

Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

Kentucky Association of Counties, Inc. and Subsidiary
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Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors
Kentucky Association of Counties, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kentucky Association of Counties, Inc. and Subsidiary, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kentucky Association of Counties, Inc. and Subsidiary as of June 30, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Kentucky Association of Counties, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Association of Counties, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kentucky Association of Counties, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Association of Counties, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and the KACO Insurance Agency, Inc. Statement of Cash Flows is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Louisville, Kentucky

October 4, 2023

**Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Statements of Financial Position
Years Ended June 30, 2023 and 2022**

| | <u>2023</u> | <u>2022</u> |
|----------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 8,219,505 | \$ 6,997,597 |
| Accounts receivable | 74,949 | 57,918 |
| Due from related parties | 53,171 | 26,887 |
| Prepaid expenses | <u>59,961</u> | <u>118,471</u> |
| Total current assets | 8,407,586 | 7,200,873 |
| Loans receivable | 651,721 | 1,100,000 |
| Investments | 8,909,686 | 7,713,842 |
| Property and equipment, net | <u>7,537,622</u> | <u>7,770,814</u> |
| Total assets | <u>\$ 25,506,615</u> | <u>\$ 23,785,529</u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 230,887 | \$ 209,396 |
| Accrued compensated absences | 917,122 | 1,115,235 |
| Association health plan payable | 1,042,846 | 1,055,714 |
| Unearned revenues | <u>820,709</u> | <u>510,994</u> |
| Total current liabilities | 3,011,564 | 2,891,339 |
| Net assets | | |
| Without donor restrictions | | |
| Board designated - program guarantee fund | \$ 3,100,000 | \$ 3,100,000 |
| Board designated - association health plan reserve | 71,723 | 131,052 |
| Undesignated | <u>18,901,119</u> | <u>17,240,929</u> |
| Total net assets without donor restrictions | 22,072,842 | 20,471,981 |
| With donor restrictions | | |
| Purpose restricted - program guarantee fund | <u>422,209</u> | <u>422,209</u> |
| Total net assets | <u>22,495,051</u> | <u>20,894,190</u> |
| Total liabilities and net assets | <u>\$ 25,506,615</u> | <u>\$ 23,785,529</u> |

See accompanying notes.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|-----------------------------------------------------------|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenues, gains and other support | | | | | | |
| Program administration fees | \$ 4,652,873 | \$ - | \$ 4,652,873 | \$ 4,294,048 | \$ - | \$ 4,294,048 |
| Management fees | 2,673,398 | - | 2,673,398 | 2,740,846 | - | 2,740,846 |
| Advisory fees | 173,930 | - | 173,930 | 107,950 | - | 107,950 |
| License fees | 4,000 | - | 4,000 | 4,000 | - | 4,000 |
| Public official bond revenue | 723,234 | - | 723,234 | 583,146 | - | 583,146 |
| Commissions - other | 824,106 | - | 824,106 | 794,773 | - | 794,773 |
| Donations | 998 | - | 998 | - | - | - |
| Membership dues | 144,550 | - | 144,550 | 144,350 | - | 144,350 |
| Training session fees | 17,985 | - | 17,985 | 3,706 | - | 3,706 |
| Interest and dividend income | 290,438 | - | 290,438 | 393,471 | - | 393,471 |
| Rental income | 18,000 | - | 18,000 | 45,000 | - | 45,000 |
| Endorsement and marketing fees | 75,374 | - | 75,374 | 49,129 | - | 49,129 |
| KACo convention, net | (33,456) | - | (33,456) | (150,974) | - | (150,974) |
| County Partner Program | 242,200 | - | 242,200 | 222,600 | - | 222,600 |
| Gain on disposal of equipment | - | - | - | 21,741 | - | 21,741 |
| Net realized and unrealized gains (losses) on investments | 1,026,784 | - | 1,026,784 | (1,510,851) | - | (1,510,851) |
| Miscellaneous income (expense) | (59,329) | - | (59,329) | (46,007) | - | (46,007) |
| | 10,775,085 | - | 10,775,085 | 7,696,928 | - | 7,696,928 |
| Expenses | | | | | | |
| Program services | 5,998,257 | - | 5,998,257 | 5,481,678 | - | 5,481,678 |
| Supporting services | 3,128,896 | - | 3,128,896 | 3,005,202 | - | 3,005,202 |
| Provision for income taxes | 47,071 | - | 47,071 | 52,592 | - | 52,592 |
| | 9,174,224 | - | 9,174,224 | 8,539,472 | - | 8,539,472 |
| Changes in net assets | 1,600,861 | - | 1,600,861 | (842,544) | - | (842,544) |
| Net assets at beginning of year | 20,471,981 | 422,209 | 20,894,190 | 21,314,525 | 422,209 | 21,736,734 |
| Net assets at end of year | \$ 22,072,842 | \$ 422,209 | \$ 22,495,051 | \$ 20,471,981 | \$ 422,209 | \$ 20,894,190 |

