



**NORTHWEST MARINE TRADE ASSOCIATION AND AFFILIATES**

Consolidated Financial Statements

For the Years Ended June 30, 2023 and 2022

FINAL DRAFT

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## **Independent Auditor's Report**

**To the Board of Trustees  
Northwest Marine Trade Association  
Seattle, Washington**

### **Opinion**

We have audited the consolidated financial statements of Northwest Marine Trade Association and Affiliates (collectively, the Association), which comprise the consolidated statements of financial position as of June 30, 2023, and 2022, and the related consolidated 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 the Association as of June 30, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 Financial Statements section of our report. We are required to be independent of the Association 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.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Association adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2016-02, *Leases* (Topic 842) and related ASUs, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Boat Shows Revenue and Expenses on page 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Certified Public Accountants  
[REPORT DATE]

**NORTHWEST MARINE TRADE ASSOCIATION**

**Consolidated Statements of Financial Position  
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 816,320	\$ 160,621
Accounts receivable	35,794	40,481
Prepaid expenses and other current assets	<u>27,534</u>	<u>16,686</u>
<b>Total Current Assets</b>	<b>879,648</b>	<b>217,788</b>
Investments (Notes 2 and 3)	910,103	900,651
Right of use asset (Note 5)	226,203	
Property and equipment, net (Note 4)	<u>44,944</u>	<u>23,161</u>
<b>Total Assets</b>	<b><u>\$ 2,060,898</u></b>	<b><u>\$ 1,141,600</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 99,515	\$ 80,056
Deferred rent		948
Lease liability - current portion (Note 5)	33,052	
Deferred revenue	<u>205,025</u>	<u>213,804</u>
<b>Total Current Liabilities</b>	<b>337,592</b>	<b>294,808</b>
Long term lease liability (Note 5)	<u>196,924</u>	
<b>Total Liabilities</b>	<b>534,516</b>	<b>294,808</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	1,467,789	762,656
Board designated	<u>58,593</u>	<u>84,136</u>
<b>Total Net Assets Without Donor Restrictions</b>	<b><u>1,526,382</u></b>	<b><u>846,792</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,060,898</u></b>	<b><u>\$ 1,141,600</u></b>

See accompanying notes.

**NORTHWEST MARINE TRADE ASSOCIATION**

**Consolidated Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>		
Boat shows	\$ 3,227,374	\$ 2,394,111
Grant income	400,000	
Dues and fees	301,340	295,634
Health trust participation fees	274,485	180,111
Meetings and other	128,644	162,863
Investment return, net (Note 2)	58,576	(60,663)
Showboat Handlers, LLC	32,368	17,328
Grow Boating Fund	1,258	904
<b>Total Revenues</b>	<b>4,424,045</b>	<b>2,990,288</b>
<b>Program Expenses:</b>		
Boat shows	2,631,652	2,273,231
Showboat Handlers, LLC	68,255	53,598
<b>Total Program Expenses</b>	<b>2,699,907</b>	<b>2,326,829</b>
Management and general	1,044,548	844,350
<b>Total Expenses</b>	<b>3,744,455</b>	<b>3,171,179</b>
<b>Other Gains (Losses):</b>		
PPP loan forgiveness (Note 7)		128,688
Employee retention credit income (Note 7)		35,452
Goodwill impairment		(7,500)
<b>Change in Net Assets Without Donor Restrictions</b>	<b>679,590</b>	<b>(24,251)</b>
Net assets without donor restrictions, beginning of year	846,792	871,043
<b>Net Assets Without Donor Restrictions, End of Year</b>	<b><u>\$ 1,526,382</u></b>	<b><u>\$ 846,792</u></b>

See accompanying notes.

