

**WASHINGTON STATE BAR ASSOCIATION
AND AFFILIATED FOUNDATION**

Consolidated Financial Statements

For the Years Ended September 30, 2025 and 2024

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2025 and 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the WSBA as of September 30, 2025 and 2024 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the WSBA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WSBA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the WSBA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information presented on the statements of financial position on pages 4 and 5 and the statement of activities on page 21 are presented for purposes of additional analysis and are 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.



Certified Public Accountants
February 2, 2026

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statement of Financial Position September 30, 2025

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 10,482,647	\$ 464,660	\$ 10,947,307	\$ -	\$ 10,947,307
Restricted cash and cash equivalents	3,611,879		3,611,879		3,611,879
Receivables, net	370,831		370,831		370,831
Lease incentive receivable	440,543		440,543		440,543
Prepaid expenses	673,318		673,318		673,318
Desk and course books	120,090		120,090		120,090
Investments	9,965,146		9,965,146		9,965,146
Property and equipment, net	1,933,613	14,550	1,948,163		1,948,163
Operating lease right-of-use asset	6,490,576		6,490,576		6,490,576
Total Assets	\$34,088,643	\$ 479,210	\$34,567,853	\$ -	\$34,567,853
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 754,930	\$ -	\$ 754,930	\$ -	\$ 754,930
Accrued expenses	745,169		745,169		745,169
Client Protection Fund, committed gifts	392,335		392,335		392,335
Deferred licensing fees	4,217,651		4,217,651		4,217,651
Other deferred revenue	408,078		408,078		408,078
Operating lease liability	8,833,875		8,833,875		8,833,875
Total Liabilities	15,352,038		15,352,038		15,352,038
Net Assets:					
Without donor restrictions-					
General and designated funds	10,031,255		10,031,255		10,031,255
Continuing legal education	1,233,726		1,233,726		1,233,726
Sections operations	2,164,531		2,164,531		2,164,531
Client Protection Fund	5,307,093		5,307,093		5,307,093
Washington State Bar Foundation		479,210	479,210		479,210
Total Net Assets	18,736,605	\$ 479,210	\$19,215,815		\$19,215,815
Total Liabilities and Net Assets	\$34,088,643	\$ 479,210	\$34,567,853	\$ -	\$34,567,853

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statement of Financial Position September 30, 2024

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 3,778,629	\$ 381,501	\$ 4,160,130	\$ -	\$ 4,160,130
Restricted cash and cash equivalents	3,323,396		3,323,396		3,323,396
Receivables, net	425,241		425,241		425,241
Lease incentive receivable	1,522,675		1,522,675		1,522,675
Prepaid expenses	673,209		673,209		673,209
Desk and course books	170,620		170,620		170,620
Investments	15,932,208		15,932,208		15,932,208
Property and equipment, net	1,036,168	14,400	1,050,568		1,050,568
Operating lease right-of-use asset	6,998,569		6,998,569		6,998,569
Total Assets	\$33,860,715	\$ 395,901	\$34,256,616	\$ -	\$34,256,616
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 660,595	\$ -	\$ 660,595	\$ -	\$ 660,595
Accrued expenses	701,575		701,575		701,575
Client Protection Fund, committed gifts	646,449		646,449		646,449
Deferred licensing fees	4,186,535		4,186,535		4,186,535
Other deferred revenue	367,122		367,122		367,122
Operating lease liability	8,944,612		8,944,612		8,944,612
Total Liabilities	15,506,888		15,506,888		15,506,888
Net Assets:					
Without donor restrictions-					
General and designated funds	10,126,352		10,126,352		10,126,352
Continuing legal education	1,344,457		1,344,457		1,344,457
Sections operations	2,123,665		2,123,665		2,123,665
Client Protection Fund	4,759,353		4,759,353		4,759,353
Washington State Bar Foundation		395,901	395,901		395,901
Total Net Assets	18,353,827	\$ 395,901	18,749,728		18,749,728
Total Liabilities and Net Assets	\$33,860,715	\$ 395,901	\$34,256,616	\$ -	\$34,256,616

