

WASHINGTON STATE BAR ASSOCIATION

Special Report on the Fiscal Year 2025 Budget Summary

Table of Contents

	Page
Independent Accountant's Report on Applying Agreed-Upon Procedures	1 - 5
Exhibit A: Fiscal Year 2025 Budget Summary - Original	6
Exhibit B: Fiscal Year 2024 Budget Summary - As Amended	7
Exhibit C: Statement of Activities for the Year Ended September 30, 2023	8

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below on the Washington State Bar Association (WSBA) Fiscal Year 2025 Budget Summary. The WSBA's management is responsible for the Fiscal Year 2025 Budget Summary.

The WSBA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you in evaluating the consistency of the presentation of the Fiscal Year 2025 Budget Summary of revenues and expenses (2025 Budget) included in Exhibit A, with the presentation of the Fiscal Year 2024 Budget Summary of revenues and expenses - As Amended (2024 Budget - As Amended) included in Exhibit B, and the presentation of revenues and expenses in the audited Statement of Activities for the fiscal year ended September 30, 2023 (2023 Statement of Activities) included in Exhibit C. This report is prepared to comply with Keller vs. State Bar of California, 496 U.S. 1 (1990), which prohibits using compulsory fees of any member who objects to that use for political or ideological activities that are not germane, or reasonably related, to regulating the legal profession or improving the quality of legal services ("nonchargeable" activities). Objecting members are offered a "Keller deduction" that represents the estimated portion of fees that is used for "nonchargeable" activities. The Keller deduction is calculated prospectively based on the coming year's budget and the previous year's political activity. The Special Report on the Budget Summary reports on the presentation of the coming year's budget, which is used to compute the Keller deduction, with the previous year's financial statements and current year budget by explaining differences in categories, budgeting methodologies, and significant revenues and expenses. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We totaled all columns and rows of the 2025 and 2024 Budgets and the 2023 Statement of Activities to verify the mathematical accuracy.

Findings

None

2. We compared the 2025 Budget cost center descriptions to the 2024 Budget and the 2023 Statement of Activities cost center descriptions and obtained an explanation of the differences from management of WSBA which are included in the findings sections below.



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Findings

The WSBA changed the following cost centers in the 2025 Budget compared to the 2024 Budget and 2023 Statement of Activities:

- The Regulatory Reform cost center was introduced in the FY 2025 budget.
- 3. We inquired of management if there were any differences in the methodology used to budget for revenue and expense amounts for each cost center for the 2025 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2024 Budget and to account for revenue and expenses in the 2023 Statement of Activities.

Findings

The WSBA noted no differences in the methodology used to budget for revenue or expense amounts for each cost center for the 2025 Budget as compared to the methodology used to budget for revenue and expense amounts for each cost center for the 2024 Budget and to account for revenues and expenses in the 2023 Statement of Activities.

- 4. We compared total revenues and total expenses by cost center in the 2025 Budget to the total revenues and total expenses by cost center in the 2024 Budget and noted differences in amounts both greater than \$100,000 and 20%. We inquired of management for an explanation of those differences.

Findings

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

Comparison of 2025 Budget to 2024 Budget

	2025 Budget	2024 Budget	Differences	
			Amount	Percentage
Client Protection Fund				
a. Revenue	\$ 930,540	\$ 715,930	\$ 214,610	30%
Office of the Executive Director				
b. Expense	\$ 988,085	\$ 817,472	\$ 170,613	21%
Regulatory Reform				
c. Expense	\$ 199,962	\$ -	\$ 199,962	100%
Volunteer Engagement				
d. Expense	\$ 311,017	\$ 117,334	\$ 193,683	165%

Management's explanations for the differences are as follows:

- a. Client Protection Fund - In FY25, the member assessment fee will increase from \$15 to \$20. Along with the rise in active memberships, this will result in a significant increase in revenue. The FY25 budget also includes additional interest income due to higher available cash balances in the Client Protection Fund reserves, which allows for more funds to be allocated for investing.

