



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

**BUILDING INDUSTRY ASSOCIATION OF WASHINGTON
AND SUBSIDIARIES**

December 31, 2019 and 2018

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Review Report of Independent Accountants

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

Report on the Financial Statements

We have reviewed the accompanying consolidated financial statements of Building Industry Association of Washington and Subsidiaries (the Association), which comprise the consolidated statements of net assets as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, statements 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of December 31, 2019, the Association adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. Our conclusion is not modified with respect to this matter.

Supplementary Information

The accompanying supplementary information included on pages 17 through 20 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, 2019 and 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.

A handwritten signature in black ink that reads "Mon Adams LLP". The signature is written in a cursive, flowing style.

Tacoma, Washington
September 4, 2020

Building Industry Association of Washington and Subsidiaries
Consolidated Statements of Financial Position

ASSETS	December 31,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,623,406	\$ 2,271,986
Restricted cash	1,259,045	1,325,748
Accounts receivable	55,480	48,965
Marketable securities	7,290,467	5,628,518
Investments limited for use	60,293,748	41,498,257
Prepaid expenses	11,000	1,500
Total current assets	70,533,146	50,774,974
PROPERTY, PLANT, AND EQUIPMENT		
Building and improvements	6,206,186	1,543,477
Land	964,476	416,700
Equipment	365,441	354,272
	7,536,103	2,314,449
Less accumulated depreciation and amortization	1,225,065	1,132,536
Property, plant, and equipment, net	6,311,038	1,181,913
OTHER ASSETS		
Deferred tax asset	153,336	553,029
	\$ 76,997,520	\$ 52,509,916
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 84,645	\$ 125,212
Members' distribution payable	61,540,528	42,820,184
Accrued expenses	202,557	184,196
Current portion of long-term debt	58,618	-
	61,886,348	43,129,592
LONG-TERM DEBT	3,418,914	-
Total liabilities	65,305,262	43,129,592
NET ASSETS WITHOUT DONOR RESTRICTION	11,692,258	9,380,324
	\$ 76,997,520	\$ 52,509,916

Building Industry Association of Washington and Subsidiaries

Consolidated Statements of Activities and Change in Net Assets

	Year Ended December 31,	
	2019	2018
REVENUES		
R.O.I.I. program administrative fees	\$ 3,053,393	\$ 3,011,973
Retrospective rating program	3,211,547	2,356,884
Retrospective rating enrollment fees	1,390,590	1,437,319
Health insurance program fees	787,133	756,138
Membership dues	696,139	703,571
Education program fees	213,348	272,554
Rental Income	117,883	-
Miscellaneous	8,883	14,352
	<u>9,478,916</u>	<u>8,552,791</u>
OPERATING EXPENSES		
Salaries and benefits	4,175,285	3,750,608
Administrative and office	972,446	952,283
R.O.I.I. kept-on-wages	706,311	957,624
R.O.I.I. program services	637,026	562,011
Maintenance	235,372	243,738
Independent contractor	218,462	232,352
Education program	200,157	277,566
Accounting and legal	183,446	211,276
Insurance	165,882	176,300
Depreciation	98,912	97,644
Advertising and promotion	94,297	167,543
	<u>7,687,596</u>	<u>7,628,945</u>
INCOME FROM OPERATIONS	<u>1,791,320</u>	<u>923,846</u>
OTHER INCOME (EXPENSE)		
Unrealized gain (loss) on investments	764,578	(383,335)
Investment interest and dividends	174,470	123,980
Realized gain on investments	28,098	-
Interest expense	(46,839)	-
	<u>920,307</u>	<u>(259,355)</u>
INCOME BEFORE FEDERAL INCOME TAXES	<u>2,711,627</u>	<u>664,491</u>
FEDERAL INCOME TAX (EXPENSE) BENEFIT		
Current	-	(64)
Deferred	(399,693)	(233,444)
	<u>(399,693)</u>	<u>(233,508)</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTION	<u>2,311,934</u>	<u>430,983</u>
NET ASSETS WITHOUT DONOR RESTRICTION, beginning of year	<u>9,380,324</u>	<u>8,949,341</u>
NET ASSETS WITHOUT DONOR RESTRICTION, end of year	<u>\$ 11,692,258</u>	<u>\$ 9,380,324</u>