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Activities Without Donor Restrictions		
Revenues:		
Licensing revenues	\$ 17,507,019	\$ 17,290,274
Client protection fund assessments	732,050	548,235
Exam fees	1,666,365	1,286,895
Continuing legal education - products	905,432	1,058,711
Continuing legal education - seminars	598,236	722,988
Contributions and grants	440,770	346,925
Investment income	1,057,586	1,305,951
Other	<u>4,203,070</u>	<u>4,091,207</u>
Total Revenues	27,110,528	26,651,186
Expenses:		
Salaries, benefits, and payroll taxes	19,304,165	18,274,554
Technology	1,291,659	1,065,242
Occupancy	1,018,175	1,788,536
Professional services	935,912	842,056
Sections events	809,236	601,282
Meetings and travel	555,929	416,452
Examination fees	474,061	422,637
Grants, sponsorships, and donations	452,507	521,227
Supplies	412,377	391,150
Depreciation and amortization	390,010	359,387
CLE production	280,495	275,624
Insurance	261,652	265,584
Gifts to injured clients	249,483	418,710
Other	144,998	138,289
Conferences	50,906	65,023
Subscriptions	<u>12,876</u>	<u>31,457</u>
Total Expenses	<u>26,644,441</u>	<u>25,877,210</u>
Total Change in Net Assets Without Donor Restrictions	<u>466,087</u>	<u>773,976</u>
Net assets, beginning of year	<u>18,749,728</u>	<u>17,975,752</u>
Net Assets, End of Year	<u>\$ 19,215,815</u>	<u>\$ 18,749,728</u>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statement of Functional Expenses For the Year Ended September 30, 2025

	Program												Management and General	Fundraising	2025 Total	
	Client Protection Fund		Board of Governors/Office of the Executive Director		Regulatory Services		Communications		Advancement		Foundation					
	Discipline			Executive Director									Sections	Total Program		
Salaries, benefits, and payroll taxes	\$ 5,212,111	\$ 153,865	\$ 969,461	\$ 2,958,851	\$ 1,595,722	\$ 2,339,746	\$ -	\$ -	\$ 13,229,756	\$ 5,932,829	\$ 141,580	\$ 19,304,165				
Technology	383,197	11,974	58,240	291,773	127,253	290,786				1,163,223	115,558	12,878	1,291,659			
Occupancy	268,899	8,451	41,109	156,865	88,709	142,437				706,470	304,476	7,229	1,018,175			
Professional services	151,188	2,504	39,343	75,674	53,459	56,905				379,073	547,904	8,935	935,912			
Sections events						200				662,318	662,518	146,718	809,236			
Meetings and travel	10,929	553	271,698	43,448	54,938	89,593				568	471,727	83,517	685	555,929		
Examination fees				100,000							472,900	1,161		474,061		
Grants, sponsorships, and donations				472,900							87,826	187,826	264,681	452,507		
Supplies	9,420	296	1,855	16,531	360,419	8,101					396,622	13,364	2,391	412,377		
Depreciation and amortization	62,060	1,951	9,492	191,218	20,480	32,885					318,086	70,255	1,669	390,010		
CLE production	122				50,626	229,747					280,495			280,495		
Insurance	69,089	2,172	10,564	40,350	22,796	36,603					181,574	78,220	1,858	261,652		
Gifts to injured clients		249,483									249,483			249,483		
Other	32,105	(2,308)	6,872	18,747	97,829	17,290					170,535	(26,400)	863	144,998		
Conferences			37,343	5,950		2,432					45,725	5,181		50,906		
Subscriptions				300	9,028	1,674					11,002	1,874		12,876		
Total Expenses	\$ 6,199,120	\$ 428,941	\$ 1,545,977	\$ 4,272,607	\$ 2,481,259	\$ 3,248,399	\$ 87,826	\$ 662,886	\$ 18,927,015	\$ 7,539,338	\$ 178,088	\$ 26,644,441				

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statement of Functional Expenses For the Year Ended September 30, 2024