**NORTHWEST MARINE TRADE ASSOCIATION**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2023**

	Program Services			Management and General	Total
	Boat Shows	Showboat Handlers, LLC	Total Program		
<b>Expenses:</b>					
Salaries and benefits	\$ 521,442	\$ 30,210	\$ 551,652	\$ 521,442	\$ 1,073,095
Contract and professional fees	506,412	9,260	515,672	197,981	713,653
Promotion	526,224		526,224	49,898	576,122
Rent	443,465		443,465	79,122	522,587
Site costs	132,379	300	132,679		132,679
Decorating	124,917		124,917		124,917
Exhibitor	109,753		109,753		109,753
Office	21,622	837	22,459	53,147	75,606
Taxes and licenses	101,965	180	102,145	10,521	112,666
Other expenses	51,758	17,958	69,716	28,021	97,737
Member services	8,652		8,652	26,798	35,450
Insurance	31,166		31,166	28,063	59,229
Repairs and maintenance	6,547	5,283	11,830	33,715	45,545
Travel and entertainment	6,885	3,615	10,500	9,143	19,643
Merchant and bank fees	27,147	612	27,759		27,759
Depreciation	11,318		11,318	4,401	15,719
Board and committees				2,295	2,295
<b>Total Expenses</b>	<b>\$ 2,631,652</b>	<b>\$ 68,255</b>	<b>\$ 2,699,907</b>	<b>\$ 1,044,548</b>	<b>\$ 3,744,455</b>

See accompanying notes.



**NORTHWEST MARINE TRADE ASSOCIATION**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022**

	Program Services			Management and General	Total
	Boat Shows	Showboat Handlers, LLC	Total Program		
<b>Expenses:</b>					
Salaries and benefits	\$ 442,127	\$ 20,273	\$ 462,400	\$ 442,127	\$ 904,526
Contract and professional fees	425,839	10,000	435,839	154,023	589,862
Promotion	490,780		490,780	20,226	511,006
Rent	408,487		408,487	67,483	475,970
Site costs	108,584	600	109,184		109,184
Decorating	102,984		102,984		102,984
Exhibitor	82,292		82,292		82,292
Office	23,890	532	24,422	47,519	71,941
Taxes and licenses	76,872	59	76,931	7,734	84,665
Other expenses	26,424	18,446	44,870	23,701	68,571
Member services	4,649		4,649	19,440	24,089
Insurance	28,339		28,339	16,184	44,523
Repairs and maintenance	6,521	3,205	9,726	31,460	41,186
Travel and entertainment	8,712		8,712	9,166	17,878
Merchant and bank fees	25,457	483	25,940		25,940
Depreciation	11,274		11,274	4,385	15,659
Board and committees				903	903
<b>Total Expenses</b>	<b>\$ 2,273,231</b>	<b>\$ 53,598</b>	<b>\$ 2,326,829</b>	<b>\$ 844,350</b>	<b>\$ 3,171,179</b>

See accompanying notes.

**NORTHWEST MARINE TRADE ASSOCIATION**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 679,590	\$ (24,251)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Depreciation	15,719	15,659
PPP loan forgiveness		(128,688)
Impairment of goodwill		7,500
Unrealized and realized (gains) losses	(34,023)	96,479
Changes in assets and liabilities:		
Accounts receivable	4,687	(40,481)
Prepaid expenses and other current assets	(10,848)	31,752
Accounts payable and accrued expenses	19,459	12,106
Deferred rent	(948)	108
Lease liabilities, net of right-of-use assets	3,773	
Deferred revenue	(8,779)	(309,324)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>668,630</b>	<b>(339,140)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(223,553)	(270,734)
Proceeds from sale of investments	248,124	424,308
Purchases of property and equipment	(37,502)	(1,612)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(12,931)</b>	<b>151,962</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>655,699</b>	<b>(187,178)</b>
Cash and cash equivalents balance, beginning of year	160,621	347,799
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b><u>\$ 816,320</u></b>	<b><u>\$ 160,621</u></b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
PPP loan forgiveness	\$ -	\$ (128,688)

See accompanying notes.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Nature of Operations and Significant Accounting Policies

**Association** - Northwest Marine Trade Association (the Association) was organized as a trade association in 1947. The Association sponsors and produces boat shows, promotes the boating and marine industry, and promotes local, State, and Federal legislation beneficial to the industry and the boating public. The Association is affiliated with the NMTA-PAC (the PAC), a nonpartisan political action committee whose purpose is to contribute to Washington State political campaigns.

