

**WASHINGTON STATE
BAR ASSOCIATION**

**Board of Governors Meeting
Public Session
Late Materials**

**January 17-18, 2019
WSBA Conference Center
Seattle, Washington**

WASHINGTON STATE
BAR ASSOCIATION

Board of Governors

BOARD OF GOVERNORS MEETING
Public Session Materials
January 17-18, 2019
Seattle, WA

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The Supreme Court
State of Washington

MARY E. FAIRHURST
CHIEF JUSTICE
TEMPLE OF JUSTICE
POST OFFICE BOX 40929
OLYMPIA, WASHINGTON
98504-0929



(360) 357-2053
E-MAIL: MARY.FAIRHURST@COURTS.WA.GOV

November 26, 2018

Paula Littlewood
Executive Director
Washington State Bar Association
1325 4th Avenue, Ste. 600
Seattle, WA 98101-2539

Re: Military Spouse J.D. Network's Suggested Amendments to APR 3

Dear Paula:

Thank you for your letter dated November 13, 2018 regarding suggested amendments to APR 3. On October 31, 2018, the court voted to publish for comment beginning January 20, 2019 through April 30, 2019.

We look forward to hearing from you.

Very truly yours,

A handwritten signature in black ink that reads "Mary E. Fairhurst".

MARY E. FAIRHURST
Chief Justice

cc: Justice Charles W. Johnson
William D. Pickett, WSBA President
Jean McElroy, WSBA Chief Regulatory Counsel
Shannon Hinchcliffe, AOC

WASHINGTON STATE BAR ASSOCIATION

Office of the Executive Director
Paula C. Littlewood, Executive Director

November 13, 2018

Hon. Mary E. Fairhurst
Chief Justice
Washington Supreme Court
PO Box 40929
Olympia, WA 98504

Hon. Charles W. Johnson
Associate Chief Justice
Washington Supreme Court
PO Box 40929
Olympia, WA 98504

Re: Military Spouse J.D. Network's Suggested Amendments to APR 3

Dear Chief Justice Fairhurst and Justice Johnson,

We have received the Court's letter and order regarding the Military Spouse J.D. Network's suggested amendments to APR 3. I am writing to provide a little background and history with respect to these suggested amendments.

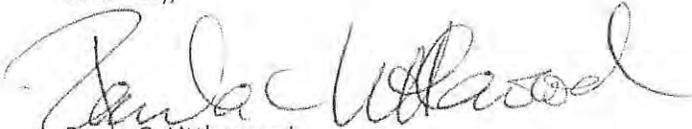
The WSBA previously has been in communication with people connected to the Military Spouse J.D. Network regarding their suggested amendments. We initially had discussions with them about the fact that under Washington's current rules, there are very few military spouses who would not qualify for admission under one of Washington's existing rules. The only gap under Washington's current rules is for lawyers licensed in another state who have not taken the Uniform Bar Exam (so don't have a score to transfer), or who do not qualify for admission by motion because they do not have active legal experience for three of the last five years in any jurisdiction. Despite the fact that there would be very few military spouses who are lawyers who would fit into this gap, we clearly understood from them that they wanted resolution through a rule change.

After our initial discussions, we informed various people connected with the Military Spouse J.D. Network that we are working on suggested amendments that would accomplish essentially the same goals as the rule they are suggesting – i.e., closing the existing small admissions gap for military lawyers – in a simpler way. We note, and have informed them, that their suggested amendments propose a rule that is fairly complicated and would be relatively difficult to administer within Washington's admission and licensing scheme.

As stated, we are working on a rule that would accomplish similar goals but could be administered more easily. It is our intention to present a draft of suggested amendments to the WSBA Board of Governors in January 2019, and to have suggested amendments ready for the Court's consideration soon after that date.

Please feel free to contact me or Jean McElroy if you have any questions about this matter.

Sincerely,



Paula C. Littlewood

cc: William D. Pickett, WSBA President
Jean McElroy, WSBA Chief Regulatory Counsel
Shannon Hinchcliffe, Administrative Office of the Courts

Bill Pickett, President
Washington State Bar Association
1325 Fourth Ave., Suite 600,
Seattle, WA 98101-2539

Michael Cherry
PO Box 1901
Bellevue, WA 98009

By email attachment

January 13, 2019

Dear Bill,

As I believe you are aware, I have an autoimmune related vasculitis disease. To treat it I have to take chemotherapy drugs weekly.

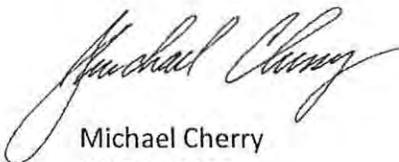
Since the beginning of January, I have been experiencing a flare up. My current regime including chemotherapy and other medications to treat the underlying disease and the side effects of the chemotherapy, are not keeping the disease under control. This means I have to cope with the underlying disease and treatment.

Because of the significant toll this is taking on my health I cannot fulfill my obligations and responsibilities as a Washington State Bar Association Governor. I take these duties seriously and I tried to devote the time and energy needed to perform the role properly. Due to my health issues, I feel I cannot continue to perform at the appropriate level the role requires.

Therefore, I respectfully request you accept my resignation as Governor for District One effective January 14, 2019.

I will be remaining an active Washington State Bar Association Member so when my health allows, I can volunteer and provide pro-bono services through various legal service providers.

Yours truly,

A handwritten signature in cursive script that reads "Michael Cherry". The signature is written in black ink and is positioned above the typed name and WSBA number.

Michael Cherry
WSBA 48132

WASHINGTON STATE BAR ASSOCIATION

Consolidated Financial Statements

For the Years Ended September 30, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Washington State Bar Association and Affiliated Foundation (Collectively, WSBA), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSBA as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Reporting Entity

As discussed in Note 11 to the financial statements, the entity consolidated the activity of a certain previously unconsolidated entity. Our opinion is not modified with respect to this matter.

Report on 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 statement of activities on page 20 and the consolidating information in the consolidated statements of financial position and the consolidated statements of activities are presented for purposes of additional analysis and is 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
January 10, 2019

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Financial Position
September 30, 2018

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total
Assets:					
Cash and cash equivalents	\$ 5,432,344	\$ 345,135	\$ 5,777,479	\$ -	\$ 5,777,479
Restricted cash and cash equivalents	4,208,343		4,208,343		4,208,343
Receivables, net	148,219		148,219		148,219
Prepaid expenses	345,240		345,240		345,240
Desk and course books	387,539		387,539		387,539
Investments	3,764,336		3,764,336		3,764,336
Property and equipment, net	1,620,164	14,400	1,634,564		1,634,564
Total Assets	\$ 15,906,185	\$ 359,535	\$ 16,265,720	\$ -	\$ 16,265,720
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 715,702		\$ 715,702		\$ 715,702
Accrued expenses	563,012		563,012		563,012
Client Protection Fund, committed gifts	802,490		802,490		802,490
Deferred licensing fees	3,861,423		3,861,423		3,861,423
Deferred lease obligation and incentive	1,029,869		1,029,869		1,029,869
Other deferred revenue	137,030		137,030		137,030
Total Liabilities	7,109,526		7,109,526		7,109,526
Net Assets:					
Unrestricted-					
General	3,795,860		3,795,860		3,795,860
Continuing Legal Education	604,126		604,126		604,126
Sections Operations	1,160,343		1,160,343		1,160,343
Western States Bar Conference	8,340		8,340		8,340
Client Protection Fund	3,227,990		3,227,990		3,227,990
Washington State Bar Foundation		359,535	359,535		359,535
Total Net Assets	8,796,659	359,535	9,156,194		9,156,194
Total Liabilities and Net Assets	\$ 15,906,185	\$ 359,535	\$ 16,265,720	\$ -	\$ 16,265,720

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statement of Financial Position
September 30, 2017

	Washington State Bar Association	Washington State Bar Foundation	Subtotal	Eliminations	Total As Restated (Note 11)
Assets:					
Cash and cash equivalents	\$ 3,804,955	\$ 264,678	\$ 4,069,633	\$ -	\$ 4,069,633
Restricted cash and cash equivalents	3,773,689		3,773,689		3,773,689
Receivables, net	44,432		44,432		44,432
Prepaid expenses	273,599		273,599		273,599
Desk and course books	396,271		396,271		396,271
Investments	4,189,721		4,189,721		4,189,721
Property and equipment, net	1,763,093	14,400	1,777,493		1,777,493
Total Assets	\$ 14,245,760	\$ 279,078	\$ 14,524,838	\$ -	\$ 14,524,838
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 554,433		\$ 554,433		\$ 554,433
Accrued expenses	525,182		525,182		525,182
Client Protection Fund, committed gifts	409,411		409,411		409,411
Deferred licensing fees	3,304,049		3,304,049		3,304,049
Deferred lease obligation and incentive	921,042		921,042		921,042
Other deferred revenue	222,651		222,651		222,651
Total Liabilities	5,936,768		5,936,768		5,936,768
Net Assets:					
Unrestricted-					
General	3,363,750		3,363,750		3,363,750
Continuing Legal Education	485,583		485,583		485,583
Sections Operations	1,197,727		1,197,727		1,197,727
Western States Bar Conference	19,632		19,632		19,632
Client Protection Fund	3,242,300		3,242,300		3,242,300
Washington State Bar Foundation		279,078	279,078		279,078
Total Net Assets	8,308,992	279,078	8,588,070		8,588,070
Total Liabilities and Net Assets	\$ 14,245,760	\$ 279,078	\$ 14,524,838	\$ -	\$ 14,524,838

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Activities
For the Years Ended September 30, 2018 and 2017