	Program												
	Client Protection Fund			Board of Governors/ Office of the Executive Director			Regulatory Services						
	Discipline						Communication	Advancement	Foundation	Sections	Total Program	Management and General	Fundraising
Salaries, benefits, and payroll taxes	\$ 4,902,283	\$ 151,366	\$ 770,736	\$ 2,629,430	\$ 1,497,907	\$ 2,280,793	\$ -	\$ -	\$ 12,232,515	\$ 5,902,230	\$ 139,809	\$ 18,274,554	
Occupancy	469,848	15,203	54,550	267,386	156,855	254,330			1,218,172	557,308	13,056	1,788,536	
Technology	311,183	9,980	35,811	241,192	105,223	257,138			960,527	93,969	10,746	1,065,242	
Professional services	169,121	1,537	29,189	33,035	32,317	26,715			291,914	544,577	5,565	842,056	
Sections events						149			591,771	591,920	9,362	601,282	
Grants, sponsorships, and donations			80,000						151,322		231,322	289,905	521,227
Examination fees				416,238			3,803				420,041	2,596	422,637
Gifts to injured clients		418,710									418,710		418,710
Meetings and travel	13,800	887	251,158	29,423	9,377	50,973			940	356,558	59,625	269	416,452
Supplies	8,991	291	1,654	23,769	336,914	5,495				377,114	13,215	821	391,150
Depreciation and amortization	54,672	1,769	6,348	166,191	18,252	29,594				276,826	81,042	1,519	359,387
Insurance	69,769	2,258	8,100	39,705	23,291	37,766				180,889	82,756	1,939	265,584
CLE production		129				10,195	265,300				275,624		275,624
Other	32,745	(2,151)	5,454	18,635	83,867	18,111				156,661	(19,282)	910	138,289
Conferences			55,335	5,716		1,254				62,305	2,718		65,023
Subscriptions				276	9,307	1,655				11,238	20,219		31,457
Total Expenses	\$ 6,032,541	\$ 599,850	\$ 1,298,335	\$ 3,870,996	\$ 2,283,505	\$ 3,233,076	\$ 151,322	\$ 592,711	\$ 18,062,336	\$ 7,640,240	\$ 174,634	\$ 25,877,210	

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Cash received from licensing revenues	\$ 17,538,135	\$ 17,316,014
Cash received from CLE products and seminars	1,514,958	1,773,929
Cash received from other activities	7,000,056	6,440,810
Cash paid to employees	(14,626,356)	(13,802,275)
Cash paid to vendors	(10,211,014)	(12,008,438)
Interest received	<u>1,183,861</u>	<u>1,178,486</u>
Net Cash Provided by Operating Activities	2,399,640	898,526
Cash Flows From Investing Activities:		
Proceeds from sale of investments	17,128,339	19,217,609
Purchase of investments	(11,161,277)	(23,283,595)
Acquisition of property and equipment	<u>(1,291,042)</u>	<u>(192,329)</u>
Net Cash Provided by (Used in) Investing Activities	4,676,020	(4,258,315)
Net Change in Cash, Cash Equivalents, and Restricted Cash	7,075,660	(3,359,789)
Cash, cash equivalents, and restricted cash, beginning of year	<u>7,483,526</u>	<u>10,843,315</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$14,559,186</u>	<u>\$ 7,483,526</u>
The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sums to the total of the same such amounts shown in the consolidated statements of cash flows:		
Cash and cash equivalents	\$ 10,947,307	\$ 4,160,130
Restricted cash and cash equivalents	<u>3,611,879</u>	<u>3,323,396</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statements of Cash Flows	<u>\$14,559,186</u>	<u>\$ 7,483,526</u>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations - 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 licensed legal professionals and public. WSBA Lawyers, Limited License Legal Technicians, and Limited Practice Officers must be licensed with active status in order to practice law in Washington state. A primary source of revenues of WSBA is license fees, which must be paid in order to maintain a license. License fees follow a pro-rated schedule based on the licensed legal professional's years of practice. For 2025 and 2024, 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. Those who are licensed by the WSBA are primarily Washington state residents.