In 2013, the Association created the NMTA Health Trust (the Health Trust) to provide high quality health insurance benefits to its members. The Health Trust is a separate entity with its own governing documents, board, bank accounts and tax-exempt status. The Health Trust is a fully-insured Association Health Plan organized under and conforming with Washington law. The Association screens for, determines, and provides the marine commonality required for this health trust to function. Regence and Kaiser Permanente are the insurance carriers that provide coverage for Health Trust participants; and EPK Associates is the Health Trust's third-party administrator.

In 2019, the Association created Showboat Handlers, LLC (SBH), a single-member limited liability company, to manage moving all boats and watercraft in and out of the Seattle Boat Show location. SBH is a separate entity with its own governing documents, management team, and bank accounts. See Note 5 for further disclosure and financial results.

**Principles of Consolidation** - The consolidated financial statements include the accounts of the Association, the PAC and SBH. Material intercompany transactions and balances have been eliminated upon consolidation.

**Basis of Presentation** - The Association maintains its accounting records using the accrual method of accounting, whereby revenues are recorded when earned and expenses when incurred. Under accounting principles generally accepted in the United States of America (U.S. GAAP), the Association is required to report financial information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2022, the board designated \$84,136 to be set aside and spent for the Grow Boating Fund. During the year ended June 30, 2023, approximately \$25,543 of the amount designated in the current year was over spent and the board approved to decrease the amount available for the subsequent fiscal year bringing the year end balance of the accumulated board designated Grow Boating Fund to \$58,593.

**Operating Leases** - Effective July 1, 2022, the Association adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). The Association has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Association accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Association elected the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Association recognized on July 1, 2022 an operating lease liability and right-of-use asset of \$261,511 and removal of deferred rent liabilities of \$948.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

The Association determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Association's leases do not provide an implicit rate of return; thus, the Association uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs and excludes lease incentives. The Association has lease agreements with lease and non-lease components which are accounted for as a single lease component. The Lease terms include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or for nonfacilities leases, as aggregate lease payments are less than 1% of total assets.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes** - The Internal Revenue Service (IRS) has determined that the Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC). Accordingly, no provision for federal income tax has been provided. The PAC is subject to tax on its net investment income under Section 527 of the IRC. No tax was due on net investment income for the years ended June 30, 2023 and 2022. The Association files income tax returns with the U.S. government. The Association is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations. As a single-member LLC, SBH is not subject to federal income tax as it is considered a disregarded entity by the IRS.

**Cash and Cash Equivalents** - The Association considers investments with an initial maturity of 90 days or less to be cash equivalents, except for investments with these characteristics held in the Association's investment portfolio. The Association at times may maintain cash and cash equivalents held in a financial institution in excess of Federal Deposit Insurance Corporation limits.

**Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was deemed necessary at June 30, 2023 and 2022.

**Investments** - Investments in securities are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter markets are valued at the last reported bid price. Unrealized and realized gains and losses on investments are reported in the consolidated statements of activities and changes in net assets. Securities are generally held in custodial investment accounts administered by certain financial institutions.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Property and Equipment** - Property and equipment are stated at cost if purchased or fair value if donated. The Association capitalizes expenditures with a cost in excess of \$1,000 with useful lives greater than one year. Depreciation is computed on a straight-line basis, over the following useful lives:

Boat show equipment	5 years
Computers	5 years
Website development	5 years
Furniture and equipment	5 - 10 years
Leasehold improvements (lesser of life of asset and lease term)	5 - 8 years

**Goodwill** - During the year ended June 30, 2014, the Association purchased a festival resulting in goodwill of \$38,500. Goodwill represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired. This amount is evaluated annually for impairment or whenever certain triggering events or circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. During the year ended June 30, 2023, management determined that the net realizable value of the goodwill had been fully impaired, as a result of dwindling revenues and attendance for the paddling festival. There was a \$7,500 impairment loss recognized in the year ended June 30, 2022.

#### Revenue Recognition -

**Dues and Fees** - Membership dues and fees are billed in April or May for the subsequent fiscal year beginning July 1, with option for refund. Revenues are recognized over time as the Association meets its performance obligations.