	2018			2017 As Restated (Note 11)		
	Revenues	Expenses	Revenues Over (Under) Expenses	Revenues	Expenses	Revenues Over (Under) Expenses
Unrestricted - General:						
Access to justice board	\$ -	\$ 296,174	\$ (296,174)	\$ 9,785	\$ 284,444	\$ (274,659)
Administration	133,785	1,079,971	(946,186)	118,824	1,021,674	(902,850)
Admissions/bar exam	1,304,910	1,169,013	135,897	1,359,865	1,110,933	248,932
Board of governors and office of the executive director		814,691	(814,691)		774,927	(774,927)
Communications strategies	34,219	614,288	(580,069)	19,309	1,582,412	(1,563,103)
Conference and broadcast services		751,699	(751,699)			
Discipline	104,920	5,607,782	(5,502,862)	111,472	5,374,154	(5,262,682)
Diversity	105,564	433,705	(328,141)	90,275	381,269	(290,994)
Foundation		155,075	(155,075)		154,243	(154,243)
Human resources		380,715	(380,715)		372,786	(372,786)
Law clerk program	128,150	117,045	11,105	108,050	85,399	22,651
Law office management assistance program	12,595		12,595	3,510	188,311	(184,801)
Lawyer assistance program	41,304		41,304	8,560	178,314	(169,754)
Legislative		89,300	(89,300)		198,102	(198,102)
Licensing fees	15,409,137		15,409,137	13,512,188		13,512,188
Licensing and membership records	375,221	703,888	(328,667)	333,582	585,230	(251,648)
Limited license legal technician		255,129	(255,129)	13,448	202,956	(189,508)
Limited practice officers		160,090	(160,090)	146,986	157,599	(10,613)
Mandatory continuing legal education administration	820,413	778,516	41,897	722,297	718,481	3,816
Member assistance program		128,392	(128,392)			
Member benefits	11,115	157,767	(146,652)	25,870	73,540	(47,670)
Mentorship program		109,855	(109,855)		155,219	(155,219)
New lawyer education	143,118		143,118	36,217	284,623	(248,406)
New member programs		277,621	(277,621)			
NW Lawyer	577,759	594,721	(16,962)	544,535	613,747	(69,212)
Office of general counsel	520	714,276	(713,756)	150	797,513	(797,363)
Office of general counsel disciplinary board		275,803	(275,803)		256,269	(256,269)
Outreach and engagement		385,481	(385,481)			
Practice management assistance		203,305	(203,305)			
Practice of law board		119,606	(119,606)		120,785	(120,785)
Professional responsibility program		268,644	(268,644)		247,054	(247,054)
Public service programs	106,141	399,849	(293,708)	94,271	408,451	(314,180)
Publication and design services		163,127	(163,127)			
Sections administration	305,719	449,916	(144,197)	325,655	458,771	(133,116)
Technology		1,527,036	(1,527,036)		1,352,428	(1,352,428)
Total Unrestricted - General	\$ 19,614,590	\$ 19,182,480	\$ 432,110	\$ 17,584,849	\$ 18,139,634	\$ (554,785)

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Activities (Continued)
For the Years Ended September 30, 2018 and 2017

	2018		2017 As Restated (Note 11)		
	Revenues	Expenses	Revenues	Expenses	Revenues
			Over (Under) Expenses		Over (Under) Expenses
Unrestricted - Continuing Legal Education:					
Products	\$ 960,963	\$ 232,807	\$ 728,156	\$ 976,989	\$ 329,798
Seminars	960,236	1,387,654	(427,418)	881,401	1,324,285
Deskbooks	129,246	311,441	(182,195)	128,328	303,620
Total Unrestricted - Continuing Legal Education	\$ 2,050,445	\$ 1,931,902	\$ 118,543	\$ 1,986,718	\$ 1,957,703
Unrestricted - Sections Operations	\$ 618,165	\$ 655,549	\$ (37,384)	\$ 660,677	\$ 675,588
Western States Bar Conference	\$ 43,050	\$ 54,342	\$ (11,292)	\$ 67,950	\$ 59,276
Client Protection Fund	\$ 1,068,753	\$ 1,083,063	\$ (14,310)	\$ 1,028,663	\$ 432,586
Washington State Bar Foundation	\$ 449,917	\$ 369,460	\$ 80,457	\$ 370,409	\$ 365,367
Eliminations	\$ (357,270)	\$ (357,270)	\$ -	\$ (334,416)	\$ (334,416)
Unrestricted - General	\$ 19,614,590	\$ 19,182,480	\$ 432,110	\$ 17,584,849	\$ 18,139,634
Unrestricted - Continuing Legal Education	2,050,445	1,931,902	118,543	1,986,718	1,957,703
	21,665,035	21,114,382	550,653	19,571,567	20,097,337
Unrestricted - Sections Operations	618,165	655,549	(37,384)	660,677	675,588
Western States Bar Conference	43,050	54,342	(11,292)	67,950	59,276
Client Protection Fund	1,068,753	1,083,063	(14,310)	1,028,663	432,586
Washington State Bar Foundation	449,917	369,460	80,457	370,409	365,367
Eliminations	(357,270)	(357,270)		(334,416)	(334,416)
Total Change in Net Assets - All Activities	\$ 23,487,650	\$ 22,919,526	\$ 568,124	\$ 21,364,850	\$ 21,295,738

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Changes in Net Assets
For the Years Ended September 30, 2018 and 2017

	Unrestricted						Total
	General	Continuing Legal Education	Sections Operations	Western States Bar Conference	Client Protection Fund	Washington State Bar Foundation	
Balance, September 30, 2016	\$ 3,918,535	\$ 456,568	\$ 1,212,638	\$ 10,958	\$ 2,646,223	\$ 274,036	\$ 8,518,958
Unrestricted revenues over (under) expenses	(554,785)	29,015	(14,911)	8,674	596,077	5,042	69,112
Balance, September 30, 2017	3,363,750	485,583	1,197,727	19,632	3,242,300	279,078	8,588,070
Unrestricted revenues over (under) expenses	432,110	118,543	(37,384)	(11,292)	(14,310)	80,457	568,124
Balance, September 30, 2018	<u>\$ 3,795,860</u>	<u>\$ 604,126</u>	<u>\$ 1,160,343</u>	<u>\$ 8,340</u>	<u>\$ 3,227,990</u>	<u>\$ 359,535</u>	<u>\$ 9,156,194</u>

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Cash received from licensing fees	\$ 15,966,511	\$ 13,568,790
Cash received from CLE products and seminars	2,028,708	1,995,134
Cash received from other activities	5,675,541	5,818,542
Cash paid to employees	(11,416,322)	(10,779,027)
Cash paid to vendors	(10,425,879)	(9,884,918)
Interest received	184,856	72,503
Net Cash Provided by Operating Activities	2,013,415	791,024
Cash Flows From Investing Activities:		
Change in restricted cash and cash equivalents	(434,654)	(663,481)
Proceeds from sale of investments	4,779,545	5,349,257
Purchase of investments	(4,337,885)	(5,354,748)
Acquisition of property and equipment	(312,575)	(556,419)
Net Cash Used in Investing Activities	(305,569)	(1,225,391)
Net Change in Cash and Cash Equivalents	1,707,846	(434,367)
Cash and cash equivalents, beginning of year	4,069,633	4,504,000
Cash and Cash Equivalents, End of Year	\$ 5,777,479	\$ 4,069,633
Reconciliation of Change in Net Assets to Net Cash Flows		
From Operating Activities:		
Change in net assets	\$ 568,124	\$ 69,112
Adjustments to reconcile change in net assets to net cash flows from operating activities-		
Depreciation	455,504	420,589
Unrealized gain on investments	(16,275)	(73,883)
Change in operating assets and liabilities:		
Receivables	(103,787)	15,552
Desk and course books	8,732	7,101
Prepaid expenses	(71,641)	47,511
Accounts payable and accrued expenses	592,178	70,655
Deferred licensing fees	557,374	56,602
Deferred lease obligation and incentive	108,827	159,415
Other deferred revenue	(85,621)	18,370
Net Cash Provided by Operating Activities	\$ 2,013,415	\$ 791,024

See accompanying notes.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements For the Years Ended September 30, 2018 and 2017

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations - The 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 the WSBA in order to practice law in Washington State. A primary source of revenues of the 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 2018 the license fee was set at \$449 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. For 2017, the license fee was set at \$385 and fees followed the same pro-rated schedule as 2018. The WSBA members are primarily Washington State residents.

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, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the WSBA and/or the passage of time. As of September 30, 2018 and 2017, WSBA had no temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the WSBA. The donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. As of September 30, 2018 and 2017, the WSBA had no permanently restricted net assets.

Cash and Cash Equivalents and Investments - 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. Certificates of deposit are all federally insured. The WSBA maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The WSBA has not experienced any losses in these accounts.

Unrealized gains and losses, if any, are reported in the statements of activities as increases or decreases in net assets. Investment balances include federally insured certificates of deposit, corporate bonds, municipal bonds and bond mutual funds.

Restricted cash and cash equivalents relate to funds restricted for the Western States Bar Conference and for the Client Protection Fund (see Note 2). Part of the restricted cash and cash equivalents are amounts paid into the Client Protection Fund.

The composition of cash balances and investments are included in Notes 3 and 4, respectively.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 1 - Continued

Receivables - Receivables are generally from members and result from *NW Lawyer* advertising, consulting fees, and unpaid fees related to continuing legal education programs. Receivables are unsecured and do not bear interest. Management reviews receivables on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. Accounts that are determined to be uncollectible are written off against this reserve.

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

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 standards 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 - All contributions are considered to be available for unrestricted use 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 accompanying statements of activities present expenses by natural classification. The classification of expenses into program and general and administrative is based upon FTE allocation, direct program expenses, and estimates made by the management of the WSBA. The classification of expenses by function is as follows for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Program services	\$ 20,640,760	\$ 19,126,351
Management and general	<u>2,278,766</u>	<u>2,169,387</u>
	<u>\$ 22,919,526</u>	<u>\$ 21,295,738</u>

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 1 - Continued

Net Assets - The WSBA Board of Governors has directed that portions of the WSBA’s unrestricted net assets 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 general unrestricted net assets at September 30 as follows:

	<u>2018</u>	<u>2017</u>
Operating reserve fund	\$ 1,500,000	\$ 1,500,000
Facilities reserve fund	450,000	200,000
Unrestricted general fund	<u>1,845,860</u>	<u>1,663,750</u>
	<u>\$ 3,795,860</u>	<u>\$ 3,363,750</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 December 2026. Effective October 2016, the minimum reserve of this fund was designated by the board to be \$200,000. In 2018, the board designated an additional \$250,000 of unrestricted general fund reserves to this fund for a total of \$450,000.

