

**WEST COAST LUMBER INSPECTION BUREAU**

Financial Statements

For the Years Ended December 31, 2018 and 2017

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## **Independent Accountant's Review Report**

### **To the Board of Directors West Coast Lumber Inspection Bureau**

We have reviewed the accompanying statements of financial position of the West Coast Lumber Inspection Bureau (the Bureau) as of December 31, 2018, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Bureau's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regardless of the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

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

### **Accountant's Responsibility**

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

### **Accountant's Conclusion**

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

### **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Bureau adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our conclusion is not modified with respect to this matter.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## Other Matter

The financial statements of the Bureau for the year ended December 31, 2017 were reviewed by other accountants whose report dated May 3, 2018 stated that, based on their review, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Clark Nuber P.S.*

Certified Public Accountants  
June 25, 2019

WEST COAST LUMBER INSPECTION BUREAU

Statements of Financial Position  
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 180,628	\$ 166,764
Investments	1,134,771	1,544,605
Dues and services receivable, net	307,505	348,296
Other receivables	7,366	22,447
Inventories	22,799	15,835
Prepaid expenses and other assets	41,399	80,267
	<u>1,694,468</u>	<u>2,178,214</u>
<b>Total Current Assets</b>	<b>1,694,468</b>	<b>2,178,214</b>
Property and equipment, net	111,616	153,389
	<u>111,616</u>	<u>153,389</u>
<b>Total Assets</b>	<b>\$ 1,806,084</b>	<b>\$ 2,331,603</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 58,393	\$ 100,442
Accrued expenses	167,229	144,370
Deposits	412,400	435,850
	<u>638,022</u>	<u>680,662</u>
<b>Total Current Liabilities</b>	<b>638,022</b>	<b>680,662</b>
Pension obligation	57,829	221,871
	<u>57,829</u>	<u>221,871</u>
<b>Total Liabilities</b>	<b>695,851</b>	<b>902,533</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Invested in property and equipment	111,616	153,389
Designated for:		
Working capital requirements	856,446	1,297,552
Repair and replacement of property	100,000	100,000
Pension requirements	(57,829)	(221,871)
Vehicle self-insurance	100,000	100,000
	<u>1,110,233</u>	<u>1,429,070</u>
<b>Total Net Assets</b>	<b>1,110,233</b>	<b>1,429,070</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,806,084</b>	<b>\$ 2,331,603</b>

See accompanying notes.

**WEST COAST LUMBER INSPECTION BUREAU**

**Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Revenue:</b>		
Dues	\$ 2,101,798	\$ 2,002,048
Services	<u>367,536</u>	<u>279,724</u>
<b>Total Revenue</b>	<b>2,469,334</b>	<b>2,281,772</b>
<b>Expenses:</b>		
Employee compensation	1,778,462	1,453,259
Travel and entertainment	535,321	360,960
Professional services	137,089	45,407
Dues and subscriptions	124,334	116,901
Office expense	92,769	68,785
Taxes, licenses and insurance	51,214	49,428
Meetings	40,387	59,603
Other expenses	34,433	41,339
Depreciation	23,458	29,713
Publications and other costs	7,945	11,039
Repairs and maintenance	<u>3,954</u>	<u>19,702</u>
<b>Total Expenses</b>	<b><u>2,829,366</u></b>	<b><u>2,256,136</u></b>
<b>(Decrease) Increase in Net Assets From Operating Activities</b>	<b>(360,032)</b>	<b>25,636</b>
Unrealized (loss) gain on investments	(154,299)	127,454
Interest and dividend income	101,976	95,756
Other (losses) income	(4,015)	14,388
Other gains in pension plan assets and benefit obligations	<u>97,533</u>	<u>26,522</u>
<b>(Decrease) Increase in Net Assets Without Donor Restrictions</b>	<b>(318,837)</b>	<b>289,756</b>
Net assets, beginning of year	<u>1,429,070</u>	<u>1,139,314</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 1,110,233</u></b>	<b><u>\$ 1,429,070</u></b>

See accompanying notes.