See accompanying notes.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023 (with Comparative Totals for the Year Ended June 30, 2022)

| | 2023 | | | 2022 |
|-----------------------------------------------------------------------------------------------|---------------------|-----------------------------------|---------------------|---------------------|
| | Program | Management and general | Total | Total |
| Advocacy | \$ 232,480 | \$ - | \$ 232,480 | \$ 228,089 |
| Bank charges | - | 3,929 | 3,929 | 2,496 |
| Board expense | - | 60,226 | 60,226 | 52,460 |
| Board fees | - | 51,400 | 51,400 | 42,900 |
| Commissions | 22,633 | - | 22,633 | 18,667 |
| Communication and promotion | 105,464 | 134,092 | 239,556 | 213,143 |
| Computer supplies | 66,615 | 34,140 | 100,755 | 107,593 |
| Convention | 317,256 | - | 317,256 | 342,469 |
| Depreciation | - | 288,486 | 288,486 | 293,462 |
| Endorsement fee | 100,000 | - | 100,000 | 100,000 |
| Equipment and maintenance | 11,990 | 11,878 | 23,868 | 18,865 |
| Fringe benefits | 1,688,726 | 901,223 | 2,589,949 | 2,129,562 |
| Grounds and building maintenance | 63,892 | 39,588 | 103,480 | 108,120 |
| Insurance | 79,987 | 32,131 | 112,118 | 115,364 |
| Janitorial service | 42,482 | 24,949 | 67,431 | 50,358 |
| Miscellaneous | - | 15 | 15 | - |
| Office supplies | 12,818 | 17,340 | 30,158 | 22,957 |
| Postage | 12,517 | 7,193 | 19,710 | 15,056 |
| Printing | 4,934 | 5,315 | 10,249 | 8,179 |
| Professional dues | 2,630 | 6,327 | 8,957 | 22,056 |
| Professional fees | 8,810 | 178,604 | 187,414 | 125,115 |
| Provision for income taxes | 47,071 | - | 47,071 | 52,592 |
| Public official bond expense | 705,807 | - | 705,807 | 570,039 |
| Publications | 1,884 | 3,307 | 5,191 | 12,909 |
| Rent | 900 | - | 900 | 4,300 |
| Salaries | 2,768,084 | 1,267,582 | 4,035,666 | 4,108,325 |
| Telephone | 24,441 | 14,811 | 39,252 | 41,443 |
| Training session expenses | 958 | 18,182 | 19,140 | 8,739 |
| Utilities | 40,205 | 28,178 | 68,383 | 66,683 |
| | <u>6,362,584</u> | <u>3,128,896</u> | <u>9,491,480</u> | <u>8,881,941</u> |
| Less: provision for income taxes | (47,071) | - | (47,071) | (52,592) |
| Less: convention expenses netted with convention revenue on the statement of activities | <u>(317,256)</u> | <u>-</u> | <u>(317,256)</u> | <u>(342,469)</u> |
| Net program and supporting services/expenses | <u>\$ 5,998,257</u> | <u>\$ 3,128,896</u> | <u>\$ 9,127,153</u> | <u>\$ 8,486,880</u> |

See accompanying notes.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

| | <u>Program</u> | <u>Management and general</u> | <u>Total</u> |
|-----------------------------------------------------------------------------------------------|---------------------|-----------------------------------|---------------------|
| Advocacy | \$ 228,089 | \$ - | \$ 228,089 |
| Bank charges | - | 2,496 | 2,496 |
| Board expense | - | 52,460 | 52,460 |
| Board fees | - | 42,900 | 42,900 |
| Commissions | 18,667 | - | 18,667 |
| Communication and promotion | 122,980 | 90,163 | 213,143 |
| Computer supplies | 74,066 | 33,527 | 107,593 |
| Convention | 342,469 | - | 342,469 |
| Depreciation | - | 293,462 | 293,462 |
| Endorsement fee | 100,000 | - | 100,000 |
| Equipment and maintenance | 11,280 | 7,585 | 18,865 |
| Fringe benefits | 1,328,307 | 801,255 | 2,129,562 |
| Grounds and building maintenance | 48,888 | 59,232 | 108,120 |
| Insurance | 85,022 | 30,342 | 115,364 |
| Janitorial service | 32,229 | 18,129 | 50,358 |
| Office supplies | 9,417 | 13,540 | 22,957 |
| Postage | 9,825 | 5,231 | 15,056 |
| Printing | 4,860 | 3,319 | 8,179 |
| Professional dues | 19,038 | 3,018 | 22,056 |
| Professional fees | 4,240 | 120,875 | 125,115 |
| Provision for income taxes | 52,592 | - | 52,592 |
| Public official bond expense | 570,039 | - | 570,039 |
| Publications | 7,005 | 5,904 | 12,909 |
| Rent | 4,300 | - | 4,300 |
| Salaries | 2,734,803 | 1,373,522 | 4,108,325 |
| Telephone | 24,825 | 16,618 | 41,443 |
| Training session expenses | 2,723 | 6,016 | 8,739 |
| Utilities | 41,075 | 25,608 | 66,683 |
| | <u>5,876,739</u> | <u>3,005,202</u> | <u>8,881,941</u> |
| Less: provision for incomes taxes | \$ (52,592) | \$ - | \$ (52,592) |
| Less: convention expenses netted with convention revenue on the statement of activities | <u>(342,469)</u> | <u>-</u> | <u>(342,469)</u> |
| Net program and supporting services/expenses | <u>\$ 5,481,678</u> | <u>\$ 3,005,202</u> | <u>\$ 8,486,880</u> |

