u>	<u>\$ 63,584</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 1 - ORGANIZATION

The Washington Society of Certified Public Accountants (the "WSCPAs") is a not-for-profit organization formed in 1904 to advance the accounting profession and assist individual members in their professional and educational development. The WSCPAs's membership and activities are concentrated primarily in Washington State.

The WSCPAs has 9 chapters whose primary purpose is to advance the accounting profession and assist individual members in their professional and educational development on a local level. The net assets and results of activities of these chapters are included in the accompanying consolidated financial statements.

The members of WSCPAs's Board of Directors are also the voting members of the Washington CPA Foundation (the "Foundation"). The Foundation's primary purpose is to enhance education and promote research in accounting and related fields.

The WSCPAs is affiliated with the Washington CPA/PAC (the "PAC") whose purpose is to contribute to Washington State political campaigns. The PAC committee members are approved by the Board of Directors of the WSCPAs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the WSCPAs (including the 9 chapters), the Foundation and the PAC. Collectively, these entities are called the "Society" in these consolidated financial statements. All significant inter-entity accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Society reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Society records support as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Net Asset without Donor Restrictions

WSCPAs net assets without donor restrictions consist of the following at May 31:

	<u>2023</u>	<u>2022</u>
Chapter use	\$ 56,063	\$ 57,938
Undesignated	<u>10,054,739</u>	<u>9,947,307</u>
Total WSCPAs Net Assets without Donor Restrictions	<u>\$ 10,110,802</u>	<u>\$ 10,005,245</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets without Donor Restrictions (Continued)

Foundation net assets without donor restrictions at May 31, 2023 and 2022 are to be utilized solely to fund scholarships, grants, education programs and other Foundation activities. While no donor restriction exists on these funds, they can only be used in accordance with the mission of the Foundation.

Net Assets with Donor Restrictions

Contributions with donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions in accordance with the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Society has received endowment gifts where donors have specified the investment be restricted in perpetuity to provide scholarships for students majoring in accounting at colleges and universities in Washington State. The income earned on investments is restricted for such scholarships.

Net assets with donor restrictions consist of the following at May 31:

	<u>2023</u>	<u>2022</u>
Restricted for purpose or passage of time		
Roy Polley Scholarship Fund	\$ 2,028,055	\$ 2,073,850
George J. Waterman Memorial Scholarship Fund	35,899	45,253
Bill Reed Family Scholarship Fund	<u>75,082</u>	<u>78,733</u>
Endowment (Note 6)	2,139,036	2,197,836
Other scholarship funds	22,258	19,756
PAC activities	<u>81,097</u>	<u>108,961</u>
	2,242,391	2,326,553
Donor restricted endowment funds	<u>100,000</u>	<u>100,000</u>
Total Net Assets with Donor Restrictions	\$ <u>2,342,391</u>	\$ <u>2,426,553</u>

Revenue Recognition

Dues are recognized as revenue in the applicable membership period. Registration payments for continuing professional education programs are recognized as revenue in the period in which the related program is held. Dues and registration payments received in advance are deferred.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$16,412 and \$11,646, respectively, and are included in the accompanying May 31, 2023, and 2022 consolidated statements of functional expenses.

Donated Services

Many volunteers donate significant amounts of time to the activities of the Society. The consolidated financial statements do not reflect the value of these donated services as the services do not require specialized skills (and would not otherwise be purchased) and, therefore, do not meet the requirements for recognition.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in a bank and money market funds (unless those money market funds are classified as investments). Most cash funds are held in interest-bearing accounts. The Society maintains cash balances at financial institutions with insurance by the Federal Deposit Insurance Corporation ("FDIC"), with basic coverage up to \$250,000. Cash balances at a banking institution exceeded the limit as of May 31, 2023 by \$180,629. Cash equivalent investments held at a brokerage house exceeded the Securities Investor Protection Corporation ("SIPC") cash equivalent cash limit by \$154,714.

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Gains and losses on sales of investments are determined using the specific identification method.

