

**STATE BAR OF NEW MEXICO
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**STATE BAR OF NEW MEXICO AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
COMBINED STATEMENTS OF FINANCIAL POSITION	3
COMBINED STATEMENTS OF ACTIVITIES	4
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES	6
COMBINED STATEMENTS OF CASH FLOWS	8
NOTES TO COMBINED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS OF FINANCIAL POSITION	28
COMBINING STATEMENTS OF ACTIVITIES	32
COMBINING STATEMENTS OF FUNCTIONAL EXPENSES	36



INDEPENDENT AUDITORS' REPORT

Board of Bar Commissioners
State Bar of New Mexico and
New Mexico State Bar Foundation
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying combined financial statements of the State Bar of New Mexico and New Mexico State Bar Foundation (collectively, the Organization), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the combined financial statements, in 2019 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the combined financial statements, management has adopted (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information for the years ended December 31, 2019 and 2018 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 19, 2020

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,840,923	\$ 2,174,989
Certificates of Deposit	506,563	502,728
Accounts Receivable, Net:		
Grants	19,997	40,835
Program Services/Trade	30,888	80,140
Prepaid Expenses	72,628	51,398
Inventory	-	6,682
Total Current Assets	<u>3,470,999</u>	<u>2,856,772</u>
OTHER ASSETS		
Cash for Pass-Through Obligations	1,049,988	1,274,959
PROPERTY AND EQUIPMENT		
Bar Center, Net	1,746,046	1,813,951
Furniture and Equipment, Net	<u>95,439</u>	<u>152,415</u>
Total Property and Equipment	<u>1,841,485</u>	<u>1,966,366</u>
Total Assets	<u><u>\$ 6,362,472</u></u>	<u><u>\$ 6,098,097</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 161,461	\$ 212,729
Payroll and Related Liabilities	133,446	122,744
Accrued Expenses	16,716	8,676
Accrued Income Tax	-	3,722
Pass-Through Obligations	1,588,807	1,400,235
Deferred Revenue	822,545	446,921
Current Maturities of Long-Term Debt	59,040	56,982
Obligations Under Financing Leases - Current Portion	<u>3,950</u>	<u>99,490</u>
Total Current Liabilities	<u>2,785,965</u>	<u>2,351,499</u>
LONG-TERM LIABILITIES		
Long-Term Debt - Noncurrent Portion	1,325,507	1,384,539
Obligations Under Financing Leases - Noncurrent Portion	16,739	-
Pass-Through Obligations	<u>202,227</u>	<u>625,575</u>
Total Long-Term Liabilities	<u>1,544,473</u>	<u>2,010,114</u>
Total Liabilities	4,330,438	4,361,613
NET ASSETS		
Without Donor Restrictions	856,431	673,125
With Donor Restrictions	<u>1,175,603</u>	<u>1,063,359</u>
Total Net Assets	<u>2,032,034</u>	<u>1,736,484</u>
Total Liabilities and Net Assets	<u><u>\$ 6,362,472</u></u>	<u><u>\$ 6,098,097</u></u>

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS, AND PUBLIC SUPPORT		
Member Dues	\$ 2,097,284	\$ 2,025,212
Continuing Legal Education Fees	924,545	1,053,339
Publications	308,870	376,498
Grants	284,088	289,576
Minimum Continuing Legal Education	248,284	46,541
Administration Fees	227,850	134,174
Contributions and Other	206,775	200,084
Professional Development Center Rental	129,039	117,592
Client Protection Fund	126,209	124,151
Legal Specialization	<u>7,000</u>	<u>29,217</u>
Total Revenues, Gains, and Public Support Without Donor Restrictions	4,559,944	4,396,384
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Program Restrictions	<u>240,345</u>	<u>124,554</u>
Total Net Assets Released From Restrictions	<u>240,345</u>	<u>124,554</u>
Total Revenues, Gains, and Public Support Without Donor Restrictions	4,800,289	4,520,938
EXPENSES		
Administration/ Regulatory Programs	1,855,358	1,847,727
Membership Program and Services	549,330	513,047
Center for Legal Education (CLE)	544,347	636,325
Legal Services to the Public	372,458	357,971
Bar Center/Professional Development Center (PDC)	283,419	269,351
Communications/Publications	233,566	294,940
Judges and Lawyers Assistance Program (JLAP)	185,544	67,300
Committees and Divisions	116,979	82,668
Entrepreneurs in Community Lawyering (ECL)	107,196	111,228
Minimum Continuing Legal Education (MCLE)	96,462	44,811
Governance/Board of Bar Commissioners	88,359	83,807
Bridge the Gap Mentorship Program	83,622	42,171
Practice Area Sections	54,801	57,254
Client Protection Fund	35,647	55,429
Pro Bono Committees	<u>9,893</u>	<u>13,156</u>
Total Expenses	<u>4,616,981</u>	<u>4,477,185</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	183,308	43,753

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Judges and Lawyers Assistance Program (JLAP)	\$ 288,851	\$ 409,511
Client Protection Fund	-	100,000
Practice Area Sections	<u>63,736</u>	<u>58,565</u>
Revenue With Donor Restrictions	352,587	568,076
NET ASSETS RELEASED FROM DONOR RESTRICTIONS		
Practice Area Sections	(54,801)	(57,254)
Judges and Lawyers Assistance Program (JLAP)	<u>(185,544)</u>	<u>(67,300)</u>
Releases With Donor Restrictions	<u>(240,345)</u>	<u>(124,554)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>112,242</u>	<u>443,522</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	295,550	487,275
NONOPERATING ACTIVITIES		
Inherent Contribution from Acquisition	<u>-</u>	<u>153,880</u>
CHANGES IN NET ASSETS	295,550	641,155
Net Assets - Beginning of Year	<u>1,736,484</u>	<u>1,095,329</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,032,034</u></u>	<u><u>\$ 1,736,484</u></u>

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services								Support Services				
	Bar Center/ Professional Development Center (PDC)	Office of General Counsel and Regulatory Programs	Law Practice Management and Member Services	Member Communications/ Publications	Center for Legal Education (CLE)	Legal Services to the Public	Pro Bono Committees	Total Program Expense	Administration	Governance/ Board of Bar Commissioners	Total Support Expense	Fundraising	Total
Advertising and Marketing	\$ -	\$ 639	\$ -	\$ -	\$ -	\$ 1,052	\$ -	\$ 1,691	\$ 206	\$ -	\$ 206	\$ 292	\$ 2,189
Awards, Honors and Recognition	-	-	1,980	-	-	-	-	1,980	4,426	-	4,426	28,003	34,409
Bad Debt	-	-	-	-	-	-	-	-	1,189	-	1,189	-	1,189
Bank Fees	-	-	-	-	22,460	-	-	22,460	85,953	-	85,953	-	108,413
Compensation, Taxes, and Benefits	158,007	391,221	304,320	367,915	220,046	359,146	-	1,800,655	665,783	23,675	689,458	-	2,490,113
Conferences, Conventions, and Meetings	84	12,571	97,686	957	1,172	409	-	112,879	15,271	72,040	87,311	-	200,190
Depreciation	93,163	-	-	-	-	-	-	93,163	115,493	-	115,493	-	208,656
Dues and Subscriptions	-	725	184	135	658	1,726	-	3,428	8,049	-	8,049	-	11,477
Education and Training	-	-	1,441	-	-	-	-	1,441	2,695	-	2,695	-	4,136
Furniture and Equipment	1,163	-	906	-	868	279	-	3,216	10,093	-	10,093	-	13,309
Information Technology	-	20,299	-	2,160	65,225	1,979	-	89,663	200,632	-	200,632	-	290,295
Insurance	-	557	8,610	-	-	1,856	-	11,023	52,070	-	52,070	756	63,849
Interest	54,475	-	-	2,694	-	-	-	57,169	-	-	-	-	57,169
Office Supplies	128	70	136	256	136	342	-	1,068	4,964	-	4,964	314	6,346
Outreach	-	-	14,402	-	-	-	-	14,402	1,854	2,401	4,255	-	18,657
Professional Fees	-	1,200	-	-	-	-	-	1,200	29,705	-	29,705	-	30,905
Postage and Delivery	-	723	1,059	64,940	404	1,962	-	69,088	9,592	-	9,592	-	78,680
Repairs, Maintenance, Occupancy, and Overhead	166,981	6,219	2,823	-	-	-	-	176,023	38,771	-	38,771	-	214,794
Services Provided to Members	-	32,062	101,370	160,162	233,377	-	-	526,971	80,000	5,893	85,893	-	612,864
Services Provided to the Public	-	22,093	43,343	-	-	3,707	9,893	79,036	-	-	-	-	79,036
Taxes and Fees	-	-	-	3,610	-	-	-	3,610	46,846	-	46,846	-	50,456
Other	-	-	11,053	-	-	-	-	11,053	13,823	8,025	21,848	6,948	39,849
Total Expenses	\$ 474,001	\$ 488,379	\$ 589,313	\$ 602,829	\$ 544,346	\$ 372,458	\$ 9,893	\$ 3,081,219	\$ 1,387,415	\$ 112,034	\$ 1,499,449	\$ 36,313	\$ 4,616,981