See accompanying notes.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 1,600,861 | \$ (842,544) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Net realized and unrealized losses (gains) on investments | (1,026,784) | 1,510,851 |
| Depreciation | 288,486 | 293,462 |
| Gain on sale of equipment | - | (21,741) |
| Changes in | | |
| Accounts receivable | (17,031) | (8,008) |
| Due from related parties | (26,284) | 22,211 |
| Prepaid expenses | 58,510 | (45,402) |
| Accounts payable and accrued liabilities | 21,491 | (85,272) |
| Accrued compensated absences | (198,113) | 78,740 |
| Association health plan payable | (12,868) | 283,008 |
| Unearned losses | 309,715 | (172,573) |
| | <u>997,983</u> | <u>1,012,732</u> |
| Net cash provided by operating activities | 997,983 | 1,012,732 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (55,294) | (33,603) |
| Proceeds from sale of property and equipment | - | 24,000 |
| Purchases of investments | (1,233,034) | (985,109) |
| Proceeds from sales of investments | 1,063,974 | 676,739 |
| | <u>(224,354)</u> | <u>(317,973)</u> |
| Net cash used in investing activities | (224,354) | (317,973) |
| Cash flows from financing activities | | |
| Payments of loans receivable | 448,279 | 900,000 |
| | <u>448,279</u> | <u>900,000</u> |
| Net cash provided by financing activities | 448,279 | 900,000 |
| Increase in cash and cash equivalents | 1,221,908 | 1,594,759 |
| Cash and cash equivalents at beginning of year | <u>6,997,597</u> | <u>5,402,838</u> |
| Cash and cash equivalents at end of year | <u>\$ 8,219,505</u> | <u>\$ 6,997,597</u> |
| Supplemental disclosure | | |
| Cash paid for income taxes | \$ 3,295 | \$ 81,440 |

See accompanying notes.

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

Note A - Description of Organization

Kentucky Association of Counties, Inc. ("KACo" or "Organization") is a non-profit organization organized under the laws of the Commonwealth of Kentucky. Its membership is the 120 county governments of the state. KACo was formed to improve and enhance county governments and their political subdivisions through issue advocacy, cooperative undertakings and educational programs. The consolidated financial statements include the accounts of KACo and its wholly owned subsidiary, KACo Insurance Agency, Inc. (the "Agency"), incorporated for the purpose of selling insurance products to county governments in Kentucky.

All inter-company transactions have been eliminated. The consolidated entity is collectively referred to herein as the "Organization."

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

KACo records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. KACo reports information regarding its financial position and activities according to the following net asset classifications:

- *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of KACo's management and the board of directors.
- *Net Assets With Donor Restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of KACo or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not have any net assets required to be maintained in perpetuity at June 30, 2023 and 2022.

The Organization reports cash and other assets as net assets with donor restrictions if they are received with donor or grant stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restriction.

2. Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
3. Cash and Cash Equivalents: The Organization considers all highly liquid investments, with a maturity of 90 days or less when purchased, not restricted for a particular purpose, to be cash equivalents. The Organization typically maintains with its bank cash and cash equivalents in excess of federally-insured limits.