- b. Office of the Executive Director - The number of FTEs allocated to this cost center will increase from 2.90 to 3.90 in FY25. Additionally, the direct expense for the Washington Leadership Institute is expected to rise by \$20,000 in FY25.
 - c. Regulatory Reform - This new cost center, established in FY25, will cover the costs of FTEs and direct expenses to develop alternative pathways to practice (as mandated by the Supreme Court) and to pilot the project for entity regulation.
 - d. Volunteer Engagement - The number of FTEs allocated to this cost center will increase from 0.60 to 1.70 in FY25. Additionally, a direct expense of \$45,000 for a Regulatory School event will be implemented in FY25.
5. We compared total revenues and total expenses by cost center in the 2025 Budget to the total revenues and total expenses by cost center in the 2023 Statement of Activities and noted differences in amounts both greater than \$100,000 and 20%. We inquired of management for an explanation of those differences.

Findings

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

Comparison of 2025 Budget to 2023 Statement of Activities

	2025 Budget	2023 SOA	Difference	
			Amount	Percentage
Admissions/Bar exam				
a. Revenue	\$ 1,480,180	\$ 1,214,479	\$ 265,701	22%
Communications Strategies				
b. Expense	\$ 961,677	\$ 730,227	\$ 231,450	32%
Client Protection Fund				
c. Expense	\$ 689,364	\$ 520,638	\$ 168,726	32%
Diversity				
d. Expense	\$ 442,805	\$ 274,026	\$ 168,779	62%
Finance				
e. Revenue	\$ 600,000	\$ 792,371	\$ (192,371)	-24%
Licensing and Membership Records				
f. Expense	\$ 826,258	\$ 644,591	\$ 181,667	28%
Member Services and Engagement				
g. Expense	\$ 411,369	\$ 307,858	\$ 103,511	34%
Office of the Executive Director				
h. Expense	\$ 988,085	\$ 664,556	\$ 323,529	49%
Regulatory Reform				
i. Expense	\$ 199,962	\$ -	\$ 199,962	100%
Volunteer Engagement				
j. Expense	\$ 311,017	\$ 112,415	\$ 198,602	177%
Sections Operations				
k. Expense	\$ 1,005,206	\$ 525,126	\$ 480,080	91%

Management's explanations for the differences are as follows:

- a. Admissions/Bar Exam - Bar exam application fees increased effective September 2024, resulting in higher budgeted bar exam revenue for 2025. The fee increases are \$10 for general applicants, \$25 for attorney applicants, and \$350 for admission by motion, house counsel, and foreign law consultants. The administrative fee was also increased by \$100. Additionally, compared to FY23, the number of applicants paying after the deadline has grown, leading to increased late fee revenue, which is accounted for in the FY25 budget.
- b. Communications Strategies - The number of FTEs allocated to this cost center will increase from 5.20 to 6.05 in FY25. Additionally, a \$35,000 budget for the Bar Leaders Summit was added for FY25. An increase in the general cost of doing business has led to higher expenses for events such as the 50-year member tribute lunch, staff conference, and training.
- c. Client Protection Fund - The budget for Gifts to Injured Clients remains unchanged for FY23 and FY25; however, actual expenses in FY23 were lower than budgeted. Expenses depend on the number of claims filed and approved for reimbursement each year.
- d. Diversity - The number of FTEs allocated to this cost center will increase from 1.69 to 2.69 in FY25. Additionally, direct expenses for consulting services and diversity events and projects vary year-to-year depending on the projects and timelines identified. FY23 direct expenses were underspent and carried forward into FY24, while the FY25 budget includes additional funding to support the rollout of our recently finalized statewide plan. FY23 indirect expenses were lower than budgeted due to staff vacancies that were filled in FY24.
- e. Finance - Interest income for FY23 was based on higher interest rates than those expected for FY25.
- f. Licensing and Membership Records - The number of FTEs allocated to this cost center will increase from 3.83 to 4.83 in FY25. Additionally, beginning in FY24, direct expenses for new hosted software were included in this cost center and are budgeted at \$18,380 for FY25.
- g. Member Services and Engagement - FY25 includes the addition of two direct expense budget categories: 1) Small Town and Rural Committee Outreach and Activities at \$65,000 (implemented in FY24), and 2) Law Library Deskbook Access at \$10,000 (implemented in FY25). Additionally, the FY25 budget assumes an increase in the general cost of doing business, which is reflected in the budget for other expenses such as staff travel, conferences, and training.
- h. Office of the Executive Director - The number of FTEs allocated to this cost center will increase from 2.00 to 3.90 in FY25, along with an increase in expenses for the Washington Leadership Institute.
- i. Regulatory Reform - This new cost center, established in FY25, will cover the costs of FTEs and direct expenses to develop alternative pathways to practice (as mandated by the Supreme Court) and to pilot the project for entity regulation.
- j. Volunteer Engagement - The number of FTEs allocated to this cost center will increase from 0.60 to 1.70 in FY25. In FY25, additional budget categories were added, including postage, subscriptions, and a \$45,000 budget for a Regulatory School event.