Fair Value Measurements

The Society measures the fair value of assets and liabilities, and related disclosures, in accordance with a hierarchy based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements.

Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Society is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of unpaid advertising and continuing professional education fees. Accounts receivable are unsecured and do not bear interest. Management reviews accounts receivable, estimates the amount of uncollectible accounts and records a reserve for doubtful accounts (if required). Uncollectible accounts are written off against the reserve. No allowance for doubtful accounts was considered necessary by management at May 31, 2023 and 2022, respectively, as no amounts more than 90 days old are considered uncollectible.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Society adopted the standard effective June 1, 2022, and recognized and measured leases existing at, or entered into, after June 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended May 31, 2022 are made under prior lease guidance in FASB ASC 840.

The Society elected the available practical expedients to account for their existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Society leases certain office facilities. The Society determines if an arrangement is a lease at inception. Operating leases are included operating right-of-use assets, other current liabilities and operating lease liabilities on the statement of financial position. Finance leases are included in finance right-of-use assets, other current liabilities and finance lease liability on the statement of financial position.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

ROU assets represent the Society's right to use an underlying asset for the lease's term, and lease liabilities represent the Society's obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Society uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

The Society's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The capitalization policy threshold is \$5,000. Assets must have estimated useful lives of at least one year to be considered for capitalization. Depreciation expense was \$90,050 and \$104,554 for the years ended May 31, 2023 and 2022, respectively.

Retirement Program

The Society has a 401(k) retirement plan for the benefit of all eligible employees. Under the plan, the Society will match up to the first 4% of an employee's deferral. The match is vested immediately. For the year ended May 31, 2023, there was no additional contribution made to the plan by the Society. For the year ended May 31, 2022, the Society contributed an additional 3.5% of the employees' annual gross salary to the plan. This is vested over a six-year period. The total expense recognized under the plan was \$72,858 and \$118,073 for the years ended May 31, 2023 and 2022, respectively.

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 certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Contract

The Foundation holds funds on behalf of the Washington State Board of Accountancy (the "State Board") under terms of an agency contract that originated during the year ended May 31, 2016. Agency funds are reported in the statement of financial position as other assets and other liabilities in equal amounts. Except to the extent that the Society will earn an annual agency fee, activities related to these agency funds will not affect the change in consolidated net assets (see Note 7). The contract will expire on September 1, 2036, and will automatically renew for additional one-year periods if the funds are not fully disbursed. Either party can elect to terminate the contract during the additional periods by providing a written notice 60 days in advance of the expiration date.

Functional Allocation of Expense

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on time and other resources used. Salaries and employee benefits are based on estimates of actual time spent on each program or supporting function. The expenses associated with occupancy costs and depreciation are allocated based on the square footage of the space occupied by each program and supporting function. Other expenses are allocated based on estimates of actual usage.

Income Taxes

The WSCPA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The PAC is subject to tax on its net investment income under Section 527 of the Internal Revenue Code. No tax was due on net investment income for the years ended May 31, 2023 or 2022.

The Society evaluates its uncertain income tax positions, if any, and may record a liability for any unrecognized tax obligations resulting from positions taken, or expected to be taken, in an income tax return. Estimated interest and penalties related to unrecognized tax obligations, if any, are recorded as a component of income tax expense included in general and administrative expenses in the consolidated statements of activities. No liability has been recorded for uncertain tax positions, or related interest or penalties, as of May 31, 2023 or 2022.

Subsequent Events

The management of the Society evaluated for subsequent events and transactions for potential recognition and disclosure through October 2, 2023, the date the financial statements were available to be issued.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at May 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 688,788	\$ 739,473
Investments	11,193,401	11,347,025
Accounts receivable	<u>302,766</u>	<u>54,580</u>
Total Financial Assets	12,184,955	12,141,078
Cash restricted for Foundation scholarships	(22,257)	(19,756)
Cash and receivables restricted for PAC	<u>(81,097)</u>	<u>(108,961)</u>
	<u>\$ 12,081,601</u>	<u>\$ 12,012,361</u>

As part of the liquidity management plan, the Society invests cash in excess of daily requirements in short-term investments, CDs and money market funds.

