

WASHINGTON STATE BAR ASSOCIATION

Special Report on the Fiscal Year 2024 Budget Summary

Table of Contents

	Page
Independent Accountant's Report on Applying Agreed-Upon Procedures	1 - 5
Exhibit A: Fiscal Year 2024 Budget Summary - Original	6
Exhibit B: Fiscal Year 2023 Budget Summary - As Amended	7
Exhibit C: Statement of Activities For the Year Ended September 30, 2022	8

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 2024 Budget Summary. The WSBA's management is responsible for the Fiscal Year 2024 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 2024 Budget Summary of revenues and expenses (2024 Budget) included in Exhibit A, with presentation of the Fiscal Year 2023 Budget Summary of revenues and expenses - As Amended (2023 Budget - As Amended) included in Exhibit B, and the presentation of revenues and expenses in the audited Statement of Activities for the fiscal year ended September 30, 2022 (2022 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 2024 and 2023 Budgets and the 2022 Statement of Activities to verify the mathematical accuracy.

Findings

None

2. We compared the 2024 Budget cost center descriptions to the 2023 Budget and the 2022 Statement of Activities cost center descriptions and explained differences.

Findings

The WSBA changed the following cost centers in the 2024 Budget compared to the 2022 Statement of Activities:

- The Equality and Justice Department FTE cost center was reallocated to existing Access to Justice and Diversity cost centers.



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- The Administration cost center was renamed to Finance.
 - The Communications FTE cost center was renamed Communications strategies FTE.
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 2024 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2023 Budget and to account for revenue and expenses in the 2022 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 2024 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2023 Budget and to account for revenues and expenses in the 2022 Statement of Activities.

4. We compared total revenues and total expenses by cost center in the 2024 Budget to the total revenues and total expenses by cost center in the 2023 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 2024 Budget to 2023 Budget

	2024 Budget	2023 Budget - As Amended	Differences	
			Amount	Percentage
Deskbooks				
a. Revenue	\$ 136,500	\$ 241,000	\$ (104,500)	-43%
Diversity				
b. Expense	\$ 476,883	\$ 370,269	\$ 106,614	29%
Finance				
c. Revenue	\$ 400,000	\$ 26,000	\$ 374,000	1438%

Management's explanations for the differences are as follows:

- a. Deskbooks - It is anticipated that deskbook revenue will decline in FY24 as a result of rising eBook sales driven by online trends, a decline in the deskbook print version, and a decrease in Fastcase royalties.
- b. Diversity - FTE allocation was increased from 1.69 in FY23 to 2.69 in FY24.
- c. Finance - Interest rates increased significantly in FY23 and investment approach was modified resulting in much higher actual interest earned. The FY24 budget is based on the higher interest rates and maintenance of existing investment approach.

5. We compared total revenues and total expenses by cost center in the 2024 Budget to the total revenues and total expenses by cost center in the 2022 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 2024 Budget to 2022 Statement of Activities

	2024 Budget	2022 SOA	Difference	
			Amount	Percentage
Access to Justice Board				
a. Expense	\$ 336,864	\$ 181,745	\$ 155,119	85%
Administration				
b. Expense	\$ -	\$ 1,037,027	\$ (1,037,027)	-100%
c. Revenue	\$ -	\$ 105,118	\$ (105,118)	-100%
Character & Fitness Board				
d. Expense	\$ 172,249	\$ 22,004	\$ 150,245	683%
Client Protection Fund				
e. Revenue	\$ 595,930	\$ 749,227	\$ (153,297)	-20%
Diversity				
f. Expense	\$ 476,883	\$ 316,278	\$ 160,605	51%
Equity and Justice Department FTE				
g. Expense	\$ -	\$ 210,059	\$ (210,059)	-100%
Finance				
h. Expense	\$ 1,138,582	\$ -	\$ 1,138,582	100%
i. Revenue	\$ 400,000	\$ -	\$ 400,000	100%
Mandatory continuing legal education administration				
j. Expense	\$ 915,904	\$ 685,944	\$ 229,960	34%
k. Revenue	\$ 1,113,800	\$ 1,464,350	\$ (350,550)	-24%
Office of the executive director				
l. Expense	\$ 817,261	\$ 511,510	\$ 305,751	60%
Practice Management Assistance				
m. Expense	\$ 213,298	\$ 75,196	\$ 138,102	184%
Public service programs				
n. Expense	\$ 527,889	\$ 398,468	\$ 129,421	32%
Sections Operations				
o. Expense	\$ 1,017,566	\$ 467,886	\$ 549,680	117%

Management's explanations for the differences are as follows:

- a. Access to Justice Board - The number of FTE's allocated to this cost center was increased from 1.30 to 1.64, and expenses are anticipated to be higher in FY24 due to an ongoing Board project as well as board travel expenses. FY22 actual expenditures for this cost center came in significantly under budget due to a longer than anticipated transition to in person board activities.
- b. Administration - This cost center name was changed from Administration to Finance.

