

**STATE BAR OF NEW MEXICO
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017



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**STATE BAR OF NEW MEXICO AND AFFILIATE
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 and 2017 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
May 17, 2019

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,174,989	\$ 2,038,834
Certificates of Deposit	502,728	1,256,011
Accounts Receivable, Net:		
Grants	40,835	22,435
Program Services/Trade	80,140	62,953
Prepaid Expenses	51,398	71,897
Inventory	6,682	6,682
Total Current Assets	2,856,772	3,458,812
OTHER ASSETS		
Cash for Pass-Through Obligations	1,274,959	1,313,041
PROPERTY AND EQUIPMENT		
Bar Center, Net	1,813,951	1,862,146
Furniture and Equipment, Net	152,415	277,507
Total Property and Equipment	1,966,366	2,139,653
 Total Assets	 \$ 6,098,097	 \$ 6,911,506
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 212,729	\$ 149,907
Payroll and Related Liabilities	122,744	138,908
Accrued Expenses	8,676	7,135
Accrued Income Tax	3,722	4,913
Pass-Through Obligations	1,400,235	977,773
Deferred Revenue	446,921	865,338
Current Maturities of Long-Term Debt	56,982	54,860
Obligations Under Capital Leases - Current Portion	99,490	103,100
Total Current Liabilities	2,351,499	2,301,934
LONG-TERM LIABILITIES		
Long-Term Debt - Noncurrent Portion	1,384,539	1,441,521
Obligations Under Capital Leases - Noncurrent Portion	-	99,490
Pass-Through Obligations	625,575	1,973,232
Total Long-Term Liabilities	2,010,114	3,514,243
 Total Liabilities	 4,361,613	 5,816,177
NET ASSETS		
Without Donor Restrictions	673,125	475,491
With Donor Restrictions	1,063,359	619,838
Total Net Assets	1,736,484	1,095,329
 Total Liabilities and Net Assets	 \$ 6,098,097	 \$ 6,911,506

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS, AND PUBLIC SUPPORT		
Member Dues	\$ 2,025,212	\$ 1,958,974
Continuing Legal Education Fees	1,053,339	962,639
Publications	376,498	336,083
Grants	289,576	298,343
Contributions and Other	200,084	213,866
Administration Fees	134,174	176,297
Client Protection Fund	124,151	140,346
Professional Development Center Rental	117,592	97,867
Minimum Continuing Legal Education	46,541	-
Legal Specialization	29,217	-
Total Revenues, Gains, and Public Support Without Donor Restrictions	4,396,384	4,184,415
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Program Restrictions	124,554	60,978
Total Net Assets Released From Restrictions	124,554	60,978
Total Revenues, Gains, and Public Support Without Donor Restrictions	4,520,938	4,245,393
EXPENSES		
Administration/ Regulatory Programs	1,847,727	1,927,546
Center for Legal Education (CLE)	636,325	622,350
Membership Program and Services	513,047	388,980
Legal Services to the Public	357,971	419,617
Communications/ Publications	294,940	303,521
Bar Center/ Professional Development Center (PDC)	269,351	258,148
Entrepreneurs in Community Lawyering (ECL)	111,228	82,703
Governance/ Board of Bar Commissioners	83,807	92,053
Committees and Divisions	82,668	87,945
Judges and Lawyers Assistance Program (JLAP)	67,300	-
Practice Area Sections	57,254	60,978
Client Protection Fund	55,429	44,501
Minimum Continuing Legal Education (MCLE)	44,811	-
Bridge the Gap Mentorship Program	42,171	41,414
Pro Bono Committees	13,156	14,704
Total Expenses	4,477,185	4,344,460
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	43,753	(99,067)

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Judges and Lawyers Assistance Program (JLAP)	\$ 409,511	\$ -
Client Protection Fund	100,000	-
Practice Area Sections	58,565	59,557
Revenue With Donor Restrictions	568,076	59,557
 NET ASSETS RELEASED FROM DONOR RESTRICTIONS		
Practice Area Sections	(57,254)	(60,978)
Judges and Lawyers Assistance Program (JLAP)	(67,300)	-
Releases With Donor Restrictions	(124,554)	(60,978)
 INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	443,522	(1,421)
 CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	487,275	(100,488)
 NONOPERATING ACTIVITIES		
Inherent Contribution from Acquisition	153,880	-
 CHANGES IN NET ASSETS	641,155	(100,488)
Net Assets - Beginning of Year	1,095,329	1,195,817
 NET ASSETS - END OF YEAR	\$ 1,736,484	\$ 1,095,329

See accompanying Notes to Combined Financial Statements.