NOTE 4 - INVESTMENTS

Investments consist of the following at May 31:

		<u>Fair Value Measurements</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>May 31, 2023</u>			
Money market accounts	\$ 1,044,518	\$ 1,044,518	
Equity mutual funds			
Real estate index funds	1,684,420	1,684,420	
Value index funds	161,119	161,119	
Growth index funds	3,257,390	3,257,390	
Small cap index funds	1,185,969	1,185,969	
Large cap index funds	<u>3,653,939</u>	<u>3,653,939</u>	
Total Equity Mutual Funds	9,942,837	9,942,837	

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 4 - INVESTMENTS (Continued)

		<u>Fair Value Measurements</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>May 31, 2023 (Continued)</u>			
Fixed income mutual funds			
Corporate bond index funds	\$ 701,059		\$ 701,059
Treasury bill index funds	1,434,348		1,434,348
Ultrashort bond fund	149,946		149,946
Intermediate term bond	1,521,096		1,521,096
Inflation protection securities fund	<u>800,554</u>	_____	<u>800,554</u>
Total Fixed Income Mutual Funds	<u>4,607,003</u>	_____	<u>4,607,003</u>
Total Investments	<u>\$ 15,594,358</u>	<u>\$ 10,987,355</u>	<u>\$ 4,607,003</u>
 <u>May 31, 2022</u>			
Money market accounts	\$ 5,463,383	\$ 5,463,383	
Equity mutual funds			
Real estate index funds	1,259,992	1,259,992	
Value index funds	142,734	142,734	
Growth index funds	2,002,856	2,002,856	
Small cap index funds	723,636	723,636	
Large cap index funds	<u>2,678,197</u>	<u>2,678,197</u>	_____
Total Equity Mutual Funds	6,807,415	6,807,415	
Fixed income mutual funds			
Corporate bond index funds	719,519		\$ 719,519
Treasury bill index funds	1,090,278		1,090,278
Ultrashort bond fund	454,733		454,733
Intermediate term bond	896,464		896,464
Inflation protection securities fund	<u>767,332</u>	_____	<u>767,332</u>
Total Fixed Income Mutual Funds	<u>3,928,326</u>	_____	<u>3,928,326</u>
Total Investments	<u>\$ 16,199,124</u>	<u>\$ 12,270,798</u>	<u>\$ 3,928,326</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 4 - INVESTMENTS (Continued)

These investments are reported in the consolidated statements of financial position at May 31 as follows:

	<u>2023</u>	<u>2022</u>
Investments	\$ 11,193,401	\$ 11,347,025
Endowment investments	2,239,036	2,297,833
Investments held under agency contract	<u>2,161,921</u>	<u>2,554,266</u>
Total Investments	<u>\$ 15,594,358</u>	<u>\$ 16,199,124</u>

Investment gains and losses consist of the following:

	<u>Washington Society of CPAs</u>	<u>Washington CPA Foundation</u>	<u>Total</u>
<u>May 31, 2023</u>			
Realized gain	\$ 530,399	\$ 5,002	\$ 535,401
Unrealized loss	<u>(299,317)</u>	<u>(37,771)</u>	<u>(337,088)</u>
Total Investment Gain (Loss)	<u>\$ 231,082</u>	<u>\$ (32,769)</u>	<u>\$ 198,313</u>
<u>May 31, 2022</u>			
Realized gain	\$ 205,057	\$ 86,736	\$ 291,793
Unrealized loss	<u>(568,835)</u>	<u>(315,492)</u>	<u>(884,327)</u>
Total Investment Loss	<u>\$ (363,778)</u>	<u>\$ (228,756)</u>	<u>\$ (592,534)</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 111,753	\$ 371,918
Computer equipment	<u>288,471</u>	<u>732,436</u>
	400,224	1,104,354