**Health Trust Participation Fees** - The Association collects a participation access fee (PAF) from its members that use the Health Trust. Starting January 1, 2023, the NMTA Health Trust's 3rd party administrator EPK/Capital Benefits includes a 2.0% PAF in the monthly premiums they invoice to NMTA Health Trust participants. Starting January 1, 2022, the NMTA Health Trust's 3rd party administrator EPK/Capital Benefits includes a 1.5% PAF in the monthly premiums they invoice to NMTA Health Trust participants. The 1st day of the following month, Capital Benefits wires those funds to the NMTA operating account. Prior to January 2022, an annual \$42.50 fee per enrolled employee (calculated as of April enrollment) was invoiced to participating businesses with their NMTA annual membership renewal invoice. Revenues are recognized over time as the Association meets its performance obligations.

**Meetings and Other** - The Association charges for conferences and seminars and recognizes revenues when the performance obligation or events take place at a point in time.

**Boat Shows** - The Association recognizes revenues from its boat shows at the time of the exhibition. Cash receipts from boat show exhibitions and dues are recorded as deferred revenue and recognized in the period in which they are earned over time.

**Advertising Costs** - The Association expenses the cost of advertising as it is incurred. Total advertising costs for the years ended June 30, 2023 and 2022, were \$576,122 and \$511,066, respectively.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Concentration** - Due to the nature of its operations, the Association is largely dependent on businesses in the boating and marine industry for its membership fees. Further, the Association received 74% and 77% of its revenues in 2023 and 2022, respectively, from its annual boat shows.

**Functional Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, salaries, benefits and tax and occupancy expenses have been allocated based on the time estimated relative to amount of staff time spent on those functions. Depreciation expense has been allocated based on the functional use of the related asset. All other expenses are allocated to program services if they relate to a specific program, otherwise they are allocated to management and general.

**Subsequent Events** - The Association has evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2023, through [REPORT DATE], the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure.

#### Note 2 - Investments

Investments were composed of the following at June 30:

	<u>2023</u>	<u>2022</u>
Money market	\$ 8,668	\$ 12,267
Certificates of deposit	109,909	
Common stock	352,457	359,132
Mutual funds	<u>439,069</u>	<u>529,252</u>
<b>Total Investments</b>	<b><u>\$ 910,103</u></b>	<b><u>\$ 900,651</u></b>

Investment return was as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 24,553	\$ 35,816
Net realized and unrealized gains (losses)	<u>34,023</u>	<u>(96,479)</u>
<b>Total Investment Return, Net</b>	<b><u>\$ 58,576</u></b>	<b><u>\$ (60,663)</u></b>

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 3 - Fair Value of Financial Instruments and Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily.

valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Certificates of deposit - Valued at pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions.

Common Stock - Valued at the closing price reported on the active market on which the security is traded.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value of shares held by the Association at year end.

**NORTHWEST MARINE TRADE ASSOCIATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 3 - Continued**

**Fair Values Measured on a Recurring Basis** - Fair values of assets and liabilities measured on a recurring basis at June 30 were as follows:

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 8,668	\$ -	\$ -	\$ 8,668
Certificates of deposit		109,909		109,909
Common stock-				
Technology	99,045			99,045
Financial	42,494			42,494
Services	5,152			5,152
Consumer goods	59,182			59,182
Basic materials	10,448			10,448
Industrial goods	59,776			59,776
Other	76,360			76,360
Total common stock	352,457			352,457
Mutual funds-				
Fixed income	439,069			439,069
Total mutual funds	439,069			439,069
<b>Total Investments</b>	<b>\$ 800,194</b>	<b>\$ 109,909</b>	<b>\$ -</b>	<b>\$ 910,103</b>



**NORTHWEST MARINE TRADE ASSOCIATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 3 - Continued**

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 12,267	\$ -	\$ -	\$ 12,267
Common stock-				
Technology	85,266			85,266
Financial	43,471			43,471
Services	5,611			5,611
Consumer goods	67,609			67,609
Basic materials	9,340			9,340
Industrial goods	60,341			60,341
Other	87,494			87,494
Total common stock	359,132			359,132
Mutual funds-				
Fixed income	529,252			529,252
Total mutual funds	529,252			529,252
<b>Total Investments</b>	<b>\$ 900,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 900,651</b>