WEST COAST LUMBER INSPECTION BUREAU

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
(Decrease) increase in net assets from operating activities	\$ (318,837)	\$ 289,756
Adjustments to reconcile (decrease) increase in net assets-		
Depreciation	23,458	29,713
Unrealized loss (gain) on investments	154,299	(127,454)
Loss on disposal of property and equipment	21,115	1,400
Pension obligation adjustments	(164,042)	(67,244)
Changes in operating assets and liabilities:		
Dues, services and other receivables, net	55,872	(91,641)
Inventories	(6,964)	7,673
Prepaid expenses and other assets	38,868	(14,993)
Accounts payable	(42,049)	16,637
Accrued expenses	22,859	18,172
Deposits	(23,450)	19,125
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b><u>(238,871)</u></b>	<b><u>81,144</u></b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	706,000	537,000
Proceeds from sale of property and equipment	451	600
Purchase of property and equipment	(3,252)	(40,821)
Purchase of investments	(450,464)	(559,002)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b><u>252,735</u></b>	<b><u>(62,223)</u></b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>13,864</b>	<b>18,921</b>
Cash and cash equivalents, beginning of year	<u>166,764</u>	<u>147,843</u>
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b><u>\$ 180,628</u></b>	<b><u>\$ 166,764</u></b>

See accompanying notes.

## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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#### Note 1 - Organization and Summary of Significant Accounting Principles

**Organization** - West Coast Lumber Inspection Bureau (the Bureau) was incorporated January 23, 1968 under the Oregon Nonprofit Corporation Act. The Bureau was associated with the West Coast Lumbermen's Association until it separated to form West Coast Lumber Inspection Bureau. The Bureau's members are primarily involved in the manufacturing of lumber and lumber-related products in the Western United States and Europe. The Bureau promulgates and publishes rules and regulations governing and defining lumber grades and standards for members and nonmembers. It also provides grading, grade-making, inspection, and re-inspection services for lumber produced by members and nonmembers.

The Bureau is a nonprofit corporation exempt from income taxes under Section 501 (c)(6) of the Internal Revenue Code.

**Basis of Accounting** - The accrual basis of accounting, in accordance with US generally accepted accounting principles, is used by the Bureau to record revenue and expenses. The dues billed and accrued are recorded as revenue in the month of lumber shipment upon which they are based. Operating expenses are recognized when an obligation is incurred. The Bureau does not have any net assets with donor restrictions, resulting from donor-imposed stipulations.

**Cash and Cash Equivalents** - The Bureau maintains cash and liquid investments as reserves to help cover working capital requirements in periods of low revenues. Funds are also held for future capital improvements, repairs, and replacement purposes. For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and temporary investments in interest-bearing demand deposit accounts. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account.

**Investments** - Investments of the Bureau consist of certificates of deposit and mutual funds. Certificates of deposit are carried at cost which approximates fair value. Mutual funds are carried at fair value based upon quoted market prices for those or similar investments.

Investment income consists of realized and unrealized gains and losses. Realized investment income represents interest, dividends, and capital gains and losses. Unrealized gain represents appreciation or depreciation in market value.

**Dues Receivable and Deposits** - Dues receivable are stated at net realizable value. Dues are calculated and reported by the Bureau based upon members' estimated lumber footage shipped in the month. Accordingly, accrued dues are adjusted to actual shipments the following month. The dues receivable balances represent amounts reported by the members but not yet paid.

Member organizations are required to make a deposit equal to three months of minimum dues upon joining the Bureau. These deposits reduce the credit risk of the Bureau's accounts receivable as they may be applied against any unpaid dues. Assets for which the Bureau has credit risk total \$321,115 and \$367,897 at December 31, 2018 and 2017, respectively. Member organization deposit balances total \$412,400 and \$435,850 at December 31, 2018 and 2017, respectively. Deposit balances are refunded upon cancellation of membership.