The Unrestricted General Fund was established to accumulate net reserves above the Operating Reserve Fund and Facilities Reserve Fund.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 10, 2019, the date on which the financial statements were available to be issued.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 2 - Client Protection Fund

In 1995, the Washington Supreme Court and the WSBA created the Client Protection Fund (“the Fund”). In fiscal year 2018, as in prior years, the Fund received a \$30 mandatory annual assessment per individual 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 statements of financial position.

Note 3 - Cash and Cash Equivalents

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

	<u>2018</u>	<u>2017</u>
Unrestricted Cash and Cash Equivalents:		
Bank deposits	\$ 887,719	\$ 833,132
Money market funds	<u>4,889,760</u>	<u>3,236,501</u>
	<u>\$ 5,777,479</u>	<u>\$ 4,069,633</u>
Restricted Cash and Cash Equivalents:		
Bank deposits	\$ 817,787	\$ 1,430,451
Money market funds	<u>3,390,556</u>	<u>2,343,238</u>
	<u>\$ 4,208,343</u>	<u>\$ 3,773,689</u>

Note 4 - Investments

Investments consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 500,000	\$ 750,000
Bonds	300,836	498,902
Mutual bond funds	<u>2,963,500</u>	<u>2,940,819</u>
	<u>\$ 3,764,336</u>	<u>\$ 4,189,721</u>

The following schedule summarizes the returns from investments (and cash balances):

	<u>2018</u>	<u>2017</u>
Interest income - unrestricted	\$ 137,348	\$ 55,663
Interest income - restricted	45,162	19,722
Realized and unrealized gains	16,275	73,883
Fees		(6)
Total Investment Return	<u>\$ 198,785</u>	<u>\$ 149,262</u>

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 4 - Continued

Investment income is included as revenue in the following categories in the statements of activities:

	<u>2018</u>	<u>2017</u>
Administration	\$ 117,509	\$ 118,818
Sections operations	19,838	10,722
Client Protection Fund	<u>45,162</u>	<u>19,722</u>
	<u>\$ 182,509</u>	<u>\$ 149,262</u>

Note 5 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 728,967	\$ 663,252
Furniture	1,049,101	1,059,474
Office equipment	1,561,505	1,929,731
Software	<u>3,604,876</u>	<u>3,750,033</u>
	6,944,449	7,402,490
Less accumulated depreciation and amortization	(5,356,600)	(6,131,770)
Website development and software not yet placed into service	<u>46,715</u>	<u>506,773</u>
	<u>\$ 1,634,564</u>	<u>\$ 1,777,493</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, 2018 and 2017, were \$1,396,556 and \$1,185,716, respectively.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 7 - Fair Value Measurements

Accounting standards establish 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.

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, 2018 and 2017.

Mutual Bond Funds - Mutual bonds are valued at closing prices in active markets, which represent the net asset value of shares held by WSBA at year end.

Bonds - Bonds 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 at September 30, 2018 and 2017, were as follows:

	Fair Value Measurements at September 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual bond funds	\$ 2,963,500	\$ -	\$ -	\$ 2,963,500
Bonds		300,836		300,836
	<u>\$ 2,963,500</u>	<u>\$ 300,836</u>	<u>\$ -</u>	<u>\$ 3,264,336</u>

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 7 - Continued

	Fair Value Measurements at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual bond funds	\$ 2,940,819	\$ -	\$ -	\$ 2,940,819
Bonds		498,902		498,902
	<u>\$ 2,940,819</u>	<u>\$ 498,902</u>	<u>\$ -</u>	<u>\$ 3,439,721</u>

A reconciliation of the investment assets measured at fair value on a recurring basis to total investments follows as of September 30:

	2018	2017
Investments recorded at fair value on a recurring basis	\$ 3,264,336	\$ 3,439,721
Investments recorded at cost	500,000	750,000
Total Investments	\$ 3,764,336	\$ 4,189,721

Note 8 - Lease Commitments

The WSBA signed a lease extension for office space effective March 1, 2015. The lease is an operating lease agreement expiring during the year ending September 30, 2027. The lease calls for escalating rent payments each year, resulting in a liability for the differences between the rent payments and rent calculated on a straight-line basis.

Future minimum rental payments under noncancelable operating leases are as follows:

For the Years Ended September 30,

2019	\$ 1,605,169
2020	1,655,759
2021	1,698,981
2022	1,749,571
2023	1,800,161
Thereafter	<u>6,197,275</u>
Total Minimum Rental Payments	\$ 14,706,916

Rent expense (net of amortization of deferred lease incentive) under all lease agreements totaled \$1,823,881 and \$1,809,002 for the years ended September 30, 2018 and 2017, respectively.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

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. Subsequent to September 30, 2018, the WSBA received notice of a legal claim that management believes could have a material adverse effect on the financial position or results of operations of the WSBA however it is too early to accurately determine the value of this claim.

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 fiscal year 2018 and 2017, the WSBA paid a total of \$39,750 and \$58,119, respectively, 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. However, the liability is significant enough to mention in the Notes to Financial Statements.

As of September 30, 2018, approximately \$281,000 has been budgeted for fiscal year 2019 as grants payable to various organizations, including approximately \$208,000 to Gonzaga University School of Law, Seattle University School of Law, and University of Washington for the Moderate Means Program, \$60,000 for Washington Leadership Institute, and \$12,000 for various section grants.

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 10 - Indirect Expenses

The WSBA programs, services and functions are assigned to functional categories for purposes of budgeting and reporting revenues and expenses. Each category includes direct revenues and expenses for activities within that category and an allocation of indirect expenses which are broken down into three areas: salaries, benefits and overhead. Salaries are allocated based on the categories in which the employees work. The allocation of benefit expenses are based on the total salaries allocated to the category, and the allocation of expenses for overhead is based on the number of full time equivalent employees assigned to each category. The composition of indirect expenses and total direct expenses is as follows for the years ended:

	<u>2018</u>	<u>2017</u>
Indirect expenses-		
Salaries	\$ 11,344,607	\$ 10,671,394
Employee benefits and payroll taxes	4,025,251	3,673,481
Rent (net of amortization of deferred lease incentive)	1,746,463	1,729,618
Technology and telephone	531,429	579,381
Depreciation and amortization	185,182	154,517
Insurance	139,225	131,782
Human resources	112,671	113,293
Professional fees	197,187	88,311
Supplies and equipment	89,982	83,606
Postage	27,622	35,096
Furniture, maintenance and leasehold improvements	28,739	32,046
Bank fees	32,610	30,910
Meeting support expenses	12,897	12,258
Copying and production services	9,339	11,639
Business taxes	16,629	9,400
	<u>18,499,833</u>	<u>17,356,732</u>
Direct expenses	<u>4,420,139</u>	<u>3,939,006</u>
Total Expenses	<u><u>\$ 22,919,972</u></u>	<u><u>\$ 21,295,738</u></u>

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 11 - Change in Reporting Entity and Restatement of Prior Year Financial Statements

Consolidation of Other Entities - During the year ended September 30, 2018, the WSBA determined that a previously unconsolidated entity should be consolidated. Management has restated the 2017 financial statements to reflect the consolidation of the other entity. The following table provides a reconciliation to the prior year unconsolidated financial statements and the restated activity and balances as of and for the year ended September 30, 2017.

	As Previously Reported	Adjustments due to Consolidation of Other Entity	As Restated
Assets:			
Cash and cash equivalents	\$ 3,804,955	\$ 264,678	\$ 4,069,633
Restricted cash and cash equivalents	3,773,689		3,773,689
Receivables, net	44,432		44,432
Prepaid expenses	273,599		273,599
Desk and course books	396,271		396,271
Investments	4,189,721		4,189,721
Property and equipment, net	1,763,093	14,400	1,777,493
Total Assets	\$ 14,245,760	\$ 279,078	\$ 14,524,838
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 554,433	\$ -	\$ 554,433
Accrued expenses	525,182		525,182
Lawyers' Fund for Client Protection, committed gifts	409,411		409,411
Deferred licensing fees	3,304,049		3,304,049
Deferred lease obligation and incentive	921,042		921,042
Other deferred revenue	222,651		222,651
Total Liabilities	5,936,768		5,936,768
Net Assets:			
Unrestricted-			
General	3,363,750		3,363,750
Continuing legal education	485,583		485,583
Sections operations	1,197,727		1,197,727
Western States Bar Conference	19,632		19,632
Client Protection Fund	3,242,300		3,242,300
Foundation		279,078	279,078
Total Net Assets	8,308,992	279,078	8,588,070
Total Liabilities and Net Assets	\$ 14,245,760	\$ 279,078	\$ 14,524,838

WASHINGTON STATE BAR ASSOCIATION

Consolidated Notes to Financial Statements
For the Years Ended September 30, 2018 and 2017

Note 11 - Continued

	<u>Revenues</u>	<u>Adjustments due to Consolidation of Other Entity</u>	<u>Revenues As Restated</u>
Washington State Bar Foundation	\$ -	\$ 370,409	\$ 370,409
Eliminations	\$ -	\$ (334,416)	\$ (334,416)
Total Change in Net Assets - All Activities	\$ 21,328,857	\$ 35,993	\$ 21,364,850

	<u>Expenses</u>	<u>Adjustments due to Consolidation of Other Entity</u>	<u>Expenses As Restated</u>
Washington State Bar Foundation	\$ -	\$ 365,367	\$ 365,367
Eliminations	\$ -	\$ (334,416)	\$ (334,416)
Total Change in Net Assets - All Activities	\$ 21,264,787	\$ 30,951	\$ 21,295,738