**Note 4 - Property and Equipment**

Property and equipment as of June 30 was as follows:

	2023	2022
Boat show equipment	\$ 222,078	\$ 215,833
Computers	72,166	66,214
Website development	62,289	36,984
Furniture and equipment	20,083	20,083
<b>Total Cost</b>	<b>376,616</b>	<b>339,114</b>
Less accumulated depreciation	(331,672)	(315,953)
<b>Net Book Value</b>	<b>\$ 44,944</b>	<b>\$ 23,161</b>

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 5 - Operating Leases

The Association has a noncancelable operating lease for its office space through May 31, 2024, with an annual increase in monthly payments of 3% with the intent to exercise the option to renew for another 60 months upon expiry.

The components of lease expense for the year ended June 30, 2023 are as follows:

Operating lease expense	\$	41,783
Short term lease expense		36,058
<b>Total Leasing Expenses</b>	<b>\$</b>	<b>77,841</b>

Future minimum payments required under noncancelable lease agreements are as follows:

For the Year Ending June 30, 2023,

2024	\$	39,245
2025		40,625
2026		41,840
2027		43,092
2028		44,390
Thereafter		41,800
Total undiscounted cash flows		250,992
Less present value discount		(21,016)
<b>Total Lease Liabilities</b>	<b>\$</b>	<b>229,976</b>

For the Year Ending June 30, 2022,

2023	\$	38,010
2024		33,868
<b>Total Lease Liabilities</b>	<b>\$</b>	<b>71,878</b>

**Exhibition Space** - On June 10, 2019, the Association entered into a revocable limited license operating lease through February 2029 for the rental of an exhibition facility used for the Seattle Boat Show. The license granted under this agreement is for each annual boat show beginning on the date and time of move in and shall terminate on the date and time of move out which for all future events shall be determined by the lessor in its reasonable discretion.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 5 - Continued

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

##### Operating Leases:

Cash paid for amounts included in measurement of lease liabilities	\$	38,010
Weighted average remaining lease term		6 years
Weighted average discount rate		2.9%

#### Note 6 - Showboat Handlers, LLC

In 2019, SBH was created to provide boat handling services for the Seattle Boat Show. The Association is the sole member of SBH. The year end balance and current year activity, including eliminations, has been included in the Association and affiliates consolidated financial statements. The statements of financial position for SBH for the years ended June 30, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 19,823	\$ 13,668
<b>Total Current Assets</b>	<b>19,823</b>	<b>13,668</b>
Boat show equipment	90,000	90,000
Accumulated depreciation	<u>(90,000)</u>	<u>(90,000)</u>
Property and equipment, net		
<b>Total Assets</b>	<b><u>\$ 19,823</u></b>	<b><u>\$ 13,668</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,198	\$ 1,656
<b>Total Current Liabilities</b>	<b>3,198</b>	<b>1,656</b>
Net assets without restriction	<u>16,625</u>	<u>12,012</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 19,823</u></b>	<b><u>\$ 13,668</u></b>

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 6 - Continued

SBH's statement of activities and changes in net assets for the year ended June 30, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>		
Boat handling	\$ 32,368	\$ 17,328
Management fee	40,500	40,500
<b>Total Revenues</b>	<b>72,868</b>	<b>57,828</b>
<b>Expenses:</b>		
Salaries and benefits	27,700	22,500
Cost of goods sold - labor	11,510	7,773
Travel lift storage expense	300	600
Office supplies		
Professional fees	260	
Travel	5,503	
Taxes and licenses	180	59
Merchant and bank fees	612	483
Snacks and drinks for crew	245	105
Hardware supplies	780	532
Propane refill	342	174
Fuel	95	58
Repairs and maintenance	5,283	3,205
Equipment rental	15,445	18,109
<b>Total Expenses</b>	<b>68,255</b>	<b>53,598</b>
<b>Change in Net Assets Without Restriction</b>	<b>4,613</b>	<b>4,230</b>
Net assets without restriction, beginning of year	12,012	7,782
<b>Net Assets Without Restriction, End of Year</b>	<b>\$ 16,625</b>	<b>\$ 12,012</b>

#### Note 7 - PPP loan, Forgiveness and Employee Retention Tax Credit (ERTC)

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On January 25, 2021, the Association obtained a first-round loan under the PPP with a principal balance of \$128,688 and an annual interest rate of 1%. On April 20, 2021, the Association obtained a second-round loan under the PPP with a principal balance of \$128,688 and an annual interest rate of 1%. The first and the second-round loans have maturity dates of January 23, 2026, and April 19, 2026, respectively.