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

	Program Services							Support Services			Fundraising	Total	
	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		
Advertising & Marketing	\$ -	\$ 650	\$ -	\$ -	\$ -	\$ 1,050	\$ -	\$ 1,700	\$ 1,791	\$ -	\$ 1,791	\$ 241	\$ 3,732
Awards, Honors & 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	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	90,023	6,206	59,577	-	1,707	43	-	67,533	15,090	68,612	83,702	-	151,235
Dues and Subscriptions	361	225	418	-	542	225	-	90,790	124,106	-	124,106	-	214,896
Education and Training	-	-	3,927	-	417	2,321	-	3,742	9,037	-	9,037	-	12,779
Furniture & 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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services							Support Services			Fundraising	Total	
	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		
Advertising & Marketing	\$ -	\$ 538	\$ 8	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,546	\$ 2,199	\$ -	\$ 2,199	\$ -	\$ 3,745
Awards, Honors & Recognition	-	-	3,988	-	-	-	-	3,988	1,117	1,932	3,049	10,968	18,005
Bad Debt	-	-	-	-	-	-	-	-	981	-	981	-	981
Bank Fees	-	-	-	-	21,144	-	-	21,144	55,785	-	55,785	-	76,929
Compensation, Taxes, and Benefits	164,157	305,315	152,595	328,976	215,134	471,745	-	1,637,922	612,419	25,175	637,594	-	2,275,516
Conferences, Conventions, and Meetings	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	91,954	-	-	-	259	2,150	-	64,644	27,067	59,305	86,372	-	151,016
Dues and Subscriptions	-	9,623	52,612	-	2,319	963	-	95,236	146,021	-	146,021	-	241,257
Education and Training	-	225	-	-	147	2,894	-	3,266	7,016	-	7,016	-	10,282
Furniture & Equipment	111	-	-	1,845	-	2,947	-	4,903	2,275	-	2,275	-	2,275
Information Technology	-	-	252	2,160	74,305	2,299	-	79,016	10,635	-	10,635	-	15,538
Insurance	-	552	1,104	-	-	8,581	-	10,237	179,545	-	179,545	-	258,561
Interest	72,321	-	-	-	-	-	-	72,321	51,181	-	51,181	-	61,418
Office Supplies	943	23	67	-	143	892	-	2,068	-	-	-	801	7,591
Outreach	-	-	9,256	-	-	398	-	9,654	4,530	192	4,722	-	39,248
Professional Fees	-	1,200	-	-	-	-	-	1,200	9,496	20,098	29,594	-	30,185
Postage and Delivery	-	116	960	96,781	135	1,873	-	99,865	28,985	-	28,985	-	110,225
Repairs, Maintenance, Occupancy, and Overhead	138,564	-	1,407	-	-	-	-	139,971	10,352	8	10,360	-	-
Services Provided to Members	-	-	67,005	198,058	307,962	-	-	573,025	-	-	-	-	182,272
Services Provided to the Public	-	31,655	52,165	-	-	6,577	14,704	105,101	-	-	-	-	573,025
Taxes and Fees	20,156	-	-	4,676	-	-	-	24,832	-	-	-	-	105,101
Other	-	3,025	3,938	-	-	-	-	6,963	60,786	-	60,786	-	85,618
Total Expenses	\$ 488,206	\$ 352,272	\$ 345,357	\$ 632,496	\$ 621,548	\$ 502,319	\$ 14,704	\$ 2,956,902	\$ 1,258,562	\$ 117,227	\$ 1,375,789	\$ 11,769	\$ 4,344,460