Building Industry Association of Washington and Subsidiaries Consolidated Statements of Functional Expenses

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Program	Management and Administration	Total 2019	Program	Management and Administration	Total 2018
Salaries and wages	\$ 2,945,655	\$ 663,803	\$ 3,609,458	\$ 2,701,978	\$ 507,969	\$ 3,209,947
Payroll taxes and benefits	484,748	81,079	565,827	478,427	62,234	540,661
 Total salaries and related expenses	 3,430,403	 744,882	 4,175,285	 3,180,405	 570,203	 3,750,608
R.O.I.I. kept-on-wages	706,311	-	706,311	957,624		957,624
Miscellaneous	719,047	253,398	972,445	708,713	243,569	952,282
R.O.I.I. program services	637,026	-	637,026	562,011	-	562,011
Education	200,157	-	200,157	277,566	-	277,566
Maintenance	214,680	20,693	235,373	188,982	54,757	243,739
Independent contractor	-	218,462	218,462	-	232,352	232,352
Accounting and legal	160,423	23,023	183,446	186,277	24,999	211,276
Insurance	133,270	32,612	165,882	146,219	30,081	176,300
Advertising and promotion	41,635	52,662	94,297	115,479	52,064	167,543
Depreciation	-	98,912	98,912	-	97,644	97,644
	<u>\$ 6,242,952</u>	<u>\$ 1,444,644</u>	<u>\$ 7,687,596</u>	<u>\$ 6,323,276</u>	<u>\$ 1,305,669</u>	<u>\$ 7,628,945</u>

Building Industry Association of Washington and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without donor restrictions	\$ 2,311,934	\$ 430,983
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities		
Depreciation	98,912	97,644
Unrealized (gain) loss on investments	(764,578)	383,335
Gain on sale of investments	46,839	-
Deferred income tax	399,693	233,444
Changes in operating assets and liabilities		
Receivables	(6,515)	3,660
Prepaid expenses	(9,500)	3,300
Accounts payable	(40,567)	8,491
Accrued expenses	18,361	33,378
	<u>2,054,579</u>	<u>1,194,235</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of securities	4,220,088	1,162,975
Purchase of equipment	(1,728,037)	(53,794)
Purchase of marketable securities	(4,404,598)	(1,060,413)
	<u>(1,912,547)</u>	<u>48,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments on long-term debt	(22,468)	-
	<u>(22,468)</u>	<u>-</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, and RESTRICTED CASH		
	119,564	1,243,003
CASH, CASH EQUIVALENTS, and RESTRICTED CASH, beginning of year		
	<u>5,681,436</u>	<u>4,438,433</u>
CASH, CASH EQUIVALENTS, and RESTRICTED CASH, end of year		
	<u>\$ 5,801,000</u>	<u>\$ 5,681,436</u>
NONCASH TRANSACTIONS		
Proceeds from long-term debt related to the purchase of property, plant, and equipment	<u>\$ 3,500,000</u>	<u>\$ -</u>

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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. Member Services Corporation (MSC) was incorporated as a domestic for-profit organization on October 13, 1993. Parkside LLC (Parkside) was incorporated as a domestic for-profit organization on July 29, 2019. 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. MSC'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. MSC 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. Parkside's primary purpose is to hold the property used by the Association.

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 Subsidiaries 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 2019, MSC received the first adjustment from L&I for the 2017–2018 plan year, the second adjustment for the 2016–2017 plan year, and the third adjustment for the 2015–2016 plan year for the R.O.I.I. program.

During 2018, MSC 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.