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

	<u>2023</u>	<u>2022</u>
Less accumulated depreciation	\$ (340,658)	\$ (1,012,215)
	59,566	92,139
Fixed assets not yet in service	<u> </u>	<u>45,120</u>
Property and Equipment, net	\$ <u>59,566</u>	\$ <u>137,259</u>

NOTE 6 - ENDOWMENT

The Foundation's endowment includes the following funds:

- The George J. Waterman Memorial Scholarship Fund is a perpetual endowment with a historical dollar value of \$100,000. Earnings on this perpetual endowment are purpose-restricted for scholarships.
- The Roy J. Polley Scholarship Fund is a term endowment, which requires the income of the fund, plus 1% of the principal, to be used exclusively for annual scholarships, and is included in net assets with donor restrictions as purpose-restricted.
- The Bill Reed Family Scholarship Fund is a term endowment, which requires the income of the fund to be used exclusively for annual scholarships and is included in net assets with donor restrictions as purpose-restricted.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not restricted to be held in

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 6 - ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>May 31, 2023</u>			
Endowment investments at beginning of year		\$ 2,297,836	\$ 2,297,836
Investment return, net	_____	<u>10,200</u>	<u>10,200</u>
Appropriation of endowment investments for expenditure	_____	<u>(69,000)</u>	<u>(69,000)</u>
Total Endowment Investments	\$ _____	\$ <u>2,239,036</u>	\$ <u>2,239,036</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 6 - ENDOWMENT (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>May 31, 2022</u>			
Endowment investments at beginning of year		\$ 2,427,899	\$ 2,427,899
Contribution		93,000	93,000
Investment return (loss), net	\$ 10,000	(168,063)	(158,063)
Appropriation of endowment investments for expenditure	<u>(10,000)</u>	<u>(55,000)</u>	<u>(65,000)</u>
Total Endowment Investments	\$ <u> </u>	\$ <u>2,297,836</u>	\$ <u>2,297,836</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the Foundation's assets, ensure a return on investment commensurate with the safety of the principal and to ensure sufficient resources are available to meet the Foundation's needs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that assumes a medium level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of a minimum of Consumer Price Index, plus 2%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation between fixed income and equity investments. The asset allocation for equity investments should not exceed 65% of total liquid invested assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation authorizes annual appropriations for distribution based on the fair value of each endowment fund at the end of the prior fiscal year. The annual payout rate is 5% for the George J. Waterman Memorial Scholarship Fund, and 1% for the Roy Polley Scholarship Fund. In establishing the annual payout rate for the George J. Waterman Memorial Scholarship Fund, the Foundation considered the long-term expected return on its endowment investments. The annual payout rate for the Roy J. Polley Scholarship Fund is donor-specified.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 6 - ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies as of May 31, 2023 or 2022.

NOTE 7 - AGENCY CONTRACT

On May 8, 2015, the Governor of the State of Washington signed into law substitute Senate Bill 5534, which became effective July 24, 2015. The bill created the Certified Public Accounting Scholarship Program for students enrolled at accredited Washington-based colleges or universities with a declared major in accounting, entering their junior year or higher. A total of \$3.3 million was budgeted to fund the scholarship program using certain reserve funds from the State Board. The Foundation is named in the statute as the organization responsible for administering the scholarship program. An agreement between the Foundation and the State Board was entered into concerning the administration of the scholarship program.

As of May 31, 2023, the State Board is holding \$400,000 of the budgeted funds to pay the Foundation's annual fees for the work performed in accordance with the agreement.

