REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

BUILDING INDUSTRY ASSOCIATION OF WASHINGTON AND SUBSIDIARY

December 31, 2018 and 2017

MOSSADAMS

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Review Report of Independent Accountants

To the Board of Directors
Building Industry Association of Washington and Subsidiary

Report on the Financial Statements

We have reviewed the accompanying consolidated financial statements of Building Industry Association of Washington and Subsidiary (the Association), which comprise the consolidated statements of net assets as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, statement of functional expenses and statements of cash flows for the year then ended and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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

Accountant's Conclusion

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

Prior Period Financial Statements

The 2017 consolidated financial statements were audited by us, and our report thereon, dated June 12, 2018, expressed an unmodified opinion on the Association and stated we were not aware of any material modification that should be made to those consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of December 31, 2018, the Association adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the disclosures related to net assets.

Supplementary Information

The accompanying supplementary information included on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The supplementary information, as of December 31, 2017, has been subjected to the audit procedures applied in our audit of the basic financial statements. The supplementary information, as of December 31, 2018, has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information as of December 31, 2018, and do not express an opinion on such information.

Moss Adams LLP

Tacoma, Washington
June 17, 2019

ASSETS

	December 31, 2018 (Reviewed)	December 31, 2017 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 2,271,986	$ 2,928,981
Restricted cash	1,325,748	447,896
Accounts receivable	48,965	52,625
Marketable securities	4,308,875	3,224,000
Investments limited for use	42,817,900	39,530,942
Prepaid expenses	1,500	4,800
Total current assets	50,774,974	46,189,244
PROPERTY, PLANT, AND EQUIPMENT		
Building and improvements	1,543,477	1,543,477
Land	416,700	416,700
Equipment	354,272	333,584
	2,314,449	2,293,761
Less accumulated depreciation and amortization	1,132,536	1,067,998
Property, plant, and equipment, net	1,181,913	1,225,763
OTHER ASSETS		
Deferred tax asset	553,029	786,473
	$ 52,509,916	$ 48,201,480

LIABILITIES AND NET ASSETS

	2018 (Reviewed)	2017 (Audited)
CURRENT LIABILITIES		
Accounts payable	$ 125,212	$ 116,721
Members' distribution payable	42,820,184	38,984,600
Accrued expenses	184,196	150,818
Total liabilities	43,129,592	39,252,139
NET ASSETS WITHOUT DONOR RESTRICTION	9,380,324	8,949,341
	$ 52,509,916	$ 48,201,480

Building Industry Association of Washington and Subsidiary
Consolidated Statements of Activities and Change in Net Assets

	Year Ended December 31, 2018 (Reviewed)	2017 (Audited)
REVENUES		
R.O.I.I. program administrative fees	$ 3,011,973	$ 3,591,446
Retrospective rating program	2,356,884	1,908,227
Retrospective rating enrollment fees	1,437,319	1,285,503
Membership dues	703,571	710,920
Health insurance program fees	756,138	676,215
Education program fees	272,554	250,807
Miscellaneous	14,352	25,828
Total revenues	8,552,791	8,448,946
OPERATING EXPENSES		
Salaries and benefits	3,750,608	3,438,414
R.O.I.I. kept-on-wages	957,624	1,231,742
Independent contractor	232,352	211,657
R.O.I.I. program services	562,011	875,191
Miscellaneous	952,283	870,859
Education program	277,566	259,456
Accounting and legal	211,276	180,049
Maintenance	243,738	186,676
Advertising and promotion	167,543	150,063
Insurance	176,300	149,947
Depreciation	97,644	51,911
Total operating expenses	7,628,945	7,605,965
INCOME FROM OPERATIONS	923,846	842,981
OTHER INCOME (EXPENSE)		
Unrealized gain (loss) on investments	(383,335)	364,846
Investment interest and dividends	123,980	68,147
Total other income (loss)	(259,355)	432,993
INCOME BEFORE FEDERAL INCOME TAXES	664,491	1,275,974
FEDERAL INCOME TAX (EXPENSE) BENEFIT		
Current	(64)	23,218
Deferred	(233,444)	(802,818)
Total federal income tax expense	(233,508)	(779,600)
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTION	430,983	496,374
NET ASSETS WITHOUT DONOR RESTRICTION, BEGINNING OF YEAR	8,949,341	8,452,967
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	$ 9,380,324	$ 8,949,341