The funds limited for use and restricted cash are recorded assets and an adjacent liability is recorded for the distribution payable to members. At December 31, 2019 and 2018, the investments limited for use and restricted cash had fair market values of \$61,552,793 and \$42,824,005, respectively. At December 31, 2019 and 2018, the investments limited for use include \$10,642,092 and \$2,058,350, respectively, in unrealized gains.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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, Member Services Corporation, and Parkside LLC (hereon, collectively, the Association). All significant intercompany balances and transactions 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, 2019 and 2018.

Revenue recognition – 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 previous 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. The new guidance was effective for the Association on January 1, 2019.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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

R.O.I.I program administrative fees is revenue received in exchange for the Association endorsing two insurance programs and a collection agency and permits use of the Association's name when contacting members, and its membership list for marketing purposes. The Association receives endorsement fees for this service and these fees constitute business income.

Retrospective rating revenue is received by the Association for the remaining balance after the Association obtains the refunds, retains costs of management and reserves for future potential penalties, and returns the balance to the group members. Penalties incurred are paid by the Association to the L&I and the Association charges the participating members for their share of the penalty.

Retrospective rating enrollment fees are the portion of the member's L&I premium. All members that are included in the R.O.I.I. program have to be a member of a local association.

Health insurance program fees are annual health insurance premiums for the BIAW Employee Group.

Membership dues are annual fees paid by members in good standing. Members are entitled to the full benefits, services, and privileges of the Association. Each member has one voting right for each matter of the general membership. The amount of annual dues for each class of membership shall be established by a vote of the Board of Directors.

Performance obligations are determined based on the nature of the coverage provided by the Association. Revenue for performance obligations satisfied over time is recognized based on actual fees and enrollment on a month-to-month basis. The Association believes that this method provides a faithful depiction of the coverage provided over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Association measures the performance obligation from the commencement of a service period to the point when it is no longer required to provide coverage, programs, or other services, which is generally at the time the member is no longer enrolled or one year.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations are generally completed when the coverage is provided, which typically occurs within the same month.

The Association determines the transaction price based on the contractual amount agreed upon between the Association and the members of the program. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

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

Reclassification – Certain prior year balances have been reclassified to be consistent with current year presentation. There was no effect on prior year change in net assets without donor restrictions or net assets without donor restrictions.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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

Restricted cash – The Association has classified as restricted certain cash and cash equivalents that are not available for use in its operations and is restricted to be used to transfer funds to the R.O.I.I. investments.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Association has implemented this ASU for the year beginning January 1, 2019, with retrospective application.

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 consolidated statements of activities and changes in net assets (see Note 4).

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 \$1,000 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 \$149,663 and \$149,593 for the years ended December 31, 2019 and 2018, respectively.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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

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 Subsidiaries are considered taxable. The Subsidiaries' 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 Subsidiaries evaluate 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 Subsidiaries' 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 Subsidiaries' effective tax rate on future earnings.

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, 2019 or 2018.

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.

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 12 months. The new guidance will be effective for nonpublic company fiscal years beginning on or after December 15, 2021, 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 this standard on the consolidated 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 consolidated 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 consolidated financial statements are available to be issued (see Note 9).

The Association has evaluated subsequent events through September 4, 2020, the date the consolidated financial statements were available to be issued.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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 \$8,969,353 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 of \$1,623,406, accounts receivable of \$55,480, and marketable securities of \$7,290,467. 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, 2019 and 2018, 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.

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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, 2019				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,717,998	\$ -	\$ -	\$ 4,717,998
Interest-bearing cash and equivalents	2,380,717	-	-	2,380,717
Exchange traded funds	191,752	-	-	191,752
	<u>\$ 7,290,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,290,467</u>

Fair Value Measurement at December 31, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,079,704	\$ -	\$ -	\$ 4,079,704
Interest-bearing cash and equivalents	1,319,643	-	-	1,319,643
Exchange traded funds	229,171	-	-	229,171
	<u>\$ 5,628,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,628,518</u>

