

WASHINGTON STATE DENTAL ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Accountant's Review Report

YEAR ENDED SEPTEMBER 30, 2023



WASHINGTON STATE
DENTAL ASSOCIATION

WASHINGTON STATE DENTAL ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 14, 2024

Board of Directors
Washington State Dental Association
Seattle, Washington

We have reviewed the accompanying consolidated statement of financial position of Washington State Dental Association (a nonprofit corporation), as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A Review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A Review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the 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 in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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 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. We are required to be independent of Washington State Dental Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our review.

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.



Jacobson Jarvis & Co, PLLC
Seattle, Washington

WASHINGTON STATE DENTAL ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,268,517
Investments	1,821,079
Accounts receivable	217,500
Deferred rent receivable	2,571
Prepays and deposits	<u>114,759</u>
Total Current Assets	3,424,426
Deferred Compensation Investments	35,642
Investments - Reserves	2,066,829
Property and Equipment, net	<u>3,333,281</u>
	<u>\$ 8,860,178</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 208,419
Accrued liabilities	8,620
Accrued payroll liabilities	444,497
Deferred compensation payable	35,642
Deferred income tax liability	61,997
Deferred revenue	365,499
Workers compensation pool	<u>309,350</u>
Total Current Liabilities	1,434,024
Lease Security Deposits	20,980
Severance Payable	<u>71,518</u>
	<u>Total Liabilities 1,526,522</u>
Net Assets	
Without donor restrictions	7,333,656
With donor restrictions	<u>-</u>
Total Net Assets	<u>7,333,656</u>
	<u>\$ 8,860,178</u>

See notes to financial statements.

WASHINGTON STATE DENTAL ASSOCIATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2023

Without Donor Restrictions		
Revenue		
Dues revenue		\$ 1,325,501
Conference		2,522,364
Commissions		2,385,798
Advertising revenue		795,615
Investment returns		322,599
Rental revenue		87,231
Other revenue		<u>41,143</u>
	Total Revenue	7,480,251
Public Support		
Contributions		<u>61,000</u>
	Total Public Support Without Donor Restrictions and Revenue	<u>7,541,251</u>
Expenses		
Program services		5,064,411
Management and general		<u>2,383,256</u>
	Total Expenses	<u>7,447,667</u>
	Total Change in Net Assets Without Donor Restrictions	93,584
Net Assets - Beginning of Year		<u>7,240,072</u>
Net Assets - End of Year		<u>\$ 7,333,656</u>

WASHINGTON STATE DENTAL ASSOCIATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

	Program <u>Services</u>	Management and <u>General</u>	<u>Total</u>
Salaries and wages	\$ 1,294,636	\$ 609,241	\$ 1,903,877
Payroll taxes	116,759	54,945	171,704
Employee benefits	<u>160,648</u>	<u>75,600</u>	<u>236,248</u>
	1,572,043	739,786	2,311,829
Professional fees and services	1,515,176	713,024	2,228,200
Travel and events	755,964	355,748	1,111,712
Office expenses	393,841	185,337	579,178
Advertising	268,258	126,238	394,496
Occupancy	140,865	66,290	207,155
Printing and mailing	113,986	53,641	167,627
Depreciation	89,896	42,304	132,200
Credit card fees	86,999	40,941	127,940
Federal income tax	77,595	36,516	114,111
Other	<u>49,788</u>	<u>23,431</u>	<u>73,219</u>
Total Expenses	<u>\$ 5,064,411</u>	<u>\$ 2,383,256</u>	<u>\$ 7,447,667</u>

WASHINGTON STATE DENTAL ASSOCIATION
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2023

Cash Flows from Operating Activities

Cash received from:

Members	\$ 4,190,644
Conference participants and sponsors	1,177,495
Donors and government agencies	50,360
Other revenues	951,001
Investments	6

Cash paid for:

Personnel	(2,289,172)
Services and supplies	<u>(4,804,801)</u>

Net Cash Used by Operating Activities (724,467)

Cash Flows from Investing Activities

Proceeds from sale of investments	521,312
Purchases of investments	(524,527)
Purchases of property and equipment	<u>(209,630)</u>

Net Cash Used by Investing Activities (212,845)

Changes in Cash and Cash Equivalents (937,312)

Cash and Cash Equivalents - beginning of year 2,205,829

Cash and Cash Equivalents - end of year \$ 1,268,517

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE A - ASSOCIATION OPERATIONS

Washington State Dental Association (the Association) is a nonprofit Washington corporation. The purposes of the Association are to unite the members of the dental profession within the State and with similar associations in other states as constituent parts of the American Dental Association, with a view to the extension of dental knowledge and to the advancement of dental science; to the elevation of the standard of dental education and to the enactment and enforcement of just dental laws; to enlighten and direct public opinion in regards to the problems of dentistry so that the profession shall become more useful to the public in the prevention and cure of disease.