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

Note B - Summary of Significant Accounting Policies (Continued)

4. Loans Receivable: Loans receivable represent deferred payment loans disbursed to counties for flood relief. These funds were available to impacted counties that experienced flood losses not covered by insurance and had a financial need for funds to repair property that could not otherwise be met by county's available resources. The maximum loan amount was \$500,000 per borrower who were insured by members of Kentucky Association of Counties All Lines Fund. The loans do not require collateral. Beginning on July 1, 2022, the interest component of the loans shall be at an annual rate of 3.74%. Maturity of the loans receivables is June 2027.
5. Investments: Investments are reported at fair value. Fair value is 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. Realized and unrealized gains and losses are recorded in the consolidated statements of activities and changes in net assets as incurred. KACo recognized realized losses of \$92,887 and unrealized gains of \$1,119,671 for the fiscal year ended June 30, 2023. KACo recognized realized gains of \$53,947 and unrealized losses of \$1,564,798 for the fiscal year ended June 30, 2022.
6. Accounts Receivable: Accounts receivable consists primarily of commissions from insurance policies and membership fees due from different counties that are predetermined amounts based on the size of the county. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables are written-off based on individual credit evaluation and specific circumstances of the counterparty. The Organization's management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established at June 30, 2023 and 2022.
7. Property and Equipment: Property and equipment is recorded at cost, if purchased, or fair market value at date of contribution, if contributed. It is the Organization's policy to capitalize purchases of property and equipment in excess of \$1,500. Lesser amounts are expensed. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|--------------|
| Building and improvements | 3 - 40 years |
| Furniture, fixtures and equipment | 3 - 10 years |
| Vehicles | 5 years |
8. Unearned Revenues: Unearned revenues include amounts received from related parties for administrative expenses and services of KACo on behalf of the related parties. Unearned revenues for program administration and management fees represent annual fees generated in excess of related expenses and will be recognized as income as services are provided over the contract period. Total deferred amounts from related parties are \$632,077, and \$420,740 at June 30, 2023 and 2022, respectively. The Agency has unearned revenues representing cash received for policies not in effect at year-end of \$75,833 and \$63,367 at June 30, 2023 and 2022, respectively.
9. Advertising Costs: Costs incurred for advertising and promotions are expensed as incurred. Advertising expenses totaled \$94,062 and \$76,239 in 2023 and 2022, respectively. Advertising costs are included in communication and promotion on the statement of functional of expenses.

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

Note B - Summary of Significant Accounting Policies (Continued)

10. Functional Allocation of Expenses: The cost of programs and supporting services activities has been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which is allocated on the basis of estimates of time and effort.

11. Leases: In February 2016, the ("FASB") issued ASU 2016-02, *Leases* ("ASU Topic 842"). The standard requires all leases with terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. The Organization adopted ASU 842 on July 1, 2022, noting no material impact.

The Organization determines if an arrangement is a lease at inception. Finance leases, if any, are included in right-of-use ("ROU") assets-finance leases and lease liability-finance leases, and operating leases, if any, are included in right-of-use ("ROU") assets-operating leases and lease liability-operating leases in the balance sheet. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization uses a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

12. Income Taxes: Kentucky Association of Counties, Inc. is a non-profit corporation under the laws of the Commonwealth of Kentucky and has been granted exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. KACo Insurance Agency, Inc. is a for-profit corporation subject to income tax.

Deferred income taxes for the Agency are recorded based upon the temporary differences between the financial statement and tax bases of assets and liabilities and net operating loss carryforwards available for tax purposes. There are no deferred income taxes at June 30, 2023 or 2022.

The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

Note B - Summary of Significant Accounting Policies (Continued)

13. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report, which represents the date which the consolidated financial statements were available to be issued.
14. Recent Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities and changes in net assets will reflect the measurement of credit losses for newly-recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This standard is effective for the fiscal year ending June 30, 2024. Management has not yet evaluated the impact of adoption of this standard will have on the consolidated financial statements.

Note C - Availability and Liquidity

The following represents the Organization's consolidated financial assets at June 30:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------------------------------------------------------|----------------------|----------------------|
| Financial assets at year end | | |
| Cash and cash equivalents | \$ 8,219,505 | \$ 6,997,597 |
| Due from related parties | 53,171 | 26,887 |
| Accounts receivable | 74,949 | 57,918 |
| Investments | <u>8,909,686</u> | <u>7,713,842</u> |
| Total financial assets | 17,257,311 | 14,796,244 |
| Less amounts not available to be used within one year | | |
| Board designated - program guarantee fund | 3,100,000 | 3,100,000 |
| Board designated - association health plan reserve | 71,723 | 131,052 |
| Loans receivable (maturity June 2027) | 651,721 | 1,100,000 |
| Purpose restricted - program guarantee fund | <u>422,209</u> | <u>422,209</u> |
| | <u>4,245,653</u> | <u>4,753,261</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 13,011,658</u> | <u>\$ 10,042,983</u> |

The Organization's goal is generally to maintain liquid financial assets to meet an average of 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments.

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

Note D - Investments

FASB ASC defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurement. The Organization uses the following fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels in accordance with the ASC. These levels, in order of highest to lowest priority, are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date 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 markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Organization's own assumptions.