## NORTHWEST MARINE TRADE ASSOCIATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 7 - Continued

The Association applied for and has been notified that the full amount of the first and second-round loans used for eligible payroll and other expenses described in the CARES Act have been forgiven. Loan forgiveness is reflected in other gains in the accompanying statements of activities and changes in net assets for the years ended June 30, 2022, and 2021.

In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by the Association. The Association's accounting policy for the ERTC is to record revenue at the time management approves the calculation necessary to file the claim for the credits with the Internal Revenue Service. Total ERTC revenue recognized during the year ended June 30, 2022, was \$35,452.

#### Note 8 - Retirement Plan

The Association sponsors a defined contribution plan qualified under Section 401(k) of the IRC. Employees are eligible for participation after they have reached the age of 20 years old and have completed three months of service. Employees can defer a percentage of their annual salary, not to exceed the maximum amount allowable by law. The Association contributes a nondiscretionary safe harbor amount of 3% to participants and up to a 3% additional matching contribution on a semi-monthly basis. Employer matching amounts were \$49,997 and \$40,534 for the years ended June 30, 2023 and 2022, respectively.

#### Note 9 - Net Assets Without Donor Restrictions

The board of directors has established a designated fund with the objective of using it for the Grow Boating Program and any unspent funds in one year will be used in subsequent years.

#### Note 10 - Liquidity and Availability of Financial Assets

**Liquidity** - As part of the Association's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due within the coming year.

**Availability of Financial Assets** - Financial assets available for general expenditure without restrictions limiting their use, within one year of the consolidated statements of financial position date, were as follows at June 30, 2023:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 816,320	\$ 160,621
Accounts receivable	<u>35,794</u>	<u>40,481</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 852,114</u></b>	<b><u>\$ 201,102</u></b>

**NORTHWEST MARINE TRADE ASSOCIATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 11 - Commitments**

In 2018, the Association entered into a four-year agreement with an agency to manage creative messaging for the Seattle Boat Show. The four-year agreement has a total cost of \$202,200, which equates to \$50,550 per year. On November 9, 2020, the agreement was extended for an additional two years to 2023 at a rate of \$55,000 per year. As of June 30, 2023 a new three-year 2024-2026 agreement was signed for \$55,000 per year for a total of \$165,000 which is the remaining commitment as of year end.

FINAL DRAFT

**SUPPLEMENTARY INFORMATION**

FINAL DRAFT

**NORTHWEST MARINE TRADE ASSOCIATION**

**Schedule of Boat Shows Revenue and Expenses  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Boat Shows Revenue:</b>		
Space rental	\$ 2,353,373	\$ 1,782,954
Admissions	514,737	387,326
Sponsorships and advertising	305,459	181,075
Parking	53,805	42,756
<b>Total Boat Show Revenue</b>	<b>3,227,374</b>	<b>2,394,111</b>
<b>Boat Shows Expenses:</b>		
Salaries and benefits	521,442	442,127
Contract and professional fees	506,412	425,839
Promotion	526,224	490,780
Rent	443,465	408,487
Site costs	132,379	108,584
Decorating	124,917	102,984
Exhibitor	109,753	82,292
Office	21,622	23,890
Taxes and licenses	101,965	76,872
Other expenses	51,758	26,424
Member services	8,652	4,649
Insurance	31,166	28,339
Repairs and maintenance	6,547	6,521
Travel and entertainment	6,885	8,712
Merchant and bank fees	27,147	25,457
Depreciation	11,318	11,274
<b>Total Boat Shows Expenses</b>	<b>2,631,652</b>	<b>2,273,231</b>
<b>Excess of Boat Shows Revenue Over Expenses</b>	<b>\$ 595,722</b>	<b>\$ 120,880</b>

See independent auditor's report.