	<u>Revenues Over (Under) Expenses</u>	<u>Adjustments due to Consolidation of Other Entity</u>	<u>Revenues Over (Under) Expenses As Restated</u>
Washington State Bar Foundation	\$ -	\$ 5,042	\$ 5,042
Total Change in Net Assets - All Activities	\$ 64,070	\$ 5,042	\$ 69,112

SUPPLEMENTARY INFORMATION

WASHINGTON STATE BAR ASSOCIATION

Washington State Bar Foundation Statement of Activities
For the Year Ended September 30, 2018

Unrestricted Activities

Revenue:

Contributions	\$ 292,115
In-kind revenue from WSBA	155,075
Miscellaneous income	<u>2,727</u>

Total Revenue 449,917

Expenses:

Program expenses	209,183
In-kind expenses from WSBA	155,075
Operational expenses	<u>5,202</u>

Total Expenses 369,460

Change in Unrestricted Net Assets 80,457

Unrestricted Net assets, beginning of year 279,078

Unrestricted Net Assets, End of Year \$ 359,535

WASHINGTON STATE BAR ASSOCIATION

Special Report on the Fiscal Year 2019 Budget Summary

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Independent Accountant’s Report on Applying Agreed-Upon Procedures

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

At your request, we have performed certain agreed-upon procedures, as enumerated below, with respect to the Washington State Bar Association (WSBA) Fiscal Year 2019 Budget Summary for the year ending September 30, 2019. These procedures, which were agreed to by management of the WSBA, were performed solely to assist you in evaluating the consistency of the presentation of the Fiscal Year 2019 Budget Summary of revenues and expenses by budget category (2019 Budget) included in Exhibit A, with presentation of the Fiscal Year 2018 Budget Summary of revenues and expenses for the fiscal year ended September 30, 2018 (2018 Budget) included in Exhibit B, and the presentation of revenues and expenses in the audited Statement of Activities for the fiscal year ended September 30, 2017 (2017 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. The WSBA’s management is responsible for the 2019 and 2018 Budgets and the 2017 Statement of Activities.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the WSBA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We totaled all columns and rows of the 2019 and 2018 Budgets and the 2017 Statement of Activities to verify the mathematical accuracy.

Findings

None



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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

2. We compared the 2019 Budget category descriptions to the 2018 Budget and the 2017 Statement of Activities category descriptions and explained differences.

Findings

The WSBA changed the following categories in the 2019 Budget compared to the 2018 Budget:

Member Services and Engagement - In fiscal year 2019, the Practice Management Assistance, New Member Programs, and Mentorship Program cost centers were combined into one cost center, titled Member Services and Engagement. This combination is intended to reflect the coordination and administration of these areas, which have significant overlap and are supported by the same team.

The WSBA added the following categories in the 2019 Budget compared to the 2017 Statement of Activities:

Communications Strategies, Outreach and Engagement, Conference and Broadcast Services, and Publications and Design Services - In fiscal year 2017, the Communications and Legislative cost centers included revenues and expenses related to all functions performed by the Communications Department. In 2018 and continuing in 2019, for greater transparency, and to better reflect the department's restructuring in 2018, these cost centers were replaced with: (a) Communications Strategies, (b) Outreach and Engagement, (c) Legislative, (d) Conference and Broadcast Services, and (e) Publications and Design Services.

Limited License Legal Technicians and Limited Practice Officers - Effective September 1, 2017, the Washington Supreme Court approved amendments to the Admission and Practice (APR) rules establishing the coordinated admissions and licensing system for lawyers, Limited Practice Officers (LPO), and Limited License Legal Technicians (LLLT). Historically, we have included all revenues and costs associated with these programs in the LPO and LLLT costs centers. To reflect this rule change in fiscal year 2018 and continuing in 2019, WSBA drafted budgets such that LPO and LLLT exam and waiver revenue, and exam writing costs, are identified and accounted for in the Admissions cost center; and LPO and LLLT license fee revenue are identified and accounted for in the Licensing cost center.

Practice Management Assistance - In fiscal year 2018: (a) the Law Office Management Assistance Program cost center was retitled Practice Management Assistance; and (b) revenues from royalties earned from member participation in discounted third party services were moved from the Member Benefits cost center to the Practice Management Assistance cost center.

Deskbooks - In fiscal year 2017, the CLE cost center included revenue and expenses related to conducting in-person and webcast CLE Seminars, and producing and online sale of deskbooks, coursebooks, and recorded CLE seminars under CLE Products. In 2018 and continuing in 2019, Deskbooks is its own cost center to better reflect that deskbooks are distinct from other CLE products.

3. We inquired of management if there were any differences in the methodology used to budget for revenue and expense amounts for each category for the 2019 Budget as compared to the methodology used to budget for revenue and expense amounts for each category for the 2018 Budget and to account for revenue and expenses in the 2017 Statement of Activities.

Findings

The WSBA noted no differences in the methodology used to budget for revenue or expense amounts for each category for the 2019 Budget as compared to the methodology used to budget for revenue and expense amounts for each category for the 2018 Budget and to account for revenues and expenses in the 2017 Statement of Activities.

4. We compared total revenues and total expenses by category in the 2019 Budget to the total revenues and total expenses by category in the 2018 Budget and noted differences in amounts both greater than \$100,000 and 20%. We also compared the total revenues and total expenses by category in the 2019 Budget to total revenues and total expenses by category reported on the 2017 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 2019 Budget to 2018 Budget

	2019 Budget	2018 Budget	Difference	
			Amount	Percentage
Diversity				
a. Expense	\$ 566,191	\$ 445,775	\$ 120,416	27%
Mandatory Continuing Legal Education				
b. Revenue	\$ 1,050,000	\$ 761,000	\$ 289,000	38%
Member Services and Engagement (formerly Mentorship Program, New Member Programs, and Practice Management Assistance)				
c. Revenue	\$ 141,200	\$ -	\$ 141,200	100%
d. Expense	\$ 561,679	\$ -	\$ 561,679	100%

	<u>Budget</u>	<u>Budget</u>	<u>Amount</u>	<u>Percentage</u>
Membership Benefits				
e. Expense	\$ 277,707	\$ 166,568	\$ 111,139	67%
Mentorship Program				
f. Expense	\$ -	\$ 117,618	\$ (117,618)	-100%
New Member Programs				
g. Expense	\$ -	\$ 298,329	\$ (298,329)	-100%
Practice Management Assistance				
h. Expense	\$ -	\$ 214,142	\$ (214,142)	-100%

Management's explanations for the differences are as follows:

- a. The increase in expenses is due to a reallocation of 0.84 FTE from a number of other cost centers within the Advancement department to support WSBA's diversity programming. Expenses consist mainly of salaries, benefits, and overhead.
- b. The increase in revenue is due to changes in the Mandatory Continuing Legal Education fee structure effective October 1, 2019. The changes include increases and elimination of various fees with the overall goal of providing an equitable assessment of fees for all license types.
- c. The revenue is due to the creation of the Member Services and Engagement cost center in fiscal year 2019.
- d. The expenses are due to the creation of the Member Services and Engagement cost center in fiscal year 2019.
- e. The increase in expenses is due to the addition of Fastcase, a second legal research tool for members for \$60,000 and the reallocation of 0.33 FTE from a number of other cost centers within the Advancement department to support WSBA's membership benefits programming.
- f. The decrease in expense is due to the combination of the Mentorship Program cost center with Practice Management Assistance and New Member Programs to create the Member Services and Engagement cost center in fiscal year 2019 as described in note d (1) above.
- g. The decrease in expense is due to the combination of the New Member Programs cost center with Practice Management Assistance and Mentorship programs to create the Member Services and Engagement cost center in fiscal year 2019.
- h. The decrease in expense is due to the combination of the Practice Management Assistance cost center with Mentorship and New Member Programs to create the Member Services and Engagement cost center in fiscal year 2019.

Comparison of 2019 Budget to 2017 Statement of Activities

	2019 Budget	2017 SOA	Difference	
			Amount	Percentage
Client Protection Fund				
a. Expense	\$ 668,210	\$ 432,586	\$ 235,624	54%
Communications Strategies (formerly Communications)				
b. Expense	\$ 655,582	\$ 1,582,412	\$ (926,830)	-59%
Conference Broadcast Services (formerly in Communications)				
c. Expense	\$ 783,893	\$ -	\$ 783,893	100%
Continuing Legal Education				
d. Expense	\$ 1,544,573	\$ 1,957,703	\$ (413,130)	-21%
Deskbooks (formerly in CLE-Products)				
e. Revenue	\$ 160,000	\$ -	\$ 160,000	100%
f. Expense	\$ 286,693	\$ -	\$ 286,693	100%
Diversity				
g. Expense	\$ 566,191	\$ 381,269	\$ 184,922	49%
Human Resources				
h. Expense	\$ 204,958	\$ 372,786	\$ (167,828)	-45%
Limited Practice Officers				
i. Revenue	\$ -	\$ 146,986	\$ (146,986)	-100%
Mandatory CLE Administration				
j. Revenue	\$ 1,050,000	\$ 722,297	\$ 327,703	45%
k. Expense	\$ 873,429	\$ 718,481	\$ 154,948	22%
Member Services and Engagement (formerly in Mentorship Program, New Member Programs, and Practice Management Assistance)				
l. Revenue	\$ 141,200	\$ -	\$ 141,200	100%
m. Expense	\$ 561,679	\$ -	\$ 561,679	100%
Membership Benefits				
n. Expense	\$ 277,707	\$ 73,540	\$ 204,167	278%
Mentorship Program				
o. Expense	\$ -	\$ 155,219	\$ (155,219)	-100%
New Member Programs				
p. Expense	\$ -	\$ 284,623	\$ (284,623)	-100%
Outreach and Engagement (formerly in Communications)				
q. Expense	\$ 401,898	\$ -	\$ 401,898	100%
Practice Management Assistance				
r. Expense	\$ -	\$ 188,311	\$ (188,311)	-100%
Publication and Design Services (formerly in Communications)				
s. Expense	\$ 146,865	\$ -	\$ 146,865	100%
Sections Operations				
t. Expense	\$ 841,025	\$ 675,588	\$ 165,437	24%

