

**WASHINGTON STATE BAR ASSOCIATION**

Consolidated Financial Statements

For the Years Ended September 30, 2021 and 2020

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## Independent Auditor's Report

**To the Board of Governors  
Washington State Bar Association  
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Washington State Bar Association and Affiliated Foundation (Collectively, the WSBA), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, 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 financial statements.

### 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WSBA as of September 30, 2021 and 2020, 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.

## Effects of Adopting New Accounting Standards

As discussed in Note 9, The WSBA adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related ASUs, as of and for the year ended September 30, 2021. Our opinion is not modified with respect to this matter.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Washington State Bar Foundation statement of activities on page 16 and the consolidating information in the consolidated statements of financial position are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
February 7, 2022

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Financial Position  
September 30, 2021

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 14,540,805	\$ 387,659	\$ 14,928,464	\$ -	\$ 14,928,464
Restricted cash and cash equivalents	4,824,916		4,824,916		4,824,916
Receivables, net	119,661		119,661		119,661
Prepaid expenses	459,234		459,234		459,234
Desk and course books	224,372		224,372		224,372
Property and equipment, net	648,851	14,400	663,251		663,251
<b>Total Assets</b>	<b>\$ 20,817,839</b>	<b>\$ 402,059</b>	<b>\$ 21,219,898</b>	<b>\$ -</b>	<b>\$ 21,219,898</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 749,623	\$ -	\$ 749,623	\$ -	\$ 749,623
Accrued expenses	687,831		687,831		687,831
Client Protection Fund, committed gifts	612,037		612,037		612,037
Deferred licensing fees	4,092,366		4,092,366		4,092,366
Deferred lease obligation and incentive	1,052,809		1,052,809		1,052,809
Other deferred revenue	347,120		347,120		347,120
<b>Total Liabilities</b>	<b>7,541,786</b>		<b>7,541,786</b>		<b>7,541,786</b>
<b>Net Assets:</b>					
Without donor restrictions-					
General	7,072,172		7,072,172		7,072,172
Continuing Legal Education	648,792		648,792		648,792
Sections Operations	1,508,843		1,508,843		1,508,843
Client Protection Fund	4,046,246		4,046,246		4,046,246
Washington State Bar Foundation		402,059	402,059		402,059
<b>Total Net Assets</b>	<b>13,276,053</b>	<b>402,059</b>	<b>13,678,112</b>		<b>13,678,112</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,817,839</b>	<b>\$ 402,059</b>	<b>\$ 21,219,898</b>	<b>\$ -</b>	<b>\$ 21,219,898</b>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Financial Position  
September 30, 2020

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 12,133,482	\$ 312,087	\$ 12,445,569	\$ -	\$ 12,445,569
Restricted cash and cash equivalents	4,872,603		4,872,603		4,872,603
Receivables, net	69,282		69,282		69,282
Prepaid expenses	637,789		637,789		637,789
Desk and course books	317,061		317,061		317,061
Property and equipment, net	941,080	14,400	955,480		955,480
<b>Total Assets</b>	<b>\$ 18,971,297</b>	<b>\$ 326,487</b>	<b>\$ 19,297,784</b>	<b>\$ -</b>	<b>\$ 19,297,784</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 998,045	\$ -	\$ 998,045	\$ -	\$ 998,045
Accrued expenses	663,862		663,862		663,862
Client Protection Fund, committed gifts	536,836		536,836		536,836
Deferred licensing fees	4,034,966		4,034,966		4,034,966
Deferred lease obligation and incentive	1,095,752		1,095,752		1,095,752
Other deferred revenue	241,021		241,021		241,021
<b>Total Liabilities</b>	<b>7,570,482</b>		<b>7,570,482</b>		<b>7,570,482</b>
<b>Net Assets:</b>					
Without donor restrictions-					
General	5,528,234		5,528,234		5,528,234
Continuing Legal Education	469,241		469,241		469,241
Sections Operations	1,210,210		1,210,210		1,210,210
Client Protection Fund	4,193,130		4,193,130		4,193,130
Washington State Bar Foundation		326,487	326,487		326,487
<b>Total Net Assets</b>	<b>11,400,815</b>	<b>326,487</b>	<b>11,727,302</b>		<b>11,727,302</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,971,297</b>	<b>\$ 326,487</b>	<b>\$ 19,297,784</b>	<b>\$ -</b>	<b>\$ 19,297,784</b>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Activities and Changes in Net Assets  
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Licensing revenues	\$ 16,912,694	\$ 16,694,420
Client protection fund member assessments	363,280	1,052,670
Exam fees	1,202,631	1,205,760
Continuing legal education - products	641,818	808,088
Continuing legal education - seminars	882,020	687,865
Contributions and grants	394,451	308,752
Other	3,621,974	3,799,655
<b>Total Revenues</b>	<b>24,018,868</b>	<b>24,557,210</b>
<b>Expenses:</b>		
Salaries, benefits and payroll taxes	15,303,987	15,836,552
Occupancy	2,036,747	2,172,878
Technology	934,245	852,988
Professional services	332,309	720,353
Gifts to injured clients	499,637	591,449
Other	392,923	584,707
Depreciation and amortization	368,250	497,733
Supplies	433,793	464,286
Grants, sponsorships and donations	372,249	334,658
Insurance	327,956	325,643
Sections events	251,832	323,747
Meetings and travel	254,926	206,391
Subscriptions	151,460	149,642
CLE production	72,127	101,619
Conferences	75,245	93,271
Examination fees	150,200	89,819
<b>Total Expenses</b>	<b>21,957,886</b>	<b>23,345,736</b>
<b>Total Change in Net Assets Without Donor Restrictions</b>	<b>2,060,982</b>	<b>1,211,474</b>
Net Assets, beginning of year	11,727,302	10,515,828
Cumulative effect of adopting new accounting pronouncement (Note 9)	(110,172)	
<b>Net Assets, End of Year</b>	<b>\$ 13,678,112</b>	<b>\$ 11,727,302</b>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Functional Expenses  
For the Year Ended September 30, 2021