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Without Donor Restrictions	\$ 43,753	\$ (99,067)
Change in Net Assets With Donor Restrictions	443,522	(1,421)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	214,896	241,257
Bad Debt	(969)	(981)
Inherent Contribution from Acquisition	153,880	-
(Increase) Decrease in Assets:		
Accounts Receivable	(34,618)	(12,861)
Prepaid Expenses and Inventory	20,499	(15,585)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	48,199	73,947
Accrued Income Tax	(1,191)	511
Pass-Through Obligations	(925,195)	(817,263)
Deferred Revenue	(418,417)	30,245
Net Cash Used by Operating Activities	(455,641)	(601,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Redemption of Certificates of Deposit	1,003,283	-
Purchase of Certificates of Deposit	(250,000)	(4,515)
Purchase of Assets	(41,609)	(67,252)
Net Cash Provided (Used) by Investing Activities	711,674	(71,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(54,860)	(53,619)
Principal Payments on Capital leases	(103,100)	(105,624)
Net Cash Used by Financing Activities	(157,960)	(159,243)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,073	(832,228)
Cash and Cash Equivalents - Beginning of Year	3,351,875	4,184,103
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,449,948	\$ 3,351,875
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 55,945	\$ 72,321
Income Taxes	40,082	59,731
Total	\$ 96,027	\$ 132,052

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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).

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

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.

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 2018 and 2017 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:

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Office of General Counsel and Regulatory Programs (Continued)

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.

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, 2018 AND 2017**

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, 2018 AND 2017**

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.

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Member Communications/Publications (Continued)

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, 2018 AND 2017**

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, 2018 AND 2017**

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 \$1,100 and \$1,600 for uncollectable receivables as of December 31, 2018 and 2017, 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 \$214,896 and \$241,257 for the years ended December 31, 2018 and 2017, respectively.

Inventories

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

Revenue Recognition

Dues, subscriptions, and advertising are recognized as revenue in the period to which they relate. Amounts collected in advance are recorded as deferred revenue until earned.

Dues designated for the operation of the Bar Center are recognized as revenue in the period to which they relate. Amounts collected in advance are recorded as deferred revenue until earned.

Financial Instruments

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

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017, the Organization had \$2,981,546 and \$2,733,072 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.

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 Minimum Continuing Legal Education Program.

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, 2018 and 2017.

Contributions

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 raffle fundraising events in 2018 and 2017. Total fundraising revenue equaled \$47,477 and \$42,950, respectively, and total fundraising expense equaled \$28,231 and \$11,769, respectively. State Bar of New Mexico had a net revenue from fundraising in 2018 of \$19,246 and in 2017 of \$31,181.

Advertising Costs

The Organization expenses advertising costs as incurred. Expenses incurred for the years ended December 31, 2018 and 2017 were approximately \$3,750, for both years.

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, 2018 and 2017, the income tax liability was \$3,722 and \$4,913, respectively. During the years ended December 31, 2018 and 2017, the provision for income taxes was \$40,363 and \$59,731, 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(6)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the 2018 presentation.

Subsequent Events

Management evaluated subsequent events through May 17, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to May 17, 2019, have been recognized in the financial statements for the fiscal year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

NOTE 3 CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
State Bar of New Mexico	\$ 2,623,211	\$ 2,778,714
Bar Foundation	826,737	573,161
Total	<u>\$ 3,449,948</u>	<u>\$ 3,351,875</u>

At December 31, 2018 and 2017, cash and cash equivalents of \$1,274,959 and \$1,313,041, respectively, was cash held for long-term pass-through obligations.

NOTE 4 CERTIFICATES OF DEPOSIT

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.

At December 31, 2017, a Certificate of Deposit was held by a bank with total value of \$251,855, an interest rate of 0.30%, and a maturity date of January 15, 2018.

At December 31, 2017, a Certificate of Deposit was held by a bank with a value of \$1,004,156, an interest rate of 0.15%, and a maturity date of October 26, 2018.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 DUE FROM OTHER ORGANIZATIONS AND PASS-THROUGH OBLIGATIONS

During the years ended December 31, 2018 and 2017, State Bar charged other organizations \$20,764 and \$29,623, 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:

	2018	2017
The Disciplinary Board	\$ 228,765	\$ 269,935
Funds Held on Behalf of Supreme Court	1,673,083	2,657,021
Other	123,962	24,049
Total	<u>\$ 2,025,810</u>	<u>\$ 2,951,005</u>

Funds held on behalf of Supreme Court represent pro bono contributions, pro hac vice fees, and IOLTA that the State Bar has collected and are pending disbursement as ordered by the Supreme Court. At December 31, 2018 and 2017, \$625,575 and \$1,973,232, 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:

	2018	2017
Bar Center:		
Capital Building Costs - Beginning of Year	\$ 3,015,273	\$ 2,994,528
Capital Building Improvements	41,245	20,745
Capital Building Costs - End of Year	3,056,518	3,015,273
Less: Accumulated Depreciation	(1,788,809)	(1,699,369)
Total	1,267,709	1,315,904
Land	546,242	546,242
Bar Center, Net	1,813,951	1,862,146
Furniture and Equipment	1,095,157	1,269,824
Less: Accumulated Depreciation	(942,742)	(992,317)
Furniture and Equipment, Net	152,415	277,507
Property and Equipment, Net	<u>\$ 1,966,366</u>	<u>\$ 2,139,653</u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 DEFERRED REVENUE

Deferred revenue consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
General Operating:		
Capital Member Dues Collected in Advance	\$ 432,823	\$ 847,688
Member Designated:		
Section Dues Collected in Advance	14,098	17,650
Total	<u>\$ 446,921</u>	<u>\$ 865,338</u>

NOTE 8 CAPITAL LEASE

In October 2014, the Organization entered into a 60-month capital lease for the purchase of printing and production equipment, requiring monthly payments of \$9,147. During 2016, some equipment was exchanged that changed the monthly payments to \$9,289. The capital lease expires November 2019. Future minimum lease payments for capital leases, excluding executor costs, are as follows at December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 102,184
2020	-
Net Minimum Lease Obligations	102,184
Less: Interest	(2,694)
Present Value of Minimum Lease Payments	99,490
Less: Current Portion	(99,490)
Obligations Under Capital Leases, Net of Current Portion	<u>\$ -</u>

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

	<u>2018</u>	<u>2017</u>
Equipment	\$ 515,540	\$ 515,540
Less: Accumulated Depreciation	(439,481)	(356,507)
Total	<u>\$ 76,059</u>	<u>\$ 159,033</u>

At December 31, 2018 and 2017, lease amortization expense of \$82,974 and \$101,997, respectively, is included in depreciation expense.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The Company 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, 2018 and 2017. The line bears interest at 0.25% over Bank of the West prime rate (3.75% at December 31, 2016).

Long-term debt consists of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
State Bar mortgage note payable to a financial institution used to finance the 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.	\$ 1,441,521	\$ 1,496,381
Less: Current Maturities	<u>(56,982)</u>	<u>(54,860)</u>
Long-Term Debt, Net	<u><u>\$ 1,384,539</u></u>	<u><u>\$ 1,441,521</u></u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 56,982
2020	59,040
2021	61,471
2022	63,850
2023	66,320
Thereafter	<u>1,133,858</u>
Total	<u><u>\$ 1,441,521</u></u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 2018 and 2017 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.

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 2018 and 2017, there were no refunds of membership dues made related to these challenge proceedings.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

LREP

The Foundation receives a significant portion of its revenue for LREP from state awards. LREP received \$289,576 and \$298,343 from state awards for the years ended December 31, 2018 and 2017, 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:

	2018	2017
Practice Area Sections	\$ 45,514	\$ 44,203
Client Protection Fund	675,635	575,635
Judges & Lawyers Assistance	342,211	-
Total	<u>\$ 1,063,360</u>	<u>\$ 619,838</u>

During 2018, \$124,554 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, 2018 and 2017, the Organization made purchases totaling approximately \$28,580 and \$26,350, respectively, from this restaurant.

NOTE 13 ACQUISITION OF MINIMUM CONTINUING LEGAL EDUCATION

On September 1, 2018, the State Bar of New Mexico acquired the Minimum Continuing Legal Education Program Board (MCLE), which had general supervisory authority over implementing and supervising the minimum continuing legal education requirements for members of the State Bar of New Mexico. The State Bar of New Mexico converted MCLE into a program of the State Bar of New Mexico. The State Bar of New Mexico acquired MCLE as part of New Mexico Supreme Court Order #18-8500-0103. The acquisition was effected by acquiring 100% of the ownership interests of MCLE.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 13 ACQUISITION OF MINIMUM CONTINUING LEGAL EDUCATION (CONTINUED)

Since the operations of MCLE are expected to be predominantly supported by payments from members of the State Bar of New Mexico, the State Bar of New Mexico has recognized this transaction in the combined statement of activities as an inherent contribution (the excess of the consideration transferred over the net assets acquired). On the acquisition date, the net identifiable assets of MCLE were \$153,880, which consisted of cash and net assets without donor restrictions.