Following is a description of the valuation methodologies for assets measured at fair value:

- *Money Market Accounts*: Valued at cost plus accrued interest which approximates fair value.
- *Common Stock*: Value at quoted market prices in an active market.
- *Mutual Funds*: Valued at the net asset value of the underlying assets.
- *Government Securities, Real Estate Partnerships and Corporate Bonds*: Valued using pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models utilizing observable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis at June 30, 2023.

| | Investments at fair value as of June 30, 2023 | | | |
|--------------------------|-----------------------------------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market | \$ 207,600 | \$ - | \$ - | \$ 207,600 |
| Common stock | 1,497,001 | - | - | 1,497,001 |
| Mutual funds | 3,661,982 | - | - | 3,661,982 |
| Municipal bonds | - | 897,021 | - | 897,021 |
| Corporate bonds | - | 2,095,819 | - | 2,095,819 |
| Real estate partnerships | - | 550,263 | - | 550,263 |
| Total | <u>\$ 5,366,583</u> | <u>\$ 3,543,103</u> | <u>\$ -</u> | <u>\$ 8,909,686</u> |

Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

Note D - Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis at June 30, 2022.

| | Investments at fair value as of June 30, 2022 | | | |
|--------------------------|-----------------------------------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market | \$ 541,566 | \$ - | \$ - | \$ 541,566 |
| Common stock | 1,533,547 | - | - | 1,533,547 |
| Mutual funds | 2,757,215 | - | - | 2,757,215 |
| Municipal bonds | - | 691,001 | - | 691,001 |
| Corporate bonds | - | 1,765,277 | - | 1,765,277 |
| Real estate partnerships | - | 425,236 | - | 425,236 |
| Total | \$ 4,832,328 | \$ 2,881,514 | \$ - | \$ 7,713,842 |

Investment securities are exposed to various risks, such as interest rate, market volatility and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could result in material changes in the fair value of investments and net assets of the Organization.

Note E - Property and Equipment

Property and equipment as of June 30, 2023 and 2022 consists of:

| | 2023 | 2022 |
|-------------------------------|---------------------|---------------------|
| Building and improvements | \$ 11,656,364 | \$ 11,617,782 |
| Land and improvements | 1,573,197 | 1,573,197 |
| Equipment | 976,064 | 1,095,005 |
| Vehicles | 94,385 | 94,385 |
| Furniture and fixtures | 60,668 | 47,953 |
| | 14,360,678 | 14,428,322 |
| Less accumulated depreciation | (6,823,056) | (6,657,508) |
| | \$ 7,537,622 | \$ 7,770,814 |

**Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022**

Note F - Net Assets

Nets assets with donor restrictions at June 30, 2023 and 2022 are restricted for future unexpected expenses of the related organizations, also referred to as the program guarantee fund.

Board designated net assets at June 30, 2023 and 2022 represent amounts designated by the Board for the program guarantee fund and the association health plan.

Total net assets set aside for the program guarantee fund are \$3,522,209 and \$3,522,209 as of June 30, 2023 and 2022, respectively.

Note G - Retirement Plans

The Organization participates in the County Employee Retirement System of the Commonwealth of Kentucky ("CERS"). CERS is a cost-sharing multiple-employer public employee retirement system which covers all eligible full-time employees. Vesting begins after five years upon entry into CERS. CERS also provides death and disability benefits. Benefits are established by state statute. CERS requires employees to contribute 5.00% or 6.00%, based on their hire date, of their salary and employers to contribute 23.34% and 26.95% of participants' salaries during the years ended June 30, 2023 and 2022, respectively. The Organization's CERS expenses for the years ended June 30, 2023 and 2022 was \$1,131,524 and \$1,119,308, respectively.

The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers. As of June 30, 2022 (the most recent information available), the Organization's unfunded net pension liability in CERS was \$10,239,392.

The Organization also sponsors a 401(k) defined contribution plan (the "401(k) Plan"). The 401(k) Plan covers all full-time employees. The Organization makes matching contributions at 100% of the first 6% contributed by participants. The matching contributions are remitted to a 401(a) defined contribution plan (the "401(a) Plan"). Participants are 100% vested in all employer contributions upon entering the 401(a) Plan. The Organization's matching contribution to the Plans was \$230,701 and \$214,146 for the years ended June 30, 2023 and 2022, respectively.

**Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022**

Note H - Related Party Transactions

Insurance and certain other financial services are provided to KACo members by related organizations governed by separate boards. The transactions and accounts of the related entities are not included in these financial statements. The related entities are as follows:

- The Kentucky Association of Counties All Lines Fund ("KALF") is a property, casualty and liability self-insurance program organized pursuant to state law and provides insurance, other than workers' compensation, to Kentucky counties and other political subdivisions.
- The Kentucky Association of Counties Workers' Compensation Fund ("KWC") provides workers' compensation and employers' liability coverage to Kentucky counties and other political subdivisions pursuant to state law.
- The Kentucky Association of Counties Unemployment Insurance Fund ("KUI") operates as a pooled reimbursing unemployment insurance program that allows Kentucky county governments to meet their statutory obligation to provide unemployment insurance benefits to their employees.
- The Kentucky Association of Counties Leasing Trust ("COLT") is an inter-local agreement trust that was formed to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and specific districts.
- The Kentucky Association of Counties Commonwealth Insurance Company ("CIC") was established to provide employee dishonesty fidelity bond coverage to the participant members of KALF. CIC was dissolved during the fiscal year ended June 30, 2022.

