

**WASHINGTON STATE BAR ASSOCIATION  
AND AFFILIATED FOUNDATION**

Consolidated Financial Statements

For the Years Ended September 30, 2024 and 2023

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements:</b>	
Consolidated Statements of Financial Position	4 - 5
Consolidated Statements of Activities and Changes in Net Assets	6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 19
<b>Supplementary Information:</b>	
Washington State Bar Foundation Statement of Activities	20

## **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, 2024 and 2023 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, 2024 and 2023 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.



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

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

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

## **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 Washington State Bar Foundation the consolidating information presented on the statements of financial position on pages 4 and 5 and the statement of activities on page 20 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.

*Clark Nuber P.S.*

Certified Public Accountants  
January 27, 2025

# 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
<b>Assets</b>					
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
<b>Total Assets</b>	<b>\$33,860,715</b>	<b>\$ 395,901</b>	<b>\$34,256,616</b>	<b>\$ -</b>	<b>\$34,256,616</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
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
Operating lease liability	8,944,612		8,944,612		8,944,612
Other deferred revenue	367,122		367,122		367,122
<b>Total Liabilities</b>	<b>15,506,888</b>		<b>15,506,888</b>		<b>15,506,888</b>
<b>Net Assets:</b>					
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
<b>Total Net Assets</b>	<b>18,353,827</b>	<b>395,901</b>	<b>18,749,728</b>		<b>18,749,728</b>
<b>Total Liabilities and Net Assets</b>	<b>\$33,860,715</b>	<b>\$ 395,901</b>	<b>\$34,256,616</b>	<b>\$ -</b>	<b>\$34,256,616</b>

See accompanying notes.

# WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

## Consolidated Statement of Financial Position September 30, 2023

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 8,003,047	\$ 254,076	\$ 8,257,123	\$ -	\$ 8,257,123
Restricted cash and cash equivalents	2,586,192		2,586,192		2,586,192
Receivables, net	481,186		481,186		481,186
Prepaid expenses	415,092		415,092		415,092
Desk and course books	182,935		182,935		182,935
Investments	11,669,400	196,822	11,866,222		11,866,222
Property and equipment, net	1,399,829	14,400	1,414,229		1,414,229
Operating lease right-of-use asset	4,973,949		4,973,949		4,973,949
<b>Total Assets</b>	<b>\$29,711,630</b>	<b>\$ 465,298</b>	<b>\$30,176,928</b>	<b>\$ -</b>	<b>\$30,176,928</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 658,199	\$ -	\$ 658,199	\$ -	\$ 658,199
Accrued expenses	752,857		752,857		752,857
Client Protection Fund, committed gifts	449,469		449,469		449,469
Deferred licensing fees	4,160,795		4,160,795		4,160,795
Operating lease liability	5,789,102		5,789,102		5,789,102
Other deferred revenue	390,754		390,754		390,754
<b>Total Liabilities</b>	<b>12,201,176</b>		<b>12,201,176</b>		<b>12,201,176</b>
<b>Net Assets:</b>					
Without donor restrictions-					
General and designated funds	9,849,483		9,849,483		9,849,483
Continuing legal education	1,177,163		1,177,163		1,177,163
Sections operations	1,970,409		1,970,409		1,970,409
Client Protection Fund	4,513,399		4,513,399		4,513,399
Washington State Bar Foundation		465,298	465,298		465,298
<b>Total Net Assets</b>	<b>17,510,454</b>	<b>465,298</b>	<b>17,975,752</b>		<b>17,975,752</b>
<b>Total Liabilities and Net Assets</b>	<b>\$29,711,630</b>	<b>\$ 465,298</b>	<b>\$30,176,928</b>	<b>\$ -</b>	<b>\$30,176,928</b>