Building Industry Association of Washington and Subsidiary
Consolidated Statements of Functional Expenses (Reviewed)

	Year Ended December 31, 2018		
	Program	Management and Administration	Total 2018
Salaries and wages	$ 2,701,978	$ 507,969	$ 3,209,947
Payroll taxes and benefits	478,427	62,234	540,661
Total salaries and related expenses	3,180,405	570,203	3,750,608
Accounting and legal	186,277	24,999	211,276
Independent contractor	-	232,352	232,352
R.O.I.I. program services	562,011	-	562,011
R.O.I.I. kept-on-wages	957,624	-	957,624
Miscellaneous	708,713	243,569	952,282
Advertising and promotion	115,479	52,064	167,543
Maintenance	188,982	54,757	243,739
Depreciation	97,644	-	97,644
Insurance	146,219	30,081	176,300
Education	-	277,566	277,566
	$ 6,143,354	$ 1,485,591	$ 7,628,945

Building Industry Association of Washington and Subsidiary
Consolidated Statements of Cash Flows

	Year Ended December 31, 2018 (Reviewed)	2017 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	$ 430,983	$ 496,374
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation	97,644	51,911
Unrealized (gain) loss on investments	383,335	(364,846)
Deferred income tax	233,444	802,818
Changes in operating assets and liabilities		
Receivables	3,660	714,005
Prepaid expenses	3,300	16,575
Accounts payable	8,491	(11,160)
Accrued expenses	33,378	(4,658)
Net cash from operating activities	1,194,235	1,701,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	462,214	(475,901)
Sale of securities	5,569,871	-
Purchase of equipment	(53,794)	(13,471)
Proceeds from sale of certificates of deposit	-	(499,976)
Purchase of marketable securities	(7,829,521)	(399,984)
Net cash from investing activities	(1,851,230)	(1,389,332)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(656,995)	311,687
CASH AND CASH EQUIVALENTS, beginning of year	2,928,981	2,617,294
CASH AND CASH EQUIVALENTS, end of year	$ 2,271,986	$ 2,928,981
CASH PAID FOR TAXES	$ -	$ 17,204

Note 1 – Description of Operations and Summary of Significant Accounting Policies

Operations – Building Industry Association of Washington (the Association) was incorporated as a tax-exempt, nonprofit organization on November 23, 1966, and Member Services Corporation (the Subsidiary or MSC) was incorporated as a domestic for-profit organization on October 13, 1993. The Association's primary purpose is to associate individuals and companies engaged in residential construction and associated businesses and professions within the state of Washington, who are members of local home builder chapters in the state of Washington. The Subsidiary's primary purpose is to provide information on new developments and issues regarding the industry via newsletters, meetings, and conferences, and to monitor new legislative and Department of Labor and Industries issues that affect the industry. The Subsidiary is also the plan administrator of the Return on Industrial Insurance (R.O.I.I.) program from the State of Washington Department of Labor and Industries (L&I) and also provides all administrative duties and responsibilities of the program.

The R.O.I.I. Program is a retrospective ratings group with the purpose of providing local homebuilders' association members with the opportunity to receive refunds of their Washington State L&I industrial insurance premiums. There are 14 local homebuilders' associations in the state of Washington, which are based at the county or region level. Local associations are chartered by the National Association of Home Builders (NAHB). The Association is also separately chartered by NAHB. A portion of membership dues paid to local associations are paid to the Association and NAHB. The Association and the local associations are separate entities and do not share common control.