Changes in agency investments for the years ended May 31:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 2,554,266	\$ 3,064,608
Transfer of funds	31,668	36,880
Investment return		
Investment income	44,001	39,739
Net depreciation (realized and unrealized)	<u>(34,888)</u>	<u>(167,680)</u>
Total Investment Return (Loss)	9,113	(127,941)
Scholarships	(400,000)	(383,000)
Investment fees	(8,126)	(11,281)
Agency fee	<u>(25,000)</u>	<u>(25,000)</u>
Total Investments Held under Agency Contract	<u>\$ 2,161,921</u>	<u>\$ 2,554,266</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 7 - AGENCY CONTRACT (Continued)

The agency obligation consisted of the following amounts as of May 31:

	<u>2023</u>	<u>2022</u>
Scholarships awarded	\$ 400,000	\$ 400,000
Uncommitted	<u>1,761,921</u>	<u>2,154,266</u>
Total Obligation under Agency Contract	\$ <u>2,161,921</u>	\$ <u>2,554,266</u>

NOTE 8 - ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 842

Effective June 1, 2022, the Society adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Society elected to apply the guidance as of June 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, Accounting Standards Codification ("ASC") 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Society has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Society accounted for its existing leases as either a finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842 and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Society recognized on June 1, 2022, the beginning of the adoption period, finance lease liability and a finance right-of-use asset of \$28,601 with no adjustment required to net assets. The operating lease began on August 1, 2022 and did not require recognition on June 1, 2022. The adoption of the new standard did not materially impact the Society's statements of operations or statements of cash flows.

NOTE 9 - LEASES

The Society leases equipment under a long-term, non-cancelable finance lease agreement and office premise for a long-term operating lease. The equipment leases expire in 2023 and 2024, the office lease expires in 2032. The Society included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 9 - LEASES (Continued)

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Society estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Society's applicable borrowing rates and the contractual lease term.

Total lease costs for the year ended May 31, 2023 were as follows:

Operating lease cost	\$ 85,332
Finance lease cost	
Interest expense	388
Amortization of right-of-use assets	<u>12,776</u>
Total Finance Lease Costs	\$ <u>13,164</u>

The following summarizes the supplemental cash flow information for the year ended May 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating lease	\$ <u>53,004</u>
Operating cash flows from finance leases	\$ <u>613</u>
Finance cash flows from finance leases	\$ <u>12,551</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating lease	\$ <u>913,504</u>
Finance lease	\$ <u>28,601</u>

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term	
Operating lease	9.42 years
Finance lease	2.20 years
Weighted average discount rate	
Operating lease	2.60%
Finance lease	2.81%

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

NOTE 9 - LEASES (Continued)

The future minimum lease payments under operating and capital lease with terms greater than one year are listed below as of May 31, 2023:

	<u>Operating</u>	<u>Finance</u>
2024	\$ 93,134	\$ 10,918
2025	95,928	5,437
2026	98,806	
2027	101,768	
2028	104,924	
Thereafter	<u>475,098</u>	<u> </u>
Total Lease Payments	969,658	16,355
Less amounts representing interest	<u>(89,633)</u>	<u>(305)</u>
Present Value of Lease Liabilities	880,025	16,050
Less current portion of lease liability	<u>(71,297)</u>	<u>(11,024)</u>
Long-term Portion of Lease Liability	\$ <u>808,728</u>	\$ <u>5,026</u>

The following disclosures are in accordance with FASB ASC 840 for May 31, 2022.

The Society leases equipment from unrelated parties. The terms of the leases require monthly payments of \$723 through November 2024 and \$374 through November 2023, respectively. Lease payments totaled \$13,164 for the year ended May 31, 2022.