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

	Program Services								Support Services				
	Bar Center/ Professional Development Center (PDC)	Office of General Counsel and Regulatory Programs	Law Practice Management and Member Services	Member Communications/ Publications	Center for Legal Education (CLE)	Legal Services to the Public	Pro Bono Committees	Total Program Expense	Administration	Governance/ Board of Bar Commissioners	Total Support Expense	Fundraising	Total
Advertising and Marketing	\$ -	\$ 650	\$ -	\$ -	\$ -	\$ 1,050	\$ -	\$ 1,700	\$ 1,791	\$ -	\$ 1,791	\$ 241	\$ 3,732
Awards, Honors and Recognition	-	-	3,265	-	-	-	-	3,265	3,109	13	3,122	19,736	26,123
Bad Debt	-	-	-	-	-	-	-	-	969	-	969	-	969
Bank Fees	-	-	-	-	24,147	-	-	24,147	65,647	-	65,647	-	89,794
Compensation, Taxes, and Benefits	161,647	325,818	245,868	358,040	157,508	347,421	-	1,596,302	715,254	27,229	742,483	-	2,338,785
Conferences, Conventions, and Meetings	-	6,206	59,577	-	1,707	43	-	67,533	15,090	68,612	83,702	-	151,235
Depreciation	90,023	-	-	-	542	225	-	90,790	124,106	-	124,106	-	214,896
Dues and Subscriptions	361	225	418	-	417	2,321	-	3,742	9,037	-	9,037	-	12,779
Education and Training	-	-	3,927	-	-	-	-	3,927	3,414	-	3,414	-	7,341
Furniture and Equipment	485	116	2,769	716	2,489	1,583	-	8,158	8,879	-	8,879	-	17,037
Information Technology	-	2,438	-	2,160	91,409	2,299	-	98,306	207,617	-	207,617	-	305,923
Insurance	-	551	10,069	-	-	3,917	-	14,537	49,902	-	49,902	707	65,146
Interest	55,945	-	-	8,374	-	-	-	64,319	-	-	-	-	64,319
Office Supplies	72	132	2,224	-	384	387	-	3,199	5,260	122	5,382	944	9,525
Outreach	-	-	14,619	-	-	-	-	14,619	3,468	5,098	8,566	-	23,185
Professional Fees	-	1,200	-	-	-	-	-	1,200	28,250	-	28,250	-	29,450
Postage and Delivery	-	14	2,832	100,628	502	1,847	-	105,823	9,959	89	10,048	-	115,871
Repairs, Maintenance, Occupancy, and Overhead	156,654	5,239	2,741	-	-	-	-	164,634	42,563	-	42,563	-	207,197
Services Provided to Members	-	-	106,032	187,846	294,334	-	-	588,212	-	-	-	-	588,212
Services Provided to the Public	-	43,054	53,867	-	-	3,722	13,156	113,799	-	-	-	-	113,799
Taxes and Fees	19,691	-	-	3,590	-	-	-	23,281	40,363	-	40,363	-	63,644
Other	-	2,215	2,912	-	-	-	-	5,127	6,621	9,872	16,493	6,603	28,223
Total Expenses	\$ 484,878	\$ 387,858	\$ 511,120	\$ 661,354	\$ 573,439	\$ 364,815	\$ 13,156	\$ 2,996,620	\$ 1,341,299	\$ 111,035	\$ 1,452,334	\$ 28,231	\$ 4,477,185

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Without Donor Restrictions	\$ 183,308	\$ 43,753
Change in Net Assets With Donor Restrictions	112,242	443,522
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	208,656	214,896
Bad Debt	1,189	(969)
Inherent Contribution from Acquisition	-	153,880
(Increase) Decrease in Assets:		
Accounts Receivable	68,901	(34,618)
Prepaid Expenses and Inventory	(14,548)	20,499
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(32,526)	48,199
Accrued Income Tax	(3,722)	(1,191)
Pass-Through Obligations	(234,776)	(925,195)
Deferred Revenue	375,624	(418,417)
Net Cash Provided (Used) by Operating Activities	<u>664,348</u>	<u>(455,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested Interest	(3,835)	-
Proceeds from Redemption of Certificates of Deposit	-	1,003,283
Purchase of Certificates of Deposit	-	(250,000)
Purchase of Assets	<u>(61,523)</u>	<u>(41,609)</u>
Net Cash Provided (Used) by Investing Activities	<u>(65,358)</u>	<u>711,674</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(56,973)	(54,860)
Principal Payments on Financing leases	<u>(101,054)</u>	<u>(103,100)</u>
Net Cash Used by Financing Activities	<u>(158,027)</u>	<u>(157,960)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	440,963	98,073
Cash and Cash Equivalents - Beginning of Year	<u>3,449,948</u>	<u>3,351,875</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,890,911</u></u>	<u><u>\$ 3,449,948</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash investing and financing transaction:		
Lease of equipment	22,252	-
Financing lease obligation	(22,252)	-
Cash Paid During the Year for:		
Interest	\$ 54,475	\$ 55,945
Income Taxes	27,915	40,317
Total	<u><u>\$ 82,390</u></u>	<u><u>\$ 96,262</u></u>

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

State Bar of New Mexico (State Bar) was incorporated under the laws of the state of New Mexico in 1978. Prior to 1978, State Bar operated as an agency of the Supreme Court of New Mexico, established as a not-for-profit 501(c)(6), by State Statute on March 17, 1925. The State Bar has been in continuing existence since January 1886. The purposes of State Bar are to aid the courts in administering justice and preserving the rule of law and to foster a high standard of integrity and competence within the legal profession. State Bar's activities include collection of license renewal fees and licensing certifications; publications, including a *Bar Bulletin* and a *Bar Directory*; regulatory compliance with IOLTA, Mentorship, Client Protection Fund, and Pro Hac Vice programs; and development and promotion of programs for the membership and the public, such as annual meeting, membership programs, public legal education and information, and technology.

New Mexico State Bar Foundation (the Foundation) started business as of January 1, 1991, and was incorporated under the laws of the state of New Mexico on February 18, 1991. The Foundation and State Bar are governed by an interlocking board of directors, whereby all the director positions of the Foundation's board must concurrently be serving as a director on the board of State Bar. Therefore, as the entities are under common management, their financial statements have been combined as allowed for by accounting principles generally accepted in the United States of America (collectively, the Organization). Significant intercompany accounts and transactions are eliminated in combination.

The purpose of the Foundation is to provide high quality, affordable, professional training and education programs and services, primarily to the New Mexico legal community. Additionally, the Foundation sponsors, promotes, and assists social welfare projects and programs for the benefit and well-being of persons in the state of New Mexico, including projects and programs for the family, the elderly and the youth of New Mexico. Such projects and programs may, but are not required to, relate to legal services for needy and elderly persons and victims of neglect. The Foundation's educational services also include producing live seminars, live legal educational teleconferences, and audio/video recordings.

The Foundation is organized exclusively for charitable and educational purposes, including making distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 (or any corresponding future United States Internal Revenue Code revision).

Programs of State Bar

State Bar's principal programs are comprised of:

Administration

Administrative functions include:

Accounting – Maintains compliance with policies, procedures, practices, and the law with regard to finances and generally accepted accounting principles (GAAP). Accounting functions are performed for the State Bar as well as associated law-related entities such as the Access to Justice Fund, Bar Foundation, and Client Protection Fund. Separate accounting and reporting functions are also performed for internal departments including sections, committees, divisions, Judges and Lawyers Assistance Program, and Minimum Continuing Legal Education.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Administration (Continued)

Information Technology (IT) – Responsible for the functionality and security of the organization's database, technology needs, and website. The website provides an extensive amount of information for members and the public regarding State Bar activities.

Member Database – Maintains current membership information and collects mandatory Supreme Court data such as professional liability insurance and pro bono service.

Bar Center/Professional Development Center (PDC)

The Bar Center offers use of rooms as a service to members of the State Bar at a discounted rate. The rooms are also available to rent to outside groups, continuing legal education providers, and law-related entities.

Governance/Board of Bar Commissioners

Board of Bar Commissioners (the Board) is established by Supreme Court Rule 24-101C as the governing board of the State Bar. The Board is responsible for overseeing the Executive Director, Committees, Commissions, Divisions, and Task Forces and makes decisions to fulfill the mission of improving the quality of legal services to the citizens of New Mexico. The Board meets four to eight times a year, and in both 2019 and 2018 they had five regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per diem allowances for travel, in accordance with the state of New Mexico and Internal Revenue Service travel policies.