The R.O.I.I. plan year is from July 1 to June 30 of the following year. During the plan year, R.O.I.I. program members remit quarterly premiums directly to L&I. One year following the end of the plan year, L&I calculates the first of three adjustments. A second adjustment is calculated one year later, and a third and final adjustment one year after that. The Subsidiary typically receives three L&I adjustments in one fiscal year. If group premiums exceed losses for the plan year, a refund is distributed. If losses exceed premiums, members may be assessed additional premiums of up to 40% of their premiums for the plan year.

During 2018, the Subsidiary received the first adjustment from L&I for the 2016–2017 plan year, the second adjustment for the 2015–2016 plan year, and the third adjustment for the 2014–2015 plan year for the R.O.I.I. program.

During 2017, the Subsidiary received the first adjustment from L&I for the 2015–2016 plan year, the second adjustment for the 2014–2015 plan year, and the third adjustment for the 2013–2014 plan year for the R.O.I.I. program.

The funds limited for use are recorded as an asset and an adjacent liability is recorded for the distribution payable to members. At December 31, 2018 and 2017, the investments limited for use had fair market values of $42,817,900 and $39,530,942, respectively. At December 31, 2018, the investments limited for use include $2,058,350 in unrealized gains. At December 31, 2017, the investments limited for use include $7,024,398 in unrealized gains.

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Principles of consolidation – The accompanying consolidated financial statements included the accounts of Building Industry Association of Washington and Member Services Corporation (here on, collectively, the Association). All significant intercompany balances and transactions among the consolidated Associations have been eliminated in the accompanying consolidated financial statements.

Basis of accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation – The Association presents its financial statements in accordance with generally accepted accounting principles (GAAP), as codified by the Financial Accounting Standards Board (FASB). The Association has implemented Accounting Standards Codifications (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Association reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restriction* – Net assets available for use in general operations and not subject to donor restrictions.

- *Net assets with donor restriction* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These are reported as reclassifications between the applicable classes of net assets. The Association has no net assets with donor restrictions at December 31, 2018 and 2017.

In accordance with ASC 958, unrestricted net assets totaling $8,949,341 at December 31, 2017, have been reclassified as net assets without donor restrictions.

Revenue recognition – The Association recognizes revenue when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price charged is fixed or determinable, and collectability is reasonably assured.

Cash and cash equivalents – All highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents.

Restricted cash – The Association has classified as restricted certain cash and cash equivalents that are not available for use in its operations.

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Investments – The Association records its investments in accordance with ASC No. 958, *Accounting for Certain Investments Held by Not–for–Profit Organizations.* Under ASC No. 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the balance sheet. The Association currently holds investments in mutual funds and exchange traded funds. Unrealized gains and losses are included in the statement of activities and changes in net assets (see Note 3).

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full–term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Property and equipment – Land, building, and equipment are recorded at cost if purchased, or at fair market value at the date of receipt if donated. Depreciation is computed using the straight-line method over estimated useful lives. Management reviews assets periodically for obsolescence and impairment. The Association capitalizes assets with a cost of over $500 and a life of at least two years.

Accrued liabilities – Accrued liabilities primarily consist of paid time off and payroll related taxes. Accrued paid time off (PTO) is accumulated up to two hundred (200) hours for all employees. Liability for PTO totals $149,593 and $123,444 for the years ended December 31, 2018 and 2017, respectively.

Income taxes – The Association is recognized by the Internal Revenue Service as a qualified tax–exempt entity under the provisions of Internal Revenue Code Section 501(c)(6). However, certain revenues generated by the Subsidiary are considered taxable. The Subsidiary's federal income tax return is prepared using the income tax basis of accounting. The different methods of accounting for financial statement and income tax purposes require the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statements and tax bases of assets and liabilities at the enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Subsidiary evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Subsidiary's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Subsidiary's effective tax rate on future earnings.