NOTE 14 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 implementation of an updated association management software application. The implementation costs are expected to begin in 2019 and continue into 2020.

	<u>2018</u>	<u>2017</u>
Financial Assets, as of December 31	\$ 2,677,717	\$ 3,294,845
Less: Long-Term Pass Through Obligations	(625,575)	(1,973,232)
Less: Board-Designated Cash, Primarily for Future Database Infrastructure Upgrade Costs	<u>(55,272)</u>	<u>-</u>
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,996,870</u>	<u>\$ 1,321,613</u>

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLES

The Organization changed accounting policies related to presentation of financial statements and notes about liquidity and financial performance by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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

	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
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)

LIABILITIES AND NET ASSETS	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
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	<u>2,177,741</u>	<u>173,758</u>	<u>2,351,499</u>	<u>-</u>	<u>2,351,499</u>
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
Obligations Under Capital Leases	-	-	-	-	-
Pass-Through Obligations	292,203	333,372	625,575	-	625,575
Total Long-Term Liabilities	<u>1,676,742</u>	<u>1,505,178</u>	<u>3,181,920</u>	<u>(1,171,806)</u>	<u>2,010,114</u>
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	<u>1,891,675</u>	<u>(155,191)</u>	<u>1,736,484</u>	<u>-</u>	<u>1,736,484</u>
Total Liabilities and Net 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
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,465,673	\$ 573,161	\$ 2,038,834	\$ -	\$ 2,038,834
Certificates of Deposit	1,256,011	-	1,256,011	-	1,256,011
Accounts Receivable, Net:					
Grants	-	22,435	22,435	-	22,435
Program Services/Trade	46,767	16,186	62,953	-	62,953
Prepaid Expenses	42,935	28,962	71,897	-	71,897
Inventory	6,682	-	6,682	-	6,682
Total Current Assets	<u>2,818,068</u>	<u>640,744</u>	<u>3,458,812</u>	<u>-</u>	<u>3,458,812</u>
OTHER ASSETS					
Cash for Pass-Through Obligations	1,313,041	-	1,313,041	-	1,313,041
Due from Foundation/State Bar	1,162,003	-	1,162,003	(1,162,003)	-
Total Other Assets	<u>2,475,044</u>	<u>-</u>	<u>2,475,044</u>	<u>(1,162,003)</u>	<u>1,313,041</u>
PROPERTY AND EQUIPMENT					
Bar Center, Net	1,198,739	663,407	1,862,146	-	1,862,146
Furniture and Equipment, Net	272,841	4,666	277,507	-	277,507
Total Property and Equipment	<u>1,471,580</u>	<u>668,073</u>	<u>2,139,653</u>	<u>-</u>	<u>2,139,653</u>
 Total Assets	 <u>\$ 6,764,692</u>	 <u>\$ 1,308,817</u>	 <u>\$ 8,073,509</u>	 <u>\$ (1,162,003)</u>	 <u>\$ 6,911,506</u>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES					
Accounts Payable	\$ 120,424	\$ 29,483	\$ 149,907	\$ -	\$ 149,907
Payroll and Related Liabilities	88,275	50,633	138,908	-	138,908
Accrued Expenses	2,865	4,270	7,135	-	7,135
Accrued Income Tax	4,913	-	4,913	-	4,913
Pass-Through Obligations	717,974	259,799	977,773	-	977,773
Deferred Revenue	864,821	517	865,338	-	865,338
Current Maturities of Long-Term Debt	54,860	-	54,860	-	54,860
Obligations Under Capital Leases - Current Portion	103,100	-	103,100	-	103,100
Total Current Liabilities	<u>1,957,232</u>	<u>344,702</u>	<u>2,301,934</u>	<u>-</u>	<u>2,301,934</u>
LONG-TERM LIABILITIES					
Due to Foundation/State Bar	-	1,162,003	1,162,003	(1,162,003)	-
Long-Term Debt	1,441,521	-	1,441,521	-	1,441,521
Obligations Under Capital Leases	99,490	-	99,490	-	99,490
Pass-Through Obligations	1,973,232	-	1,973,232	-	1,973,232
Total Long-Term Liabilities	<u>3,514,243</u>	<u>1,162,003</u>	<u>4,676,246</u>	<u>(1,162,003)</u>	<u>3,514,243</u>
Total Liabilities	5,471,475	1,506,705	6,978,180	(1,162,003)	5,816,177
NET ASSETS (DEFICITS)					
Without Donor Restrictions	673,379	(197,888)	475,491	-	475,491
With Donor Restrictions	619,838	-	619,838	-	619,838
Total Net Assets	<u>1,293,217</u>	<u>(197,888)</u>	<u>1,095,329</u>	<u>-</u>	<u>1,095,329</u>
Total Liabilities and Net Assets	<u>\$ 6,764,692</u>	<u>\$ 1,308,817</u>	<u>\$ 8,073,509</u>	<u>\$ (1,162,003)</u>	<u>\$ 6,911,506</u>

