

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON  
IN AND FOR THE COUNTY OF KING

THE PRESBYTERY OF SEATTLE, a  
Washington nonprofit corporation; and  
THE FIRST PRESBYTERIAN CHURCH  
OF SEATTLE, a Washington nonprofit  
corporation,

Plaintiffs,

v.

JEFF SCHULZ and ELLEN SCHULZ, as  
individuals and as the marital community  
comprised thereof,

Defendants.

No. 16-2-03515-9 SEA  
No. 16-2-23026-1 SEA  
Consolidated

SECOND DECLARATION OF NEIL  
J. BEATON IN SUPPORT OF  
PLAINTIFFS' AMENDED MOTION  
FOR SUMMARY JUDGMENT IN  
*PRESBYTERY II*

I, Neil J. Beaton, pursuant to RCW 9A.72.085, declare as follows:

1. I am a Managing Director with Alvarez & Marsal Valuation Services, LLC ("A&M"). I am competent to testify regarding the matters set forth in this declaration, and I make this declaration on the basis of personal knowledge and, where appropriate, my review of the records of The First Presbyterian Church of Seattle ("FPCS") and other documents identified in my expert reports.

1           2.       I prepared a declaration, dated January 23, 2017, which was filed with the  
2 Court on January 30, 2017. My background and qualifications are described at paragraphs  
3 1 through 3 in my initial declaration; that declaration includes my Expert Report, dated  
4 November 18, 2016, as “Exhibit A”, and my Supplemental Expert Report, dated  
5 December 13, 2016, as “Exhibit B”. My curriculum vitae, testimony summary, and  
6 presentations and publications are attached, respectively, to each of those reports. In this  
7 declaration, I reaffirm and, as appropriate, incorporate by reference my previous  
8 declaration and two previous reports.  
9

10           3.       In 2013, Jeff and Ellen Schulz received payments that were made outside  
11 of FPCS’s payroll-processing software, i.e., these payments were made “under-the-table.”  
12 Jeff Schulz received a \$15,000 bonus that was paid in three checks (\$832.76 on July 5,  
13 2013; \$10,000 on July 17, 2013; and \$4,167.24 on August 28, 2013). Year-end entries to  
14 the accounting system incorrectly reflect the payment date for these payments as  
15 December 2013 (rather than July and August 2013). Ultimately, the \$15,000 bonus to Jeff  
16 Schulz was included as part of the Schulzes’ taxable income in 2013.  
17

18           4.       FPCS also paid the Schulzes’ December 2013 salary payments outside of  
19 payroll in four checks, rather than through FPCS’s payroll-processing software. The  
20 Schulzes did not record these payments as part of their taxable income in 2013.  
21

22           5.       I reviewed the Declaration of David L. Martin in Support of Defendants’  
23 Opposition to Motion for Summary Judgment dated March 3, 2017 (the “Martin  
24 Declaration”). The Martin Declaration stated, “I suggested that FPCS provide the  
25 Schulzes with a loan or advance in lieu of their December 2013 salaries, which would be

1 forgiven or repaid and reported as part of the Schulzes' income in future years (the  
2 'Loan'). FPCS made the Loan payments in December 2013 outside of payroll in order to  
3 comply with Generally Accepted Accounting Principles ("GAAP") and Internal Revenue  
4 Service ('IRS') code, regulation, and guidelines."<sup>1</sup> Mr. Martin continued, "FPCS  
5 recorded an asset in the FPCS accounting records for the Loan to the Schulzes."<sup>2</sup>  
6

7 6. As shown in the attached **Exhibit A**, which summarizes the Schulzes'  
8 December 2013 payments, FPCS recorded these transactions as an expense to account  
9 "66900 – Reconciliation Discrepancies" in 2013 and did not record them as an asset. I  
10 have reviewed FPCS general ledgers from 2013 through November 15, 2016, and FPCS  
11 never recorded an asset for a "Loan" to the Schulzes, contrary to the Martin Declaration.  
12

13 7. Under GAAP, the nature of a transaction would be examined to determine  
14 the appropriate characterization of a transaction. I have not been provided with any  
15 persuasive evidence indicating that the payments in December 2013 to the Schulzes were  
16 anything other than the Schulzes' net salary. In addition to recording the "Loan" in the  
17 accounting records, which did not occur, I would have expected a loan agreement to have  
18 been executed detailing the terms, interest rate, and repayment schedule, among other  
19 items to substantiate that these transactions were in fact loans rather than salary payments.  
20