The Bureau generally does not require collateral or other security to support accounts receivable. Management periodically assesses the collectability of accounts receivable. This assessment provides the basis for the allowance for doubtful accounts and related bad debt expense. The Bureau has established an allowance for doubtful accounts receivable based upon factors pertaining to the credit risk of specific customers and other relevant information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible. Finance charges are recorded as income when received. An allowance for doubtful accounts of \$13,610 and \$19,601 was recorded at December 31, 2018 and 2017, respectively. See Note 4 for additional disclosure regarding accounts receivable.



## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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#### Note 1 - Continued

**Inventories** - Publications, supplies, and other items held-for-sale or use are valued at the lower of cost or net realizable value. The cost of inventories is determined using the first-in, first-out method.

**Property and Equipment** - Property and equipment are recorded at cost and depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	20 years
Furniture and equipment	2 - 20 years
Automobiles	3 years

Major replacements and improvements with a cost of \$750 or more are capitalized. Maintenance, repairs, and minor replacements are expensed as incurred. Upon disposition, the related cost and accumulated depreciation of the asset are removed from the accounts. Gains or losses from normal retirements and disposals are reflected in the increase or decrease in net assets.

**Pension Obligation** - The Bureau accounts for pensions in accordance with current accounting guidance which requires employers to recognize the over or under funded status of a defined benefit postretirement plan on the statement of financial position. Accounting standards also require the Bureau to calculate its pension expense and liabilities using actuarial assumptions, including a discount rate assumption and a long-term rate of return on assets assumption. Changes in interest rates and market performance can have a significant impact on the Bureau's pension expense and future payments. See Note 6 for pension disclosures.

**Income Taxes** - The Organization is exempt from federal income tax under Section 501 (c)(6) of the Internal Revenue Code (IRC) except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. The Bureau files an exempt organization return in the U.S. federal jurisdiction and with the State of California.

**Accrued Vacation Liability** - Employees of the Bureau receive up to six weeks of vacation time depending on years of service. The Bureau has accrued all vacation time earned through December 31, 2018 and 2017, which amounts to \$162,778 and \$135,497, respectively.

**Fair Value Measurements** - Accounting literature defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bureau's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Inputs are unadjusted, and represent quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.

Level 3 - Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model.

## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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#### Note 1 - Continued

The Bureau has determined its marketable securities fall into the Level 1 category, which values assets at the quoted prices in active markets for the same identical assets. It is the Bureau's policy to recognize transfers of investments between levels in the fair value hierarchy on December 31<sup>st</sup> of each year. The Bureau has no assets or liabilities where Level 2 or Level 3 valuation techniques were used. There were no assets and liabilities measured at fair value on a nonrecurring basis.

**Use of Estimates** - The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Reclassifications** - Certain reclassifications were made to the 2017 financial statements to conform to the then current year presentation. These reclassifications had no effect on 2017 activities or changes in net assets.

**Subsequent Events** - The Bureau has evaluated subsequent events through June 25, 2019, which is the date the financial statements were available to be issued.

#### Note 2 - Investments

Investments presented by type at fair value, except certificates of deposit which are recorded at cost, are comprised of the following at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Marketable securities, at fair value-		
Mutual funds	\$ 1,071,770	\$ 1,416,605
Other investments, at cost-		
Certificates of deposit	<u>63,000</u>	<u>128,000</u>
<b>Total investments</b>	<b><u>\$ 1,134,770</u></b>	<b><u>\$ 1,544,605</u></b>
Investment return is summarized below for the year then ended-		
Interest and dividends	\$ 101,976	\$ 95,756
Unrealized (loss) gain	<u>(154,299)</u>	<u>127,454</u>
<b>Total Investments Return</b>	<b><u>\$ (52,323)</u></b>	<b><u>\$ 223,210</u></b>

## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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

The following tables show the Bureau's investments as of December 31, 2018 and 2017, respectively, based on the level of inputs utilized in determining the value of such investments:

	2018			
	Level 1	Level 2	Level 3	Total
Marketable domestic equity index funds	\$ 1,071,770	\$ -	\$ -	\$ 1,071,770

  

	2017			
	Level 1	Level 2	Level 3	Total
Marketable domestic equity index funds	\$ 1,416,605	\$ -	\$ -	\$ 1,416,605

Assets held in the pension plan as of December 31, 2018 and 2017 are detailed in Note 6. There have been no changes in valuation methods and assumptions.