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, 2024 and 2023

	2024	2023
<b>Revenues:</b>		
Licensing revenues	\$ 17,290,274	\$ 17,048,661
Client protection fund member assessments	548,235	715,570
Exam fees	1,286,895	1,195,909
Continuing legal education - products	1,058,711	952,664
Continuing legal education - seminars	722,988	832,936
Contributions and grants	346,925	410,569
Other	5,397,158	4,864,978
<b>Total Revenues</b>	<b>26,651,186</b>	<b>26,021,287</b>
<b>Expenses:</b>		
Salaries, benefits and payroll taxes	18,274,554	16,784,466
Occupancy	1,788,536	2,067,982
Technology	1,065,242	1,069,314
Professional services	842,056	532,174
Sections events	601,282	616,728
Grants, sponsorships and donations	521,227	452,516
Examination fees	422,637	363,434
Gifts to injured clients	418,710	342,424
Meetings and travel	416,452	491,820
Supplies	391,150	393,700
Depreciation and amortization	359,387	188,779
Insurance	265,584	266,861
CLE production	275,624	295,986
Other	138,289	140,225
Conferences	65,023	44,790
Subscriptions	31,457	42,638
<b>Total Expenses</b>	<b>25,877,210</b>	<b>24,093,837</b>
<b>Total Change in Net Assets Without Donor Restrictions</b>	<b>773,976</b>	<b>1,927,450</b>
Net assets, beginning of year	17,975,752	16,048,302
<b>Net Assets, End of Year</b>	<b>\$ 18,749,728</b>	<b>\$ 17,975,752</b>

See accompanying notes.



## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

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

	Program									Management and General	Fundraising	2024 Total
	Discipline	Client Protection Fund	BOG/OED	Regulatory Services	Communications	Advancement	Foundation	Sections	Total Program			
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
<b>Total Expenses</b>	<b>\$ 6,032,541</b>	<b>\$ 599,850</b>	<b>\$ 1,298,335</b>	<b>\$ 3,870,996</b>	<b>\$ 2,283,505</b>	<b>\$ 3,233,076</b>	<b>\$ 151,322</b>	<b>\$ 592,711</b>	<b>\$18,062,336</b>	<b>\$ 7,640,240</b>	<b>\$ 174,634</b>	<b>\$25,877,210</b>

See accompanying notes.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Consolidated Statement of Functional Expenses For the Year Ended September 30, 2023

	Program									Management and General	Fundraising	2023 Total
	Discipline	Client Protection Fund	BOG/OED	Regulatory Services	Communications	Advancement	Foundation	Sections	Total Program			
Salaries, benefits and payroll taxes	\$ 4,536,483	\$ 140,708	\$ 668,424	\$ 2,616,834	\$ 1,441,403	\$ 2,209,553	\$ -	\$ -	\$ 11,613,405	\$ 5,057,744	\$ 113,317	\$ 16,784,466
Occupancy	554,013	17,991	49,838	308,956	183,430	303,993			1,418,221	634,458	15,303	2,067,982
Technology	293,881	9,429	26,119	161,913	97,274	240,035			828,651	232,643	8,020	1,069,314
Sections events						1,493		524,345	525,838	90,890		616,728
Professional services	132,204	1,066	53,884	24,154	26,653	17,800			255,761	271,695	4,718	532,174
Meetings and travel	7,278	1,125	322,927	35,516	5,173	20,709		781	393,509	97,795	516	491,820
Grants, sponsorships and donations			79,486				107,107		186,593	265,923		452,516
Supplies	9,899	321	890	29,749	330,964	9,330			381,153	12,242	305	393,700
Examination fees				360,404		2,542			362,946	488		363,434
Gifts to injured clients		342,424							342,424			342,424
CLE production	169				86,498	209,319			295,986			295,986
Insurance	71,492	2,322	6,431	39,869	23,670	39,229			183,013	81,873	1,975	266,861
Depreciation and amortization	42,299	1,373	3,805	54,479	14,005	23,210			139,171	48,440	1,168	188,779
Other	36,135	3,879	3,251	20,687	73,270	20,718			157,940	(18,713)	998	140,225
Conferences			35,574	5,680		1,406			42,660	2,130		44,790
Subscriptions			681	250	9,439	1,715			12,085	30,553		42,638
<b>Total Expenses</b>	<b>\$ 5,683,853</b>	<b>\$ 520,638</b>	<b>\$ 1,251,310</b>	<b>\$ 3,658,491</b>	<b>\$ 2,291,779</b>	<b>\$ 3,101,052</b>	<b>\$ 107,107</b>	<b>\$ 525,126</b>	<b>\$17,139,356</b>	<b>\$ 6,808,161</b>	<b>\$ 146,320</b>	<b>\$24,093,837</b>

See accompanying notes.

# WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

## Consolidated Statements of Cash Flows For the Years Ended September 30, 2024 and 2023

	2024	2023
<b>Cash Flows From Operating Activities:</b>		
Cash received from licensing fees	\$ 17,316,014	\$ 17,093,400
Cash received from CLE products and seminars	1,773,929	1,793,520
Cash received from other activities	6,440,810	5,887,498
Cash paid to employees	(13,802,275)	(12,826,667)
Cash paid to vendors	(12,008,438)	(11,305,333)
Interest received	1,178,486	956,420
<b>Net Cash Provided by Operating Activities</b>	<b>898,526</b>	<b>1,598,838</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	19,217,609	7,914,149
Purchase of investments	(23,283,595)	(17,787,619)
Acquisition of property and equipment	(192,329)	(573,548)
<b>Net Cash Used in Investing Activities</b>	<b>(4,258,315)</b>	<b>(10,447,018)</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(3,359,789)</b>	<b>(8,848,180)</b>
Cash, cash equivalents and restricted cash, beginning of year	10,843,315	19,691,495
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 7,483,526</b>	<b>\$10,843,315</b>
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	\$ 4,160,130	\$ 8,257,123
Restricted cash and cash equivalents	3,323,396	2,586,192
<b>Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statements of Cash Flows</b>	<b>\$ 7,483,526</b>	<b>\$10,843,315</b>

See accompanying notes.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### 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 members and public. Lawyers, Limited License Legal Technicians and Limited Practice Officers must be active members of WSBA in order to practice law in Washington state. A primary source of revenues of 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 2024 and 2023, 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. WSBA members 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 members. 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.

**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, 2024 and 2023, 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 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.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### Note 1 - Continued

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

Licensing Revenue - The 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 - The WSBA earns revenues by assessing members 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.

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, 2024	September 30, 2023	October 1, 2022
Deferred exam fees	\$ 116,995	\$ 101,440	\$ 101,090
Other deferred revenue	250,127	289,314	275,696
<b>Total Other Deferred Revenue</b>	<b>\$ 367,122</b>	<b>\$ 390,754</b>	<b>\$ 376,786</b>
Deferred licensing revenue	\$ 4,186,535	\$ 4,160,795	\$ 4,116,056

**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 members 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, 2024 or 2023.

**WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION**

**Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2024 and 2023**

---

**Note 1 - Continued**

**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. As of September 30, 2024, the WSBA has not used any of the lease incentives and anticipates using the balance during the year ending September 30, 2025.

**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 statements of activities and changes in net assets as increases or decreases in net assets.

**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 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 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 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.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### Note 1 - Continued

**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:

	2024	2023
Operating Reserve Fund	\$ 2,500,000	\$ 2,000,000
Facilities Reserve Fund	207,286	2,700,000
Special Projects and Innovation Fund	400,000	
General Fund	7,019,066	5,149,483
	<u><u>\$ 10,126,352</u></u>	<u><u>\$ 9,849,483</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. In 2024, the Board designated \$500,000 additional reserves to this fund.

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.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### Note 1 - Continued

**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.

**Subsequent Events** - The WSBA has evaluated subsequent events through January 27, 2025, 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 2024 and 2023, the Fund received a \$15 and \$20 mandatory annual assessment per individual, respectively, 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 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.



## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

#### Note 3 - Cash and Cash Equivalents

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

	<u>2024</u>	<u>2023</u>
Unrestricted cash and cash equivalents-		
Bank deposits	\$ 2,808,807	\$ 1,108,215
Money market funds	<u>1,351,323</u>	<u>7,148,908</u>
	<u><b>\$ 4,160,130</b></u>	<u><b>\$ 8,257,123</b></u>
Restricted cash and cash equivalents-		
Bank deposits	\$ 1,261,232	\$ 384,022
Money market funds	<u>2,062,164</u>	<u>2,202,170</u>
	<u><b>\$ 3,323,396</b></u>	<u><b>\$ 2,586,192</b></u>

#### Note 4 - Investments

Investments consist of the following at September 30:

	<u>2024</u>	<u>2023</u>
Certificates of deposit	\$ 14,226,000	\$ 10,910,343
U.S. Treasury bills	<u>1,706,208</u>	<u>955,879</u>
	<u><b>\$ 15,932,208</b></u>	<u><b>\$ 11,866,222</b></u>

The following schedule summarizes the returns from investments:

	<u>2024</u>	<u>2023</u>
Interest income - unrestricted	\$ 1,037,766	\$ 873,953
Interest income - restricted	<u>268,185</u>	<u>245,788</u>
	<u><b>\$ 1,305,951</b></u>	<u><b>\$ 1,119,741</b></u>

Investment income is included in other revenue on the consolidated statements of activities and changes in net assets.