- k. Sections Operations - FY23 actual expenses were significantly lower than budgeted, which is common for Sections Operations as plans change throughout the year. Additionally, the FY24 and FY25 budgets include significant increases in budgeted expenses for items such as seminar expenses, scholarships/donations/grants, leadership/professional development/retreats, membership and recruitment, and annual/other meeting expenses to hold more in-person events and use funds that went unspent during the global pandemic.

We were engaged by the WSBA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Fiscal Year 2025 Budget Summary. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Certified Public Accountants
January 27, 2025

EXHIBIT A

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2025 Budget Summary - Original

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 390,330	\$ (390,330)
Admissions/bar exam	1,480,180	1,386,331	93,849
Advancement		389,588	(389,588)
Bar news	589,600	713,936	(124,336)
Board of governors		547,213	(547,213)
Character & Fitness Board		173,905	(173,905)
Communications strategies	600	961,677	(961,077)
Communications strategies FTE		249,012	(249,012)
Discipline	90,000	6,492,254	(6,402,254)
Diversity	135,000	442,805	(307,805)
Finance	600,000	1,159,713	(559,713)
Foundation		183,526	(183,526)
Human resources		574,952	(574,952)
Law clerk program	207,200	229,692	(22,492)
Legal Lunchbox	34,000	38,917	(4,917)
Legislative		280,573	(280,573)
Licensing	17,492,616		17,492,616
Licensing and membership records	450,200	826,258	(376,058)
Limited license legal technician	25,031	115,588	(90,557)
Limited practice officers	189,300	143,867	45,433
Mandatory continuing legal education administration	1,233,800	805,080	428,720
Member services and engagement	16,300	411,369	(395,069)
Member Wellness Program	10,000	239,651	(229,651)
Mini CLE		119,503	(119,503)
New member education	88,000	108,818	(20,818)
Office of the Executive Director		988,085	(988,085)
Office of general counsel		1,028,445	(1,028,445)
Office of general counsel disciplinary board		326,545	(326,545)
Practice Management Assistance	62,000	235,653	(173,653)
Practice of law board		92,989	(92,989)
Professional responsibility program		215,119	(215,119)
Public service programs	132,400	534,374	(401,974)
Publication and design services		129,220	(129,220)
Regulatory services		449,371	(449,371)
Regulatory Reform		199,962	(199,962)
Sections administration	275,000	299,310	(24,310)
Service center		729,227	(729,227)
Technology		2,048,168	(2,048,168)
Volunteer Engagement		311,017	(311,017)
Total General Fund	23,111,227	24,572,043	(1,460,816)
Operating Loss for FY 2025			(1,460,816)
Percent change from FY 2024 budget	2%	4%	
Depreciation			172,442
Straight line rent			900,000
Capital labor			(75,000)
Net Cash Flow From FY 2025 Operations			(463,374)
Continuing legal education	1,623,710	1,357,805	265,905
Deskbooks	131,000	331,902	(200,902)
Continuing Legal Education	1,754,710	1,689,707	65,003
Income for FY 2025			65,003
Percent change from FY 2024 budget	1%	4%	
Sections Operations	645,483	1,005,206	(359,723)
Client Protection Fund	930,540	689,364	241,176
	\$ 26,441,960	\$ 27,956,320	\$ (1,514,360)

EXHIBIT B

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2024 Budget Summary - As Amended