Office of General Counsel and Regulatory Programs

The Office of General Counsel is a professional office that assists the State Bar and the Bar Foundation with policy and regulatory functions of an integrated bar. Specifically, its functions are to protect the legal and policy interest of the State Bar; assist in governance and regulatory functions; provide a professional legal resource for leadership, volunteers, and staff; assist with outreach to the judiciary; and advise in the areas of legislative, executive, and judicial processes. In addition to the internal support provided to the State Bar as noted above, the Office of General Counsel advises, provides legal support, and administers the following programs:

Access to Justice Fund – Assists the New Mexico Supreme Court and the Access to Justice Grant Commission by holding the Access to Justice funds in trust, and accounting for and disbursement of these funds, which are comprised of IOLTA interest, Pro Hac Vice fees, attorney contributions, and other regulatory funds.

Attorney Helpline (Member and Nonadmitted) – Provides members of the State Bar and nonadmitted attorneys information and referrals in the areas of attorney regulation, ethics, registrations, rules, IOLTA, and general practice.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Office of General Counsel and Regulatory Programs (Continued)

Bridge the Gap Mentorship Program – Approved by the New Mexico Supreme Court through NMRA 24-110, the Bridge the Gap mentorship program pairs new lawyers recently admitted to practice with experienced lawyers who serve as mentors for a twelve-month period. New lawyers receive CLE credit for their first year of practice through participation in the program. The program is designed to facilitate the transformation of newly admitted lawyers from a legal academic environment into fully functioning professional practitioners who serve the public with best practices and the highest professional standards.

Client Protection Fund – Investigates claims against lawyers on issues regarding reimbursable losses caused by a lawyer's misappropriation of client funds or other dishonest conduct.

Interest on Lawyer Trust Accounts (IOLTA) – Effective January 1, 2015, the New Mexico Supreme Court named the State Bar of New Mexico the IOLTA program administrator for New Mexico. An IOLTA account is a pooled, interest-bearing demand deposit account used by lawyers to hold client funds. The current rules require that all New Mexico attorneys who hold eligible funds to participate in IOLTA and that the funds be held at eligible financial institutions. The interest generated by the client funds held in a pooled, interest-bearing trust account are remitted to the State Bar of New Mexico, which holds the funds in the Access to Justice Fund and distributes them at the discretion of the New Mexico Supreme Court and the Access to Justice Fund Grant Commission. The funds are used to provide civil legal assistance to the poor, legal education, and improvements to the administration of justice in New Mexico.

Licensing – Collects annual member licensing fees and compliance data in both electronic and paper formats, processes membership status changes, and addresses membership questions.

Minimum Continuing Legal Education – Tracks member's CLE credit filings for compliance with annual requirements, approves CLE courses for credit in New Mexico, and evaluates CLE course providers for accreditation.

Pro Hac Vice – Pursuant to Rule 24-106 NMRA, the State Bar manages registrations for nonadmitted lawyers wishing to appear before a New Mexico court in a civil matter. Pursuant to Rule 24-106(E) NMRA, a disciplinary fee assessment, client protection assessment, and administrative fee are collected from the first annual pro Hac Vice filing fee, and the balance is utilized to support the delivery of civil legal services to the poor. Subsequent fees are collected for additional appearances limited to five registrations in total.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Law Practice Management and Member Services

Services offered by State Bar to its membership include:

Annual Meeting – The State Bar and the Center for Legal Education collaborate on presenting the Annual Meeting in addition to providing educational programs at this event. Awards to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar are presented.

Committees and Divisions

- *Committees* – Standing committees which help strengthen the legal profession, provide resources to members, improve public understanding of legal issues and processes, and increase access to the legal system.
- *Divisions* – The Young Lawyers Division provides services and outreach to its members, and supports and encourages public service. The Senior Lawyers Division applies the knowledge and experience of seniors to promote the public good, plans and carries out programs of interest to the senior lawyer, and works to protect the lawful rights of senior citizens in the State. The Paralegal Division encourages a high order of ethical and professional attainment, furthers education among paralegals, and establishes good fellowship among its members, the State Bar, and members of the legal community.

Entrepreneurs in Community Lawyering (ECL) – ECL is an incubator program that assists new attorneys in starting successful and profitable solo and small firm practices that serve people of modest-means throughout New Mexico. ECL provides participating attorneys with a structured, mentored work environment in which to learn to practice law; learn to manage a law practice; and provide quality, affordable legal services to moderate-income clients.

Ethics/Risk Management Assistance for Attorneys – Includes the following:

- Advisory Helpline provides quick ethics answers to questions posed to the ethics helpline.
- Ethics Advisory Opinions are archived and searchable by date of issue or by topical index on the State Bar's website.
- Ethics Advisory Committee assists lawyers with questions regarding one's own conduct in relation to the New Mexico Rules of Professional Conduct. The committee provides written formal and informal responses to inquiries from the membership.

Fee Arbitration Program – Provides fee arbitration to resolve fee disputes between attorneys and their clients or disputes between attorneys. This free program is designed to provide an efficient and confidential alternative to litigation.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Law Practice Management and Member Services (Continued)

Judges and Lawyers Assistance Program – Provides free confidential assistance to law students and members of the bench and bar concerned about their own, a colleague's, or a family member's alcohol/other drug use, depression, stress, cognitive impairment, or other mental health issues. Services include information and referrals, assessments, peer support, and professional interventions.

Member Benefits Program – Vendors participating in the State Bar's Member Benefits Program provide savings on products and services to members. Included in the Member Benefits Program are discounts on insurance, financial services, teleconferencing, and fitness club memberships.

Online Legal Research – The Board of Bar Commissioners has entered into a contract with Fastcase to provide free online legal research for State Bar members. Fastcase provides research for case law, statutes, court rules, regulations, attorney general opinions, etc. Fastcase has databases covering New Mexico, all state libraries, and federal and bankruptcy jurisdictions.

Practice Area Sections – Sections are voluntary organizations that focus on particular areas of law or types of practices. These organizations provide networking and educational opportunities to members through continuing legal education programs, newsletters, websites, email, and legislative advocacy. Each Section has an annual budget created from membership dues and maintains its own designated portion of the Organization's net assets as stated in Section Bylaws, Article 9.1 of Section Finances. The Section's fund balance on December 31st of each year shall be considered carry-over funds and shall be included in the Section's budget for the coming fiscal year. All funds in excess of one year's worth of dues will be forfeited and transferred to the State Bar General Account. Should the Section be saving funds for a future activity, the Section may request additional funds of the Finance Committee.

Member Communications/Publications

Communication functions include:

Bar Bulletin – The *Bar Bulletin* is a publication containing advance opinions of the New Mexico Supreme Court and the Court of Appeals as well as rules, notices, featured articles, announcements, and classified advertising.

Bench and Bar Directory – The *Bench and Bar Directory* is a membership directory that also includes information on State Bar sections, committees and divisions; the judiciary; the Board of Bar Commissioners; State Bar programs; government offices; legal service providers; and tribal courts.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Member Communications/Publications (Continued)

Digital Print Center – Responsible for printing the *Bar Bulletin* and its inserts, booklets, letterhead, brochures, newsletters and a variety of publications for the State Bar departments, the Center for Legal Education, sections, divisions, committees, and external customers. In addition, mailing services are performed for the *bar Bulletin* and publications for internal and external entities.

New Mexico Lawyer – The *New Mexico Lawyer* is a special quarterly insert in the *Bar Bulletin*. It is produced by groups within the State Bar and edited by the Board of Editors. The goal of each issue is to present articles and essays which explore a current topic that is of interest to a broad segment of the legal community.

Programs of the Foundation

The Foundation's principal programs are comprised of:

Administration

Governance – The Foundation's bylaws establish that its board shall be comprised of the Board of Bar Commissioners of the State Bar of New Mexico. The Foundation's board will evaluate progress in meeting its mission, goals, and objectives, and will continue strategic planning for future priorities and programs.

Membership Programs and Services – Includes Annual Meeting and social and networking opportunities.

Bar Center/Professional Development Center (PDC)

The Bar Center offers use of rooms as a service to members of the State Bar at a discounted rate. The rooms are also available to rent to outside groups, continuing legal education providers, and law-related entities.

Center for Legal Education (CLE)

Provides high quality, affordable, professional training and education programs and services to the New Mexico legal community. CLE offers a full range of educational services, including live seminar programs, live legal education teleconferences, audio and video recordings, publications, and other professional services to meet special training needs.