KACo charges its related entities a program administration fee. The program administration fee, which is determined annually, is due ratably to KACo at the beginning of each quarter. Such fees are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------|---------------------|---------------------|
| KACo All Lines Fund | \$ 1,697,986 | \$ 1,608,923 |
| KACo Workers' Compensation Fund | 1,538,490 | 1,457,389 |
| KACo Unemployment Insurance Fund | 336,360 | 299,111 |
| KACo Leasing Trust | 1,080,037 | 928,625 |
| KACo Insurance Agency, Inc. | <u>246,345</u> | <u>206,382</u> |
| | 4,899,218 | 4,500,430 |
| Elimination of KACo Insurance Agency, Inc. | <u>(246,345)</u> | <u>(206,382)</u> |
| | <u>\$ 4,652,873</u> | <u>\$ 4,294,048</u> |

**Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022**

Note H - Related Party Transactions (Continued)

These separately established entities pay fees to KACo from the fees charged to the programs' participant members which are reflected in the consolidated statement of activities as management fees and license fees. The management fees are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------|---------------------|---------------------|
| KACo All Lines Fund | \$ 1,193,126 | \$ 1,213,630 |
| KACo Workers' Compensation Fund | 1,026,147 | 992,016 |
| KACo Unemployment Insurance Fund | 221,500 | 246,000 |
| KACo Leasing Trust | 232,625 | 289,200 |
| KACo Insurance Agency, Inc. | <u>234,550</u> | <u>193,800</u> |
| | 2,907,948 | 2,934,646 |
| Elimination of KACo Insurance Agency, Inc. | <u>(234,550)</u> | <u>(193,800)</u> |
| | <u>\$ 2,673,398</u> | <u>\$ 2,740,846</u> |

The license fees are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------|-----------------|-----------------|
| KACo All Lines Fund | \$ 1,000 | \$ 1,000 |
| KACo Workers' Compensation Fund | 1,000 | 1,000 |
| KACo Unemployment Insurance Fund | 1,000 | 1,000 |
| KACo Leasing Trust | 1,000 | 1,000 |
| KACo Insurance Agency, Inc. | <u>1,000</u> | <u>1,000</u> |
| | 5,000 | 5,000 |
| Elimination of KACo Insurance Agency, Inc. | <u>(1,000)</u> | <u>(1,000)</u> |
| | <u>\$ 4,000</u> | <u>\$ 4,000</u> |

A summary of all amounts due the Organization by related parties at June 30 is as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|------------------|------------------|
| KACo All Lines Fund | \$ 4,201 | \$ 3,020 |
| KACo Workers' Compensation Fund | <u>48,969</u> | <u>23,867</u> |
| | <u>\$ 53,170</u> | <u>\$ 26,887</u> |

**Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022**

Note H - Related Party Transactions (Continued)

A summary of unearned revenues from the prepayment of program administrative and management fees at June 30 is as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------------|-------------------|-------------------|
| Program administrative fee | | |
| KACo All Lines Fund | \$ 293,363 | \$ 179,727 |
| KACo Workers' Compensation Fund | 280,460 | 185,136 |
| KACo Unemployment Insurance Fund | 55,580 | 45,639 |
| KACo Leasing Trust | 2,673 | 37,125 |
| KACo Commonwealth Insurance Company | - | 37,383 |
| KACo Insurance Agency, Inc. | <u>56,365</u> | <u>-</u> |
| | 688,441 | 485,010 |
| Unearned additional management fees | | |
| Elimination of KACo Insurance Agency, Inc. | <u>(56,365)</u> | <u>(37,383)</u> |
| | <u>\$ 632,076</u> | <u>\$ 447,627</u> |

Most of the Organization's insurance is provided by KALF and KWC. During 2023 and 2022, the Organization incurred total insurance expense under these agreements of \$97,516 and \$98,060, respectively.