- c. Administration - This cost center name was changed from Administration to Finance. In FY23, investment approach was modified based on market conditions to capture higher interest rates. In FY22, investments were held primarily in money market accounts, and transitioned to Certificates of Deposit and Treasuries in FY23, and are continuing this in FY24. The FY24 budget reflects anticipated higher interest based on these investments.
- d. Character and Fitness Board - The number of FTE's allocated to this cost center was increased from 0.40 to 0.75, and expenses are expected to be higher due to more in-person hearings and increased cost for board travel expenses in FY24.
- e. Client Protection Fund - Client protection member assessments are anticipated to decrease in FY24 due to the decrease in the member assessment amount from \$20 to \$15.
- f. Diversity - FTE for this cost center increased from 2.40 to 2.69, as well as direct expenses for consulting, surveys, and diversity events were underspent in FY22 due to timelines being pushed to FY23 and FY24.
- g. Equity and Justice Department FTE - This cost center was eliminated in FY23.
- h. Finance - This cost center name has been changed from Administration to Finance.
- i. Finance - This cost center name has been changed from Administration to Finance. In FY23, investment approach was modified based on market conditions to capture higher interest rates. In FY22, investments were held primarily in money market accounts, and transitioned to Certificates of Deposit and Treasuries in FY23, and are continuing this in FY24. The FY24 budget reflects anticipated higher interest based on these investments.
- j. Mandatory Continuing Legal Education Administration - Direct expense for depreciation is budgeted to increase significantly in FY24 due to the implementation of a new MCLE software system. FTE allocation for this cost center was increased from 4.88 to 5.88 in FY24.
- k. Mandatory Continuing Legal Education Administration - The revenue in FY22 was higher than FY24 due to a double reporting period overlap that happens from time to time and included in the results for FY22.
- l. Office of the Executive Director - FTE increased from 2 to 2.90 in FY24 and staff vacancies that existed in FY22 were filled in FY23 and maintained in FY24. Additionally, direct expenses for the Washington Leadership Institute increased significantly in FY23 and has continued with the same level of funding for FY24. Remaining direct expenses in FY22 were lower compared to FY24 as we transition to more in-person activities.
- m. Practice Management Assistance - FTE for this cost center increased from 0 to 0.95 in FY23 and was maintained in FY24.
- n. Public Service Programs - FTE allocation for this cost center was increased from 1.30 to 1.69. Moderate Means Program costs include staffing and direct expenses which increase each year, there is also additional work anticipated in FY24 to support the demand of this program.
- o. Sections Operations - The direct expenses in this cost center are expected to increase in FY24 due to having more in-person events than in FY22.

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 2024 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.

Clark Nuber P.S.

Certified Public Accountants
February 2, 2024

EXHIBIT A

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2024 Budget Summary - Original

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 336,864	\$ (336,864)
Administration			
Admissions/bar exam	1,300,740	1,361,425	(60,685)
Advancement		368,381	(368,381)
Bar news	610,100	708,164	(98,064)
Board of governors		566,110	(566,110)
Character and Fitness Board		172,249	(172,249)
Communications strategies	500	825,468	(824,968)
Communications strategies FTE		249,385	(249,385)
Discipline	119,000	6,314,089	(6,195,089)
Diversity	135,000	476,883	(341,883)
Finance	400,000	1,138,582	(738,582)
Foundation		161,208	(161,208)
Human resources		470,254	(470,254)
Law clerk program	207,200	184,130	23,070
Legal Lunchbox	29,000	51,696	(22,696)
Legislative		281,300	(281,300)
Licensing	17,320,499		17,320,499
Licensing and membership records	450,900	685,796	(234,896)
Limited license legal technician	20,712	91,840	(71,128)
Limited practice officers	202,000	131,982	70,018
Mandatory continuing legal education administration	1,113,800	915,904	197,896
Member services and engagement	10,800	390,771	(379,971)
Member Wellness Program	7,500	233,906	(226,406)
Mini CLE		110,349	(110,349)
New Member Education	67,000	99,137	(32,137)
Office of the executive director		817,261	(817,261)
Office of general counsel		1,078,051	(1,078,051)
Office of general counsel disciplinary board		315,741	(315,741)
Practice Management Assistance	62,000	213,298	(151,298)
Practice of law board		88,560	(88,560)
Professional responsibility program		239,590	(239,590)
Public service programs	130,000	527,889	(397,889)
Publication and design services		123,385	(123,385)
Regulatory services		540,945	(540,945)
Sections administration	297,786	300,489	(2,703)
Service center		733,618	(733,618)
Technology		2,094,122	(2,094,122)
Volunteer Engagement		113,992	(113,992)
Total General Fund	22,484,537	23,512,814	(1,028,277)
Operating Loss for FY 2024			(1,028,277)
Percent change from FY 2023 budget	3%	5%	
Depreciation			232,905
Straight line rent			2,065,775
Capital labor			(210,000)
Net Cash Flow From FY 2024 Operations			1,060,403
Continuing legal education	1,605,300	1,304,088	301,212
Deskbooks	136,500	280,371	(143,871)
Continuing Legal Education	1,741,800	1,584,459	157,341
Operating Loss for FY 2024			157,341
Percent change from FY 2023 budget	-8%	-6%	
Sections Operations	688,964	1,017,566	(328,602)
Client Protection Fund	595,930	688,630	(92,700)
	\$ 25,511,231	\$ 26,803,469	\$ (1,292,238)