Legal Services to the Public

Provides programs, activities, and opportunities for both members of the bar and the public:

General Referral Program – Provides referrals to attorneys in the participant's local area for assistance on specific legal issues. Attorneys participating in the program indicate the counties and in which areas of law they will provide assistance. Callers pay \$35 to the referral program and receive a consultation/case assessment with a private attorney for up to 30 minutes.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of the Foundation (Continued)

Legal Services to the Public (Continued)

Legal Resources for the Elderly Program (LREP) – LREP is a legal services provider program for the elderly. LREP assists individuals 55 years of age and older in finding legal representation for civil legal issues by referring cases to volunteer attorneys throughout New Mexico. LREP provides program participants with legal advice and information and conducts workshops and clinics to provide legal information to senior citizens. LREP is funded by the state of New Mexico Aging and Long-Term Services Department. The funds received from agencies and private foundations are restricted for use by LREP and are subject to possible future cutbacks due to change in funding priorities.

Pro Bono Committees

The Foundation administers funding provided by attorney contributions for use by the Pro Bono Committees of the individual Judicial Districts throughout New Mexico. Services provided to New Mexico residents include quality legal services to low-income clients and those who live in rural areas of the state.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Presentation

Combined financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958, *Not-for-Profit Entities*. Under Section 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Organization considers all interest-bearing deposits with original maturities of three months or less to be cash equivalents.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Management utilizes the allowance method of accounting for receivables arising from program services. Management believes that substantially all receivables from program services are collectible. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization had an allowance of approximately \$950 and \$1,100 for uncollectable receivables as of December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at cost for purchased items and at fair market value at the date of contribution for donated items. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, which range from one to thirty-nine years. The Organization capitalized all assets with a value of \$3,500 or greater and an estimated useful life of greater than one year. Depreciation and amortization expense totaled \$208,656 and \$214,896 for the years ended December 31, 2019 and 2018, respectively.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Revenue Recognition

Revenue is recognized when earned. All unconditional contributions to the Organization, including promises to give, are recorded as income when the promises are made. Conditional contributions are recognized as income when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. There were no conditional promises to give at December 31, 2019 or 2018.

The Entity recognizes revenue from the following sources:

Revenues

Revenues are recognized in the year of performance (over time). Revenues are recorded at net realizable amounts in the accompanying statement of activities and changes in net assets. Revenue includes: Member Dues, CLE Fees, Publications, Administration Fees, Client Protection Funds, PDC Rental Income, MCLE Fees, and Legal Specialization. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenues (Continued)

The Organization recognizes revenue from membership dues ratably over the membership period since there are no distinct performance obligations and the member benefits are considered a bundled group of performance obligations that are delivered to members over time. Publication revenues are recognized when the orders are completely fulfilled and delivered, or when the service has been rendered. The Organization measures the performance obligation from CLE, registration or contract date to the point when it is no longer required to provide services to that participant or third party, which is generally at the time of completion of the CLE.

Public Support

Public support (operating) grants and contributions are provided for subsidizing the operations of the Organization or one of its programs. Unless the grants are conditional, the Organization recognized at the time of award. The grants are contributions without donor restriction if they can be used at the Organization's discretion to support any of its programs or supporting activities. The Foundation recognizes them as contributions with donor restrictions if the grantor limits their use for a particular program or future time period. Program support grants revenue is recorded at net realizable amounts in the accompanying statement of activities and changes in net assets. All grant revenues are nonexchange revenues.

Deferred Revenue

The Organization does not receive revenues that span multiple fiscal years. However, deferred revenue is generated by prepaid membership dues. Income is earned in the year of membership.

Financial Instruments

The Organization's financial instruments, subject to FASB ASC Section 820, *Fair Value Measurements and Disclosures*, include receivables, accounts payable, financing leases, and debt. The carrying amounts of receivables and accounts payable, because of their current nature, approximate fair value. Obligations under financing leases and debt are based on terms and interest rates consistent with the current market, which by their nature approximate fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and equivalents and trade accounts receivable.

The Organization maintains its cash and cash equivalents in accounts which, at times, exceed federally insured limits. At December 31, 2019 and 2018, the Organization had \$3,211,961 and \$2,981,546 of cash and cash equivalents in excess of the federally insured limits, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts. Credit risk with respect to trade accounts receivable is generally diversified due to the large number of parties comprising the Organization's member and customer base.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Changes Therein

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

Without Donor Restrictions

Net assets without donor restrictions represent those resources that are not restricted by their donor source, or for which donor source-imposed restrictions have expired. Included in net assets without donor restrictions are mandatory dues fees that are designated for the Client Protection Fund program.

With Donor Restrictions

Net assets with donor restrictions reflect source-imposed restrictions that require the Organization to use or expend the related assets as specified. The restrictions are satisfied either by the passage of time or by the satisfaction of source specified purposes. Included in net assets with donor restrictions are contributions from the Judges and Lawyers Assistance Program (JLAP), Client Protection Fund program, and Practice Area Sections.

The Organization records contributions as with donor restrictions if they are received with donor stipulations that limit their use through either purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports both net assets with and without donor restrictions at December 31, 2019 and 2018.

Functional Classification of Expenses

Expenses are presented on a functional basis among the Organization's various programs, including management and general. Expenses and support services related to a specific program are charged directly according to their natural expenditure classification.

Other expenditures that are common to several programs are allocated based on various relationships, such as square footage, direct labor, or periodic time and expense studies.

Fundraising

The New Mexico Bar Foundation held two fundraising events in 2019 and 2018. Total fundraising revenue equaled \$68,079 and \$47,477, respectively, and total fundraising expense equaled \$36,313 and \$28,231, respectively. State Bar of New Mexico had a net revenue from fundraising in 2019 of \$31,766 and in 2018 of \$19,246.

Advertising Costs

The Organization expenses advertising costs as incurred. Expenses incurred for the years ended December 31, 2019 and 2018 were approximately \$2,189 and \$3,750, respectively.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Finance leases are included in furniture and equipment and obligations under financing leases in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

Income Taxes

State Bar is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. Income from food services provided for the benefit of the Professional Development Center, as well as advertising, subscriptions, and publishing not directly related to State Bar's tax-exempt purpose is subject to taxation as unrelated business income. At December 31, 2019 and 2018, the income tax liability was \$-0- and \$3,722, respectively. During the years ended December 31, 2019 and 2018, the provision for income taxes was \$27,915 and \$40,363, respectively.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Sales Taxes

Taxes assessed by various governmental authorities on sales transactions are recorded as a liability and included in accrued expenses on the accompanying balance sheet until remitted to the applicable authorities. Such taxes are not included in revenues or expenses.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform to the 2019 presentation.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no cumulative-effect adjustment in net assets recorded because of this adoption and material impact on the Organization's financial position and results of operations upon adoption of the new standard.

Additionally in June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. These financial statements reflect the adoption of ASU 2018-08 beginning January 1, 2018. The implementation of this standard had no impact on net assets as previously reported.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2019, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through June 19, 2020, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2019, but prior to June 19, 2020, have been recognized in the financial statements for the fiscal year ended December 31, 2019. Events or transactions that provided evidence about conditions that did not exist at December 31, 2019, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the fiscal year ended December 31, 2019.

NOTE 3 CASH AND CASH EQUIVALENTS

	2019	2018
State Bar of New Mexico	\$ 3,079,492	\$ 2,623,211
Bar Foundation	811,419	826,737
Total	<u>\$ 3,890,911</u>	<u>\$ 3,449,948</u>

At December 31, 2019 and 2018, cash and cash equivalents of \$1,049,988 and \$1,274,959, respectively, was cash held for long-term pass-through obligations.

NOTE 4 CERTIFICATES OF DEPOSIT

At December 31, 2019, a Certificate of Deposit was held by a bank with total value of \$254,309, an interest rate of 0.90%, and a maturity date of January 17, 2020.

At December 31, 2019, a Certificate of Deposit was held by a bank with total value of \$252,254, an interest rate of 0.90%, and a maturity date of December 18, 2020.

At December 31, 2018, a Certificate of Deposit was held by a bank with total value of \$252,728, an interest rate of 0.30%, and a maturity date of January 16, 2019.

At December 31, 2018, a Certificate of Deposit was held by a bank with a value of \$250,000, an interest rate of 0.90%, and a maturity date of December 18, 2020.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 DUE FROM OTHER ORGANIZATIONS AND PASS-THROUGH OBLIGATIONS

During the years ended December 31, 2019 and 2018, State Bar charged other organizations \$22,971 and \$20,764, respectively, for administrative and accounting services.