Management's explanations for the differences are as follows:

- a. The Client Protection Fund's largest expense is for "Gifts to Injured Clients". This expense varies each year as it depends on the number and type of applications received and approved by the Client Protection Fund Board and the WSBA Board of Governors. Over the past few years, the WSBA has budgeted \$400,000 to \$500,000 for this expense when actual gifts have ranged from \$300,000 to over \$900,000 so a variance is to be expected. The remainder of the increase in expenses is due to a reallocation of 0.24 FTE from Office of General Counsel department cost centers to provide additional support to the program.
- b. The decrease in expense is due to the reallocation of the Communications and Legislative cost center costs into the following revised categories: (1) Communications Strategies, (b) Outreach and Engagement, (c) Legislative, (d) Conference and Broadcast Services, and (e) Publications and Design Services. The actual fiscal year 2017 expenses for Communications and Legislative was \$1,780,514. The fiscal year 2019 budget for the five replacement cost centers is \$2,142,304. This is an increase of \$361,790 or 20.3%. The increase includes the salary, benefits, and overhead of an additional 0.33 FTE because of a reallocation of staff from other cost centers to support these programs, as well as general increases in costs associated with staffing from 2017 to 2019 and lower than budgeted salaries expense in 2017.
- c. The Conference and Broadcast Service expense is due to the action taken in fiscal year 2018 as described in note b. above.
- d. The reduction in Continuing Legal Education expenses are a result of three main items:
 - (1) In fiscal year 2018, the Deskbook cost center was created and all costs associated with producing and selling deskbooks were moved out of the CLE- Products cost center. This includes 2.05 FTEs and corresponding salaries, benefits, and overhead and applicable direct expenses which equates to approximately \$290,000.
 - (2) In fiscal year 2019, expenses for "Splits to Sections- Seminars" was reduced to \$0 from \$89,581 in 2017. This is a result of changes to WSBA fiscal policy effective beginning fiscal year 2019 that determine how seminar profit is split between WSBA and Sections. Under the new policy, the profit splits with Sections will resume in fiscal year 2020.
 - (3) In fiscal year 2019, expenses for "Seminar Online Hosting" was reduced to \$0 from \$45,000 in 2017. The expenses were moved into the Information Technology direct expense budget under "Third Party Services" because they support the entire organization.
- e. The Deskbook revenue is due to the creation of the deskbook specific cost center beginning in fiscal year 2018.

- f. The Deskbook expense is due to the creation of the deskbook specific cost center beginning in fiscal year 2018 as described in note d (1) above.
- g. The increase in Diversity expenses is for salaries, benefits, and overhead from the addition of 1.08 FTEs from 2017 to 2019, which were reallocated from existing cost centers to provide additional program and supervisory support for WSBA's diversity efforts.
- h. The decrease in expenses for Human Resources is due to the line item titled "Allowance for Open Positions". The annual budget for salaries and benefits assumes that the organization is fully staffed for the entire year. However, there are usually savings as a result of position vacancies. To account for this likely variance, we budget an amount under "Allowance for Open Positions" that reduces the expense budget. Because salaries are allocated to each cost center, we have selected to allocate the full allowance amount for the organization to the Human Resources cost center. No actual amounts are allocated to this line item, it is purely to assist in creating a more accurate budget. The variance between the 2019 Budget and 2017 SOA for the Human Resources cost center without the allowance is \$32,172 or 8.6%.
- i. The decrease in Limited Practice Officer (LPO) revenue is due to the September 2017 amendments to the Admission and Practice (APR) rules establishing the coordinated admissions and licensing system for lawyers, LPOs, and Limited License Legal technicians (LLLT). To reflect this rule change, beginning in fiscal year 2018, LPO and LLLT license fee revenue are identified and accounted for in the Licensing cost center.
- j. The increase in revenue is due to changes in the Mandatory Continuing Legal Education fee structure effective October 1, 2019. The changes include the increase and elimination of various fees with the overall goal of providing an equitable assessment of fees for all license types.
- k. The increase in expenses is related to increased depreciation costs for the Mandatory Continuing Legal Education reporting system software. In fiscal year 2018, additional enhancements were made to the system that added to the software's book value. This increases the depreciation for the asset going forward into fiscal year 2019.
- l. The revenues are due to the creation of the Member Services and Engagement cost center in fiscal year 2019.
- m. The expenses are due to the creation of the Member Services and Engagement cost center in fiscal year 2019.

- n. Beginning in fiscal year 2018, the Membership Benefits cost center began to include direct and indirect costs associated with programs benefiting WSBA's membership as part of their annual license fee. This includes monthly continuing legal education through the WSBA's Legal Lunchbox Series, and the WSBA Connects member assistance program. Prior to 2018, the only expenses included in this cost center were for the CaseMaker legal research tool. No indirect costs were included. Additionally, in fiscal year 2019 the WSBA added funding for a second legal research tool (Fastcase) for \$60,000.
- o. The decrease in expense is due to the combination of the Mentorship Program cost center with Practice Management Assistance and New Member Programs to create the Member Services and Engagement cost center in fiscal year 2019 as described in note m. above.
- p. The decrease in expense is due to the combination of the New Member Programs cost center with Practice Management Assistance and Mentorship Program to create the Member Services and Engagement cost center in fiscal year 2019 as described in note m. above.
- q. The Outreach and Engagement expense is due to the action taken in fiscal year 2018 as described in note b. above.
- r. The decrease in expense is due to the combination of the Practice Management Assistance cost center with Mentorship and New Member Programs to create the Member Services and Engagement cost center in fiscal year 2019.
- s. The Publication and Design Services expense is due to the action taken in fiscal year 2018 as described in note b. above.
- t. Section budgets and actual spending are linked to work plans, which can differ each year. For 2019, the expenses have increased because of normal changes in Section work plans through direct expenses.

We were not engaged to and did not conduct an examination; the objective of which would be the expression of an opinion on the accompanying 2019 and 2018 Budgets. Accordingly, we do not express an opinion on whether the budgets are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the budgets and actual results as events and circumstances frequently do not occur as expected and those differences may be material. We expressed an unmodified opinion on the WSBA's financial statements as of and for the year ended September 30, 2017. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Clark Nuber PS

This report is intended solely for the information and use of management and members of the WSBA and is not intended to be and should not be used by anyone other than these specified parties.

Clark Nuber P.S.

Certified Public Accountants
January 10, 2019

EXHIBIT A

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2019 Budget Summary - Amended

Cost Centers	Revenue	Expense	Net
Access to Justice	\$ 7,500	\$ 334,824	\$ (327,324)
Administration	100,000	1,143,654	(1,043,654)
Admissions / Bar Exam	1,327,400	1,257,979	69,421
Board of Governors and Office of the Executive Director		834,709	(834,709)
Communications Strategies	50,750	655,582	(604,832)
Conference and Broadcast Services		783,893	(783,893)
Discipline	96,200	5,884,275	(5,788,075)
Diversity	120,374	566,191	(445,817)
Foundation		164,863	(164,863)
Human Resources		204,958	(204,958)
Law Clerk Program	166,000	154,015	11,985
Legislative		154,066	(154,066)
Licensing	15,958,200		15,958,200
Licensing and Membership Records	304,350	682,139	(377,789)
Limited License Legal Technician		241,191	(241,191)
Limited Practice Officers		171,653	(171,653)
Mandatory CLE Administration	1,050,000	873,429	176,571
Member Assistance Program	10,000	142,499	(132,499)
Member Services and Engagement	141,200	561,679	(420,479)
Member Benefits	17,000	277,707	(260,707)
NW Lawyer	461,350	658,453	(197,103)
Office of General Counsel		941,756	(941,756)
Office of General Counsel Disciplinary Board		290,573	(290,573)
Outreach and Engagement		401,898	(401,898)
Practice of Law Board		90,063	(90,063)
Professional Responsibility Program		265,570	(265,570)
Public Service Programs	112,000	374,919	(262,919)
Publication and Design Services		146,865	(146,865)
Sections Administration	300,000	524,315	(224,315)
Technology		1,540,222	(1,540,222)
Total General Fund	20,222,324	20,323,940	(101,616)
Operating Loss for FY 2019			(101,616)
Percent Increase Over FY18 Budget	7%	3%	
Depreciation			473,335
Straight Line Rent			93,045
Capital Labor			(188,800)
Net Cash Flow From FY 2019 Operations			275,964
Continuing Legal Education	1,879,500	1,544,573	334,927
Deskbooks	160,000	286,693	(126,693)
Continuing Legal Education	2,039,500	1,831,266	208,234
Operating Gain for FY 2019			208,234
Percent Increase Over FY 2018 Budget	0%	-11%	
Sections Operations	544,140	841,025	(296,885)
Client Protection Fund	992,500	668,210	324,290
Western States Bar Conference	68,200	62,800	5,400
	\$ 23,866,664	\$ 23,727,241	\$ 139,423

