

Washington State Bar Association
Budget and Audit Committee
Guidelines for Section Carryover Balances

Sections carry over their net revenues or net losses at the end of each year, thus accumulating a carryover balance for use in future years. Sections earn interest income on their carryover balances.

As a non-profit organization, dues paid by members should be used for the benefit of the member who has paid them. If a large carryover is accumulated, it means the dues of current members are being accumulated for the benefit of future members.

The purposes of a carryover balance are to:

- Provide a cushion for an unexpected shortfall in revenue
- Provide a cushion for an unexpected expense
- Provide for a specific future event that does not occur annually
- Provide the ability to take advantage of an unforeseen unique opportunity
- Provide the ability to invest in products or services that will benefit the future

What is a reasonable carryover amount? There is no precise guideline that applies to all organizations, or even to all non-profits. However, an organization with a predictable and stable source of revenues, regular and predictable expenses, and good financial planning and projections, would need less than an organization with the opposite set of circumstances. Each organization should assess its business risks (the economic environment, the threat of competition, etc.) and financial risks (how the entity is financed) to determine what is appropriate.

A carryover amount is often expressed as a percentage of the entity's annual operating expenses. This represents that period of time the entity could function with no revenues. For example, a balance that is 25% of annual operating expenses roughly means that the organization could pay its bills for three months in the worst case event that it had no revenues during that period.

At the WSBA, these targets have been set, using the reasoning set forth above:

- The WSBA has a target goal of maintaining a general reserve that is at least 8% of general annual operating expenses, by the end of any license fee setting period (that is, if license fee amounts are set for a three year period, this target should be achieved by the end of the three year period.)
- WSBA CLE seminars and publications has a target goal of maintaining a reserve that is 25% of its annual operating expenses.

A carryover balance of 25% of annual operating expenses for sections is suggested, although a higher amount might be accumulated for a specific stated purpose.

If a section finds it has accumulated a larger carryover than needed, section leadership should devise a plan to use it to benefit members. Here are some suggestions:

- High visibility/national level speaker for a CLE program
- Sponsor a law school student's attendance at a CLE
- Scholarships or contributions to a law related program that is compatible with section goals or cause
- Hire assistance with their newsletter or web page
- Reduce member dues
- Reduce fees for CLE, or provide a free CLE
- Special educational projects
- Use money at the annual meeting for whatever will encourage attendance; refreshments, entertainment, speakers, etc.
- Produce more newsletters
- Produce a membership directory
- Produce a handbook of information related to the section's area of practice
- Produce law updates
- Enhance the web page
- Produce law related information for the public, (example, Citizens' Rights brochures)
- Pro bono activities
- Survey your members to determine what they would find most beneficial
- An activity to welcome new members, or provide something free or at reduced cost as a welcome and incentive for new members

Things to avoid

- Alcohol
- Political contributions
- Appearance of extravagance to members

The section leaders should continue to share with each other those programs that have worked well for their section; this could be a specific agenda item at one or more of the informal meetings of section chairs each year.

Adopted by the WSBA Budget and Audit Committee on November 17, 1999