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

Fair Value Measurement at December 31, 2019				
	Level 1	Level 2	Level 3	Total
Interest-bearing cash and equivalents	\$ -	\$ 537,832	\$ -	\$ 537,832
Mutual funds	56,834,573	-	-	56,834,573
Exchange traded funds	2,921,343	-	-	2,921,343
	<u>\$ 59,755,916</u>	<u>\$ 537,832</u>	<u>\$ -</u>	<u>\$ 60,293,748</u>

Fair Value Measurement at December 31, 2018 (Reviewed)				
	Level 1	Level 2	Level 3	Total
Interest-bearing cash and equivalents	\$ -	\$ 764,059	\$ -	\$ 764,059
Mutual funds	38,460,487	-	-	38,460,487
Exchange traded funds	2,273,711	-	-	2,273,711
	<u>\$ 40,734,198</u>	<u>\$ 764,059</u>	<u>\$ -</u>	<u>\$ 41,498,257</u>

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

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, 2019 or 2018.

Note 6 – Deferred Income Taxes

As of December 31, 2019 and 2018, the Association 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, 2019, there was no valuation allowance associated with the deferred tax asset.

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

	<u>2019</u>	<u>2018</u>
Deferred tax asset		
Accrued vacation	\$ 23,523	\$ 23,100
Net operating loss carryforward	<u>129,813</u>	<u>529,929</u>
Total deferred tax asset	<u>\$ 153,336</u>	<u>\$ 553,029</u>

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

	<u>2019</u>	<u>2018</u>
Federal statutory rate	21.00%	21.00%
True-up - book income	0.00%	0.01%
Permanent differences	<u>2.30%</u>	<u>14.08%</u>
Effective income tax rate	<u>23.30%</u>	<u>35.09%</u>

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 – Deferred Income Taxes (continued)

At December 31, 2019 and 2018, MSC has a net operating loss carryforward of approximately \$618,157 and \$2,523,472, 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 2019 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.

Note 8 – Notes Payable

Notes payable consisted of the following at December 31:

	2019	2018
Bank note payable in monthly installments of \$17,327, including interest at a fixed rate of 4.25%, secured by the building owned by the Association. Matures September 2049.	\$ 3,477,532	\$ -
Less current portion of notes payable	58,618	-
Notes payable, net of current portion	\$ 3,418,914	\$ -

Interest paid on notes payable totaled \$46,839 and \$0 for the years ended December 31, 2019 and 2018.

Future maturities of notes payable are as follows:

2020	\$ 58,618
2021	61,626
2022	64,334
2023	67,162
2024	69,721
Thereafter	3,156,071
	\$ 3,477,532

Building Industry Association of Washington and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 – Subsequent Events

On March 11, 2020, the World Health Organization declared the COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. Management has not yet determined the financial impact of these events.

In April 2020, the Association was granted a loan under the Paycheck Protection Program offered by the SBA under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for \$722,601. The loan bears interest at 1% with no payments for the first six months. The loan is subject to partial or full forgiveness if the Association uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance.

In January 2020, the Association sold its administrative building in Olympia, Washington. The administrative building had a net book value approximating \$1,165,000 as of the date of sale and the Association received proceeds of approximately \$1,190,000. Subsequent to the sale of the building, the Association entered into a lease agreement for administrative facilities in Olympia, Washington. The lease term is 11 months, beginning February 1, 2020, and ending December 31, 2020. Monthly lease payments will be approximately \$10,000. No lease payments were made through the audit report date.

Supplementary Information

Building Industry Association of Washington and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2019