Pass-through obligations represent moneys collected by State Bar for other organizations resulting from the common billing process for dues, directed voluntary contributions, and participant registrations. These obligations consisted of the following at December 31:

	2019	2018
The Disciplinary Board	\$ 374,623	\$ 228,765
Funds Held on Behalf of Supreme Court	323,618	1,673,083
Other	1,092,793	123,962
Total	<u>\$ 1,791,034</u>	<u>\$ 2,025,810</u>

Funds held on behalf of the Supreme Court represent pro bono contributions, pro hac vice fees, and IOLTA that State Bar has collected and are pending disbursement as ordered by the Supreme Court. At December 31, 2019 and 2018, \$202,227 and \$625,575, respectively, were long-term pass-through obligations.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment, including the Bar Center furniture and equipment, consisted of the following at December 31:

	2019	2018
Bar Center:		
Capital Building Costs - Beginning of Year	\$ 3,056,518	\$ 3,015,273
Capital Building Improvements	24,148	41,245
Capital Building Costs - End of Year	3,080,666	3,056,518
Less: Accumulated Depreciation	(1,880,862)	(1,788,809)
Total	1,199,804	1,267,709
Land	546,242	546,242
Bar Center, Net	1,746,046	1,813,951
Furniture and Equipment	721,297	1,095,157
Less: Accumulated Depreciation	(625,858)	(942,742)
Furniture and Equipment, Net	95,439	152,415
Property and Equipment, Net	<u>\$ 1,841,485</u>	<u>\$ 1,966,366</u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 DEFERRED REVENUE

Deferred revenue consisted of the following at December 31:

	2019	2018
General Operating:		
Capital Member Dues Collected in Advance	\$ 799,515	\$ 432,823
Member Designated:		
Section Dues Collected in Advance	23,030	14,098
Total	<u>\$ 822,545</u>	<u>\$ 446,921</u>

NOTE 8 LEASES

State Bar leases certain office equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2024 and provide for renewal options ranging from one month to five years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain equipment leases require State Bar to guarantee minimum residual values. The expected amount payable under the residual guarantees is estimated to be \$20,962 at December 31, 2019.

The following table provides quantitative information concerning State Bar's leases.

Capitalized leased assets included in furniture and equipment consisted of the following at December 31:

	2019	2018
Lease Cost:		
Finance Lease Cost	\$ 83,255	\$ 202,590
New Finance Lease	38,487	-
Amortization of Right-of-Use Assets	(96,807)	(111,217)
Interest on Lease Liabilities	(4,246)	(8,118)
Total Lease Cost	<u>\$ 20,689</u>	<u>\$ 83,255</u>

Other Information:

	Amount
Cash paid for amounts included in the measurement of lease liabilities	\$ 4,114
Financing cash flows from financing lease	(101,054)
Right-of-use assets obtained in exchange for new financing lease liabilities	22,783
Weighted-average remaining lease term - financing lease	4.6 years
Weighted-average discount rate - financing lease	7%

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2019, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 3,950
2021	4,245
2022	4,562
2023	4,904
2024	3,028
Thereafter	-
Total	<u>\$ 20,689</u>

As of December 31, 2019, the Organization has additional finance leases, primarily professional digital printer and interactive display board rentals that have not yet commenced, of \$86,467 and \$18,789, respectively. The finance leases will commence in fiscal year 2020 with lease terms of three to five years.

NOTE 9 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

State Bar has a \$200,000 revolving line of credit agreement with a bank. There were no outstanding amounts borrowed against the line of credit at December 31, 2019 and 2018. The line bears interest at 0.25% over Bank of the West prime rate (3.75% at December 31, 2019).

Long-term debt consists of the following at December 31:

<u>Description</u>	<u>2019</u>	<u>2018</u>
State Bar mortgage note payable to a financial institution used to finance State Bar's interest in the Bar Center. The note has a fixed interest rate of 3.75% and face amount of \$1,550,000. The note is payable in monthly installments of principal and interest at inception of the obligation of \$9,233 and matures December 23, 2036. The note is secured by the Organization's ownership interest in the Bar Center.	\$ 1,384,547	\$ 1,441,521
Less: Current Maturities	<u>(59,040)</u>	<u>(56,982)</u>
Long-Term Debt, Net	<u>\$ 1,325,507</u>	<u>\$ 1,384,539</u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 SHORT-TERM BORROWINGS AND LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 59,040
2021	61,471
2022	63,850
2023	66,320
2024	68,766
Thereafter	1,065,100
Total	<u>\$ 1,384,547</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Bar Center

In February 1989, the Supreme Court of New Mexico authorized State Bar to acquire land and build a Bar Center at the Journal Center in Albuquerque. Also authorized was a \$25 increase in mandatory membership dues to finance the project. State Bar acquired approximately 2.2 acres of land at the Journal Center for this project. The Foundation and State Bar entered into an agreement, dated October 13, 1995, to acquire interest in the Bar Center as tenants-in-common. The Foundation is a 501(c)(3) corporation authorized to receive charitable donations for the Bar Center project. State Bar's interest in the Bar Center, following the Foundation's final buy-in, is approximately 63%. State Bar's interest in the Bar Center was largely funded through mortgage debt.

Retirement Plan

The Organization provides a retirement savings plan for its employees who attain an age of 18 and complete one year of service. This plan allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Organization matches contributions equal to 100% of the employee contribution up to 5% of the employee's annual compensation. The amount elected to be deferred by the employee cannot exceed the limitations prescribed by law. Employees vest immediately in their contributions and vest in the Organization's contributions over a five-year period of service. The Organization's contributions to the plan in 2019 and 2018 were \$70,339 and \$66,852, respectively.

Cafeteria Plan

The Organization adopted a "Cafeteria Plan" under the provisions of Section 125 of the Internal Revenue Code, effective February 1, 1991. The plan permits eligible employees of the Organization a choice between cash compensation and various nontaxable benefits. Employees are eligible to participate in the plan if their customary employment consists of at least 1,000 hours per year and they have completed 30 days of service with the Organization.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Member Challenges

On an annual basis, State Bar is required to publish and distribute to its membership the State Bar's budget for the upcoming year. The members are then given the opportunity to dispute the State Bar's position as to whether a proposed future expenditure is germane to the practice of law in New Mexico. In the event a member does challenge the nature of the activity, State Bar may be required to refund to that particular member a portion of his/her membership dues equal to his/her share of the financial burden related to that activity. During 2019 and 2018, there were no refunds of membership dues made related to these challenge proceedings.

LREP

The Foundation receives a significant portion of its revenue for LREP from state awards. LREP received \$284,088 and \$289,576 from state awards for the years ended December 31, 2019 and 2018, respectively. Due to possible cutbacks and changes in funding priorities, it is uncertain whether LREP will be awarded those grants/contracts in the future.

Claim Contingencies

The Organization is subject to claims that arise in the ordinary course of its business; however, the Organization carries insurance for the majority of these claims. In the opinion of management, based on the advice of counsel, the amount of the ultimate liability with respect to these pending claims will not materially affect the financial position, results of operations, or liquidity of the Organization.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	2019	2018
Practice Area Sections	\$ 54,450	\$ 45,513
Client Protection Fund	675,635	675,635
Judges and Lawyers Assistance	445,518	342,211
Total	<u>\$ 1,175,603</u>	<u>\$ 1,063,359</u>

During 2019, \$240,345 of net assets with donor restrictions were released to net assets without donor restrictions.

NOTE 12 RELATED PARTY TRANSACTIONS

An employee who is part of the management group of the Organization is an owner of a restaurant where the Organization purchases food for meals provided during continuing legal education classes and for a variety of meetings. During the years ended December 31, 2019 and 2018, the Organization made purchases totaling approximately \$27,582 and \$28,580, respectively, from this restaurant.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 13 LIQUIDITY

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to ongoing activities including governance, facilities, regulatory programs, member services, and publications. The Organization includes in its consideration those expenditures covered by donor-restricted resources. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term certificates of deposit, as more fully described in Note 4. The Organization also has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need, as more fully described in Note 9.

The Board has designated a portion of the Organization's resources without donor restrictions for execution of the decennial survey performed by the Organization's Committee on Diversity and the Committee on Women in the Legal Profession. The next survey is scheduled for 2029.