The Washington State Bar Foundation ("the Foundation") helps fund WSBA programs that provide legal assistance to Washington state's most vulnerable populations, match moderate income clients with legal professionals who work for reduced fees and ensure the legal profession reflects the communities it serves and supports all licensed legal professionals. The members of the Foundation consist solely of the members of the Board of Governors of WSBA.

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.

Description of Program Services -

Discipline - This program is for the Office of Disciplinary Counsel. The Washington State Supreme Court's exclusive responsibility to administer the Lawyer, Limited Practice Officers (LPO), and Limited License Legal Technicians (LLLT) discipline and disability systems is delegated by court rule to the WSBA.

Client Protection Fund - The client protection fund compensates persons who are the victims of the dishonest taking of, or failure to account for, client funds or property by a lawyer, LLLT, or LPO (Note 2).

Board of Governors and Office of the Executive Director - The Board of Governors is the governing body of the WSBA that determines the general policies of the Bar and approves its budget each year. The board moves the Bar forward with an eye toward its long-standing mission, guiding principles, and short-term strategic goals. The executive director provides oversight.

Regulatory Services - This program provides for a combination of Admission, Law Clerk Program, License and Membership Records, Limited License Legal Technician Program, Limited Practice Officers, Mandatory Continuing Legal Education, Regulatory Services, Regulatory Reform, and Character and Fitness Board.

Communications - Provides Bar News, Communication Strategies, Communication Strategies FTE, Deskbooks, Legislative and Publication and Design Services.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Continued

Advancement - WSBA provides resources and education through work and programming within the Advancement FTE, Continuing Legal Education Seminars and Products, Ethics, Wellness and Practice, Legal Lunchbox, Member Services & Engagement Team, and Sections Administration cost centers.

Foundation - Costs associated with the Washington State Bar Foundation, a separate entity.

Sections - Sections members become part of active professional communities and gain access to an array of exclusive section member benefits. Over 10,000 WSBA members currently belong to one or more of the WSBA's 29 sections.

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, 2025 and 2024, the 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 restrictions. 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 the WSBA earns revenue:

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

Client Protection Fund Assessment - The WSBA earns revenues by assessing lawyers and limited license legal technicians a mandatory fee for the Client Protection Fund (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 - The 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.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Continued

Continuing Legal Education - The 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.

	September 30, 2025	September 30, 2024	October 1, 2023
Deferred exam fees	\$ 156,620	\$ 116,995	\$ 101,440
Other deferred revenue	251,458	250,127	289,314
Total Other Deferred Revenue	\$ 408,078	\$ 367,122	\$ 390,754
Deferred licensing fees	\$ 4,217,651	\$ 4,186,535	\$ 4,160,795

Cash and Cash Equivalents - 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 (Note 2). Part of the restricted cash and cash equivalents are amounts paid into the Client Protection Fund.

Receivables - Receivables are generally from licensed legal professionals and result from Bar News advertising, consulting fees, and unpaid fees related to continuing legal education programs. Receivables are unsecured, stated at the amount management expects to collect from outstanding balances and do not bear interest. The WSBA extends credit to customers as part of the sales process. Trade accounts receivable are stated at the amount the WSBA expects to collect. The WSBA has determined that based upon historical credit loss rates adjusted for current economic conditions that an allowance for credit losses would not be material. As such, the WSBA has not recorded an allowance for credit losses at September 30, 2025 or 2024.

Lease Incentive Receivable - During the year ended September 30, 2024, the WSBA entered into a modified lease agreement, receiving \$1,522,675 in lease incentives for tenant improvements. If the WSBA does not use the entire balance for tenant improvements, the remaining amount up to the limit set forth in the lease agreement will be converted to rent abatement. During the year ended September 30, 2025, WSBA has used \$1,082,132 of the lease incentive and the remaining receivable will be used during the year ending September 30, 2026 as rent abatement.