Washington Dentists' Insurance Agency, Inc. (WDIA), a for-profit corporation, is wholly owned by the Association. WDIA markets and sells individual health, disability, liability, and long-term care insurance to Association members.

126 Canal Centre, LLC (the LLC) is a Washington limited liability company established in January 2010. The LLC was formed in order to own and operate 126 Canal Centre, a three story commercial building in Seattle, Washington. The LLC is wholly owned by the Association.

The Washington State Dental Association Employee Corporation, LLC (WSDAEC) is a subsidiary that directly employs all employees of WSDA and its subsidiaries (including WDIA). All employee payroll and benefits are administered through this entity effective September 2023.

The Association is affiliated with the Washington State Dental Association Political Action Committee (the PAC), whose primary purpose is to lobby and support legislation which has an impact on the dental profession. For the year ended September 30, 2023, the Association contributed approximately \$241,700 to the PAC. The PAC has not been consolidated in these financial statements because the Association has an economic interest, but does not have control.

The Association is also affiliated with Washington State Dental Relief Fund (the Fund), whose primary purpose is to award relief grants for dentists in the State. The Fund has not been consolidated in these financial statements because the Association has control, but does not have an economic interest in the Fund.

The Association is also affiliated with the Washington State Dental Association Foundation (the Foundation). The Foundation has not been consolidated in these financial statements because the Association has control, but does not have an economic interest in the Foundation.

The accompanying consolidated financial statements include the accounts of the Association and its wholly-owned subsidiaries, WDIA, 126 Canal Centre, LLC, and Washington State Dental Association Employee Corporation, LLC. Inter-company transactions and balances have been eliminated in consolidation.

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related disclosures. Actual result could differ from those estimates.

Cash and cash equivalents

The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of September 30, 2023 cash and cash equivalents are held by banks and brokerage firms and include demand deposit bank accounts and money market accounts and funds. At times balances may be more than federally insured limits.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statements of activities.

Deferred compensation plan investments

Deferred compensation plan investments are recorded at fair value and include cash equivalents and mutual funds.

Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Association can access at the measurement date.

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable for the asset or liability.

There have been no changes in the valuation techniques used during the year ended September 30, 2023.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amount through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of September 30, 2023, management estimates the accounts receivable balance is fully collectable. There were no write-offs during the year then ended.

Property and equipment

Property and equipment are recorded at cost. Depreciation of furniture and equipment, vehicles, and amortization of leasehold improvements are recorded on the straight-line method over a life of three to five years for furniture and equipment and the lesser of ten years or the remaining life of the lease for leasehold improvements. Building and building improvements are depreciated based on estimated useful lives of 40 years. The Association capitalizes assets with a cost greater than \$1,000 and an estimated useful life of one or more years. Property and equipment are composed of the following as of September 30, 2023:

Building and building improvements	\$ 4,167,089
Office	1,154,316
Land	445,400
Vehicles	<u>88,172</u>
	5,854,977
Accumulated depreciation	<u>(2,521,696)</u>
	<u>\$ 3,333,281</u>

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Workers compensation pool

The Association manages a workers compensation retrospective rating pool (Retro) in conjunction with Washington State Department of Labor and Industries (L&I). The Association holds back premiums received from (L&I) in reserve in case the Association's pool experience claims expenses that would warrant the Association to contribute additional funds to the pool. The Association also uses this fund to cover program expenses (both to the Association's third party administrator and internal staffing costs).

Membership dues

Dues for a calendar year are billed to members in the latter part of the prior calendar year. Dues are recognized as revenue ratably over the course of the calendar year they are collected for. Unpaid dues are not recorded on the books. Individuals are dropped from membership if dues are not paid by March 31. The Association provides an option for members to pay on a monthly basis. Monthly dues are recognized as revenue in the month received. Deferred dues revenue at September 30, 2023 represent prepaid dues for October through December 2023.

Commissions

Commission revenue consists of commissions on insurance premiums for policies sold, and commissions on endorsed products and services. Commissions are recognized when earned.

Pacific Northwest Dental Conference

The Pacific Northwest Dental Conference is an annual conference that offers three days of continuing dental education with over 50 nationally renowned speakers and a dental trade show of more than 150 exhibits. Revenue is recorded when earned and expenses are recorded when incurred. Due to pandemic concerns, the conference was not held during the year ended September 30, 2021. The annual conference resumed in November 2021.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$76,694 for the year ended September 30, 2023.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting service benefited.

Income taxes

The Internal Revenue Service has determined that the Association is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(6). The Association is not a private foundation as defined by IRC Section 509(a). However, net income from certain activities defined by the IRC as being unrelated business income is subject to federal income tax.