#### Note 4 - Dues and Services Receivable

The following table shows the Bureau's accounts receivable categorization as of December 31, 2018 and 2017, respectively:

	2018	2017
Previously billed dues and billings	\$ 200,505	\$ 241,338
Accrued dues	120,610	126,559
Total dues and services receivable	321,115	367,897
Less allowance for doubtful accounts	(13,610)	(19,601)
<b>Dues and Services Receivable, Net</b>	<b>\$ 307,505</b>	<b>\$ 348,296</b>

On December 31, 2018 and 2017, the Bureau had dues receivable of \$41,459 and \$46,785, respectively, that were 90 days or more past due.

## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

#### Note 5 - Property and Equipment

Property and equipment and related changes therein for the year ended December 31, 2018 are as follows:

	Balance, December 31, 2017	Additions	Deletions	Balance, December 31, 2018
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Building	194,233			194,233
Furniture and equipment	186,099	3,252	(5,866)	183,485
Automobiles	221,853		(44,229)	177,624
Total property and equipment	647,185	3,252	(50,095)	600,342
Less accumulated depreciation	(493,796)	(23,458)	28,528	(488,726)
<b>Property and Equipment, Net</b>	<b><u>\$ 153,389</u></b>	<b><u>\$ (20,206)</u></b>	<b><u>\$ (21,567)</u></b>	<b><u>\$ 111,616</u></b>

#### Note 6 - Retirement Plan

The Bureau has a 401 (k) deferred compensation plan that permits voluntary tax-deferred contributions by eligible employees, subject to various limitations as imposed by the IRC. All employees over age 21 who have completed 1,000 hours of service are eligible to participate in the plan. The Board of Directors voted to match 50% of the employees' contributions, up to 3% of their salary. Subsequently, the Board of Directors voted to provide an additional contribution equal to 4% of eligible compensation for certain active participants. Employees will be fully vested after four years of employment, with prior years of service applying toward the vesting schedule. During 2018 and 2017, the Bureau made total contributions of \$83,215 and \$70,304, respectively.

The Bureau has a defined benefit pension plan covering most of its employees. The plan provides for continuing contributions for participants that have attained age 55 and have accrued ten or more years of service or have attained age 65 as of December 31, 2004. Contributions have been frozen for all other current participants, and the plan is closed to new employees. During the year ended December 31, 2018 the Bureau began the process of terminating the plan through settlements of the plan liabilities.

For participants of the plan, credited service starts at the date of employment for benefit computation purposes. The normal retirement date is the first month on or after the 65th birthday of the participant. The normal retirement benefit is a monthly retirement amount equal to the credited service, including fractions, times 1.5% of the average yearly salary earned in the highest consecutive five years of the last ten years of service by the participant. The plan also provides early retirement benefits with no reduction at age 62 and at age 55 with 30 years of service (and reduced benefits at age 55 with seven years of service). A participant accrues credited service while he/she is disabled and earns retirement benefits based on the salary as of the onset of disability.

Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

**WEST COAST LUMBER INSPECTION BUREAU**

**Notes to Financial Statements  
For the Years Ended December 31, 2018 and 2017**

**Note 6 - Continued**

The Bureau has recorded its pension obligation at December 31, 2018 and 2017, with an accrued liability of \$57,829 and \$221,871, respectively.