EXHIBIT B

WASHINGTON STATE BAR ASSOCIATION

Fiscal Year 2018 Budget Summary - Final Amended

Cost Centers	Revenue	Expense	Net
Access to Justice	\$ -	\$ 311,034	\$ (311,034)
Administration	55,000	1,084,819	(1,029,819)
Admissions / Bar Exam	1,327,400	1,180,951	146,449
Board of Governors and Office of the Executive Director		802,807	(802,807)
Communications Strategies	44,750	637,401	(592,651)
Conference and Broadcast Services		740,933	(740,933)
Discipline	130,300	5,731,529	(5,601,229)
Diversity	100,374	445,775	(345,401)
Foundation		168,653	(168,653)
Human Resources		271,830	(271,830)
Law Clerk Program	112,000	116,028	(4,028)
Legislative		151,443	(151,443)
Licensing	15,068,125		15,068,125
Licensing and Membership Records	284,700	706,790	(422,090)
Limited License Legal Technician		260,001	(260,001)
Limited Practice Officers		162,464	(162,464)
Mandatory CLE Administration	761,000	778,768	(17,768)
Member Assistance Program	10,000	134,243	(124,243)
Member Benefits		166,568	(166,568)
Mentorship Program		117,618	(117,618)
New Member Programs	53,200	298,329	(245,129)
NW Lawyer	538,350	659,707	(121,357)
Office of General Counsel		824,591	(824,591)
Office of General Counsel Disciplinary Board		306,846	(306,846)
Outreach and Engagement		387,527	(387,527)
Practice of Law Board		118,633	(118,633)
Practice Management Assistance	15,000	214,142	(199,142)
Professional Responsibility Program		284,923	(284,923)
Public Service Programs	105,000	452,092	(347,092)
Publication and Design Services		162,381	(162,381)
Sections Administration	308,000	475,058	(167,058)
Technology		1,491,590	(1,491,590)
Total General Fund	18,913,199	19,645,474	(732,275)
Operating Loss for FY 2018			(732,275)
Percent Increase Over FY17 Budget	12%	4%	
Depreciation			315,638
Straight Line Rent			143,635
Capital Labor			(194,000)
Net Cash Flow From FY 2018 Operations			(467,002)
Continuing Legal Education	1,862,235	1,705,736	156,499
Deskbooks	170,000	341,008	(171,008)
Continuing Legal Education	2,032,235	2,046,744	(14,509)
Operating Loss for FY 2018			(14,509)
Percent Decrease Over FY17 Budget	-21%	-11%	
Sections Operations	613,210	903,363	(290,153)
Client Protection Fund	992,500	566,813	425,687
Western States Bar Conference	49,900	46,860	3,040
	\$ 22,601,044	\$ 23,209,254	\$ (608,210)

EXHIBIT C

WASHINGTON STATE BAR ASSOCIATION

Statement of Activities
For the Year Ended September 30, 2017

	Revenues	Expenses	Revenues Over (Under) Expenses
Unrestricted - General:			
Access to Justice Board	\$ 9,785	\$ 284,444	\$ (274,659)
Administration	118,824	1,021,674	(902,850)
Admissions / Bar Exam	1,359,865	1,110,933	248,932
Board of Governors and Office of the Executive Director		774,927	(774,927)
Communications	19,309	1,582,412	(1,563,103)
Discipline	111,472	5,374,154	(5,262,682)
Diversity	90,275	381,269	(290,994)
Foundation		154,243	(154,243)
Human Resources		372,786	(372,786)
Law Clerk Program	108,050	85,399	22,651
Law Office Management Assistance Program	3,510	188,311	(184,801)
Lawyer Assistance Program	8,560	178,314	(169,754)
Legislative		198,102	(198,102)
Licensing Fees	13,512,188		13,512,188
Licensing and Membership Records	333,582	585,230	(251,648)
Limited License Legal Technician	13,448	202,956	(189,508)
Limited Practice Officers	146,986	157,599	(10,613)
Mandatory Continuing Legal Education Administration	722,297	718,481	3,816
Member Benefits	25,870	73,540	(47,670)
Mentorship Program		155,219	(155,219)
New Lawyer Education	36,217	284,623	(248,406)
NW Lawyer	544,535	613,747	(69,212)
Office of General Counsel	150	797,513	(797,363)
Office of General Counsel Disciplinary Board		256,269	(256,269)
Practice of Law Board		120,785	(120,785)
Professional Responsibility Program		247,054	(247,054)
Public Service Programs	94,271	408,451	(314,180)
Sections Administration	325,655	458,771	(133,116)
Technology		1,352,428	(1,352,428)
Total Unrestricted - General	\$ 17,584,849	\$ 18,139,634	\$ (554,785)
Unrestricted - Continuing Legal Education:			
Products	\$ 1,105,317	\$ 633,418	\$ 471,899
Seminars	881,401	1,324,285	(442,884)
Total Unrestricted - Continuing Legal Education	\$ 1,986,718	\$ 1,957,703	\$ 29,015
Unrestricted - Sections Operations	\$ 660,677	\$ 675,588	\$ (14,911)
Western States Bar Conference	\$ 67,950	\$ 59,276	\$ 8,674
Client Protection Fund	\$ 1,028,663	\$ 432,586	\$ 596,077

Presentation to the Audit Committee of



January 10, 2019

Mitch Hansen
mhansen@clarknuber.com
425.709.6697

Joe Purvis
jpurvis@clarknuber.com
425.709.4804

Service Scope & Deliverables for the Year Ended September 30, 2018

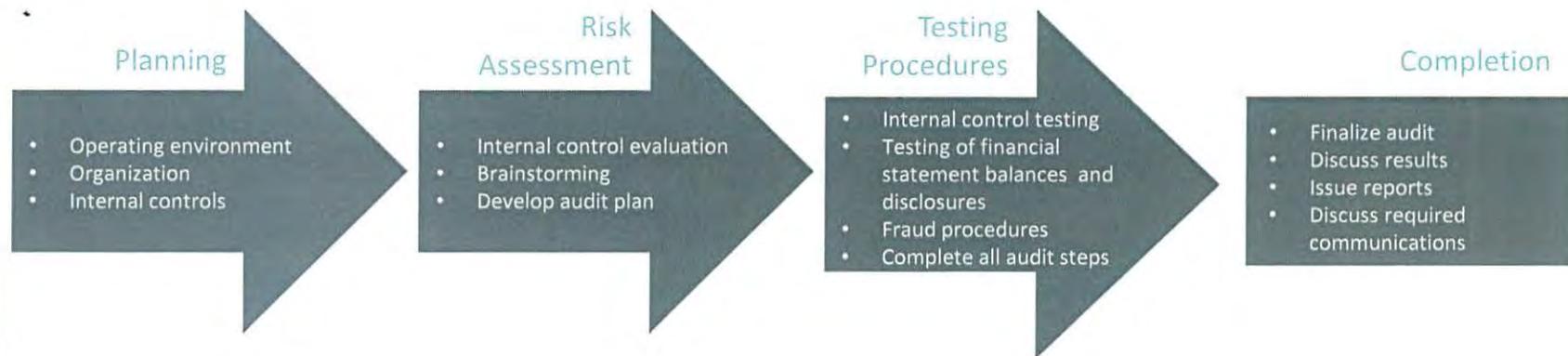
- Consolidated financial statement audit
- Agreed-upon procedures over the Special Report on Budget Summary
- Other services
 - Preparation of draft financial statements in conjunction with the audit
 - Routine management advice, as requested

Financial Statement Audit

Purpose

- Issue an opinion (“*audit report*”) that accompanies your annual financial statements
- Gives assurance to users of the financial statements (*lenders, funders, Board of Directors, etc.*) that the information you have reported in the financial statements is materially correct

Process



Areas of Financial Statement Audit Emphasis

Critical Audit Areas

- Revenue recognition
- Consolidation of WSBF

Financial Statement Estimates

- Fixed assets lives
- Functional allocation of expenses

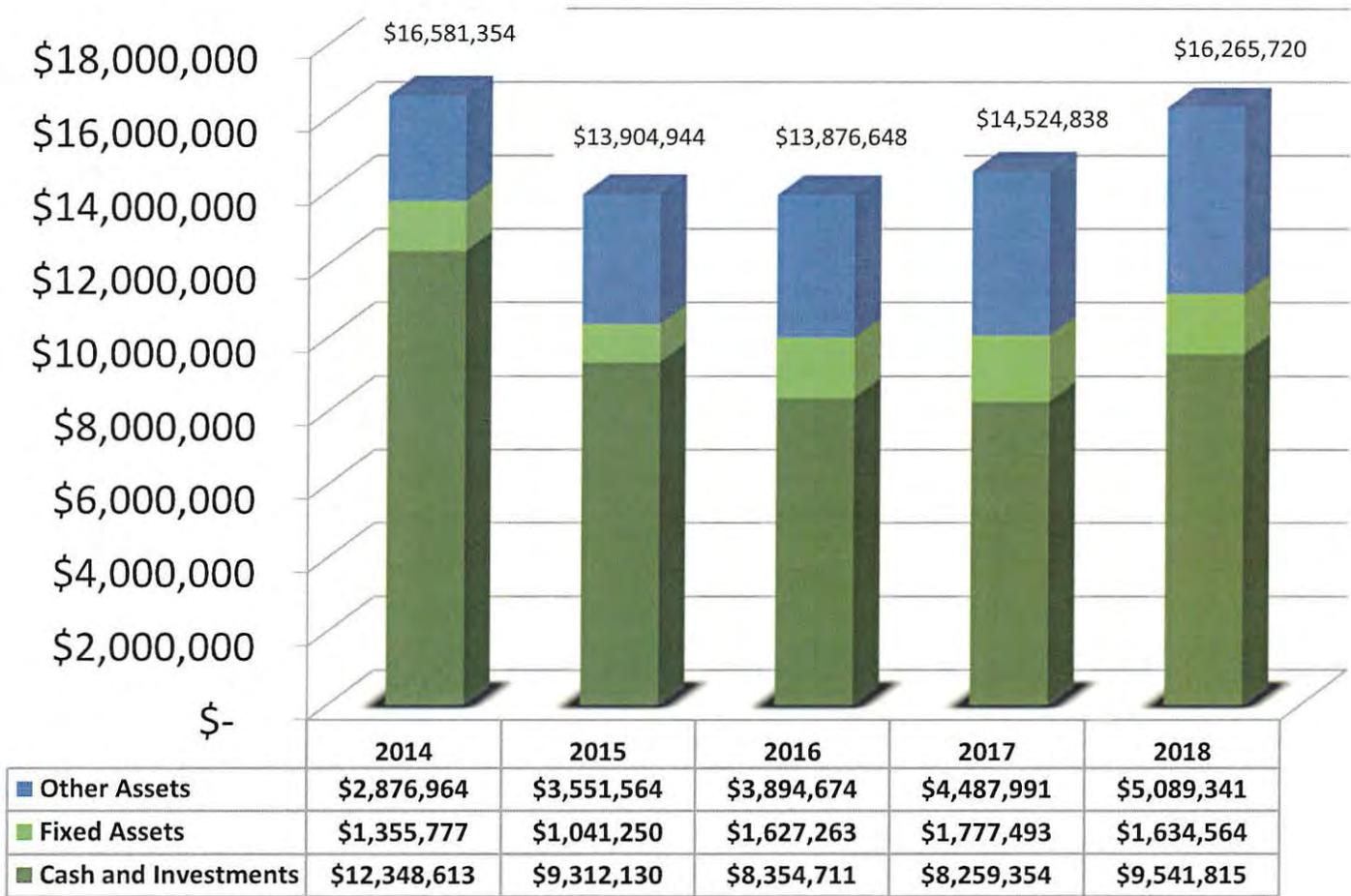
Internal Controls in the Following Areas:

- Service revenue, receivables, and cash receipts
- Contribution revenue, receivables, and cash receipts
- Accounts payable, payroll, and related disbursements
- Information technology
- Financial reporting and closing
- Entity level controls

Financial Statement Audit Results This Year

- “Unmodified” opinion issued
 - Indicates the financial statements are materially correct and we did not find any reason to modify our opinion
- Audit adjustments
 - No auditor-proposed adjustments or uncorrected misstatements
- Internal control deficiencies
 - No material weaknesses in accounting controls or information systems noted

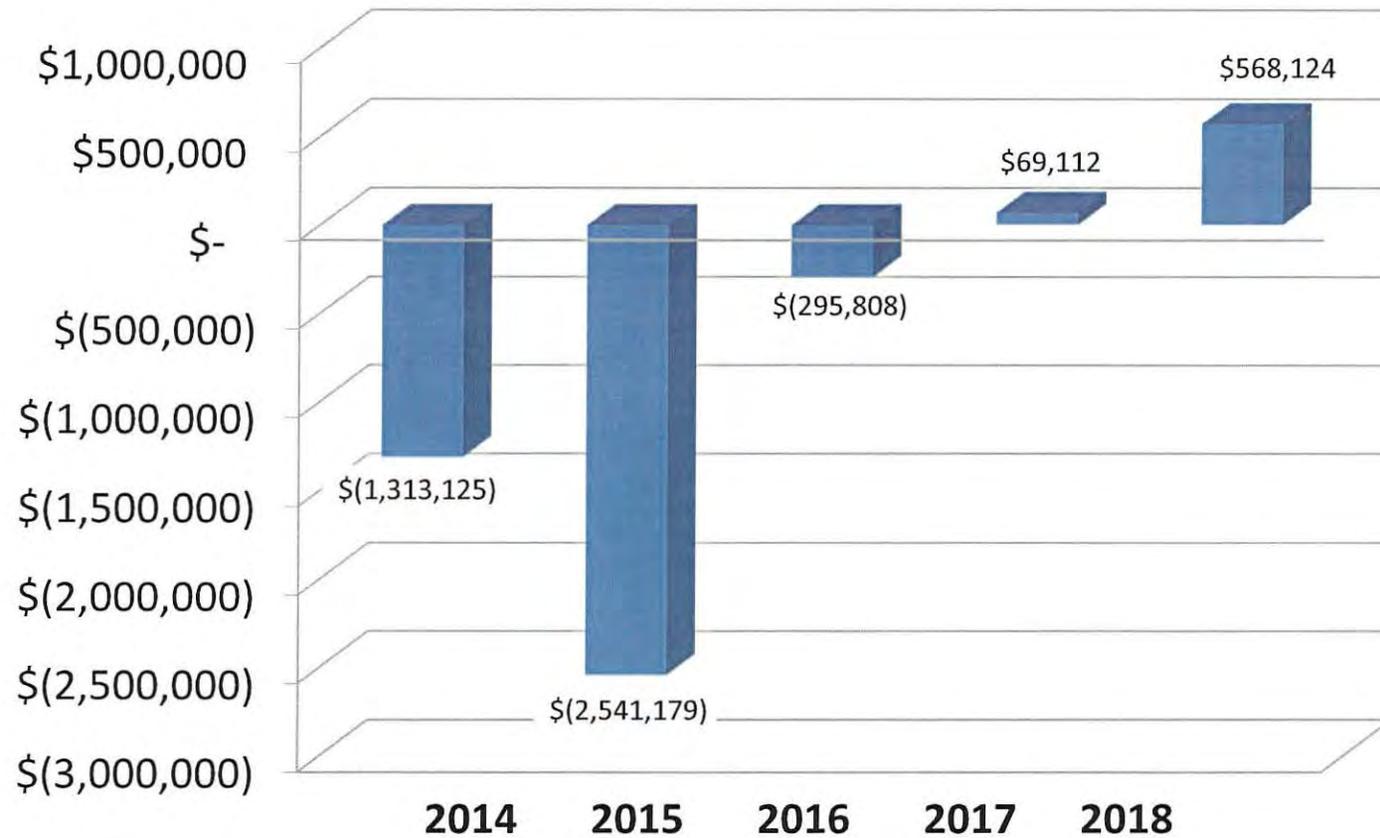
Total Assets



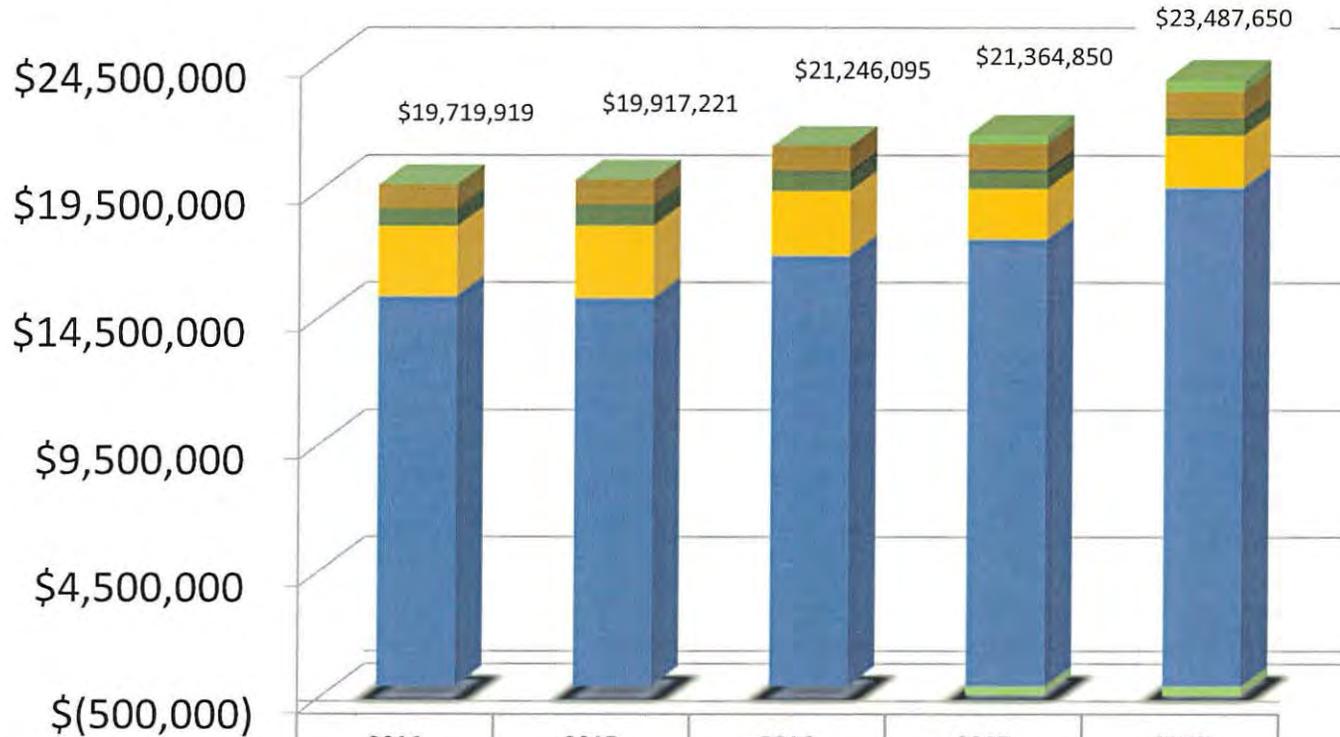
Liabilities & Net Assets



Change in Net Assets

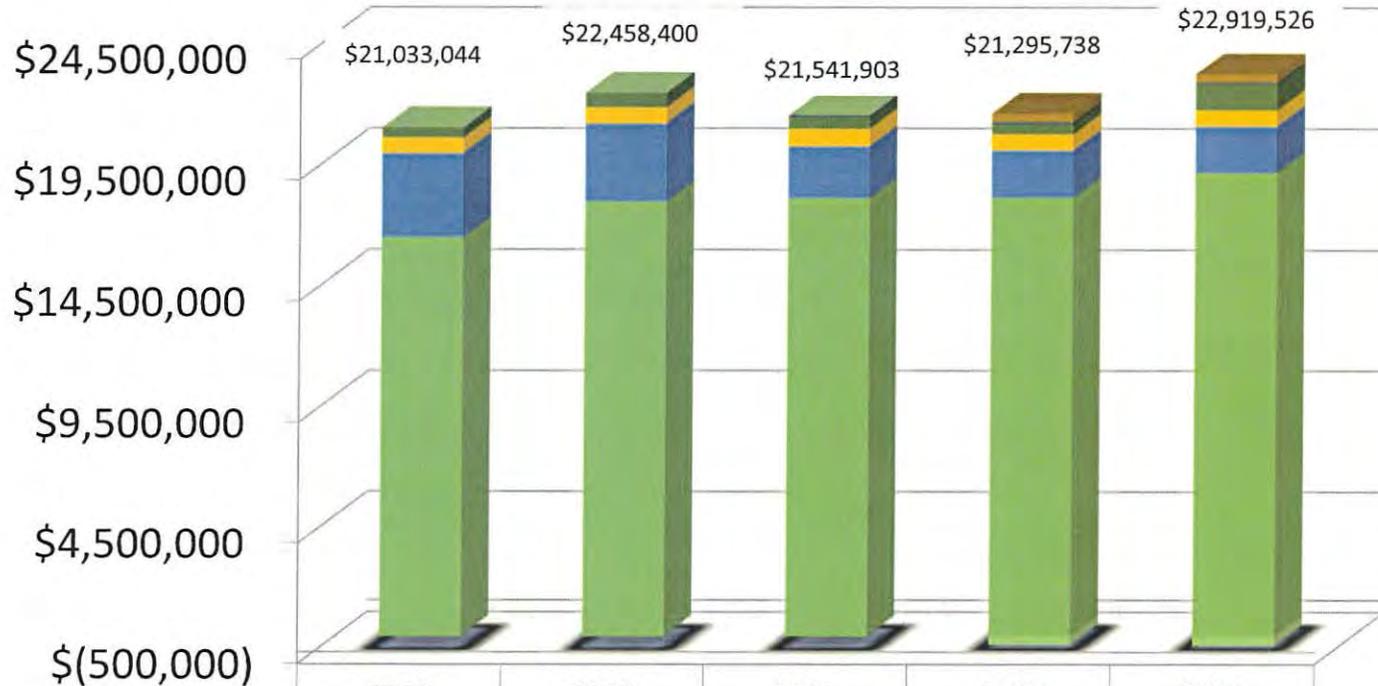


Revenues



	2014	2015	2016	2017	2018
■ Eliminations	\$-	\$-	\$-	\$(334,416)	\$(357,270)
■ Washington State Bar Foundation	\$-	\$-	\$-	\$370,409	\$449,917
■ Client Protection Fund	\$953,633	\$993,740	\$1,004,168	\$1,028,663	\$1,068,753
■ Western States Bar Conference	\$-	\$11,193	\$49,759	\$67,950	\$43,050
■ Sections Operations	\$685,338	\$802,103	\$710,461	\$660,677	\$618,165
■ Continuing Legal Education	\$2,745,199	\$2,844,182	\$2,544,580	\$1,986,718	\$2,050,445
■ General	\$15,335,749	\$15,266,003	\$16,937,127	\$17,584,849	\$19,614,590

Expenses



	2014	2015	2016	2017	2018
Eliminations	\$-	\$-	\$-	\$(334,416)	\$(357,270)
Washington State Bar Foundation	\$-	\$-	\$-	\$365,367	\$369,460
Western States Bar Conference	\$-	\$80	\$49,914	\$59,276	\$54,342
Client Protection Fund	\$421,225	\$595,461	\$502,235	\$432,586	\$1,083,063
Sections Operations	\$639,460	\$646,815	\$727,529	\$675,588	\$655,549
Continuing Legal Educaion	\$3,478,908	\$3,249,507	\$2,141,102	\$1,957,703	\$1,931,902
General	\$16,493,451	\$17,966,537	\$18,121,123	\$18,139,634	\$19,182,480

Other Required Communications

Professional standards established by the AICPA require independent auditors to communicate certain matters directly to those charged with governance. This report presents a brief explanation of each of the communication requirements and our response as it relates to your organization.

Items to be Communicated	Auditor's Response
Auditor's responsibility under U.S. Auditing Standards.	Communicated in engagement letter.
Representations requested from management.	Communicated in representation letter.
Significant difficulties encountered during audit.	None.
Disagreements with management.	None.
Major issues discussed prior to retention.	None.
Consultation with other accountants.	None we are aware of.
Fraud or noncompliance with laws and regulations.	No such matters came to our attention.
Consideration of entity's ability to continue as a going concern.	No such matters require disclosure.
Other information in documents containing audited financial statements.	We are not aware of any plans to include the audited financial statements in other documents.
Qualitative aspects of accounting practices.	Policies and procedures and estimates are consistent with prior years and with practices we see at similar organizations.
Significant audit issues.	No matters were discussed.
Significant audit adjustments or uncorrected misstatements	None were identified

Not-for-Profit Financial Reporting Standard (ASU 2016-14)

EFFECTIVE FOR CALENDAR YEARS 2018 AND FISCAL YEARS 2019

Net Asset Classifications

- 2 classes of net assets – net assets with donor restrictions and net assets without donor restrictions
- New disclosure about board designations on net assets
- Changes to accounting and disclosures for underwater endowments
- Required to use the placed-in-service approach for accounting for donor restrictions on gifts of/for property and equipment

Liquidity and Availability Disclosures

- New disclosures about managing liquidity and the availability of financial assets

Reporting Expenses

- Required disclosure and analysis of expenses by function and nature
- Required disclosure about methods used to allocate expenses on a functional basis

Investment Return

- Investment return required to be reported net of related external and direct internal expenses
- No longer required to disclose components of investment return

Statement of Cash Flows

- No longer required to present indirect reconciliation if direct method is used to report operating cash flows

Looking Ahead: New FASB Standards

Revenue Recognition of Contracts with Customers – effective calendar year ending 2019 (FY 2020)

- Applies to contracts with customers.
- Recognizes revenue when (or as) the entity satisfies a performance obligation in the contract.

Revenue Recognition of Grants and Contracts – effective calendar year ending 2019 (FY 2020)

- Enhanced guidance to distinguish between exchange and contributed (nonexchange) revenue.
- Clarification of when a contribution contains a donor-stipulated condition.