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

Investments - Investment balances include federally insured certificates of deposit and U.S. treasury bills. Unrealized gains and losses, if any, are reported in the consolidated statements of activities and changes in net assets as increases or decreases in net assets.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Continued

Property and Equipment - Property and equipment is stated at cost. Depreciation and amortization are 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 principles generally accepted in the United States of America (U.S. GAAP) 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 license period. Accordingly, fees collected during the WSBA's fiscal year that relate to the fourth quarter of the calendar license 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 restrictions 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.

Classification of Expenses - The financial statements report certain categories of expenses that are attributable to programs and supporting services of the 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 and Deskbooks is included in the Continuing Legal Education designated balance.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Continued

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

	2025	2024
Operating Reserve Fund	\$ 2,500,000	\$ 2,500,000
Facilities Reserve Fund	159,925	207,286
Special Projects and Innovation Fund	616,067	400,000
Total designated	3,275,992	3,107,286
General fund	6,755,263	7,019,066
	<u>\$ 10,031,255</u>	<u>\$ 10,126,352</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 March 31, 2035.

The Special Projects and Innovation Fund is used to provide funding for development of new innovative programs, projects, and products.

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

Operating Leases - The WSBA determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statements of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the WSBA's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The WSBA's leases do not provide an implicit rate of return; thus, the WSBA uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The WSBA has lease agreements with lease and non-lease components which are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the WSBA will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

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

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 1 - Continued

Subsequent Events - The WSBA has evaluated subsequent events through February 2, 2026, the date on which the consolidated financial statements were available to be issued.

Note 2 - Client Protection Fund

In 1995, the Washington Supreme Court and the WSBA created the Client Protection Fund ("the Fund"). In fiscal years 2025 and 2024, the Fund received a \$20 and \$15 mandatory annual assessment per individual, respectively, required to pay into the fund (including all active attorney members, limited license legal technicians, 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 or limited license legal technicians licensed by the WSBA in connection with their practice of law, or while acting as a fiduciary in a matter related to their 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 consolidated statements of financial position and the net assets of the fund are separately presented on the consolidated 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 a 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 consolidated statements of financial position date and are recorded as Client Protection Fund, committed gifts on the consolidated statements of financial position.

Note 3 - Cash and Cash Equivalents

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

	2025	2024
Unrestricted cash and cash equivalents-		
Bank deposits	\$ 1,870,809	\$ 2,808,807
Money market funds	<u>9,076,498</u>	<u>1,351,323</u>
	<u>\$ 10,947,307</u>	<u>\$ 4,160,130</u>
Restricted cash and cash equivalents-		
Bank deposits	\$ 188,319	\$ 1,261,232
Money market funds	<u>3,423,560</u>	<u>2,062,164</u>
	<u>\$ 3,611,879</u>	<u>\$ 3,323,396</u>

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 4 - Investments

Investments consist of the following at September 30:

	2025	2024
Certificates of deposit	\$ 8,474,008	\$ 14,226,000
U.S. Treasury bills	1,491,138	1,706,208
	<u>\$ 9,965,146</u>	<u>\$ 15,932,208</u>

The following schedule summarizes the returns from investments:

	2025	2024
Interest income - unrestricted	\$ 897,179	\$ 1,037,766
Interest income - restricted	160,407	268,185
	<u>\$ 1,057,586</u>	<u>\$ 1,305,951</u>

Note 5 - Property and Equipment

Property and equipment consist of the following at September 30:

	2025	2024
Leasehold improvements	\$ 2,073,299	\$ 1,037,879
Furniture	737,471	1,037,872
Office equipment	1,085,512	1,644,335
Software	4,787,070	4,682,385
	<u>8,683,352</u>	<u>8,402,471</u>
Less accumulated depreciation and amortization	<u>(6,735,189)</u>	<u>(7,351,903)</u>
	<u>\$ 1,948,163</u>	<u>\$ 1,050,568</u>

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 6 - 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, 2025 and 2024, were \$1,145,337 and \$1,242,168, respectively.