Cost Centers	Revenue	Expense	Net
Access to justice board	\$ -	\$ 340,821	\$ (340,821)
Admissions/bar exam	1,300,740	1,341,846	(41,106)
Advancement		377,799	(377,799)
Bar news	610,100	713,139	(103,039)
Board of governors		572,479	(572,479)
Character & Fitness Board		179,219	(179,219)
Communications strategies	500	822,514	(822,014)
Communications strategies FTE		247,980	(247,980)
Discipline	119,000	6,229,667	(6,110,667)
Diversity	135,000	480,037	(345,037)
Finance	650,000	1,153,709	(503,709)
Foundation		180,078	(180,078)
Human resources		625,154	(625,154)
Law clerk program	207,200	187,907	19,293
Legal Lunchbox	29,000	55,930	(26,930)
Legislative		281,375	(281,375)
Licensing	17,320,499		17,320,499
Licensing and membership records	450,900	697,171	(246,271)
Limited license legal technician	20,712	95,370	(74,658)
Limited practice officers	202,000	136,704	65,296
Mandatory continuing legal education administration	1,113,800	923,629	190,171
Member services and engagement	10,800	392,185	(381,385)
Member Wellness Program	7,500	240,493	(232,993)
Mini CLE		116,330	(116,330)
New member education	67,000	107,828	(40,828)
Office of the Executive Director		817,472	(817,472)
Office of general counsel		1,108,971	(1,108,971)
Office of general counsel disciplinary board		303,120	(303,120)
Practice Management Assistance	62,000	212,723	(150,723)
Practice of law board		96,860	(96,860)
Professional responsibility program		237,403	(237,403)
Public service programs	130,000	516,739	(386,739)
Publication and design services		126,620	(126,620)
Regulatory services		547,750	(547,750)
Sections administration	297,786	303,338	(5,552)
Service center		729,512	(729,512)
Technology		2,087,445	(2,087,445)
Volunteer Engagement		117,334	(117,334)
Total General Fund	22,734,537	23,704,651	(970,114)
Operating Loss for FY 2024			(970,114)
Percent change from FY 2023 budget	4%	6%	
Depreciation			232,905
Straight line rent			1,753,325
Capital labor			(210,000)
Net Cash Flow From FY 2024 Operations			806,116
Continuing legal education	1,605,300	1,346,001	259,299
Deskbooks	136,500	282,766	(146,266)
Continuing Legal Education	1,741,800	1,628,767	113,033
Income for FY 2024			113,033
Percent change from FY 2023 budget	-8%	-3%	
Sections Operations	688,964	1,017,566	(328,602)
Client Protection Fund	715,930	693,414	22,516
	\$ 25,881,231	\$ 27,044,398	\$ (1,163,167)

EXHIBIT C

WASHINGTON STATE BAR ASSOCIATION

Statement of Activities For the Year Ended September 30, 2023

	2023	
	Revenues	Expenses
		Revenues Over (Under) Expenses
Without Donor Restrictions		
Activities General:		
Access to justice board	\$ -	\$ 415,439
Admissions/bar exam	1,214,479	1,282,503
Advancement		353,241
Bar news	583,778	652,187
Board of governors		586,754
Character & Fitness Board		137,840
Communications strategies	4,375	730,227
Communications strategies FTE		238,471
Discipline	70,090	5,683,853
Diversity	135,000	274,026
Finance	792,371	1,062,690
Foundation		146,320
Human resources		606,451
Law clerk program	209,566	138,670
Legal Lunchbox	34,088	47,689
Legislative		249,658
Licensing	16,871,265	
Licensing and membership records	432,161	644,591
Limited license legal technician	20,316	86,650
Limited practice officers	196,804	112,043
Mandatory continuing legal education administration	1,351,100	729,490
Member wellness program	7,750	214,921
Member services and engagement	14,400	307,858
Mini CLE		110,140
New member education	113,823	92,683
Office of the Executive Director		664,556
Office of general counsel	9	925,494
Office of general counsel disciplinary board		291,692
Practice of law board		63,426
Practice Management Assistance	69,463	209,712
Professional responsibility program		225,240
Public service programs	130,000	455,203
Publication and design services		119,704
Regulatory services		526,704
Sections administration	268,147	282,901
Service center		694,139
Volunteer Engagement		112,415
Technology		1,907,187
Total General	\$ 22,518,985	\$ 21,382,768
Continuing Legal Education:		
Products	\$ 927,576	\$ 212,256
Seminars	623,302	1,044,413
Deskbooks	142,437	301,532
Total Continuing Legal Education	\$ 1,693,315	\$ 1,558,201
Sections Operations	\$ 692,880	\$ 525,126
Client Protection Fund	\$ 970,535	\$ 520,638
	\$ 25,875,715	\$ 23,986,733