EXHIBIT B

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2023 Budget Summary - As Amended

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 359,402	\$ (359,402)
Admissions/bar exam	1,362,940	1,306,852	56,088
Advancement		362,565	(362,565)
Bar news	602,700	695,967	(93,267)
Board of governors		563,600	(563,600)
Character and 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	370,269	(235,269)
Finance	26,000	1,087,220	(1,061,220)
Foundation		152,797	(152,797)
Human resources		424,625	(424,625)
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	645,962	(193,762)
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	237,269	(229,769)
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		320,639	(320,639)
Practice Management Assistance	50,000	206,683	(156,683)
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 2023			(561,199)
Percent change from FY 2022 budget	2%	4%	
Depreciation			202,578
Straight line rent			2,131,247
Capital labor			(280,000)
Net Cash Flow From FY 2023 Operations			1,492,626
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 2023			217,235
Percent change from FY 2022 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 C

WASHINGTON STATE BAR ASSOCIATION

**Statement of Activities
For the Year Ended September 30, 2022**

	2022		Revenues Over (Under) Expenses
	Revenues	Expenses	
Without Donor Restriction Activities General:			
Access to justice board	\$ -	\$ 181,745	\$ (181,745)
Administration	105,118	1,037,027	(931,909)
Admissions/bar exam	1,228,615	1,239,607	(10,992)
Advancement		343,719	(343,719)
Bar news	661,041	656,367	4,674
Board of governors		497,512	(497,512)
Character and Fitness Board		22,004	(22,004)
Communications strategies	4,122	712,876	(708,754)
Communications strategies FTE		222,579	(222,579)
Discipline	105,767	5,743,648	(5,637,881)
Diversity	135,000	316,278	(181,278)
Equity and Justice Department FTE		210,059	(210,059)
Foundation		127,662	(127,662)
Human resources		481,345	(481,345)
Law clerk program	197,804	119,584	78,220
Legal Lunchbox	46,289	44,742	1,547
Legislative		225,920	(225,920)
Licensing	16,857,886		16,857,886
Licensing and membership records	455,695	612,252	(156,557)
Limited license legal technician	19,041	85,447	(66,406)
Limited practice officers	219,368	116,563	102,805
Mandatory continuing legal education administration	1,464,350	685,944	778,406
Member wellness program	9,375	186,670	(177,295)
Member benefits			
Member services and engagement	13,200	408,382	(395,182)
Mini CLE		99,382	(99,382)
New Member Education	45,915	85,773	(39,858)
Office of the executive director		511,510	(511,510)
Office of general counsel	1,126	975,098	(973,972)
Office of general counsel disciplinary board		258,656	(258,656)
Practice of law board		70,384	(70,384)
Practice Management Assistance	62,097	75,196	(13,099)
Professional responsibility program		258,987	(258,987)
Public service programs	130,000	398,468	(268,468)
Publication and design services		110,892	(110,892)
Regulatory services		493,218	(493,218)
Sections administration	273,426	271,205	2,221
Service center		655,946	(655,946)
Technology		1,751,613	(1,751,613)
Volunteer engagement		99,881	(99,881)
Total General	\$ 22,035,235	\$ 20,394,141	\$ 1,641,094
Continuing Legal Education:			
Products	\$ 1,302,806	\$ 207,313	\$ 1,095,493
Seminars	383,675	957,060	(573,385)
Deskbooks	114,668	243,519	(128,851)
Total Continuing Legal Education	\$ 1,801,149	\$ 1,407,892	\$ 393,257
Sections Operations	\$ 761,693	\$ 467,886	\$ 293,807
Client Protection Fund	\$ 749,227	\$ 731,972	\$ 17,256