	Program										2021 Total	
	Discipline	Client Protection Fund	BOG/OED	Regulatory Services	Communications	Advancement	Foundation	Sections	Total Program	Management and General		Fundraising
Salaries, benefits and payroll taxes	\$ 4,642,110	\$ 119,743	\$ 713,817	\$ 2,004,282	\$ 1,319,757	\$ 2,124,364	\$ -	\$ -	\$ 10,924,073	\$ 4,286,085	\$ 93,829	\$ 15,303,987
Occupancy	519,387	17,171	66,563	287,877	231,517	357,416			1,479,931	542,732	14,084	2,036,747
Technology	215,605	7,055	27,349	110,846	80,103	130,253		1,471	572,682	352,776	8,787	934,245
Professional services	76,888	1,422	5,276	38,055	40,483	41,034			203,158	128,035	1,116	332,309
Gifts to injured clients		499,637							499,637			499,637
Other	17,920	2,642	32,839	50,507	104,541	168,555		600	377,604	14,966	353	392,923
Depreciation and amortization	55,437	1,833	7,105	187,926	19,502	37,016			308,819	57,928	1,503	368,250
Supplies	18,632	610	2,365	31,957	342,848	17,490			413,902	19,280	611	433,793
Grants, sponsorships and donations						236,670	80,879	54,700	372,249			372,249
Insurance	88,064	2,911	11,286	45,733	30,979	53,748			232,721	92,847	2,388	327,956
Sections events								251,832	251,832			251,832
Meetings and travel	11,138		200,771	947	18,294	12,021			243,171	11,524	231	254,926
Subscriptions	58,374		133	10,852	19,305	47,856			136,520	14,940		151,460
CLE production					71,893	234			72,127			72,127
Conferences			46,958			27,587		700	75,245			75,245
Examination fees				150,200					150,200			150,200
<b>Total Expenses</b>	<b>\$ 5,703,555</b>	<b>\$ 653,024</b>	<b>\$ 1,114,462</b>	<b>\$ 2,919,182</b>	<b>\$ 2,279,222</b>	<b>\$ 3,254,244</b>	<b>\$ 80,879</b>	<b>\$ 309,303</b>	<b>\$ 16,313,871</b>	<b>\$ 5,521,113</b>	<b>\$ 122,902</b>	<b>\$ 21,957,886</b>

See accompanying notes.



WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Functional Expenses  
For the Year Ended September 30, 2020

	Program										2020 Total	
	Discipline	Client Protection Fund	BOG/OED	Regulatory Services	Communications	Advancement	Foundation	Sections	Total Program	Management and General		Fundraising
Salaries, benefits and payroll taxes	\$ 4,744,995	\$ 109,471	\$ 554,734	\$ 2,140,824	\$ 1,894,196	\$ 2,427,927	\$ -	\$ -	\$ 11,872,147	\$ 3,856,667	\$ 107,738	\$ 15,836,552
Occupancy	519,472	16,629	34,447	372,478	334,598	419,929			1,697,553	460,477	14,848	2,172,878
Technology	213,312	6,754	17,282	110,487	125,936	147,495		3,038	624,304	220,654	8,030	852,988
Professional services	194,693	5,588	9,062	109,509	93,106	103,242			515,200	201,247	3,906	720,353
Gifts to injured clients		591,449							591,449			591,449
Other	13,858	2,522	844	6,214	139,887	357,805		800	521,930	62,499	278	584,707
Depreciation and amortization	61,443	1,894	3,922	295,171	34,039	47,140			443,609	52,433	1,691	497,733
Supplies	23,937	765	1,584	37,197	344,776	33,992			442,251	21,175	860	464,286
Grants, sponsorships and donations					2,110	231,595	37,904	63,049	334,658			334,658
Insurance	89,203	2,529	6,639	43,429	46,007	56,788			244,595	78,623	2,425	325,643
Sections events						(72,500)		396,247	323,747			323,747
Meetings and travel	28,253		71,846	41,575	35,546	16,661			193,881	11,968	542	206,391
Subscriptions	55,537		144	6,779	18,991	53,998			135,449	14,193		149,642
CLE production					100,988	631			101,619			101,619
Conferences			80,000			2,833		10,438	93,271			93,271
Examination fees				89,819					89,819			89,819
<b>Total Expenses</b>	<b>\$ 5,944,703</b>	<b>\$ 737,601</b>	<b>\$ 780,504</b>	<b>\$ 3,253,482</b>	<b>\$ 3,170,180</b>	<b>\$ 3,827,536</b>	<b>\$ 37,904</b>	<b>\$ 473,572</b>	<b>\$ 18,225,482</b>	<b>\$ 4,979,936</b>	<b>\$ 140,318</b>	<b>\$ 23,345,736</b>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2021 and 2020

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Cash received from licensing fees	\$ 16,970,094	\$ 16,609,437
Cash received from CLE products and seminars	1,671,636	1,676,869
Cash received from other activities	5,370,197	6,252,590
Cash paid to employees	(11,459,787)	(11,671,584)
Cash paid to vendors	(9,954,944)	(10,687,270)
Interest received	9,889	194,167
<b>Net Cash Provided by Operating Activities</b>	<b>2,607,085</b>	<b>2,374,209</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments		990,000
Acquisition of property and equipment	(171,877)	(136,970)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(171,877)</b>	<b>853,030</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>2,435,208</b>	<b>3,227,239</b>
Cash, cash equivalents and restricted cash, beginning of year	17,318,172	14,090,933
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 19,753,380</b>	<b>\$ 17,318,172</b>
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 14,928,464	\$ 12,445,569
Restricted cash and cash equivalents	4,824,916	4,872,603
<b>Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows</b>	<b>\$ 19,753,380</b>	<b>\$ 17,318,172</b>

See accompanying notes.

## WASHINGTON STATE BAR ASSOCIATION

### Consolidated Notes to Financial Statements For the Years Ended September 30, 2021 and 2020

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

**Nature of Operations** - The Washington State Bar Association (“WSBA”) is an instrumentality of the Supreme Court of the State of Washington operating under the supervisory authority of the Washington Supreme Court. Operations consist of regulating the practice of law in the state under delegated authority of the Washington Supreme Court, and providing various law-related services to the members and public. Lawyers, Limited License Legal Technicians, and Limited Practice Officers must be active members of the WSBA in order to practice law in Washington State. A primary source of revenues of the WSBA is license fees, which members must pay in order to maintain their licenses. License fees follow a pro-rated schedule based on the attorney member’s years of practice. For 2021 and 2020, the license fee was set at \$458 for all attorneys in practice for three years or more, and a pro-rated lower fee for those in practice for fewer than three years. The WSBA members are primarily Washington State residents.

**Principles of Consolidation** - These consolidated financial statements consolidate the statements of Washington State Bar Association and Washington State Bar Foundation (collectively, “the WSBA”). Inter-organization accounts and transactions have been eliminated in the consolidation. The Washington State Bar Foundation is a separate legal entity from the Washington State Bar Association and is tax-exempt under section 501(c)(3) of the Internal Revenue Code.

