

WASHINGTON STATE BAR ASSOCIATION

Special Report on the Fiscal Year 2023 Budget Summary

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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below on the Washington State Bar Association (WSBA) Fiscal Year 2023 Budget Summary. The WSBA's management is responsible for the Fiscal Year 2023 Budget Summary.

The WSBA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you in evaluating the consistency of the presentation of the Fiscal Year 2023 Budget Summary of revenues and expenses (2023 Budget) included in Exhibit A, with presentation of the Fiscal Year 2022 Budget Summary of revenues and expenses (2022 Budget) included in Exhibit B, and the presentation of revenues and expenses in the audited Statement of Activities for the fiscal year ended September 30, 2021 (2021 Statement of Activities) included in Exhibit C. This report is prepared to comply with Keller vs. State Bar of California, 496 U.S. 1 (1990), which prohibits using compulsory fees of any member who objects to that use for political or ideological activities that are not germane, or reasonably related, to regulating the legal profession or improving the quality of legal services ("nonchargeable" activities). Objecting members are offered a "Keller deduction" that represents the estimated portion of fees that is used for "nonchargeable" activities. The Keller deduction is calculated prospectively based on the coming year's budget and the previous year's political activity. The Special Report on the Budget Summary reports on the presentation of the coming year's budget, which is used to compute the Keller deduction, with the previous year's financial statements and current year budget by explaining differences in categories, budgeting methodologies, and significant revenues and expenses. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We totaled all columns and rows of the 2023 and 2022 Budgets and the 2021 Statement of Activities to verify the mathematical accuracy.

Findings

None

2. We compared the 2023 Budget cost center descriptions to the 2022 Budget and the 2021 Statement of Activities cost center descriptions and explained differences.

Findings

The WSBA changed the following cost centers in the 2023 Budget compared to the 2022 Budget:

- The Administration cost center renamed Finance.
- The Equality and Justice Department FTE cost center was reallocated to existing Access to Justice and Diversity cost centers.
- The Communications FTE cost center was renamed Communications strategies FTE.



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In addition, the WSBA changed the following cost centers in the 2023 Budget compared to the 2021 Statement of Activities:

- The Administration cost center was renamed to Finance.
 - The Character and Fitness Board and Volunteer Engagement cost centers were introduced in the FY 2022 budget.
 - The Member Assistance Program and Member Benefits cost centers were eliminated, and their costs were combined into a new cost center titled Member Wellness Program.
 - The Outreach and Engagement cost center was eliminated, and its costs were absorbed into the Communication Strategies cost center.
 - Mini CLE was the new cost center added in FY22. In FY21 the costs were absorbed in Continuing Legal Education cost center.
3. We inquired of management if there were any differences in the methodology used to budget for revenue and expense amounts for each cost center for the 2023 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2022 Budget and to account for revenue and expenses in the 2021 Statement of Activities.

Findings

The WSBA noted no differences in the methodology used to budget for revenue or expense amounts for each cost center for the 2023 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2022 Budget and to account for revenues and expenses in the 2021 Statement of Activities.

4. We compared total revenues and total expenses by cost center in the 2023 Budget to the total revenues and total expenses by cost center in the 2022 Budget and noted differences in amounts both greater than \$100,000 and 20%. We inquired of management for an explanation of those differences.

Findings

The following categories showed differences greater than \$100,000 and 20%:

Comparison of 2023 Budget to 2022 Budget

	2023 Budget	2022 Budget	Differences	
			Amount	Percentage
Administration				
a. Expense	\$ -	\$ 1,092,707	\$ (1,092,707)	-100%
Access to Justice				
b. Expense	\$ 358,902	\$ 208,619	\$ 150,283	72%
Character & Fitness Board				
c. Expense	\$ 166,623	\$ 31,151	\$ 135,472	435%
Communications FTE				
d. Expense	\$ -	\$ 223,276	\$ (223,276)	-100%
Communications strategies FTE				
e. Expense	\$ 243,400	\$ -	\$ 243,400	100%
Equity and Justice Department FTE				
f. Expense	\$ -	\$ 181,312	\$ (181,312)	-100%
Finance				
g. Expense	\$ 1,094,220	\$ -	\$ 1,094,220	100%
Human Resources				
h. Expense	\$ 291,667	\$ 459,421	\$ (167,754)	-37%
Member services and engagement				
i. Expense	\$ 342,478	\$ 444,013	\$ (101,535)	-23%
Professional responsibility program				
j. Expense	\$ 153,571	\$ 282,184	\$ (128,613)	-46%