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

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
REVENUES, GAINS, AND PUBLIC SUPPORT					
Member Dues	\$ 2,047,212	\$ -	\$ 2,047,212	\$ (22,000)	\$ 2,025,212
Continuing Legal Education Fees	-	1,053,339	1,053,339	-	1,053,339
Publications	434,026	-	434,026	(57,528)	376,498
Contributions and Other	68,314	109,770	178,084	22,000	200,084
Grants	-	289,576	289,576	-	289,576
Administration Fees	134,174	-	134,174	-	134,174
Client Protection Fund	124,151	-	124,151	-	124,151
Minimum Continuing Legal Education	61,592	-	61,592	(15,051)	46,541
Legal Specialization	29,217	-	29,217	-	29,217
Professional Development Center Rental	117,592	-	117,592	-	117,592
Total Revenues, Gains, and Public Support Without Donor Restrictions	<u>3,016,278</u>	<u>1,452,685</u>	<u>4,468,963</u>	<u>(72,579)</u>	<u>4,396,384</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of Program Restrictions	<u>124,554</u>	<u>-</u>	<u>124,554</u>	<u>-</u>	<u>124,554</u>
Total Net Assets Released from Restrictions	<u>124,554</u>	<u>-</u>	<u>124,554</u>	<u>-</u>	<u>124,554</u>
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
Legal Services to the Public	-	357,971	357,971	-	357,971
Membership Program and Services	513,047	-	513,047	-	513,047
Communications/ Publications	294,940	-	294,940	-	294,940
Bar Center/ Professional Development Center (PDC)	242,895	26,456	269,351	-	269,351
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)					
Governance/ Board of Bar Commissioners	\$ 83,807	\$ -	\$ 83,807	\$ -	\$ 83,807
Committees and Divisions	82,668	-	82,668	-	82,668
Entrepreneurs in Community Lawyering (ECL)	104,717	6,511	111,228	-	111,228
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>
INCREASE (DECREASE) 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					
Practice Area Sections	58,565	-	58,565	-	58,565
Client Protection Fund	100,000	-	100,000	-	100,000
Judges & Lawyers Assistance	409,511	-	409,511	-	409,511
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 & 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>
INCREASE (DECREASE) 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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
REVENUES, GAINS, AND PUBLIC SUPPORT					
Member Dues	\$ 1,958,974	\$ -	\$ 1,958,974	\$ -	\$ 1,958,974
Continuing Legal Education Fees	-	962,639	962,639	-	962,639
Publications	393,588	-	393,588	(57,505)	336,083
Contributions and Other	110,770	103,096	213,866	-	213,866
Grants	-	298,343	298,343	-	298,343
Administration Fees	176,297	-	176,297	-	176,297
Client Protection Fund	140,346	-	140,346	-	140,346
Professional Development Center Rental	97,867	-	97,867	-	97,867
Total Revenues, Gains, and Public Support Without Donor Restrictions	<u>2,877,842</u>	<u>1,364,078</u>	<u>4,241,920</u>	<u>(57,505)</u>	<u>4,184,415</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of Program Restrictions	60,978	-	60,978	-	60,978
Total Net Assets Released from Restrictions	<u>60,978</u>	<u>-</u>	<u>60,978</u>	<u>-</u>	<u>60,978</u>
Total Revenues, Gains, and Other Support Without Donor Restrictions	2,938,820	1,364,078	4,302,898	(57,505)	4,245,393
EXPENSES					
Administration/ Regulatory Programs	1,630,105	297,480	1,927,585	(39)	1,927,546
Center for Legal Education (CLE)	-	679,816	679,816	(57,466)	622,350
Legal Services to the Public	-	419,617	419,617	-	419,617
Membership Program and Services	388,980	-	388,980	-	388,980
Communications/ Publications	303,521	-	303,521	-	303,521
Bar Center/ Professional Development Center (PDC)	231,692	26,456	258,148	-	258,148
Client Protection Fund	44,501	-	44,501	-	44,501