The Bureau uses a December 31<sup>st</sup> measurement date for the plan. The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status of the Bureau's plans, the amounts recognized in the Bureau's financial statements, and the principal weighted-average assumptions used:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation-		
Benefit obligation at beginning of year	\$ 3,553,728	\$ 3,455,464
Interest cost	145,968	158,788
Settlements	(1,384,427)	
Actuarial (gain) loss	(195,623)	150,363
Benefits paid	<u>(152,349)</u>	<u>(210,887)</u>
Benefit obligation at end of year	1,967,297	3,553,728
Change in plan assets-		
Fair value of plan assets at beginning of year	3,331,857	3,166,349
Actual return on plan assets	114,802	386,575
Settlements	(1,384,427)	
Benefits paid	(152,349)	(210,887)
Administrative expenses	<u>(415)</u>	<u>(10,180)</u>
Fair value of plan assets, end of year	<u>1,909,468</u>	<u>3,331,857</u>
<b>Funded Status, End of Year (Underfunded)</b>	<b><u>\$ (57,829)</u></b>	<b><u>\$ (221,871)</u></b>

Amounts recognized in the statement of financial position consist of:

	<u>2018</u>	<u>2017</u>
Noncurrent assets	\$ -	\$ -
Current liabilities		
Noncurrent liabilities	<u>(57,829)</u>	<u>(221,871)</u>
	<b><u>\$ (57,829)</u></b>	<b><u>\$ (221,871)</u></b>

**WEST COAST LUMBER INSPECTION BUREAU**

**Notes to Financial Statements  
For the Years Ended December 31, 2018 and 2017**

**Note 6 - Continued**

The following are weighted-average assumptions used to determine projected benefit obligation at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Discount rate	4.85%	4.25%
Rate of compensation increase	3.00%	3.00%

The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Discount rate	4.25%	4.75%
Expected long-term return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	3.00%

The expected long-term rate of return on assets reflects, in part, the expected asset allocation under the Bureau's investment policy. The expected returns on the various asset classes are based on the historical and expected future returns of the representative indices. The history of plan asset returns relative to the past performance of the indices was also factored into the long-term rate assumption.

Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Net periodic benefit cost-		
Service cost	\$ 10,000	\$ -
Interest cost	145,968	158,788
Expected return on plan assets	(241,016)	(228,611)
Amortization of loss	18,539	29,101
Settlements	<u>122,910</u>	
Net periodic benefit cost	56,401	(40,722)
Other changes in plan assets and benefit obligations-		
Net (gain)/loss	(78,994)	2,579
Amortization of net loss	(18,539)	(29,101)
Settlements	<u>(122,910)</u>	
Total other changes in plan assets and benefit obligations	<u>(220,443)</u>	<u>(26,522)</u>
<b>Total Net Periodic Benefit Cost and Other Changes in Plan Assets and Benefit Obligations</b>	<b><u>\$ (164,042)</u></b>	<b><u>\$ (67,244)</u></b>

**WEST COAST LUMBER INSPECTION BUREAU**

**Notes to Financial Statements  
For the Years Ended December 31, 2018 and 2017**

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**Note 6 - Continued**

As of December 31, 2018 and 2017, Net assets without donor restrictions includes \$175,160 and \$395,603 of actuarial gains and losses not yet recognized as a component of net periodic benefit cost.

The accumulated benefit obligation for the defined benefit pension plan was \$1,936,381 and \$3,497,910 at December 31, 2018 and 2017, respectively.

The Bureau's pension plan weighted-average asset allocations at the measurement date for 2018 and 2017 by asset category are as follows:

	<u>2018</u>	<u>2017</u>
Asset category-		
Equity securities	0%	76%
Fixed income securities	<u>100%</u>	<u>24%</u>
	<u><b>100%</b></u>	<u><b>100%</b></u>

The Bureau's target asset allocations at December 31, 2018 and 2017, by asset category, are as follows:

	<u>2018</u>	<u>2017</u>
Asset category-		
Equity securities	0%	60%
Fixed income securities	<u>100%</u>	<u>40%</u>
	<u><b>100%</b></u>	<u><b>100%</b></u>

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Bureau, its affiliates, and a designated third-party advisor for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