Management's explanations for the differences are as follows:

- a. Administration - This cost center name was changed from Administration to Finance.
 - b. Access to Justice - Access to Justice board outreach/planning and conference expenses increased compared to FY22. FTE allocation was increased from 1.30 in FY22 to 1.64 in FY23.
 - c. Character and Fitness Board - FTE allocation was increased from .05 in FY22 to .75 in FY23.
 - d. Communications FTE - This cost center name was changed from Communications FTE to Communications strategies FTE.
 - e. Communications Strategies FTE - This cost center name was changed from Communications FTE to Communications strategies FTE.
 - f. Equity and Justice Department FTE - The Equality and Justice Department FTE cost center was reallocated to existing Access to Justice and Diversity cost centers.
 - g. Finance - This cost center name was changed from Administration to Finance.
 - h. Human Resources - (\$200,000) Allowance for open positions was added in FY23.
 - i. Member Services and Engagement - FTE was decreased from 3.46 to 2.51 in FY23.
 - j. Professional Responsibility Program - Decrease in FTE from 1.59 in FY22 to .73 in FY23. Additionally decrease CPE committee and staff travel expenses.
5. We compared total revenues and total expenses by cost center in the 2023 Budget to the total revenues and total expenses by cost center in the 2021 Statement of Activities and noted differences in amounts both greater than \$100,000 and 20%. We inquired of management for an explanation of those differences.

Findings

The following categories showed differences greater than \$100,000 and 20%:

Comparison of 2023 Budget to 2021 Statement of Activities

	2023 Budget	2021 SOA	Difference	
			Amount	Percentage
Administration				
a. Expense	\$ -	\$ 1,070,812	\$ (1,070,812)	-100%
Admissions / bar exam				
b. Expense	\$ 1,303,852	\$ 1,042,802	\$ 261,050	25%
Advancement				
c. Expense	\$ 362,565	\$ 229,514	\$ 133,051	58%
Board of governors				
d. Expense	\$ 563,600	\$ 438,738	\$ 124,862	28%
Character & Fitness Board				
e. Expense	\$ 166,623	\$ -	\$ 166,623	100%
Client Protection Fund				
f. Revenue	\$ 730,000	\$ 506,141	\$ 223,859	44%
Continuing legal education				
g. Expense	\$ 1,386,755	\$ 1,067,130	\$ 319,625	30%
Communications Strategies				
h. Expense	\$ 790,829	\$ 509,408	\$ 281,421	55%
Diversity				
i. Expense	\$ 495,227	\$ 293,793	\$ 201,434	69%
Finance				
j. Expense	\$ 1,094,220	\$ -	\$ 1,094,220	100%
Human resources				
k. Expense	\$ 291,667	\$ 471,049	\$ (179,382)	-38%
Legislative				
l. Expense	\$ 269,464	\$ 162,136	\$ 107,328	66%
Mandatory continuing legal education administration				
m. Expense	\$ 781,344	\$ 599,914	\$ 181,430	30%
Member benefits				
n. Expense	\$ -	\$ 311,031	\$ (311,031)	-100%
Member services and engagement				
o. Expense	\$ 342,478	\$ 450,534	\$ (108,056)	-24%
Member wellness program				
p. Expense	\$ 237,519	\$ -	\$ 237,519	100%
Mini CLE				
q. Expense	\$ 114,412	\$ -	\$ 114,412	100%
Office of general counsel				
r. Expense	\$ 1,057,534	\$ 882,627	\$ 174,907	20%
Outreach and Engagement				
s. Expense	\$ -	\$ 221,569	\$ (221,569)	-100%
Practice Management Assistance				
t. Expense	\$ 206,433	\$ -	\$ 206,433	100%
Professional responsibility program				
u. Expense	\$ 153,571	\$ 282,311	\$ (128,740)	-46%
Public service programs				
v. Expense	\$ 486,257	\$ 367,434	\$ 118,823	32%
Regulatory Services				
w. Expense	\$ 560,458	\$ 384,547	\$ 175,911	46%
Sections Operations				
x. Expense	\$ 904,646	\$ 309,304	\$ 595,342	192%
Volunteer Engagement				
y. Expense	\$ 115,489	\$ -	\$ 115,489	100%