**Basis of Presentation** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the WSBA and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. As of September 30, 2021, and 2020, WSBA had no net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as net assets released from restriction. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

**Revenue Recognition** - The following are the principal activities from which WSBA earns revenue:

Licensing Revenue - WSBA earns licensing revenue from providing members a license to practice law and access to programs, education and events. Licensing fees are generally due from members by February 1<sup>st</sup> of the calendar year the license is related to and revenue is recognized over the calendar year membership period.

Client Protection Fund Member Assessment - WSBA earns revenues by assessing members a mandatory fee for the client protection fund (see Note 2). Fees are paid by members as part of the annual licensing process and recognized as revenue at the point in time they are collected.

Exam Fees - WSBA earns revenue by administering exams for the legal profession. Applicants remit payment for the exam in advance of the examination date. Revenue is recognized at the point in time the examination is administered. As of September 30, 2021 and 2020 deferred revenue from examination fees totaled \$108,080 and \$104,495, respectively, and is included in other deferred revenue on the statements of financial position.

## WASHINGTON STATE BAR ASSOCIATION

### Consolidated Notes to Financial Statements For the Years Ended September 30, 2021 and 2020

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#### Note 1 - Continued

Continuing Legal Education - WSBA provides continuing legal education to the profession through live seminars and products. Revenue is recognized at the point in time a seminar occurs or a CLE product is provided to the customer. Payment is received in advance of the seminar or at the time the product is purchased.

**Cash and Cash Equivalents and Investments** - Cash and cash equivalents include money market funds and bank deposits. Bank deposits are maintained for ongoing operating expenses and are sometimes in excess of federally insured limits. The WSBA has not experienced any losses in these accounts.

Restricted cash and cash equivalents relate to funds restricted for the Client Protection Fund (see Note 2). Part of the restricted cash and cash equivalents are amounts paid into the Client Protection Fund.

The composition of cash balances are included in Note 3.

**Receivables** - Receivables are generally from members and result from Bar News advertising, consulting fees, and unpaid fees related to continuing legal education programs. Receivables are unsecured and do not bear interest. Management reviews receivables on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. Accounts that are determined to be uncollectible are written off against this reserve.

**Desk and Course Books** - Inventory of desk books is stated at lower of cost (first-in, first-out method) or market.

**Property and Equipment** - Property and equipment is stated at cost. Depreciation and amortization is computed over the estimated useful lives of the assets, using the straight-line method. The capitalization policy threshold is \$2,500.

Leasehold improvements	Life of lease
Equipment, furniture, software and fixtures	1 to 10 years

The WSBA follows the provisions outlined by accounting standards to account for costs of computer software developed or obtained for internal use. The WSBA capitalizes certain direct costs incurred in developing internal use software.

**Deferred Licensing Fees** - Licensing fees are recognized ratably over the applicable calendar year period. Accordingly, fees collected during the WSBA's fiscal year that relate to the fourth quarter of the calendar membership period are included as deferred revenue in these financial statements.

**Contributions** - Contributions are recognized as revenue when the donor imposed conditions, if any, have been met. All contributions are considered to be without donor restriction unless specifically restricted by the donor. Noncash contributions are reflected in the accompanying consolidated financial statements at the estimated fair value at the date of receipt.

**Income Taxes** - The WSBA is an organization exempt from federal income taxes because it is an instrumentality of the Supreme Court of the State of Washington exercising a governmental function. Washington State Bar Foundation has been notified by the Internal Revenue Service that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements  
For the Years Ended September 30, 2021 and 2020

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**Note 1 - Continued**

**Classification of Expenses** - The financial statements report certain categories of expenses that are attributable to programs and supporting services of WSBA. Those expenses include employee benefits and taxes, occupancy, indirect professional services, depreciation and amortization and technology expenses. These expenses are allocated based on the number of full time equivalents included in each program or supporting service.

**Net Assets** - The WSBA Board of Governors has directed that portions of the WSBA's net assets without donor restrictions be designated for Sections Operations and Continuing Legal Education. The total of revenues over expenses for all sections (which represent specialized legal interests) is included in the Sections Operations designated balance. The difference between revenues and expenses for Continuing Legal Education products and seminars is included in the Continuing Legal Education designated balance.