Note I - KACo Convention

The financial results of the Kentucky Association of Counties annual convention for the years ended June 30, 2023 and 2022 were as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------|--------------------|---------------------|
| Convention income | | |
| Convention registration | \$ 193,150 | \$ 121,795 |
| Convention exhibitors | <u>90,650</u> | <u>69,700</u> |
| | 283,800 | 191,495 |
| Convention expenses | <u>317,256</u> | <u>342,469</u> |
| | <u>\$ (33,456)</u> | <u>\$ (150,974)</u> |

**Kentucky Association of Counties, Inc. and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2023 and 2022**

Note J - Income Taxes

The provision for income taxes consists of the following:

| | <u>KACo Insurance Agency, Inc.</u> | |
|--------------------|------------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Current | | |
| Federal | \$ 35,616 | \$ 37,852 |
| State and local | <u>11,455</u> | <u>14,740</u> |
| Income tax expense | <u>\$ 47,071</u> | <u>\$ 52,592</u> |

Note K - Commitments and Contingencies

The Organization is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Organization's financial position, liquidity or results of operations.

Note L - Leases

The Organization enters into non-cancellable operating leases for the use of copiers. The copiers and the related liabilities have been recorded at the present value of the future payments discounted at a rate of 0%.

The estimated future minimum lease payments under the operating leases at fiscal year ending June 30, 2024 and 2025, are \$5,660 and \$1,887, respectively. The adoption effect of ASC 842 is immaterial.

Supplementary Information

**Kentucky Association of Counties, Inc. and Subsidiary
KACo Insurance Agency, Inc. Statement of Cash Flows
Year Ended June 30, 2023**

| | |
|------------------------------------------------------------------------------------------------|------------------------|
| Cash flows from operating activities | |
| Changes in net assets | \$ 131,340 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | |
| Changes in | |
| Accounts receivable | (6,639) |
| Prepaid expenses | 24,794 |
| Accounts payable and accrued liabilities | 2,677 |
| Unearned revenues | 12,466 |
| | <hr/> |
| Net cash provided by operating activities | 164,638 |
| Cash flows from financing activities | |
| Payment of dividend declared | <hr/> (250,000) |
| | |
| Decrease in cash and cash equivalents | (85,362) |
| Cash and cash equivalents at beginning of year | <hr/> 549,252 |
| | |
| Cash and cash equivalents at end of year | <hr/> <hr/> \$ 463,890 |
| Supplemental disclosure | |
| Cash paid for income taxes | \$ 3,295 |

See independent auditor's report.

Consolidating Information

Kentucky Association of Counties, Inc. and Subsidiary
Consolidating Statement of Financial Position
June 30, 2023

| | KACo | KACo Insurance Agency, Inc. | Eliminations | Consolidated |
|-------------------------------------------------------|----------------------|-----------------------------------|--------------------|----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 7,755,615 | \$ 463,890 | \$ - | \$ 8,219,505 |
| Accounts receivable | 26,654 | 48,295 | - | 74,949 |
| Due from related parties | 53,171 | - | - | 53,171 |
| Prepaid expenses | 49,878 | 66,448 | (56,365) | 59,961 |
| Total current assets | 7,885,318 | 578,633 | (56,365) | 8,407,586 |
| Loans receivable | 651,721 | - | - | 651,721 |
| Investments | 8,909,686 | - | - | 8,909,686 |
| Property and equipment, net | 7,537,622 | - | - | 7,537,622 |
| Total assets | <u>\$ 24,984,347</u> | <u>\$ 578,633</u> | <u>\$ (56,365)</u> | <u>\$ 25,506,615</u> |
| Liabilities and net assets | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 168,677 | \$ 62,210 | \$ - | \$ 230,887 |
| Accrued compensated absences | 917,122 | - | - | 917,122 |
| Association health plan payable | 1,042,846 | - | - | 1,042,846 |
| Unearned revenues | 801,241 | 75,833 | (56,365) | 820,709 |
| Total current liabilities | 2,929,886 | 138,043 | (56,365) | 3,011,564 |
| Net assets/equity | | | | |
| Without donor restrictions | | | | |
| Board designated - program guarantee fund | 3,100,000 | - | - | 3,100,000 |
| Board designated - association health plan reserve | 71,723 | - | - | 71,723 |
| Undesignated | 18,460,529 | - | 440,590 | 18,901,119 |
| Total net assets without donor restrictions | 21,632,252 | - | 440,590 | 22,072,842 |
| With donor restrictions | | | | |
| Purpose restricted - program guarantee fund | 422,209 | - | - | 422,209 |
| Total net assets | 22,054,461 | - | 440,590 | 22,495,051 |
| Retained earnings | - | 440,590 | (440,590) | - |
| Total net assets/equity | <u>22,054,461</u> | <u>440,590</u> | <u>-</u> | <u>22,495,051</u> |
| Total liabilities and net assets | <u>\$ 24,984,347</u> | <u>\$ 578,633</u> | <u>\$ (56,365)</u> | <u>\$ 25,506,615</u> |