Management's explanations for the differences are as follows:

- a. Administration - This cost center name was changed from Administration to Finance.
- b. Admissions / Bar Exam - The number of FTE's allocated to this cost center was increased from 6.55 to 6.75, and expenses such as facilities and parking, UBE examiners, bar exam proctors, and depreciation are anticipated to be greater than FY21 due to the increased number of expected applicants during FY23.
- c. Advancement - The number of FTE's allocated to this cost center was increased from 1.15 to 1.88 and the staff training & conference expense was added in FY23.
- d. Board of Governors - BOG meetings, BOG conferences, BOG retreats expenses were increased due to more in person meetings scheduled vs. virtual meetings in FY21.
- e. Character and Fitness Board - Cost center was added in FY22, prior to that, expenses were included in the Admission cost center.
- f. Client Protection Fund - Client protection member assessments are anticipated to be greater in FY23 due to increase in active memberships.
- g. Continuing Legal Education - Facilities, speakers & development, salaries, and benefits expenses are anticipated to increase in FY23.
- h. Communication Strategies - Staff training & Conference and bar outreach expenses were added in FY23. FTE allocation for this cost center was increased from 3.80 to 5.20 in FY23.
- i. Diversity - FTE for this cost center was increased from 2.46 to 2.69. Expenses such as consulting services, surveys, staff training and conference were added in FY23.
- j. Finance - This cost center name has been changed from Administration to Finance.
- k. Human Resources - (\$200,000) allowance for open positions was added in FY23 and consulting services expense is expected to be less than FY21.
- l. Legislative - FTE allocation for this cost center was increased from 1 to 1.70.
- m. Mandatory Continuing Legal Education Administration - The number of FTE's allocated to this cost center was increased from 4.80 to 4.88.
- n. Member Benefits - The Member Assistance Program and Member Benefits cost centers were eliminated, and their costs were combined into a new cost center titled Member Wellness Program. Additionally, part of the Member Benefits cost center costs were allocated to a new cost center titled Practice Management Assistance.
- o. Member Services and Engagement - FTE allocation was decreased from 4.13 to 2.51 in FY23.
- p. Member Wellness Program - Cost center name was changed from Member Assistance Program to Member Wellness Program. FTE was increased from .50 to 1.48 in FY23.
- q. Mini CLE - Mini CLE was the new cost center added in FY22. In FY21 the costs were absorbed in Continuing Legal Education cost center.
- r. Office of General Counsel - FTE is increased from 6.38 to 6.42 in FY23.
- s. Outreach and Engagement - This cost center was absorbed into Communications Strategies.
- t. Practice Management Assistance - Part of the Member Benefits cost center costs were allocated to a new cost center titled Practice Management Assistance.
- u. Professional Responsibility Program - FTE decreased from 1.69 to .73 in FY23.
- v. Public Service Programs - FTE allocation was increased from 1 to 1.62 and Donations and Grants expense was increased to cover increase in workload and COLA for staff.
- w. Regulatory Services - Staff training and conference expense was added in FY23 and there is an increase in salaries and benefits compared to FY21.
- x. Sections Operations - Direct expense for sections activities are anticipated to increase in FY23 due to more in person events.

- y. Volunteer Engagement - This is a new cost center that has been broken out from the cost center titled Office of the Executive Director for the Fiscal Year 2022 budget.