	Building Industry Association of Washington	Member Services Corporation	Parkside LLC	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,021,133	477,410	124,863	\$ -	\$ 1,623,406
Restricted cash	-	1,248,406	10,639	-	1,259,045
Accounts receivable	40,480	15,000	-	-	55,480
Marketable securities	4,909,750	2,380,717	-	-	7,290,467
Investments limited for use	-	60,293,748	-	-	60,293,748
Intercompany receivables	-	139,033	-	(139,033)	-
Prepaid expenses	11,000	-	-	-	11,000
Total current assets	5,982,363	64,554,314	135,502	(139,033)	70,533,146
PROPERTY, PLANT, AND EQUIPMENT					
Building and improvements	-	1,543,477	4,662,709	-	6,206,186
Land	-	416,700	547,776	-	964,476
Equipment	24,325	341,116	-	-	365,441
	24,325	2,301,293	5,210,485	-	7,536,103
Less accumulated depreciation and amortization	24,325	1,160,888	39,852	-	1,225,065
Land, buildings, and equipment, net	-	1,140,405	5,170,633	-	6,311,038
OTHER ASSETS					
Note receivable - MSC	1,823,079	-	-	(1,823,079)	-
Note receivable - Parkside	1,864,475	-	-	(1,864,475)	-
Deferred tax asset	-	153,336	-	-	153,336
Total assets	\$ 9,669,917	\$ 65,848,055	\$ 5,306,135	\$ (3,826,587)	\$ 76,997,520
CURRENT LIABILITIES					
Intercompany accounts payable	\$ 139,033	\$ -	1,864,475	\$ (2,003,508)	\$ -
Accounts payable	13,590	43,042	28,013	-	84,645
Members' distribution payable	-	61,540,528	-	-	61,540,528
Accrued expenses	-	202,557	-	-	202,557
Current portion	-	-	58,618	-	58,618
Total current liabilities	152,623	61,786,127	1,951,106	(2,003,508)	61,886,348
LONG-TERM DEBT					
Note payable BIAW	-	1,823,079	-	(1,823,079)	-
Note payable Parkside, net of current portion	-	-	3,418,914	-	3,418,914
Total long-term debt	-	1,823,079	3,418,914	(1,823,079)	3,418,914
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTION	9,517,294	2,238,849	(63,885)	-	11,692,258
	\$ 9,669,917	\$ 65,848,055	\$ 5,306,135	\$ (3,826,587)	\$ 76,997,520

Building Industry Association of Washington and Subsidiaries
Consolidating Statement of Financial Position
December 31, 2018

	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	1,319,643	-	5,628,518
Investments limited for use	-	41,498,257	-	41,498,257
Intercompany receivables	-	125,126	(125,126)	-
Prepaid expenses	1,500	-	-	1,500
	<u>5,846,717</u>	<u>45,053,383</u>	<u>(125,126)</u>	<u>50,774,974</u>
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
	<u>24,325</u>	<u>2,290,124</u>	<u>-</u>	<u>2,314,449</u>
Less accumulated depreciation and amortization	24,325	1,108,211	-	1,132,536
	<u>-</u>	<u>1,181,913</u>	<u>-</u>	<u>1,181,913</u>
OTHER ASSETS				
Note receivable - MSC	2,823,079	-	(2,823,079)	-
Deferred tax asset	-	553,029	-	553,029
	<u>2,823,079</u>	<u>553,029</u>	<u>(2,823,079)</u>	<u>553,029</u>
Total assets	<u><u>\$ 8,669,796</u></u>	<u><u>\$ 46,788,325</u></u>	<u><u>\$ (2,948,205)</u></u>	<u><u>\$ 52,509,916</u></u>
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
	<u>212,499</u>	<u>43,042,219</u>	<u>(125,126)</u>	<u>43,129,592</u>
NOTE PAYABLE - BIAW	-	2,823,079	(2,823,079)	-
NET ASSETS WITHOUT DONOR RESTRICTION	<u>8,457,297</u>	<u>923,027</u>	<u>-</u>	<u>9,380,324</u>
	<u><u>\$ 8,669,796</u></u>	<u><u>\$ 46,788,325</u></u>	<u><u>\$ (2,948,205)</u></u>	<u><u>\$ 52,509,916</u></u>