SUPPLEMENTARY INFORMATION

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

May 31, 2023

	<u>Washington Society of CPAs</u>	<u>Washington CPA Foundation</u>	<u>Washington CPA/PAC</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 476,589	\$ 131,702	\$ 80,497		\$ 688,788
Investments	10,591,831	601,570			11,193,401
Accounts receivable	306,262	8,181	600	\$ (12,277)	302,766
Prepaid expenses	<u>190,778</u>				<u>190,778</u>
Total Current Assets	11,565,460	741,453	81,097	(12,277)	12,375,733
NONCURRENT ASSETS					
Endowment investments		2,239,036			2,239,036
Property and equipment, net	<u>59,566</u>				<u>59,566</u>
Total Noncurrent Assets	59,566	2,239,036			2,298,602
OTHER ASSETS					
Finance right-of-use assets, net	15,825				15,825
Operating right-of-use asset, net	847,697				847,697
Investments held under agency contract		<u>2,161,921</u>			<u>2,161,921</u>
Total Other Assets	<u>863,522</u>	<u>2,161,921</u>			<u>3,025,443</u>
TOTAL ASSETS	<u>\$ 12,488,548</u>	<u>\$ 5,142,410</u>	<u>\$ 81,097</u>	<u>\$ (12,277)</u>	<u>\$ 17,699,778</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (Continued)

May 31, 2023

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 408,180	\$ 157,496		\$ (12,277)	\$ 553,399
Deferred revenue - continuing professional education programs	290,111				290,111
Deferred revenue - membership dues	773,410				773,410
Deferred revenue - other	9,970				9,970
Current portion of finance lease liability	11,024				11,024
Current portion of operating lease liability	71,297				71,297
Total Current Liabilities	<u>1,563,992</u>	<u>157,496</u>	<u> </u>	<u>(12,277)</u>	<u>1,709,211</u>
OBLIGATION UNDER AGENCY CONTRACT		2,161,921			2,161,921
FINANCE LEASE LIABILITY , less current portion	5,026				5,026
OPERATING LEASE LIABILITY , less current portion	<u>808,728</u>	<u> </u>	<u> </u>	<u> </u>	<u>808,728</u>
Total Liabilities	2,377,746	2,319,417		(12,277)	4,684,886
NET ASSETS					
Without donor restrictions - the WSCPA	10,110,802				10,110,802
Without donor restrictions - the Foundation		561,699			561,699
Total Net Assets without Donor Restrictions	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
With donor restrictions	<u> </u>	2,261,294	\$ 81,097	<u> </u>	2,342,391
Total Net Assets	<u>10,110,802</u>	<u>2,822,993</u>	<u>81,097</u>	<u> </u>	<u>13,014,892</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,488,548</u>	<u>\$ 5,142,410</u>	<u>\$ 81,097</u>	<u>\$ (12,277)</u>	<u>\$ 17,699,778</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended May 31, 2023

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
REVENUES					
Education programs	\$ 1,630,243				\$ 1,630,243
Membership dues	1,622,502				1,622,502
Peer review fees	184,475				184,475
Interest and dividend income, net of related expenses (\$45,080)	189,140	\$ 45,420	\$ 33		234,593
Networking events	6,400				6,400
Advertising	34,093				34,093
Contributions		74,495	65,785		140,280
In-kind donations	22,250				22,250
Grant income	263,286				263,286
Other	103,031	25,000		\$ (1,682)	126,349
Total Revenue	<u>4,055,420</u>	<u>144,915</u>	<u>65,818</u>	<u>(1,682)</u>	<u>4,264,471</u>
EXPENSES					
Program services					
Education programs	1,504,419				1,504,419
Member services programs	964,890				964,890
Peer review expenses	296,130				296,130
Advocacy	517,672				517,672
Total Program Expenses	<u>3,283,111</u>				<u>3,283,111</u>
General and administrative	832,377		93,682	(1,682)	924,377
Foundation	58,295	223,241			281,536
Total Expenses	<u>4,173,783</u>	<u>223,241</u>	<u>93,682</u>	<u>(1,682)</u>	<u>4,489,024</u>
Change in Net Assets Before Gain on disposition of Property and Equipment and Gain (Loss) on Investments	(118,363)	(78,326)	(27,864)		(224,553)
Loss on disposition of property and equipment	(7,162)				(7,162)
Gain (Loss) on investments	231,082	(32,769)			198,313
CHANGE IN NET ASSETS	<u>\$ 105,557</u>	<u>\$ (111,095)</u>	<u>\$ (27,864)</u>	<u>\$</u>	<u>\$ (33,402)</u>