We were engaged by the WSBA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Fiscal Year 2023 Budget Summary. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the WSBA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



Certified Public Accountants
January 27, 2023

EXHIBIT A

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2023 Budget Summary

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 358,902	\$ (358,902)
Admissions / bar exam	1,362,940	1,303,852	59,088
Advancement		362,565	(362,565)
Bar news	602,700	695,967	(93,267)
Board of governors		563,600	(563,600)
Character & Fitness Board		166,623	(166,623)
Communications strategies	3,500	790,829	(787,329)
Communications strategies FTE		243,400	(243,400)
Discipline	119,000	6,214,728	(6,095,728)
Diversity	135,000	495,227	(360,227)
Finance	26,000	1,094,220	(1,068,220)
Foundation		152,797	(152,797)
Human resources		291,667	(291,667)
Law clerk program	188,200	146,999	41,201
Legal Lunchbox	23,000	52,617	(29,617)
Legislative		269,464	(269,464)
Licensing	17,053,467		17,053,467
Licensing and membership records	452,200	641,962	(189,762)
Limited license legal technician	29,722	100,748	(71,026)
Limited practice officers	195,088	120,347	74,741
Mandatory continuing legal education administration	1,125,250	781,344	343,906
Member services and engagement	11,800	342,478	(330,678)
Member Wellness Program	7,500	237,519	(230,019)
Mini CLE		114,412	(114,412)
New Member Education	85,000	96,869	(11,869)
Office of the executive director		697,034	(697,034)
Office of general counsel	963	1,057,534	(1,056,571)
Office of general counsel disciplinary board		329,139	(329,139)
Practice Management Assistance	50,000	206,433	(156,433)
Practice of law board		75,355	(75,355)
Professional responsibility program		153,571	(153,571)
Public service programs	130,000	486,257	(356,257)
Publication and design services		123,787	(123,787)
Regulatory services		560,458	(560,458)
Sections administration	290,543	298,596	(8,053)
Service center		713,681	(713,681)
Technology		1,996,602	(1,996,602)
Volunteer Engagement		115,489	(115,489)
Total General Fund	21,891,873	22,453,072	(561,199)
Operating Loss for FY 2022			(561,199)
Percent change from FY 2021 budget	2%	4%	
Depreciation			46,986
Straight line rent			2,131,247
Capital labor			280,000
Net Cash Flow From FY 2022 Operations			1,897,034
Continuing legal education	1,653,725	1,386,755	266,970
Deskbooks	241,000	290,735	(49,735)
Continuing Legal Education	1,894,725	1,677,490	217,235
Operating Loss for FY 2022			217,235
Percent change from FY 2021 budget	-9%	-5%	
Sections Operations	649,695	904,646	(254,951)
Client Protection Fund	730,000	684,212	45,788
	\$ 25,166,293	\$ 25,719,420	\$ (553,127)

EXHIBIT B

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2022 Budget Summary - Original