21 8. The Martin Declaration stated, "In approximately December 2013, the  
22 Board approved repayment or forgiveness of \$2,817.80 of the \$15,000." Mr. Martin has  
23 confused the \$15,000 bonus received by Jeff Schulz with the December 2013 salary  
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25 <sup>1</sup> Declaration of David L. Martin in Support of Defendants' Opposition to Motion for Summary Judgment  
dated March 3, 2017, page 6.

<sup>2</sup> Ibid.

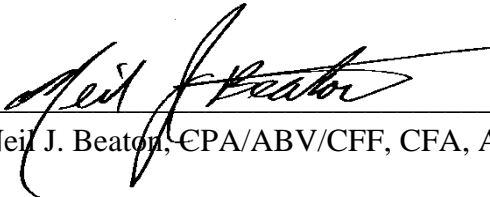
1 payments that totaled \$12,182.20. Mr. Martin incorrectly determined that the variance of  
2 \$2,817.80 between the bonus and the December 2013 salary payments was paid or  
3 forgiven. The hypothetical “Loan” would have been recorded at \$12,182.20 and not at  
4 \$15,000, and therefore repayments or forgiveness would not have been necessary. I have  
5 searched FPCS’s general ledgers for \$2,817.80 from 2013 through November 15, 2016,  
6 and could not locate this specific amount, which in theory would have been recorded  
7 against the alleged asset.  
8

9 9. Contrary to the Martin Declaration, it is my opinion that Jeff and Ellen  
10 Schulz were paid “under-the-table” for their regular net salaries in December 2013 and  
11 that their December 2013 wages were not deferred or recorded as a loan as indicated by  
12 Mr. Martin. I have not received any evidence indicating that their December 2013 wages  
13 should be recorded as a loan. It is my opinion that the very concept of “Loans” between  
14 FPCS and the Schulzes did not exist before the Martin Declaration. In my opinion, Mr.  
15 Martin appears to have contrived an explanation for the December 2013 salary payments  
16 and then attempted to clothe that explanation with technical terms from GAAP and the  
17 Internal Revenue Code to create a sense of legitimacy. In my opinion, he has failed at  
18 both endeavors.  
19

20 10. In addition, it is my opinion that the Martin Declaration has confused the  
21 \$15,000 bonus received by Jeff Schulz with the December 2013 salary payments that  
22 totaled \$12,182.20. Therefore, Mr. Martin has inappropriately derived the “Board  
23 approved repayment or forgiveness of \$2,817.80 of the \$15,000,” which even if  
24 appropriate, was never recorded in FPCS’s accounting records.  
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1 I declare under penalty of perjury under the laws of the State of Washington that  
2 the foregoing is true and correct.

3  
4 EXECUTED this 13<sup>th</sup> day of March 2017 at Seattle, Washington.

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8 Neil J. Beaton, CPA/ABV/CFF, CFA, ASA  
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# **EXHIBIT A**

**First Presbyterian Church of Seattle 2013**  
**General Ledger**  
 As of December 31, 2013

Account	Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit
66900 · Reconciliation Discrepancies	Check	12/13/2013	30036		Jeff & Ellen Schulz	Ellen's salary in leu of December 1-15 Paycheck , per David Martin	101130 · Key Bank Checking -Main	2,211.59	
66900 · Reconciliation Discrepancies	Check	12/13/2013	30037		Jeff & Ellen Schulz	Jeff ' s salary in leu of December 1-15 Paycheck , per David Martin	101130 · Key Bank Checking -Main	3,879.51	
66900 · Reconciliation Discrepancies	Check	12/30/2013	30086		Jeff & Ellen Schulz	Jeff ' s salary in leu of December 16-31 Paycheck , per David Martin	101130 · Key Bank Checking -Main	3,879.51	
66900 · Reconciliation Discrepancies	Check	12/30/2013	30087		Jeff & Ellen Schulz	Ellen ' s salary in leu of December 16-31 Paycheck , per David Martin	101130 · Key Bank Checking -Main	2,211.59	