Note 7 - Fair Value Measurements

U.S. GAAP established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2025 or 2024.

U.S. Treasury Bills - U.S. Treasury bills are valued using bid evaluations from similar instruments in actively quoted markets.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 7 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements at September 30, 2025			
	Level 1	Level 2	Level 3	Total
U.S. Treasury bills	\$ 1,491,138	\$ -	\$ -	\$ 1,491,138
Investments in the Fair Value Hierarchy	\$ 1,491,138	\$ -	\$ -	1,491,138
Investments not carried at fair value- Certificates of deposit				8,474,008
Total Investments				\$ 9,965,146

	Fair Value Measurements at September 30, 2024			
	Level 1	Level 2	Level 3	Total
U.S. Treasury bills	\$ 1,706,208	\$ -	\$ -	\$ 1,706,208
Investments in the Fair Value Hierarchy	\$ 1,706,208	\$ -	\$ -	1,706,208
Investments not carried at fair value- Certificates of deposit				14,226,000
Total Investments				\$15,932,208

Note 8 - Leases

The WSBA leases office space under a long-term, noncancelable lease agreement which expires during the year ending September 30, 2035. The lease includes payments for common area maintenance, utilities, taxes, and insurance that are considered variable lease payments and are excluded from determining the lease liability.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 8 - Continued

Supplemental cash flow information related to leases as of September 30 was as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 500,637	\$ 1,694,765
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 3,099,542
Weighted-average remaining lease term - operating lease	9.4 years	10.4 years
Weighted-average discount rate - operating lease	4.40%	4.40%

Future minimum payments required under leases are as follows:

For the Year Ending September 30,

2026	\$ 1,026,652
2027	1,054,337
2028	1,082,022
2029	1,109,707
2030	1,137,392
Thereafter	<u>5,463,173</u>
Total future minimum lease payments	10,873,283
Less present value discount	<u>(2,039,408)</u>
Total Operating Lease Liabilities	<u>\$ 8,833,875</u>

Total leasing expense under all lease agreements was related to operating lease costs and totaled \$897,893 and \$1,302,980 for the years ended September 30, 2025 and 2024, respectively.

Note 9 - 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.

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2025 and 2024

Note 9 - Continued

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 the fiscal years 2025 and 2024, the WSBA paid a total of \$50,400 and \$49,600, 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. As such, no liability has been recognized in accordance with U.S. GAAP as of September 30, 2025 and 2024.

Note 10 - Liquidity and Availability of Financial Assets

As part of the 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, as of September 30, 2025 and 2024, the WSBA has an operating reserve that had a balance of \$2.5 million. 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 cash and money market securities. The operating reserve balance is included in cash and cash equivalents in the consolidated statements of financial position.

The following reflects the WSBA's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use within one year 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.

	2025	2024
Total cash, cash equivalents, and restricted cash	\$ 14,559,186	\$ 7,483,526
Receivables	<u>370,831</u>	<u>425,241</u>
 Total financial assets	 14,930,017	 7,908,767
 Contractual restrictions-		
Cash held restricted for Client Protection Fund	(3,611,879)	(3,323,396)
Board designations-		
Facilities Reserve Fund	(159,925)	(207,286)
Operating Reserve Fund	(2,500,000)	(2,500,000)
Special Projects and Innovation Fund	<u>(616,067)</u>	<u>(400,000)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 8,042,146</u>	 <u>\$ 1,478,085</u>

SUPPLEMENTARY INFORMATION

WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

Washington State Bar Foundation Statement of Activities For the Year Ended September 30, 2025

Activities Without Donor Restrictions

Revenue:

Contributions	\$ 420,412
In-kind revenue from WSBA	178,049
Miscellaneous income	<u>20,358</u>

Total Revenue 618,819

Expenses:

Program expenses	357,461
In-kind expenses from WSBA	<u>178,049</u>

Total Expenses 535,510

Change in Net Assets Without Donor Restrictions 83,309

Net assets without donor restrictions, beginning of year 395,901

Net Assets Without Donor Restrictions, End of Year \$ 479,210