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 208,619	\$ (208,619)
Administration	5,160	1,092,707	(1,087,547)
Admissions / bar exam	1,301,640	1,287,537	14,103
Advancement		350,555	(350,555)
Bar news	643,700	769,622	(125,922)
Board of governors		476,753	(476,753)
Character and Fitness Board		31,151	(31,151)
Communications strategies		726,303	(726,303)
Communications FTE		223,276	(223,276)
Discipline	105,877	6,004,654	(5,898,777)
Diversity	145,374	438,712	(293,338)
Equity and Justice Department FTE		181,312	(181,312)
Foundation		128,667	(128,667)
Human resources		459,421	(459,421)
Law clerk program	222,500	122,443	100,057
Legal Lunchbox	22,000	52,483	(30,483)
Legislative		271,935	(271,935)
Licensing	16,579,802		16,579,802
Licensing and membership records	378,180	606,309	(228,129)
Limited license legal technician	29,961	97,783	(67,822)
Limited practice officers	208,728	125,917	82,811
Mandatory continuing legal education administration	1,209,750	692,097	517,653
Member services and engagement	10,800	444,013	(433,213)
Member Wellness Program	7,000	231,067	(224,067)
Mini CLE		111,706	(111,706)
New Member Education	111,500	99,789	11,711
Office of the executive director		595,200	(595,200)
Office of general counsel		996,039	(996,039)
Office of general counsel disciplinary board		302,291	(302,291)
Practice Management Assistance	38,450	137,500	(99,050)
Practice of law board		84,486	(84,486)
Professional responsibility program		282,184	(282,184)
Public service programs	130,000	403,682	(273,682)
Publication and design services		106,573	(106,573)
Regulatory services		513,908	(513,908)
Sections administration	286,875	290,307	(3,432)
Service center		652,436	(652,436)
Technology		1,813,143	(1,813,143)
Volunteer Engagement		114,280	(114,280)
Total General Fund	21,437,297	21,526,860	(89,563)
Operating Loss for FY 2023			(89,563)
Percent change from FY 2022 budget	4%	3%	
Depreciation			193,506
Straight line rent			1,937,648
Capital labor			155,000
Net Cash Flow From FY 2023 Operations			2,196,591
Continuing legal education	1,904,985	1,479,489	425,496
Deskbooks	167,600	282,641	(115,041)
Continuing Legal Education	2,072,585	1,762,130	310,455
Operating Loss for FY 2023			310,455
Percent change from FY 2022 budget	13%	-7%	
Sections Operations	637,652	899,652	(262,000)
Client Protection Fund	830,253	660,675	169,578
	\$ 24,977,787	\$ 24,849,317	\$ 128,470

EXHIBIT C

WASHINGTON STATE BAR ASSOCIATION

Statement of Activities
For the Year Ended September 30, 2021

	2021		Revenues Over (Under) Expenses
	Revenues	Expenses	
Without Donor Restriction Activities General:			
Access to justice board	\$ -	\$ 261,650	\$ (261,650)
Administration	4,577	1,070,812	(1,066,235)
Admissions / bar exam	1,184,222	1,042,802	141,420
Advancement		229,514	(229,514)
Bar news	583,112	728,381	(145,269)
Board of governors		438,738	(438,738)
Communications strategies	2,808	509,408	(506,600)
Communications strategies FTE		217,277	(217,277)
COVID-19		(945)	945
Discipline	127,875	5,703,554	(5,575,679)
Diversity	135,000	293,793	(158,793)
Foundation		122,904	(122,904)
Human resources		471,049	(471,049)
Law clerk program	186,801	101,265	85,536
Legislative		162,136	(162,136)
Licensing	16,729,236		16,729,236
Licensing and membership records	461,925	590,421	(128,496)
Limited license legal technician	30,828	118,027	(87,199)
Limited practice officers	200,975	82,206	118,769
Mandatory continuing legal education administration	961,010	599,914	361,096
Member assistance program	11,301	96,614	(85,313)
Member benefits	16,158	311,031	(294,873)
Member services and engagement	98,777	450,534	(351,757)
Office of the executive director		675,724	(675,724)
Office of general counsel	747	882,627	(881,880)
Office of general counsel disciplinary board		241,410	(241,410)
Outreach and engagement		221,569	(221,569)
Practice of law board		57,639	(57,639)
Professional responsibility program		282,311	(282,311)
Public service programs	103,000	367,434	(264,434)
Publication and design services		100,404	(100,404)
Regulatory services		384,547	(384,547)
Sections administration	213,088	273,159	(60,071)
Service center		668,284	(668,284)
Technology		1,751,307	(1,751,307)
Total General	\$ 21,051,440	\$ 19,507,500	\$ 1,543,940
Continuing Legal Education:			
Products	\$ 629,038	\$ 218,208	\$ 410,830
Seminars	779,539	848,922	(69,383)
Deskbooks	178,150	340,047	(161,897)
Total Continuing Legal Education	\$ 1,586,727	\$ 1,407,177	\$ 179,550
Sections Operations	\$ 607,937	\$ 309,304	\$ 298,633
Client Protection Fund	\$ 506,141	\$ 653,025	\$ (146,884)