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

The Association has adopted the provisions of ASC 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not, based upon the technical merits of the position, that the tax positions will be sustained on examination by the tax authorities. The tax benefit is measured based upon the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Association did not have any uncertain tax positions at December 31, 2018 or 2017.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The main provision of the Tax Act is the reduction of the maximum federal tax rate from 34% to a flat rate of 21%. The Company has reflected the ending gross deferred tax assets from a 34% federal rate to a flat 21% tax rate. As a result, the net deferred tax assets decrease by $486,864; the Association has recorded $486,864 of additional income tax expense related to the Tax Act.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure of certain assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Change in accounting principle – In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provided guidance related to the presentation and disclosure requirements for not-for profit entities. The guidance is intended to provide more relevant information about an entity’s resources (and the changes in those resources) to donors, grantors, creditors, and other users. Changes in qualitative and quantitative requirements as a result of the standards update are included in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The requirements of this standard are to be applied retrospectively, with the exception of the analysis of expenses by both natural classification and functional classification, and disclosures about liquidity and availability of resources. The Association has implemented this standard for the year ended December 31, 2018.

Recent accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability in the balance sheet for all leases, including operating leases, with terms of more than twelve months. The new guidance will be effective for nonpublic company fiscal years beginning on or after December 15, 2019, with early adoption permitted. The amendment must be applied on a modified retrospective basis.

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

In May 2014, the FASB issued authoritative guidance for revenue from contracts with customers, which provides a single comprehensive revenue recognition model to apply in determining how and when to recognize revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. When applying the new revenue model to contracts with customers, the guidance requires five steps to be applied, which include: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires both quantitative and qualitative disclosures, which are more comprehensive than existing revenue standards. The disclosures are intended to enable financial statement users to understand the nature, timing, and uncertainty of revenue and the related cash flow. For nonpublic entities, the new guidance will be effective for fiscal years beginning on or after December 15, 2018, with early adoption permitted. The amendment must be applied on a modified retrospective basis. The guidance also requires both quantitative and qualitative disclosures, which are more comprehensive than existing revenue standards. The disclosures are intended to enable financial statement users to understand the nature, timing and uncertainty of revenue and the related cash flow. For nonpublic entities the new guidance will be effective for fiscal years beginning on or after December 15, 2018, with early adoption permitted. The amendment must be applied on a modified retrospective basis.

The Association is currently evaluating the impact of the adoption of these standards on the financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Association recognizes in the financial statement the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Association’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Association has evaluated subsequent events through June 17, 2019, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The Association regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Association is substantially supported by membership dues. The majority of the financial assets recorded by the Association are used to support individuals and companies engaged in residential construction and associated businesses and professions within the state of Washington who are members of local home builder chapters in the state of Washington.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Association has $4,962,521 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents and investments of $4,913,556 and accounts receivable of $48,965. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Note 3 – Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash, accounts receivable, and investments.

At times, cash and investments in bank deposit account balances exceed federally insured limits.

Receivables at December 31, 2018 and 2017, consist of amounts due from members for services. The Association deems all amounts to be fully collectable. Therefore, no allowance for uncollectable accounts has been established.

Note 4 – Fair Value of Investments

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments.

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Note 4 – Fair Value of Investments (continued)

The following table discloses, by level, the fair value hierarchy of marketable securities at December 31:

	Fair Value Measurement at December 31, 2018 (Reviewed)			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 4,079,704	$ -	$ -	$ 4,079,704
Exchange traded funds	229,171	-	-	229,171
	$ 4,308,875	$ -	$ -	$ 4,308,875

	Fair Value Measurement at December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 3,068,103	$ -	$ -	$ 3,068,103
Exchange traded funds	155,897	-	-	155,897
	$ 3,224,000	$ -	$ -	$ 3,224,000