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### Note 5 - Property and Equipment

Property and equipment consist of the following at September 30:

	2024	2023
Leasehold improvements	\$ 1,037,879	\$ 1,010,058
Furniture	1,037,872	1,049,101
Office equipment	1,644,335	1,642,727
Software	4,682,385	4,120,153
	8,402,471	7,822,039
Less accumulated depreciation and amortization	(7,351,903)	(7,011,469)
Projects in process		603,659
	<u><u>\$ 1,050,568</u></u>	<u><u>\$ 1,414,229</u></u>

#### 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, 2024 and 2023, were \$1,242,168 and \$1,263,903, 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.

# WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

## Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

### Note 7 - Continued

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.

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, 2024 or 2023.

Certificates of Deposit - Certificates of deposit are valued at face value plus accumulated interest at year end.

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

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

	Fair Value Measurements at September 30, 2023			
	Level 1	Level 2	Level 3	Total
U.S. Treasury bills	\$ 955,879	\$ -	\$ -	\$ 955,879
<b>Investments in the Fair Value Hierarchy</b>	<b>\$ 955,879</b>	<b>\$ -</b>	<b>\$ -</b>	955,879
Investments not carried at fair value- Certificates of deposit				10,910,343
<b>Total Investments</b>				<b>\$11,866,222</b>

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Notes to the Consolidated Financial Statements For the Years Ended September 30, 2024 and 2023

---

#### 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.

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

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 1,694,765	\$ 1,800,161
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 3,099,542	\$ 6,384,281
Weighted-average remaining lease term - operating lease	10.4 years	3.3 years
Weighted-average discount rate - operating lease	4.40%	4.20%

Future minimum payments required under leases are as follows:

For the Year Ending September 30,

2025	\$ 500,637
2026	1,026,652
2027	1,054,337
2028	1,082,022
2029	1,109,707
Thereafter	<u>6,600,565</u>
Total future minimum lease payments	11,373,920
Less present value discount	<u>(2,429,308)</u>
<b>Total Operating Lease Liabilities</b>	<b><u>\$ 8,944,612</u></b>

Total leasing expense under all lease agreements was related to operating lease costs and totaled \$1,302,980 and \$1,656,038 for the years ended September 30, 2024 and 2023, 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, 2024 and 2023

---

#### 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 2024 and 2023, the WSBA paid a total of \$49,600 and \$48,000, 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, 2024 and 2023.

#### 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, 2024 and 2023, the WSBA has an operating reserve that had a balance of \$2.5 million and \$2.0 million, respectively. 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 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.

	2024	2023
Total cash, cash equivalents and restricted cash	\$ 7,483,526	\$ 10,843,315
Receivables	425,241	481,186
Total financial assets	7,908,767	11,324,501
Contractual restrictions-		
Cash held restricted for Client Protection Fund	(3,323,396)	(2,586,192)
Board designations-		
Facilities Reserve Fund	(207,286)	(2,700,000)
Operating Reserve Fund	(2,500,000)	(2,000,000)
Special Projects and Innovation Fund	(400,000)	
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 1,478,085</b>	<b>\$ 4,038,309</b>

## **SUPPLEMENTARY INFORMATION**

## WASHINGTON STATE BAR ASSOCIATION AND AFFILIATED FOUNDATION

### Washington State Bar Foundation Statement of Activities For the Year Ended September 30, 2024

---

#### Activities Without Donor Restrictions

##### Revenue:

Contributions	\$ 324,801
In-kind revenue from WSBA	174,843
Miscellaneous income	<u>22,124</u>

**Total Revenue** **521,768**

##### Expenses:

Program expenses	416,322
In-kind expenses from WSBA	<u>174,843</u>

**Total Expenses** **591,165**

**Change in Net Assets Without Donor Restrictions** **(69,397)**

Net assets without donor restrictions, beginning of year 465,298

**Net Assets Without Donor Restrictions, End of Year** **\$ 395,901**