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
EXPENSES (CONTINUED)					
Governance/ Board of Bar Commissioners	\$ 92,053	\$ -	\$ 92,053	\$ -	\$ 92,053
Committees and Divisions	87,945	-	87,945	-	87,945
Entrepreneurs in Community Lawyering (ECL)	-	82,703	82,703	-	82,703
Practice Area Sections	60,978	-	60,978	-	60,978
Bridge the Gap Mentorship Program	41,414	-	41,414	-	41,414
Pro Bono Committees	-	14,704	14,704	-	14,704
Total Expenses	<u>2,881,189</u>	<u>1,520,776</u>	<u>4,401,965</u>	<u>(57,505)</u>	<u>4,344,460</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	57,631	(156,698)	(99,067)	-	(99,067)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:					
Practice Area Sections	59,557	-	59,557	-	59,557
Client Protection Fund	-	-	-	-	-
Temporarily Restricted Revenue	<u>59,557</u>	<u>-</u>	<u>59,557</u>	<u>-</u>	<u>59,557</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS					
Practice Area Sections	(60,978)	-	(60,978)	-	(60,978)
Releases With Donor Restrictions	<u>(60,978)</u>	<u>-</u>	<u>(60,978)</u>	<u>-</u>	<u>(60,978)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(1,421)</u>	<u>-</u>	<u>(1,421)</u>	<u>-</u>	<u>(1,421)</u>
CHANGES IN NET ASSETS	56,210	(156,698)	(100,488)	-	(100,488)
Net Assets (Deficits) - Beginning of Year	<u>1,237,007</u>	<u>(41,190)</u>	<u>1,195,817</u>	<u>-</u>	<u>1,195,817</u>
NET ASSETS (DEFICITS) - END OF YEAR	<u>\$ 1,293,217</u>	<u>\$ (197,888)</u>	<u>\$ 1,095,329</u>	<u>\$ -</u>	<u>\$ 1,095,329</u>

**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 & Marketing	\$ -	\$ 650	\$ -	\$ -	\$ 650	\$ -	\$ 16	\$ 1,050	\$ -	\$ 1,066
Awards, Honors & 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 & 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			Fundraising			Total				
	State Bar		State Bar Foundation	State Bar	State Bar Foundation	State Bar	State Bar Foundation	Eliminations	Consolidated		
	Administration	Governance/ Board of Bar Commissioners	State Bar Total Support Expense	Administration	State Bar Foundation Total Support Expense						
Advertising & Marketing	\$ 1,122	\$ -	\$ 1,122	\$ 669	\$ 669	\$ -	\$ 241	\$ 1,772	\$ 1,976	\$ (16)	\$ 3,732
Awards, Honors & Recognition	3,109	13	3,122	-	-	-	19,736	6,393	19,736	(6)	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 & 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