The following table discloses, by level, the fair value hierarchy of investments limited for use at December 31:

	Fair Value Measurement at December 31, 2018 (Reviewed)			
	Level 1	Level 2	Level 3	Total
Interest bearing cash and equivalents	$ 764,059	$ 1,319,643	$ -	$ 2,083,702
Mutual funds	38,460,487	-	-	38,460,487
Exchange traded funds	2,273,711	-	-	2,273,711
	$ 41,498,257	$ 1,319,643	$ -	$ 42,817,900

	Fair Value Measurement at December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
Interest bearing cash and equivalents	$ 561,580	$ 499,976	$ -	$ 1,061,556
Mutual funds	31,696,535	-	-	31,696,535
Exchange traded funds	6,772,851	-	-	6,772,851
	$ 39,030,966	$ 499,976	$ -	$ 39,530,942

Note 5 – Return on Industrial Insurance

The Association receives a state industrial insurance rebate annually from the Department of Labor and Industries related to industrial insurance premiums paid by members for prior years. As an associated group, the Association monitors claims filed by the member employees. The monitoring and follow-up, coupled with safety programs for the Association's members, helps reduce the actual claim experience of the group below that of other contractors statewide. As a result, the difference between what has been paid by members to the State of Washington Department of Labor and Industries (the state-wide rate) and the rate based upon their actual experience results in an annual refund. The Association retains a portion of the refund for their services, sends individual refund checks to the local association's members, and sends the local association's a portion for their efforts. The portion retained by the Association is included in revenue as R.O.I.I. administrative fees and retrospective rating program revenues. There are no significant outstanding checks written to Association members that were not cashed, thus voided and held, to be paid in the following year at either December 31, 2018 or 2017.

Note 6 – Deferred Income Taxes

As of December 31, 2018 and 2017, the Association and its Subsidiary had no unrecognized tax benefits. The current deferred tax asset arises from timing differences of deductions on the income tax basis vs. GAAP basis. The noncurrent deferred tax asset resulting from accumulated net operating losses that are deductible against taxable income in future years. As of December 31, 2018, there was no valuation allowance associated with the deferred tax asset.

Significant components of the deferred tax assets and liabilities at December 31 are as follows:

	2018 (Reviewed)	2017 (Audited)
Deferred tax assets		
Accrued vacation	$ 23,100	$ 20,479
Net operating loss carryforward	529,929	765,994
Total deferred tax assets	$ 553,029	$ 786,473

The significant items causing a difference between the Subsidiary's statutory federal tax rate and its effective tax rate are as follows:

	2018 (Reviewed)	2017 (Audited)
Federal statutory rate	21.00%	34.00%
True-Up - book income	0.01%	0.98%
Tax Reform - tax rate change	0.00%	108.02%
Permanent differences	14.08%	29.97%
Effective income tax rate	35.09%	172.97%

Note 6 – Deferred Income Taxes (continued)

At December 31, 2018 and 2017, the Subsidiary has a net operating loss carryforward of approximately $2,523,472 and $3,647,589, respectively, available to offset future taxable income, which will begin to expire in 2034. There were no interest and penalties accrued for the year ended 2018 as a result of tax liabilities.

Note 7 – Contingencies

Legal matters – The Association periodically has claims and complaints relating to matters arising in the ordinary course of business.

Supplementary Information

Building Industry Association of Washington and Subsidiary
Consolidating Statement of Financial Position
December 31, 2018 (Reviewed)