	2019	2018
Financial Assets as of December 31	\$ 3,347,486	\$ 2,677,717
Less: Long-Term Pass Through Obligations	(202,227)	(625,575)
Less: Board-Designated Cash for Future Database Infrastructure Upgrade Costs	-	(55,272)
Less: Board-Designated Cash for future decennial survey	(6,000)	-
Financial Assets Available To Meet General Expenditures Over the Next 12 Months	<u>\$ 3,139,259</u>	<u>\$ 1,996,870</u>

NOTE 14 SUBSEQUENT EVENT

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 2,029,504	\$ 811,419	\$ 2,840,923	\$ -	\$ 2,840,923
Certificates of Deposit	506,563	-	506,563	-	506,563
Accounts Receivable, Net:					
Grants	-	19,997	19,997	-	19,997
Program Services/Trade	25,207	5,681	30,888	-	30,888
Prepaid Expenses	47,041	25,587	72,628	-	72,628
Inventory	-	-	-	-	-
Total Current Assets	<u>2,608,315</u>	<u>862,684</u>	<u>3,470,999</u>	<u>-</u>	<u>3,470,999</u>
OTHER ASSETS					
Cash for Pass-Through Obligations	1,049,988	-	1,049,988	-	1,049,988
Due from Foundation/State Bar	<u>1,090,264</u>	<u>-</u>	<u>1,090,264</u>	<u>(1,090,264)</u>	<u>-</u>
Total Other Assets	<u>2,140,252</u>	<u>-</u>	<u>2,140,252</u>	<u>(1,090,264)</u>	<u>1,049,988</u>
PROPERTY AND EQUIPMENT					
Bar Center, Net	1,127,096	618,950	1,746,046	-	1,746,046
Furniture and Equipment, Net	<u>78,481</u>	<u>16,958</u>	<u>95,439</u>	<u>-</u>	<u>95,439</u>
Total Property and Equipment	<u>1,205,577</u>	<u>635,908</u>	<u>1,841,485</u>	<u>-</u>	<u>1,841,485</u>
 Total Assets	 <u>\$ 5,954,144</u>	 <u>\$ 1,498,592</u>	 <u>\$ 7,452,736</u>	 <u>\$ (1,090,264)</u>	 <u>\$ 6,362,472</u>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 81,701	\$ 79,760	\$ 161,461	\$ -	\$ 161,461
Payroll and Related Liabilities	101,568	31,878	133,446	-	133,446
Accrued Expenses	5,243	11,473	16,716	-	16,716
Accrued Income Tax	-	-	-	-	-
Pass-Through Obligations	1,175,640	413,167	1,588,807	-	1,588,807
Deferred Revenue	821,697	848	822,545	-	822,545
Current Maturities of Long-Term Debt	59,040	-	59,040	-	59,040
Obligations Under Finance Leases - Current Portion	3,950	-	3,950	-	3,950
Total Current Liabilities	2,248,839	537,126	2,785,965	-	2,785,965
LONG-TERM LIABILITIES					
Due to Foundation/State Bar	-	1,090,264	1,090,264	(1,090,264)	-
Long-Term Debt	1,325,507	-	1,325,507	-	1,325,507
Obligations Under Finance Leases	16,739	-	16,739	-	16,739
Pass-Through Obligations	168,854	33,373	202,227	-	202,227
Total Long-Term Liabilities	1,511,100	1,123,637	2,634,737	(1,090,264)	1,544,473
Total Liabilities	3,759,939	1,660,763	5,420,702	(1,090,264)	4,330,438
NET ASSETS (DEFICITS)					
Without Donor Restrictions	1,025,803	(169,372)	856,431	-	856,431
With Donor Restrictions	1,168,402	7,201	1,175,603	-	1,175,603
Total Net Assets (Deficits)	2,194,205	(162,171)	2,032,034	-	2,032,034
Total Liabilities and Net Assets	\$ 5,954,144	\$ 1,498,592	\$ 7,452,736	\$ (1,090,264)	\$ 6,362,472

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,348,252	\$ 826,737	\$ 2,174,989	\$ -	\$ 2,174,989
Certificates of Deposit	502,728	-	502,728	-	502,728
Accounts Receivable, Net:					
Grants	-	40,835	40,835	-	40,835
Program Services/Trade	73,541	6,599	80,140	-	80,140
Prepaid Expenses	42,675	8,723	51,398	-	51,398
Inventory	6,682	-	6,682	-	6,682
Total Current Assets	<u>1,973,878</u>	<u>882,894</u>	<u>2,856,772</u>	<u>-</u>	<u>2,856,772</u>
OTHER ASSETS					
Cash for Pass-Through Obligations	1,274,959	-	1,274,959	-	1,274,959
Due from Foundation/State Bar	1,171,806	-	1,171,806	(1,171,806)	-
Total Other Assets	<u>2,446,765</u>	<u>-</u>	<u>2,446,765</u>	<u>(1,171,806)</u>	<u>1,274,959</u>
PROPERTY AND EQUIPMENT					
Bar Center, Net	1,176,779	637,172	1,813,951	-	1,813,951
Furniture and Equipment, Net	148,736	3,679	152,415	-	152,415
Total Property and Equipment	<u>1,325,515</u>	<u>640,851</u>	<u>1,966,366</u>	<u>-</u>	<u>1,966,366</u>
Total Assets	<u>\$ 5,746,158</u>	<u>\$ 1,523,745</u>	<u>\$ 7,269,903</u>	<u>\$ (1,171,806)</u>	<u>\$ 6,098,097</u>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 145,701	\$ 67,028	\$ 212,729	\$ -	\$ 212,729
Payroll and Related Liabilities	89,754	32,990	122,744	-	122,744
Accrued Expenses	2,472	6,204	8,676	-	8,676
Accrued Income Tax	3,722	-	3,722	-	3,722
Pass-Through Obligations	1,337,333	62,902	1,400,235	-	1,400,235
Deferred Revenue	442,287	4,634	446,921	-	446,921
Current Maturities of Long-Term Debt	56,982	-	56,982	-	56,982
Obligations Under Capital Leases - Current Portion	99,490	-	99,490	-	99,490
Total Current Liabilities	2,177,741	173,758	2,351,499	-	2,351,499
LONG-TERM LIABILITIES					
Due to Foundation/State Bar	-	1,171,806	1,171,806	(1,171,806)	-
Long-Term Debt	1,384,539	-	1,384,539	-	1,384,539
Pass-Through Obligations	292,203	333,372	625,575	-	625,575
Total Long-Term Liabilities	1,676,742	1,505,178	3,181,920	(1,171,806)	2,010,114
Total Liabilities	3,854,483	1,678,936	5,533,419	(1,171,806)	4,361,613
NET ASSETS (DEFICITS)					
Without Donor Restrictions	828,316	(155,191)	673,125	-	673,125
With Donor Restrictions	1,063,359	-	1,063,359	-	1,063,359
Total Net Assets (Deficits)	1,891,675	(155,191)	1,736,484	-	1,736,484
Total Liabilities and Net Assets	\$ 5,746,158	\$ 1,523,745	\$ 7,269,903	\$ (1,171,806)	\$ 6,098,097

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES, GAINS, AND PUBLIC SUPPORT					
Member Dues	\$ 2,097,284	\$ -	\$ 2,097,284	\$ -	\$ 2,097,284
Continuing Legal Education Fees	18,502	938,105	956,607	(32,062)	924,545
Publications	334,831	-	334,831	(25,961)	308,870
Grants	-	284,088	284,088	-	284,088
Minimum Continuing Legal Education	273,104	-	273,104	(24,820)	248,284
Administration Fees	227,850	-	227,850	-	227,850
Contributions and Other	79,017	127,758	206,775	-	206,775
Professional Development Center Rental	129,039	-	129,039	-	129,039
Client Protection Fund	126,209	-	126,209	-	126,209
Legal Specialization	7,000	-	7,000	-	7,000
Total Revenues, Gains, and Public Support Without Donor Restrictions	3,292,836	1,349,951	4,642,787	(82,843)	4,559,944
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of Program Restrictions	240,345	-	240,345	-	240,345
Total Net Assets Released from Restrictions	240,345	-	240,345	-	240,345
Total Revenues, Gains, and Other Support Without Donor Restrictions	3,533,181	1,349,951	4,883,132	(82,843)	4,800,289
EXPENSES					
Administration/ Regulatory Programs	1,528,474	326,884	1,855,358	-	1,855,358
Membership Program and Services	549,330	-	549,330	-	549,330
Center for Legal Education (CLE)	-	627,190	627,190	(82,843)	544,347
Legal Services to the Public	-	372,458	372,458	-	372,458
Bar Center/Professional Development Center (PDC)	255,712	27,707	283,419	-	283,419
Communications/Publications	233,566	-	233,566	-	233,566
Judges and Lawyers Assistance Program (JLAP)	185,544	-	185,544	-	185,544
Committees and Divisions	116,979	-	116,979	-	116,979
Entrepreneurs in Community Lawyering (ECL)	107,196	-	107,196	-	107,196
Minimum Continuing Legal Education (MCLE)	96,462	-	96,462	-	96,462