The WSBA has also designated a portion of its net assets without donor restrictions at September 30 as follows:

	<u>2021</u>	<u>2020</u>
Operating Reserve Fund	\$ 1,500,000	\$ 1,500,000
Facilities Reserve Fund	1,050,000	550,000
General Fund	<u>4,522,172</u>	<u>3,478,234</u>
	<u><u>\$ 7,072,172</u></u>	<u><u>\$ 5,528,234</u></u>

The Operating Reserve Fund provides unrestricted funds for any general, unanticipated, but necessary, expenses that may be incurred throughout the year. The goal is to ensure that funds are available in the event of an emergency or an unanticipated decline in revenue.

The Facilities Reserve Fund is used for refurbishment of existing leased space or costs to move to another space after the current lease ends in December 2026. In 2021, the board designated an additional \$500,000 of reserves to this fund to total \$1,050,000.

The General Fund was established to accumulate net reserves above the Operating Reserve Fund and Facilities Reserve Fund.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** - The WSBA has evaluated subsequent events through February 7, 2022, the date on which the financial statements were available to be issued.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements  
For the Years Ended September 30, 2021 and 2020

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**Note 2 - Client Protection Fund**

In 1995, the Washington Supreme Court and the WSBA created the Client Protection Fund (“the Fund”). In fiscal years 2021 and 2020, the Fund received a \$10 and \$30, respectively, mandatory annual assessment per individual required to pay into the fund (including all active attorney members, pro hac vice applicants, etc.). The Fund may be used only for the purpose of relieving or mitigating a loss sustained by any person due to the dishonesty of, or failure to account for money or property entrusted to, any attorney member of the WSBA in connection with the member’s practice of law, or while acting as a fiduciary in a matter related to the member’s practice of law. As the WSBA’s use of the funds is restricted as described above, it is shown as restricted cash and cash equivalents in the assets section of the statements of financial position and the net assets of the fund are separately presented on the statements of financial position.

The Client Protection Fund is administered pursuant to Admission to Practice Rule 15 and Procedural Rules adopted by the Board of Governors and approved by the Supreme Court. A client or a person in a fiduciary relationship with an licensed legal professional (LLP) who files a grievance with the WSBA that alleges a dishonest taking of funds or property by a LLP, may be provided with an application form to apply for a gift from the Fund. The WSBA recognizes gifts from the Fund at the time an application is approved by the Client Protection Board or Trustees and applicants are advised of the decision. Gifts from the Fund are expected to be paid within one year from the statement of financial position date and are recorded as Client Protection Fund, committed gifts on the statements of financial position.

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
<b>Unrestricted Cash and Cash Equivalents:</b>		
Bank deposits	\$ 699,141	\$ 461,278
Money market funds	<u>14,229,323</u>	<u>11,984,291</u>
	<b><u>\$ 14,928,464</u></b>	<b><u>\$ 12,445,569</u></b>
<b>Restricted Cash and Cash Equivalents:</b>		
Bank deposits	\$ 310,634	\$ 659,736
Money market funds	<u>4,514,282</u>	<u>4,212,867</u>
	<b><u>\$ 4,824,916</u></b>	<b><u>\$ 4,872,603</u></b>

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements  
For the Years Ended September 30, 2021 and 2020

**Note 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 728,967	\$ 728,967
Furniture	1,049,101	1,049,101
Office equipment	1,605,864	1,553,768
Software	<u>3,872,247</u>	<u>3,813,114</u>
	7,256,179	7,144,950
Less accumulated depreciation and amortization	(6,653,576)	(6,285,325)
Projects in process	<u>60,648</u>	<u>95,855</u>
	<u><u>\$ 663,251</u></u>	<u><u>\$ 955,480</u></u>

**Note 5 - Qualified Employee Benefit Plan**

The WSBA participates in the Washington State Public Employees' Retirement System ("PERS"), a series of defined benefit/defined contribution employee benefit plans sponsored and managed by the State of Washington Department of Retirement Systems ("DRS"). The funding of the plan is analyzed and rates are proposed by the Office of the State Actuary ("OSA") per RCW, Chapter 41.45, and all rates are approved by the legislature. There is a pension funding council that consults with the economic and revenue forecast supervisor and the executive director of the state investment board, for guidance on long-term economic assumptions that are proposed by the OSA. In accordance with PERS, the WSBA and the WSBA's employees make contributions to the plan based on rates established by DRS. Employer contributions for the years ended September 30, 2021 and 2020, were \$1,350,056 and \$1,424,716 respectively.