WASHINGTON STATE DENTAL ASSOCIATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association computes income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of WDIA’s assets and liabilities. Deferred taxes are measured using provisions of currently enacted tax laws. Tax credits are accounted for as a reduction of income taxes in the year in which the credit originates. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount expected to be realized. Income tax expense (benefit) is the income tax payable (refundable) for the year, plus the change during the year in deferred income tax assets and liabilities.

NOTE C - LIQUIDITY AND AVAILABILITY

The Association monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing member and legislative activities and the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available to meet cash needs for general expenditures within one year as of September 30, 2023 are as follows:

Total financial assets	\$ 5,412,138
Less: internally designated reserve funds	<u>(2,066,829)</u>
	<u>\$ 3,345,309</u>

The Association’s board designated funds have been set aside by the Association’s governing body and are available to meet the shortfalls of the Association’s operating budget as needed. 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.

NOTE D - INVESTMENTS AND FAIR MEASUREMENTS

Fair values of assets measured on a recurring basis at September 30, 2023 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Operating Investments:			
Interest-bearing cash and money market funds	\$ 922,773	\$ -	\$ -
Equity funds	728,642	-	-
Exchange traded funds	<u>169,664</u>	<u>-</u>	<u>-</u>
	<u>1,821,079</u>	<u>-</u>	<u>-</u>

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE D - INVESTMENTS AND FAIR MEASUREMENTS (Continued)

Reserve Investments:

Interest-bearing cash, money market funds, EFT	\$ 549,692	\$ -	\$ -
Equity funds	690,837	-	-
Exchange traded funds	826,300	-	-
	<u>2,066,829</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,887,908</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE E - BENEFIT PLANS

The Association offers its employees salary deferral employee benefits through participation in the 401(k) profit sharing plan. WDIA’s employees may also participate in the plan. Employees who have reached 21 years of age and have completed one month of service are eligible for the 401(k) plan, and those who have completed one year of service are eligible for the profit sharing plan. Pension expense under the plan for the Association was \$10,446 for the year ended September 30, 2023. WDIA’s contribution to the plan for the year ended September 30, 2023 was \$64,561.

The Association has established a nonqualifying deferred compensation plan under section 457(b) of the IRC for certain key employees (the Plan). The Plan provides for an amount to be set aside (non-trust) annually until the employee reaches retirement or is terminated from employment. The Association set aside \$35,642 during the year ended September 30, 2023, which is included in deferred compensation plan investments.

NOTE F - CONTINGENCES AND CONCENTRATIONS

WDIA received commission revenues from 44 insurance providers that totaled 93% of total commission income for the year ended September 30, 2023.

NOTE G - THIRD PARY TENANT LEASE

In October 2019, WDIA entered into an agreement to sublease a portion of the LLC’s building to a third party through September 2024. The rental agreement stipulated monthly escalating rental payments over the term of the lease ranging from \$7,824 to \$8,694. Rent revenue recognized under this agreement was \$95,883 for the year ended September 30, 2023. Future minimum rental income to be received under the non-cancelable lease for the year ending September 30, 2024 is \$104,319.

WASHINGTON STATE DENTAL ASSOCIATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE H - AGENCY TRANSACTIONS

Dues are collected for the American Dental Association and local dental societies by the Association. Also, contributions are collected for the American Dental Political Action Committee, the Washington State Dental Political Action Committee, the Washington State Dental Association Foundation, the American Dental Association Foundation, and the Alliance of the Washington State Dental Association. The dues and the contributions collected by the Association are remitted to the respective organizations and are not recognized as revenue in the accompanying consolidated statements of activities.

Total amounts collected and remitted are as follows for the year ended September 30, 2023:

Gross dues and contributions collected	<u>\$ 3,748,083</u>
Less amounts remitted to other entities:	
American Dental Association	1,619,869
Local societies	622,391
Washington State Dental Political Action Committee	241,706
American Dental Political Action Committee	6,415
WSDA Foundation	2,920
Alliance of the Washington State Dental Association	<u>2,747</u>
	<u>2,496,048</u>
Total to Washington State Dental Association	<u><u>\$ 1,252,035</u></u>

NOTE I - COMMITMENTS

The Association entered into a commitment to occupy four different conference venues, for the period 2025 through 2026. Three agreements have an escalating cancellation obligation depending on the terms of cancellation, and the other agreement cannot be terminated without cause. As of September 30, 2023, the total estimated maximum liability for all contracts is approximately \$505,000.

The Association has a severance agreement with an executive in the amount of \$270,864 to be paid out in monthly installments over a period of ten years. Payments began on February 1, 2016 and accrue interest at 3% from the date of retirement, January 1, 2015. As of September 30, 2023, the liability is included on the consolidated statement of financial position as severance payable of \$71,518.

WASHINGTON STATE DENTAL ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

NOTE J - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to September 30, 2023 through August 14, 2024, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at September 30, 2023, including the estimates inherent in the processing of financial statements.