See independent auditor's report.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidating Statement of Changes in Unrestricted Net Assets
Year Ended June 30, 2023

| | KACo | KACo Insurance Agency, Inc. | Eliminations | Consolidated |
|---------------------------------------------------------|----------------------|-----------------------------------|--------------|----------------------|
| Revenues, gains and other support | | | | |
| Program administration fees | \$ 4,899,218 | \$ - | \$ (246,345) | \$ 4,652,873 |
| Management fees | 2,907,948 | - | (234,550) | 2,673,398 |
| Advisory fees | 173,930 | - | - | 173,930 |
| License fees | 5,000 | - | (1,000) | 4,000 |
| Public official bond revenue | - | 723,234 | - | 723,234 |
| Commissions - other | - | 824,106 | - | 824,106 |
| Membership dues | 144,550 | - | - | 144,550 |
| Training session fees | 17,985 | - | - | 17,985 |
| Interest and dividend income | 537,572 | 2,866 | (250,000) | 290,438 |
| Rental income | 18,000 | - | - | 18,000 |
| Endorsement and marketing fees | 75,374 | - | - | 75,374 |
| KACo convention | (33,456) | - | - | (33,456) |
| County Partner Program | 242,200 | - | - | 242,200 |
| Net realized and unrealized losses | | | | |
| on investments | 1,026,784 | - | - | 1,026,784 |
| Donations | 998 | - | - | 998 |
| Miscellaneous | (59,329) | - | - | (59,329) |
| | | | | |
| Total unrestricted revenues, gains and other support | 9,956,774 | 1,550,206 | (731,895) | 10,775,085 |
| Expenses | | | | |
| Program services | 5,131,699 | 1,348,453 | (481,895) | 5,998,257 |
| Supporting services | 3,105,554 | 23,342 | - | 3,128,896 |
| Provision for income taxes | - | 47,071 | - | 47,071 |
| | | | | |
| Total expenses | 8,237,253 | 1,418,866 | (481,895) | 9,174,224 |
| | | | | |
| Change in unrestricted net assets | 1,719,521 | 131,340 | (250,000) | 1,600,861 |
| | | | | |
| Unrestricted net assets at beginning of year | 19,912,731 | 559,250 | - | 20,471,981 |
| | | | | |
| Dividend issued to KACo | - | (250,000) | 250,000 | - |
| | | | | |
| Unrestricted net assets at end of year | <u>\$ 21,632,252</u> | <u>\$ 440,590</u> | <u>\$ -</u> | <u>\$ 22,072,842</u> |

See independent auditor's report.

Kentucky Association of Counties, Inc. and Subsidiary
Consolidating Statement of Functional Expenses
Year Ended June 30, 2023

| | KACo | KACo Insurance Agency, Inc. | Eliminations | Consolidated |
|-------------------------------------------------------------|---------------------|-----------------------------------|---------------------|---------------------|
| Advocacy | \$ 232,480 | \$ - | \$ - | \$ 232,480 |
| Bank charges | 3,929 | - | - | 3,929 |
| Board expense | 44,699 | 15,527 | - | 60,226 |
| Board fees | 43,600 | 7,800 | - | 51,400 |
| Commissions | - | 22,633 | - | 22,633 |
| Communication and promotion | 229,347 | 10,209 | - | 239,556 |
| Computer supplies | 100,755 | - | - | 100,755 |
| Convention | 317,256 | - | - | 317,256 |
| Depreciation | 288,486 | - | - | 288,486 |
| Endorsement fee | - | 100,000 | - | 100,000 |
| Equipment and maintenance | 23,868 | - | - | 23,868 |
| Fringe benefits | 2,589,949 | - | - | 2,589,949 |
| Grounds and building maintenance | 103,480 | - | - | 103,480 |
| Insurance | 86,839 | 25,279 | - | 112,118 |
| Janitorial service | 67,431 | - | - | 67,431 |
| Miscellaneous | - | 15 | - | 15 |
| Office supplies | 30,158 | - | - | 30,158 |
| Postage | 19,710 | - | - | 19,710 |
| Printing | 10,249 | - | - | 10,249 |
| Professional dues | 8,957 | - | - | 8,957 |
| Professional fees | 185,484 | 1,930 | - | 187,414 |
| Program administration, management and license fees | - | 481,895 | (481,895) | - |
| Provision for income taxes | - | 47,071 | - | 47,071 |
| Public official bond expense | - | 705,807 | - | 705,807 |
| Publications | 5,191 | - | - | 5,191 |
| Rent | 900 | - | - | 900 |
| Salaries | 4,035,666 | - | - | 4,035,666 |
| Telephone | 39,252 | - | - | 39,252 |
| Training expenses | 18,440 | 700 | - | 19,140 |
| Utilities | 68,383 | - | - | 68,383 |
| Less: Convention expenses netted with convention revenue | (317,256) | - | - | (317,256) |
| Total expenses | \$ 8,237,253 | \$ 1,418,866 | \$ (481,895) | \$ 9,174,224 |

See independent auditor's report.