**Note 6 - Lease Commitments**

The WSBA signed a lease extension for office space effective March 1, 2015. The lease is an operating lease agreement expiring during the year ending September 30, 2027. The lease calls for escalating rent payments each year, resulting in a liability for the differences between the rent payments and rent calculated on a straight-line basis.

Future minimum rental payments under noncancelable operating leases are as follows:

For the Year Ended September 30,

2022	\$ 1,749,571
2023	1,800,161
2024	1,850,751
2025	1,901,341
2026	1,951,931
Thereafter	<u>493,253</u>

**Total Minimum Rental Payments**

\$ 9,747,008

## WASHINGTON STATE BAR ASSOCIATION

### Consolidated Notes to Financial Statements For the Years Ended September 30, 2021 and 2020

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#### Note 6 - Continued

Rent expense under all lease agreements totaled \$1,945,821 and \$1,972,222 for the years ended September 30, 2021 and 2020, respectively.

#### Note 7 - Commitments and Contingencies

**Contingencies** - The WSBA is subject to various legal proceedings and claims which arise in the ordinary course of its business. Management believes that the final disposition of such matters will not have a material adverse effect on the financial position or results of operations of the WSBA.

**Commitments** - The WSBA is obligated to provide counsel for respondents in disability proceedings, pursuant to the Rule for Enforcement of Lawyer Conduct (ELC) 8.3. Legal fees are incurred as a result of this obligation. In fiscal years 2021 and 2020, the WSBA paid a total of \$48,000 and \$48,234, respectively, for outside counsel to represent various respondents in disability proceedings. The WSBA has liability for future legal fees related to ongoing and new disability proceedings, but the future cost is not determinable due to the nature of the proceedings. However, the liability is significant enough to mention in the Notes to the Financial Statements.

#### Note 8 - Liquidity and Availability of Financial Assets

As part of WSBA'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 WSBA has an operating reserve that had a balance of \$1.5 million at September 30, 2021 and 2020. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The operating reserve funds are held in lower-risk cash and money market securities. The operating reserve balance is included in the cash and cash equivalents line on the statement of financial position.

The following reflects the WSBA's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and facilities reserve funds that could be drawn upon if the governing board approves that action.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,753,380	\$ 17,318,172
Receivables	119,661	69,282
Total financial assets	19,873,041	17,387,454
Contractual restrictions-		
Cash held restricted for Client Protection Fund	(4,824,916)	(4,872,603)
Board designations-		
Facilities reserve fund	(1,050,000)	(550,000)
Operating reserve fund	(1,500,000)	(1,500,000)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 12,498,125</u></b>	<b><u>\$ 10,464,851</u></b>



**WASHINGTON STATE BAR ASSOCIATION**

**Consolidated Notes to Financial Statements  
For the Years Ended September 30, 2021 and 2020**

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**Note 9 - Adoption of New Accounting Pronouncement**

During the year ended September 30, 2021, the WSBA adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)* and other related ASUs. These ASUs replaced the existing revenue recognition guidance in U.S. GAAP and require entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The primary effect of adoption of these ASUs for the WSBA is a change in the timing of revenue recognition of sections membership dues resulting in section membership dues being recognized over the membership period. Previously the WSBA recognized sections dues revenue at the time members registered for the section membership.

The WSBA elected to adopt the changes from these ASUs using the modified retrospective method. Results for the year ended September 30, 2020 are not adjusted and continue to be reported in accordance with the prior accounting guidance. The WSBA recorded a cumulative effect adjustment in the statement of activities in the amount of \$110,172 for the year ended September 30, 2021, to decrease net assets as of represents revenue that was recognized as earned at September 30, 2020 that are now to be recognized as earned.

**SUPPLEMENTARY INFORMATION**

WASHINGTON STATE BAR ASSOCIATION

Washington State Bar Foundation Statement of Activities  
For the Year Ended September 30, 2021

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**Without Donor Restrictions Activities**

**Revenue:**

Contributions	\$ 357,390
In-kind revenue from WSBA	122,904
Miscellaneous income	<u>37,061</u>

**Total Revenue** **517,355**

**Expenses:**

Program expenses	318,879
In-kind expenses from WSBA	<u>122,904</u>

**Total Expenses** **441,783**

**Change in Net Assets Without Donor Restrictions** **75,572**

Net assets without donor restrictions, beginning of year 326,487

**Net Assets Without Donor Restrictions, End of Year** **\$ 402,059**