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
EXPENSES (CONTINUED)					
Governance/Board of Bar Commissioners	\$ 88,359	\$ -	\$ 88,359	\$ -	\$ 88,359
Bridge the Gap Mentorship Program	83,622	-	83,622	-	83,622
Practice Area Sections	54,801	-	54,801	-	54,801
Client Protection Fund	35,647	-	35,647	-	35,647
Pro Bono Committees	-	9,893	9,893	-	9,893
Total Expenses	<u>3,335,692</u>	<u>1,364,132</u>	<u>4,699,824</u>	<u>(82,843)</u>	<u>4,616,981</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE CHANGES RELATED TO ACQUISITION OF MCLE	197,489	(14,181)	183,308	-	183,308
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Practice Area Sections	63,736	-	63,736	-	63,736
Client Protection Fund	-	-	-	-	-
Judges and Lawyers Assistance	281,650	7,201	288,851	-	288,851
Revenue With Donor Restrictions	<u>345,386</u>	<u>7,201</u>	<u>352,587</u>	<u>-</u>	<u>352,587</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS					
Practice Area Sections	(54,801)	-	(54,801)	-	(54,801)
Judges and Lawyers Assistance	(185,544)	-	(185,544)	-	(185,544)
Releases With Donor Restrictions	<u>(240,345)</u>	<u>-</u>	<u>(240,345)</u>	<u>-</u>	<u>(240,345)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>105,041</u>	<u>7,201</u>	<u>112,242</u>	<u>-</u>	<u>112,242</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	302,530	(6,980)	295,550	-	295,550
NONOPERATING ACTIVITIES					
Inherent Contribution from Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	<u>302,530</u>	<u>(6,980)</u>	<u>295,550</u>		<u>295,550</u>
Net Assets (Deficits) - Beginning of Year	<u>1,891,675</u>	<u>(155,191)</u>	<u>1,736,484</u>	<u>-</u>	<u>1,736,484</u>
NET ASSETS (DEFICITS) - END OF YEAR	<u>\$ 2,194,205</u>	<u>\$ (162,171)</u>	<u>\$ 2,032,034</u>	<u>\$ -</u>	<u>\$ 2,032,034</u>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES, GAINS, AND PUBLIC SUPPORT					
Member Dues	\$ 2,047,212	\$ -	\$ 2,047,212	\$ -	\$ 2,025,212
Continuing Legal Education Fees	-	1,053,339	1,053,339	(22,000)	1,053,339
Publications	434,026	-	434,026	(57,528)	376,498
Grants	-	289,576	289,576	-	289,576
Contributions and Other	68,314	109,770	178,084	22,000	200,084
Administration Fees	134,174	-	134,174	-	134,174
Client Protection Fund	124,151	-	124,151	-	124,151
Professional Development Center Rental	117,592	-	117,592	-	117,592
Minimum Continuing Legal Education	61,592	-	61,592	(15,051)	46,541
Legal Specialization	29,217	-	29,217	-	29,217
Total Revenues, Gains, and Public Support Without Donor Restrictions	3,016,278	1,452,685	4,468,963	(72,579)	4,396,384
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of Program Restrictions	124,554	-	124,554	-	124,554
Total Net Assets Released from Restrictions	124,554	-	124,554	-	124,554
Total Revenues, Gains, and Other Support Without Donor Restrictions	3,140,832	1,452,685	4,593,517	(72,579)	4,520,938
EXPENSES					
Administration/ Regulatory Programs	1,550,737	296,996	1,847,733	(6)	1,847,727
Center for Legal Education (CLE)	-	708,898	708,898	(72,573)	636,325
Membership Program and Services	513,047	-	513,047	-	513,047
Legal Services to the Public	-	357,971	357,971	-	357,971
Communications/Publications	294,940	-	294,940	-	294,940
Bar Center/Professional Development Center (PDC)	242,895	26,456	269,351	-	269,351
Entrepreneurs in Community Lawyering (ECL)	104,717	6,511	111,228	-	111,228
Governance/Board of Bar Commissioners	83,807	-	83,807	-	83,807
Committees and Divisions	82,668	-	82,668	-	82,668
Client Protection Fund	55,429	-	55,429	-	55,429

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
EXPENSES (CONTINUED)					
Practice Area Sections	\$ 57,254	\$ -	\$ 57,254	\$ -	\$ 57,254
Bridge the Gap Mentorship Program	42,171	-	42,171	-	42,171
Judges and Lawyers Assistance Program (JLAP)	67,300	-	67,300	-	67,300
Minimum Continuing Legal Education (MCLE)	44,811	-	44,811	-	44,811
Pro Bono Committees	-	13,156	13,156	-	13,156
Total Expenses	<u>3,139,776</u>	<u>1,409,988</u>	<u>4,549,764</u>	<u>(72,579)</u>	<u>4,477,185</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE CHANGES RELATED TO ACQUISITION OF MCLE	1,056	42,697	43,753	-	43,753
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Judges and Lawyers Assistance	409,511	-	409,511	-	409,511
Client Protection Fund	100,000	-	100,000	-	100,000
Practice Area Sections	58,565	-	58,565	-	58,565
Revenue With Donor Restrictions	<u>568,076</u>	<u>-</u>	<u>568,076</u>	<u>-</u>	<u>568,076</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS					
Practice Area Sections	(57,254)	-	(57,254)	-	(57,254)
Judges and Lawyers Assistance	(67,300)	-	(67,300)	-	(67,300)
Releases With Donor Restrictions	<u>(124,554)</u>	<u>-</u>	<u>(124,554)</u>	<u>-</u>	<u>(124,554)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>443,522</u>	<u>-</u>	<u>443,522</u>	<u>-</u>	<u>443,522</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	444,578	42,697	487,275	-	487,275
NONOPERATING ACTIVITIES					
Inherent Contribution from Acquisition	<u>153,880</u>	<u>-</u>	<u>153,880</u>	<u>-</u>	<u>153,880</u>
CHANGES IN NET ASSETS	598,458	42,697	641,155	-	641,155
Net Assets (Deficits) - Beginning of Year	<u>1,293,217</u>	<u>(197,888)</u>	<u>1,095,329</u>	<u>-</u>	<u>1,095,329</u>
NET ASSETS (DEFICITS) - END OF YEAR	<u>\$ 1,891,675</u>	<u>\$ (155,191)</u>	<u>\$ 1,736,484</u>	<u>\$ -</u>	<u>\$ 1,736,484</u>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services									
	State Bar					State Bar Foundation				
	Bar Center/ Professional Development Center (PDC)	Office of General Counsel and Regulatory Programs	Law Practice Management and Member Services	Member Communications/ Publications	State Bar Total Program Expense	Bar Center/ Professional Development Center (PDC)	Center for Legal Education (CLE)	Legal Services to the Public	Pro Bono Committees	State Bar Foundation Total Program Expense
Advertising and Marketing	\$ -	\$ 639	\$ -	\$ -	\$ 639	\$ -	\$ 20	\$ 1,052	\$ -	\$ 1,072
Awards, Honors, and Recognition	-	-	1,980	-	1,980	-	-	-	-	-
Bad Debt	-	-	-	-	-	-	-	-	-	-
Bank Fees	-	-	-	-	-	-	22,460	-	-	22,460
Compensation, Taxes, and Benefits	158,007	391,221	304,320	367,915	1,221,463	-	220,046	359,146	-	579,192
Conferences, Conventions, and Meetings	84	12,571	97,686	957	111,298	-	1,172	409	-	1,581
Depreciation	65,456	-	-	-	65,456	27,707	-	-	-	27,707
Dues and Subscriptions	-	725	184	135	1,044	-	658	1,726	-	2,384
Education and Training	-	-	1,441	-	1,441	-	-	-	-	-
Furniture and Equipment	1,163	-	906	-	2,069	-	868	279	-	1,147
Information Technology	-	20,299	-	2,160	22,459	-	65,225	1,979	-	67,204
Insurance	-	557	8,610	-	9,167	-	-	1,856	-	1,856
Interest	54,475	-	-	2,694	57,169	-	-	-	-	-
Office Supplies	128	70	136	256	590	-	136	342	-	478
Outreach	-	-	14,402	-	14,402	-	-	-	-	-
Professional Fees	-	1,200	-	-	1,200	-	-	-	-	-
Postage and Delivery	-	723	1,059	64,940	66,722	-	404	1,962	-	2,366
Repairs, Maintenance, Occupancy, and Overhead	166,981	6,219	2,823	-	176,023	-	-	-	-	-
Services Provided to Members	-	32,062	101,370	160,162	293,594	-	316,201	-	-	316,201
Services Provided to the Public	-	22,093	43,343	-	65,436	-	-	3,707	9,893	13,600
Taxes and Fees	-	-	-	3,610	3,610	-	-	-	-	-
Other	-	-	11,053	-	11,053	-	-	-	-	-
Total Expenses	\$ 446,294	\$ 488,379	\$ 589,313	\$ 602,829	\$ 2,126,815	\$ 27,707	\$ 627,190	\$ 372,458	\$ 9,893	\$ 1,037,248