Building Industry Association of Washington and Subsidiaries

Consolidating Statement of Activities

Year Ended December 31, 2019

	Building Industry Association of Washington	Member Services Corporation	Parkside LLC	Eliminations	Total
REVENUES					
R.O.I.I. program administrative fees	\$ -	\$ 3,053,393	\$ -	\$ -	\$ 3,053,393
Retrospective rating program	-	3,211,547	-	-	3,211,547
Retrospective rating enrollment fees	-	1,390,590	-	-	1,390,590
Membership dues	696,139	-	-	-	696,139
Health insurance program fees	787,133	-	-	-	787,133
Education program fees	213,348	-	-	-	213,348
Rental income	-	-	117,883	-	117,883
Miscellaneous	84,141	4,964	-	(80,222)	8,883
	<u>1,780,761</u>	<u>7,660,494</u>	<u>117,883</u>	<u>(80,222)</u>	<u>9,478,916</u>
Total revenues					
OPERATING EXPENSES					
Salaries and benefits	803,122	3,372,163	-	-	4,175,285
R.O.I.I. kept-on-wages	-	706,311	-	-	706,311
Independent contractor	218,462	-	-	-	218,462
R.O.I.I. program services	-	637,026	-	-	637,026
Miscellaneous	253,399	626,034	93,013	-	972,446
Education program	200,157	-	-	-	200,157
Accounting and legal	23,023	159,359	1,064	-	183,446
Maintenance	20,692	213,680	1,000	-	235,372
Advertising and promotion	52,662	41,635	-	-	94,297
Insurance	32,612	133,270	-	-	165,882
Depreciation	-	59,060	39,852	-	98,912
	<u>1,604,129</u>	<u>5,948,538</u>	<u>134,929</u>	<u>-</u>	<u>7,687,596</u>
Total operating expenses					
INCOME (LOSS) FROM OPERATIONS	<u>176,632</u>	<u>1,711,956</u>	<u>(17,046)</u>	<u>(80,222)</u>	<u>1,791,320</u>
OTHER INCOME (EXPENSE)					
Unrealized gain on investments	764,578	-	-	-	764,578
Investment interest and dividends	90,688	83,782	-	-	174,470
Realized gain on investments	28,098	-	-	-	28,098
Interest expense	-	(80,222)	(46,839)	80,222	(46,839)
	<u>883,364</u>	<u>3,560</u>	<u>(46,839)</u>	<u>80,222</u>	<u>920,307</u>
Total other income (expense), net					
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	<u>1,059,996</u>	<u>1,715,516</u>	<u>(63,885)</u>	<u>-</u>	<u>2,711,627</u>
FEDERAL INCOME TAX (EXPENSE) BENEFIT					
Deferred	-	(399,693)	-	-	(399,693)
	<u>-</u>	<u>(399,693)</u>	<u>-</u>	<u>-</u>	<u>(399,693)</u>
Total federal income tax expense					
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	<u>\$ 1,059,996</u>	<u>\$ 1,315,823</u>	<u>\$ (63,885)</u>	<u>\$ -</u>	<u>\$ 2,311,934</u>

Building Industry Association of Washington and Subsidiaries
Consolidating Statement of Activities
Year Ended December 31, 2018

	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
	<u>1,835,076</u>	<u>6,819,439</u>	<u>(101,724)</u>	<u>8,552,791</u>
Total revenues				
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
	<u>1,539,602</u>	<u>6,089,343</u>	<u>-</u>	<u>7,628,945</u>
Total operating expenses				
INCOME (LOSS) FROM OPERATIONS	<u>295,474</u>	<u>730,096</u>	<u>(101,724)</u>	<u>923,846</u>
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	-
	<u>(296,450)</u>	<u>(64,629)</u>	<u>101,724</u>	<u>(259,355)</u>
Total other income (expense), net				
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	<u>(976)</u>	<u>665,467</u>	<u>-</u>	<u>664,491</u>
FEDERAL INCOME TAX (EXPENSE) BENEFIT				
Current	-	(64)	-	(64)
Deferred	-	(233,444)	-	(233,444)
	<u>-</u>	<u>(233,508)</u>	<u>-</u>	<u>(233,508)</u>
Total federal income tax expense				
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	<u>\$ (976)</u>	<u>\$ 431,959</u>	<u>\$ -</u>	<u>\$ 430,983</u>