Leases – effective calendar year ending 2020 (FY 2021)

- Lessees to recognize all leases as liabilities on the balance sheet.
- Expense recognition to remain the same for operating and financing (capital) leases.

Emerging Issues: Risk Management

TOP 10 RISK ISSUES (Source: Protiviti ERM Survey – All Industries)	
2017	2018
Economic conditions	Rapid speed of disruptive innovations and new technologies
Regulatory changes and scrutiny	Resistance to change in operations
Cyber threats	Cyber threats
Rapid speed of disruptive innovations and new technologies	Regulatory changes and scrutiny
Privacy or identity management and information security	Organization culture hindering escalation of risk issues
Succession challenges, ability to attract and retain talent	Succession challenges, ability to attract and retain talent
Global market and currency volatility	Privacy or identity management of information security
Organization culture hindering escalation of risk issues	Economic conditions
Resistance to change in operations	Inability to utilize data analytics
Sustaining customer (donor) loyalty and retention	Existing operations falling short of performance expectations

Your Engagement Team

Mitch Hansen, CPA
Shareholder
mhansen@clarknuber.com
425.709.6697

Joe Purvis, CPA
Manager
jpurvis@clarknuber.com
425.709.4808

Erika Ukkestad, CPA
Manager
eukkestad@clarknuber.com
425.709.4856

Kristie Ryser, CPA
Associate
kryser@clarknuber.com
425.635.7433

Colleen Donovan
Associate
cdonovan@clarknuber.com
425.709.4850

Opportunities for Continuing Education

We offer external educational opportunities, including a variety of events and training sessions that can provide added benefit to you.



Upcoming Events

- Not-for-Profit “basics” Workshop: January 14, 2019 – January 16, 2019

For more information visit www.clarknuber.com/news

About Clark Nuber



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WASHINGTON STATE BAR ASSOCIATION

Office of General Counsel

To: The President, President-elect, and Board of Governors
From: Julie Shankland, General Counsel
Date: January 15, 2019
Re: WSBA Bylaws Provisions Regarding Congressional District Governor Vacancy due to Resignation

INFORMATION: Election process and timeline to fill District 1 Board of Governors vacancy.

The following is a summary of how vacancies caused by Congressional District Governor resignation are handled under the current WSBA Bylaws.

A vacancy due to a Governor's resignation is discussed in Bylaws Art. IV(A)(4)(a). The length of time remaining in the term determines how the resignation vacancy is filled.

Reason for Vacancy	Months remaining \leq 12	Months remaining $>$ 12
Resignation	BOG may leave position vacant until next election BOG may elect a replacement	BOG elects a replacement

Governor Cherry's term would have ended at the end of the final BOG meeting of the fiscal year ending on September 30, 2021, so more than 12 months remained when he resigned. The BOG must elect a candidate eligible for that position to serve as Governor until the next regularly scheduled election for that Governor position in 2021. (Art. IV.A.4.b.2)

Eligibility: Eligible candidates must: be an active member of the Bar residing in Congressional District 1 who has not previously served as a Governor for more than 18 months. (Art. VI.A.1)

Election Procedures:

- Notice of position posted on Bar's website and in NWLawyer no less than 30 days before filing deadline, including closing date and time for filing candidate applications;
- All candidate names posted publicly;
- BOG may appoint a committee to review timely applications and make recommendations to the BOG;
- All recommended candidates and others at the BOG's discretion will be interviewed in public session of a BOG meeting;
- BOG discusses candidates in public session;
- Candidates are not present for each other's interviews or for the BOG discussions;
- Election is by secret written ballot tallied by the Executive Director and two other people designated by the President;



- If no candidate receives a majority of the votes cast, there is a run-off election between the two candidates receiving the highest number of votes. If there is a tie for the second highest number of votes, all candidates who are tied participate in the run-off. Candidate with most votes in the run-off is deemed to be the elected candidate.
- The elected candidate is publicly announced.
(Art. VI.D.4)

Consistent with the procedures outlined in the Bylaws, below is an election timeline:

- Next week: Announcement placed on website and in *Take Note*, blast email sent to eligible members in District 1
- February: Announcement appears in *NWLawyer* magazine
- March 15: Deadline for applications
- Board of Governors elects new District 1 Governor at May 16-17, 2019, meeting in Yakima or at a special meeting that complies with the Bylaws timeline