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Support Services										
	State Bar			State Bar Foundation							
	Administration	Governance/ Board of Bar Commissioners	State Bar Total Support Expense	Administration	State Bar Foundation Total Support Expense	Fundraising		Total			
						State Bar	State Bar Foundation	State Bar	State Bar Foundation	Eliminations	Consolidated
Advertising and Marketing	\$ 206	\$ -	\$ 206	\$ -	\$ -	\$ -	292	\$ 845	\$ 1,364	\$ (20)	\$ 2,189
Awards, Honors, and Recognition	4,426	-	4,426	-	-	-	28,003	6,406	28,003	-	34,409
Bad Debt	1,189	-	1,189	-	-	-	-	1,189	-	-	1,189
Bank Fees	85,893	-	85,893	60	60	-	-	85,893	22,520	-	108,413
Compensation, Taxes, and Benefits	432,707	23,675	456,382	233,076	233,076	-	-	1,677,845	812,268	-	2,490,113
Conferences, Conventions, and Meetings	14,927	72,040	86,967	344	344	-	-	198,265	1,925	-	200,190
Depreciation	115,493	-	115,493	-	-	-	-	180,949	27,707	-	208,656
Dues and Subscriptions	8,049	-	8,049	-	-	-	-	9,093	2,384	-	11,477
Education and Training	2,695	-	2,695	-	-	-	-	4,136	-	-	4,136
Furniture and Equipment	6,576	-	6,576	3,517	3,517	-	-	8,645	4,664	-	13,309
Information Technology	180,248	-	180,248	20,384	20,384	-	-	202,707	87,588	-	290,295
Insurance	52,070	-	52,070	-	-	-	756	61,237	2,612	-	63,849
Interest	-	-	-	-	-	-	-	57,169	-	-	57,169
Office Supplies	4,579	-	4,579	385	385	-	314	5,169	1,177	-	6,346
Outreach	1,854	2,401	4,255	-	-	-	-	18,657	-	-	18,657
Professional Fees	24,723	-	24,723	4,982	4,982	-	-	25,923	4,982	-	30,905
Postage and Delivery	8,572	-	8,572	1,020	1,020	-	-	75,294	3,386	-	78,680
Repairs, Maintenance, Occupancy, and Overhead	11,968	-	11,968	26,803	26,803	-	-	187,991	26,803	-	214,794
Services Provided to Members	80,000	5,893	85,893	-	-	-	-	379,487	316,201	(82,824)	612,864
Services Provided to the Public	-	-	-	-	-	-	-	65,436	13,600	-	79,036
Taxes and Fees	46,846	-	46,846	-	-	-	-	50,456	-	-	50,456
Other	13,823	8,025	21,848	-	-	-	6,948	32,901	6,948	-	39,849
Total Expenses	\$ 1,096,844	\$ 112,034	\$ 1,208,878	\$ 290,571	\$ 290,571	\$ -	\$ 36,313	\$ 3,335,693	\$ 1,364,132	\$ (82,844)	\$ 4,616,981

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services									
	State Bar					State Bar Foundation				
	Bar Center/ Professional Development Center (PDC)	Office of General Counsel and Regulatory Programs	Law Practice Management and Member Services	Member Communications/ Publications	State Bar Total Program Expense	Bar Center/ Professional Development Center (PDC)	Center for Legal Education (CLE)	Legal Services to the Public	Pro Bono Committees	State Bar Foundation Total Program Expense
Advertising and Marketing	\$ -	\$ 650	\$ -	\$ -	\$ 650	\$ -	\$ 16	\$ 1,050	\$ -	\$ 1,066
Awards, Honors, and Recognition	-	-	3,271	-	3,271	-	-	-	-	-
Bad Debt	-	-	-	-	-	-	-	-	-	-
Bank Fees	-	-	-	-	-	-	24,147	-	-	24,147
Compensation, Taxes, and Benefits	161,647	325,818	245,868	358,040	1,091,373	-	157,508	347,421	-	504,929
Conferences, Conventions, and Meetings	-	6,206	59,577	-	65,783	-	1,707	43	-	1,750
Depreciation	63,567	-	-	-	63,567	26,456	542	225	-	27,223
Dues and Subscriptions	361	225	418	-	1,004	-	417	2,321	-	2,738
Education and Training	-	-	3,927	-	3,927	-	-	-	-	-
Furniture and Equipment	485	116	2,769	716	4,086	-	2,489	1,583	-	4,072
Information Technology	-	2,438	-	2,160	4,598	-	91,409	2,299	-	93,708
Insurance	-	551	10,069	-	10,620	-	-	3,917	-	3,917
Interest	55,945	-	-	8,374	64,319	-	-	-	-	-
Office Supplies	72	132	2,224	-	2,428	-	384	387	-	771
Outreach	-	-	14,619	-	14,619	-	-	-	-	-
Professional Fees	-	1,200	-	-	1,200	-	-	-	-	-
Postage and Delivery	-	14	2,832	100,628	103,474	-	502	1,847	-	2,349
Repairs, Maintenance, Occupancy, and Overhead	156,654	5,239	2,741	-	164,634	-	-	-	-	-
Services Provided to Members	-	-	106,032	187,846	293,878	-	366,891	-	-	366,891
Services Provided to the Public	-	43,054	53,867	-	96,921	-	-	3,722	13,156	16,878
Taxes and Fees	19,691	-	-	3,590	23,281	-	-	-	-	-
Other	-	2,215	2,912	-	5,127	-	-	-	-	-
Total Expenses	\$ 458,422	\$ 387,858	\$ 511,126	\$ 661,354	\$ 2,018,760	\$ 26,456	\$ 646,012	\$ 364,815	\$ 13,156	\$ 1,050,439

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Support Services										
	State Bar			State Bar Foundation							
	Administration	Governance/ Board of Bar Commissioners	State Bar Total Support Expense	Administration	State Bar Foundation Total Support Expense	Fundraising		Total			
						State Bar	State Bar Foundation	State Bar	State Bar Foundation	Eliminations	Consolidated
Advertising and Marketing	\$ 1,122	\$ -	\$ 1,122	\$ 669	\$ 669	\$ -	\$ 241	\$ 1,772	\$ 1,976	\$ (20)	\$ 3,732
Awards, Honors, and Recognition	3,109	13	3,122	-	-	-	19,736	6,393	19,736	-	26,123
Bad Debt	969	-	969	-	-	-	-	969	-	-	969
Bank Fees	65,572	-	65,572	75	75	-	-	65,572	24,222	-	89,794
Compensation, Taxes, and Benefits	441,169	27,229	468,398	274,085	274,085	-	-	1,559,771	779,014	-	2,338,785
Conferences, Conventions, and Meetings	15,090	68,612	83,702	-	-	-	-	149,485	1,750	-	151,235
Depreciation	124,106	-	124,106	-	-	-	-	187,673	27,223	-	214,896
Dues and Subscriptions	9,037	-	9,037	-	-	-	-	10,041	2,738	-	12,779
Education and Training	3,414	-	3,414	-	-	-	-	7,341	-	-	7,341
Furniture and Equipment	8,584	-	8,584	295	295	-	-	12,670	4,367	-	17,037
Information Technology	183,694	-	183,694	23,923	23,923	-	-	188,292	117,631	-	305,923
Insurance	49,902	-	49,902	-	-	-	707	60,522	4,624	-	65,146
Interest	-	-	-	-	-	-	-	64,319	-	-	64,319
Office Supplies	5,260	122	5,382	-	-	-	944	7,810	1,715	-	9,525
Outreach	2,078	5,098	7,176	1,390	1,390	-	-	21,795	1,390	-	23,185
Professional Fees	23,714	-	23,714	4,536	4,536	-	-	24,914	4,536	-	29,450
Postage and Delivery	9,939	89	10,028	20	20	-	-	113,502	2,369	-	115,871
Repairs, Maintenance, Occupancy, and Overhead	16,284	-	16,284	26,279	26,279	-	-	180,918	26,279	-	207,197
Services Provided to Members	-	-	-	-	-	-	-	293,878	366,891	(72,557)	588,212
Services Provided to the Public	-	-	-	-	-	-	-	96,921	16,878	-	113,799
Taxes and Fees	40,317	-	40,317	46	46	-	-	63,598	46	-	63,644
Other	6,621	9,872	16,493	-	-	-	6,603	21,620	6,603	-	28,223
Total Expenses	\$ 1,009,981	\$ 111,035	\$ 1,121,016	\$ 331,318	\$ 331,318	\$ -	\$ 28,231	\$ 3,139,776	\$ 1,409,988	\$ (72,579)	\$ 4,477,185