**WEST COAST LUMBER INSPECTION BUREAU**

**Notes to Financial Statements  
For the Years Ended December 31, 2018 and 2017**

**Note 6 - Continued**

In accordance with the Bureau's fair value policy described in Note 1 of these financial statements, the Bureau's plan assets consist of investments with quoted prices in active markets for identical assets. The following is a summary of the Plan's assets based on the level of inputs utilized in determining the value of such investments as of December 31, 2018 and 2017:

	2018			Total
	Level 1	Level 2	Level 3	
Marketable domestic fixed income index funds	\$ 1,908,373	\$ -	\$ -	\$ 1,908,373
Marketable domestic money market account	1,096			1,096
	<u>\$ 1,909,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,909,468</u>

  

	2017			Total
	Level 1	Level 2	Level 3	
Marketable domestic equity index funds	\$ 2,172,104	\$ -	\$ -	\$ 2,172,104
Marketable domestic fixed income index funds	801,960			801,960
Marketable international equity index funds	356,790			356,790
Marketable domestic money market account	1,003			1,003
	<u>\$ 3,331,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,331,857</u>

The Bureau is expecting to make a contribution to its pension plan in the amount of \$21,843 for the year ended December 31, 2018.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years:

For the Year Ending December 31,

2019	\$ 114,859
2020	155,067
2021	153,390
2022	153,381
2023	151,284
Years 2024 - 2028	<u>745,060</u>
	<u>\$ 1,473,041</u>



**WEST COAST LUMBER INSPECTION BUREAU**

**Notes to Financial Statements  
For the Years Ended December 31, 2018 and 2017**

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**Note 7 - Availability of Financial Assets and Liquidity**

The following reflects the Bureau's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year due to internal designations. Amounts not available include amounts set aside for vehicle self-insurance reserves and capital reserves that could be drawn upon if the governing board approves that action.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 180,628	\$ 166,764
Investments appropriated for current use	1,134,771	1,544,605
Dues and services receivable, net	307,505	348,296
Other receivables	7,366	22,447
Less those unavailable for general expenditures within one year, due to board designations:		
Repair and replacement of property	(100,000)	(100,000)
Vehicle self-insurance	<u>(100,000)</u>	<u>(100,000)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 1,430,270</u></b>	<b><u>\$ 1,882,112</u></b>

As part of the Bureau's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Bureau invests cash in excess of daily requirements in investments. To help manage unanticipated liquidity needs, as of December 31, 2018 and 2017 the Bureau has investments of \$1,134,771 and \$1,544,605, respectively, which it could draw upon.

## WEST COAST LUMBER INSPECTION BUREAU

### Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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#### Note 8 - Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Bureau. Expenditures of the Bureau are directly allocated to program or management and general based upon the underlying purpose of the expenditure incurred.

	Program	Management and General	Total
Employee compensation	\$ 1,293,991	\$ 484,471	\$ 1,778,462
Travel and entertainment	530,384	4,937	535,321
Professional services	37,935	99,154	137,089
Dues and subscriptions	55,073	69,261	124,334
Office expense	44,239	48,530	92,769
Taxes, licenses, and insurance	22,934	28,280	51,214
Meetings		40,387	40,387
Other expenses	28,579	5,854	34,433
Depreciation	14,865	8,593	23,458
Publications and other costs	6,280	1,665	7,945
Repairs and maintenance	2,279	1,675	3,954
<b>2018 Total</b>	<b><u>\$ 2,036,559</u></b>	<b><u>\$ 792,807</u></b>	<b><u>\$ 2,829,366</u></b>
<b>2017 Total</b>	<b><u>\$ 1,608,710</u></b>	<b><u>\$ 647,426</u></b>	<b><u>\$ 2,256,136</u></b>

#### Note 9 - Commitments and Contingencies

**ALSC Probation** - In 2018, the Bureau was notified by the American Lumber Standard Committee, Incorporated that it was placed on probation in relation to its accreditation to license mills in Europe. This probation is for a period of not less than 12 months, from April 30, 2018, subject to specific conditions.

**Merger** - Effective January 1, 2019 the Bureau was merged into the Pacific Coast Lumber Inspection Bureau, the surviving entity.