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(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 & Marketing	\$ -	\$ 538	\$ 8	\$ -	\$ 546	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Awards, Honors & Recognition	-	-	3,988	-	3,988	-	-	-	-	-
Bad Debt	-	-	-	-	-	-	-	-	-	-
Bank Fees	-	-	-	-	-	-	21,144	-	-	21,144
Compensation, Taxes, and Benefits	164,157	305,315	152,595	328,976	951,043	-	215,134	471,745	-	686,879
Conferences, Conventions, and Meetings	-	9,623	52,612	-	62,235	-	259	2,150	-	2,409
Depreciation	65,499	-	-	-	65,499	26,455	2,319	963	-	29,737
Dues and Subscriptions	-	225	-	-	225	-	147	2,894	-	3,041
Education and Training	-	-	-	-	-	-	-	-	-	-
Furniture & Equipment	111	-	-	1,845	1,956	-	-	2,947	-	2,947
Information Technology	-	-	252	2,160	2,412	-	74,305	2,299	-	76,604
Insurance	-	552	1,104	-	1,656	-	-	8,581	-	8,581
Interest	72,321	-	-	-	72,321	-	-	-	-	-
Office Supplies	943	23	67	-	1,033	-	143	892	-	1,035
Outreach	-	-	9,295	-	9,295	-	-	398	-	398
Professional Fees	-	1,200	-	-	1,200	-	-	-	-	-
Postage and Delivery	-	116	960	96,781	97,857	-	135	1,873	-	2,008
Repairs, Maintenance, Occupancy, and Overhead	138,564	-	1,407	-	139,971	-	-	-	-	-
Services Provided to Members	-	-	67,005	198,058	265,063	-	365,428	-	-	365,428
Services Provided to the Public	-	31,655	52,165	-	83,820	-	-	6,577	14,704	21,281
Taxes and Fees	20,156	-	-	4,676	24,832	-	-	-	-	-
Other	-	3,025	3,938	-	6,963	-	-	-	-	-
Total Expenses	\$ 461,751	\$ 352,272	\$ 345,396	\$ 632,496	\$ 1,791,915	\$ 26,455	\$ 679,014	\$ 502,319	\$ 14,704	\$ 1,222,492

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	Support Services					Fundraising		Total			
	State Bar		State Bar Foundation			State Bar	State Bar Foundation	State Bar	State Bar Foundation	Eliminations	Consolidated
	Administration	Governance/ Board of Bar Commissioners	State Bar Total Support Expense	Administration	State Bar Foundation Total Support Expense						
Advertising & Marketing	\$ 2,199	\$ -	\$ 2,199	\$ -	\$ -	\$ -	\$ -	\$ 2,745	\$ 1,000	\$ -	\$ 3,745
Awards, Honors & Recognition	1,117	1,932	3,049	-	-	-	10,968	7,037	10,968	-	18,005
Bad Debt	717	-	717	264	264	-	-	717	264	-	981
Bank Fees	55,735	-	55,735	50	50	-	-	55,735	21,194	-	76,929
Compensation, Taxes, and Benefits	391,609	25,175	416,784	220,810	220,810	-	-	1,367,827	907,689	-	2,275,516
Conferences, Conventions, and Meetings	27,067	59,305	86,372	-	-	-	-	148,607	2,409	-	151,016
Depreciation	145,373	-	145,373	648	648	-	-	210,872	30,385	-	241,257
Dues and Subscriptions	6,882	-	6,882	134	134	-	-	7,107	3,175	-	10,282
Education and Training	2,275	-	2,275	-	-	-	-	2,275	-	-	2,275
Furniture & Equipment	7,164	-	7,164	3,471	3,471	-	-	9,120	6,418	-	15,538
Information Technology	157,659	-	157,659	21,886	21,886	-	-	160,071	98,490	-	258,561
Insurance	51,181	-	51,181	-	-	-	-	52,837	8,581	-	61,418
Interest	-	-	-	-	-	-	-	72,321	-	-	72,321
Office Supplies	4,514	192	4,706	16	16	-	801	5,739	1,852	-	7,591
Outreach	95	20,098	20,193	9,401	9,401	-	-	29,488	9,799	(39)	39,248
Professional Fees	23,829	-	23,829	5,156	5,156	-	-	25,029	5,156	-	30,185
Postage and Delivery	10,352	8	10,360	-	-	-	-	108,217	2,008	-	110,225
Repairs, Maintenance, Occupancy, and Overhead	17,661	-	17,661	24,640	24,640	-	-	157,632	24,640	-	182,272
Services Provided to Members	-	-	-	-	-	-	-	265,063	365,428	(57,466)	573,025
Services Provided to the Public	-	-	-	-	-	-	-	83,820	21,281	-	105,101
Taxes and Fees	60,747	-	60,747	39	39	-	-	85,579	39	-	85,618
Other	5,871	10,517	16,388	-	-	-	-	23,351	-	-	23,351
Total Expenses	\$ 972,047	\$ 117,227	\$ 1,089,274	\$ 286,515	\$ 286,515	\$ -	\$ 11,769	\$ 2,881,189	\$ 1,520,776	\$ (57,505)	\$ 4,344,460

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
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