	Building Industry Association of Washington	Member Services Corporation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,487,377	$ 784,609	$ -	$ 2,271,986
Restricted cash	-	1,325,748	-	1,325,748
Accounts receivable	48,965	-	-	48,965
Marketable securities	4,308,875	-	-	4,308,875
Investments limited for use	-	42,817,900	-	42,817,900
Intercompany receivables		125,126	(125,126)	-
Prepaid expenses	1,500	-	-	1,500
Total current assets	5,846,717	45,053,383	(125,126)	50,774,974
PROPERTY, PLANT, AND EQUIPMENT				
Building and improvements	-	1,543,477	-	1,543,477
Land	-	416,700	-	416,700
Equipment	24,325	329,947	-	354,272
	24,325	2,290,124	-	2,314,449
Less accumulated depreciation and amortization	24,325	1,108,211	-	1,132,536
Land, buildings, and equipment, net	-	1,181,913	-	1,181,913
OTHER ASSETS				
Note receivable - MSC	2,823,079	-	(2,823,079)	-
Deferred tax asset	-	553,029	-	553,029
Total assets	$ 8,669,796	$ 46,788,325	$ (2,948,205)	$ 52,509,916
CURRENT LIABILITIES				
Intercompany accounts payable	$ 125,126	$ -	$ (125,126)	$ -
Accounts payable	87,373	37,839	-	125,212
Members' distribution payable	-	42,820,184	-	42,820,184
Accrued expenses	-	184,196	-	184,196
Total current liabilities	212,499	43,042,219	(125,126)	43,129,592
NOTE PAYABLE - BIAW	-	2,823,079	(2,823,079)	-
NET ASSETS WITHOUT DONOR RESTRICTION	8,457,297	923,027	-	9,380,324
	$ 8,669,796	$ 46,788,325	$ (2,948,205)	$ 52,509,916

Building Industry Association of Washington and Subsidiary
Consolidating Statement of Financial Position
December 31, 2017 (Audited)

	Building Industry Association of Washington	Member Services Corporation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,662,396	$ 1,266,585	$ -	$ 2,928,981
Restricted cash	443,816	4,080	-	447,896
Accounts receivable	52,625	-	-	52,625
Marketable securities	3,224,000	-	-	3,224,000
Investments limited for use	-	39,530,942	-	39,530,942
Intercompany receivables	-	162,584	(162,584)	-
Prepaid expenses	4,800	-	-	4,800
Total current assets	5,387,637	40,964,191	(162,584)	46,189,244
PROPERTY, PLANT, AND EQUIPMENT				
Building and improvements	-	1,543,477	-	1,543,477
Land	-	416,700	-	416,700
Equipment	24,325	309,259	-	333,584
	24,325	2,269,436	-	2,293,761
Less accumulated depreciation and amortization	24,325	1,043,673	-	1,067,998
Land, buildings, and equipment, net	-	1,225,763	-	1,225,763
OTHER ASSETS				
Note receivable - MSC	3,323,079	-	(3,323,079)	-
Deferred tax asset	-	786,473	-	786,473
Total assets	$ 8,710,716	$ 42,976,427	$ (3,485,663)	$ 48,201,480
CURRENT LIABILITIES				
Intercompany accounts payable	$ 162,584	$ -	$ (162,584)	$ -
Accounts payable	89,859	26,862	-	116,721
Members' distribution payable	-	38,984,600	-	38,984,600
Accrued expenses	-	150,818	-	150,818
Total current liabilities	252,443	39,162,280	(162,584)	39,252,139
NOTE PAYABLE - BIAW	-	3,323,079	(3,323,079)	-
NET ASSETS WITHOUT DONOR RESTRICTION	8,458,273	491,068	-	8,949,341
	$ 8,710,716	$ 42,976,427	$ (3,485,663)	$ 48,201,480

Building Industry Association of Washington and Subsidiary
Consolidating Statement of Activities
Year Ended December 31, 2018 (Reviewed)

	Building Industry Association of Washington	Member Services Corporation	Eliminations	Total
REVENUES				
R.O.I.I. program administrative fees	$ -	$ 3,011,973	$ -	$ 3,011,973
Retrospective rating program	-	2,356,884	-	2,356,884
Retrospective rating enrollment fees	-	1,437,319	-	1,437,319
Membership dues	703,571	-	-	703,571
Health insurance program fees	756,138	-	-	756,138
Education program fees	272,554	-	-	272,554
Miscellaneous	102,813	13,263	(101,724)	14,352
Total revenues	1,835,076	6,819,439	(101,724)	8,552,791
OPERATING EXPENSES				
Salaries and benefits	624,214	3,126,394	-	3,750,608
R.O.I.I. kept-on-wages	-	957,624	-	957,624
Independent contractor	232,352	-	-	232,352
R.O.I.I. program services	-	562,011	-	562,011
Miscellaneous	243,570	708,713	-	952,283
Education program	277,566	-	-	277,566
Accounting and legal	24,999	186,277	-	211,276
Maintenance	54,756	188,982	-	243,738
Advertising and promotion	52,064	115,479	-	167,543
Insurance	30,081	146,219	-	176,300
Depreciation	-	97,644	-	97,644
Total operating expenses	1,539,602	6,089,343	-	273,944
INCOME FROM OPERATIONS	295,474	730,096	(101,724)	923,846
OTHER INCOME (EXPENSE)				
Unrealized gain on investments	(383,335)	-	-	(383,335)
Investment interest and dividends	86,885	37,095	-	123,980
Interest expense	-	(101,724)	101,724	-
Total other income (expense), net	(296,450)	(64,629)	101,724	(259,355)
INCOME BEFORE FEDERAL INCOME TAXES	(976)	665,467	-	664,491
FEDERAL INCOME TAX (EXPENSE) BENEFIT				
Current	-	(64)	-	(64)
Deferred	-	(233,444)	-	(233,444)
Total federal income tax expense	-	(233,508)	-	(233,508)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	$ (976)	$ 431,959	$ -	$ 430,983

Building Industry Association of Washington and Subsidiary
Consolidating Statement of Activities
Year Ended December 31, 2017 (Audited)

	Building Industry Association of Washington	Member Services Corporation	Eliminations	Total
REVENUES				
R.O.I.I. program administrative fees	$ -	$ 3,591,446	$ -	$ 3,591,446
Retrospective rating program	-	1,908,227	-	1,908,227
Retrospective rating enrollment fees	-	1,285,503	-	1,285,503
Membership dues	710,920	-	-	710,920
Health insurance program fees	676,215	-	-	676,215
Education program fees	250,807	-	-	250,807
Miscellaneous	115,246	13,597	(103,015)	25,828
Total revenues	1,753,188	6,798,773	(103,015)	8,448,946
OPERATING EXPENSES				
Salaries and benefits	555,678	2,882,736	-	3,438,414
R.O.I.I. kept-on-wages	-	1,231,742	-	1,231,742
Independent contractor	211,657	-	-	211,657
R.O.I.I. program services	-	875,191	-	875,191
Miscellaneous	187,594	683,265	-	870,859
Education program	259,456	-	-	259,456
Accounting and legal	13,582	166,467	-	180,049
Maintenance	36,720	149,956	-	186,676
Advertising and promotion	52,603	97,460	-	150,063
Insurance	31,421	118,526	-	149,947
Depreciation	-	51,911	-	51,911
Total operating expenses	1,348,711	6,257,254	-	7,605,965
INCOME FROM OPERATIONS	404,477	541,519	(103,015)	842,981
OTHER INCOME (EXPENSE)				
Unrealized gain on investments	364,846	-	-	364,846
Investment interest and dividends	55,915	12,232	-	68,147
Interest expense	-	(103,015)	103,015	-
Total other income (expense), net	420,761	(90,783)	103,015	432,993
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	825,238	450,736	-	1,275,974
FEDERAL INCOME TAX EXPENSE				
Current	-	23,218	-	23,218
Deferred	-	(802,818)	-	(802,818)
Total federal income tax expense	-	(779,600)	-	(779,600)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	$ 825,238	$ (328,864)	$ -	$ 496,374

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