

STATE BAR OF NEW MEXICO AND AFFILIATE

Combined Financial Statements  
For the Years Ended December 31, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of State Bar of New Mexico and New Mexico State Bar Foundation (collectively, the Organization), both not-for-profit corporations, which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2016 and 2015, 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**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. Schedules I and II on pages 21-26 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

  
Burt & Company CPAs, LLC

April 24, 2017

STATE BAR OF NEW MEXICO AND AFFILIATE  
 Combined Statements of Financial Position  
 December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,885,164	1,618,212
Certificates of deposit	1,251,496	500,551
Receivables, net:		
Grants	23,179	23,562
Program services/trade	48,367	41,845
Prepaid expenses and inventory	<u>62,994</u>	<u>52,795</u>
Total current assets	3,271,200	2,236,965
Cash for pass-through obligations	2,298,939	-
Bar Center, net	1,935,948	2,026,855
Furniture and equipment, net	<u>377,711</u>	<u>519,457</u>
Total assets	\$ <u>7,883,798</u>	<u>4,783,277</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 222,004	266,076
Accrued income tax	4,402	41,690
Pass-through obligations	1,469,329	658,276
Deferred revenue	835,093	545,329
Current maturities of long-term debt	53,621	47,197
Obligations under capital leases - current portion	<u>97,280</u>	<u>91,192</u>
Total current liabilities	2,681,729	1,649,760
Long-term liabilities:		
Long-term debt - noncurrent portion	1,496,379	1,564,902
Obligations under capital leases - noncurrent portion	210,934	295,698
Pass-through obligations	<u>2,298,939</u>	<u>-</u>
Total long-term liabilities	<u>4,006,252</u>	<u>1,860,600</u>
Total liabilities	6,687,981	3,510,360
Net assets		
Unrestricted	574,559	681,135
Temporarily restricted	<u>621,258</u>	<u>591,782</u>
Total net assets	<u>1,195,817</u>	<u>1,272,917</u>
Total liabilities and net assets	\$ <u>7,883,798</u>	<u>4,783,277</u>

The accompanying notes are an integral part of the financial statements.



STATE BAR OF NEW MEXICO AND AFFILIATE  
 Combined Statements of Activities  
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets		
Revenues, gains and public support:		
Member dues	\$ 1,927,843	1,895,233
Continuing legal education fees	991,395	854,490
Publications	360,419	357,130
Grants	307,798	306,596
Administration fees	228,700	191,040
Contributions and other	129,736	117,585
Client protection fund	118,029	123,810
Professional development center rental	90,538	78,566
Total revenues, gains, and public support	<u>4,154,458</u>	<u>3,924,450</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>108,464</u>	<u>145,749</u>
Total net assets released from restrictions	<u>108,464</u>	<u>145,749</u>
Total unrestricted revenues, gains and other support	4,262,922	4,070,199
Expenses:		
Administration	1,972,690	1,799,182
Continuing legal education	636,366	516,968
Legal services to the public	417,822	380,269
Membership services	390,708	413,438
Publications	281,097	250,238
Bar center/PDC	226,339	219,544
Client protection	166,121	126,832
Divisions and Committees	72,012	72,148
Board of Bar Commissioners	62,182	72,499
Sections	60,373	101,427
Mentorship program	43,448	38,264
Entrepreneurs in Community Lawyering	29,428	-
Access to Justice	10,912	8,830
Total expenses	<u>4,369,498</u>	<u>3,999,639</u>
Increase (decrease) in unrestricted net assets	(106,576)	70,560
Changes in temporarily restricted net assets		
Practice area sections	57,940	56,150
Client protection fund	80,000	-
Temporarily restricted revenue	<u>137,940</u>	<u>56,150</u>
Net assets released from restrictions	<u>(108,464)</u>	<u>(145,749)</u>
Increase (decrease) in temporarily restricted net assets	<u>29,476</u>	<u>(89,599)</u>
Changes in net assets	(77,100)	(19,039)
Net assets, beginning of year	<u>1,272,917</u>	<u>1,291,956</u>
Net assets, end of year	\$ <u>1,195,817</u>	<u>1,272,917</u>

The accompanying notes are an integral part of the financial statements.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Combined Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (106,576)	70,560
Change in temporarily restricted net assets	<u>29,476</u>	<u>(89,599)</u>
Total change in net assets	(77,100)	(19,039)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	241,608	249,292
Bad debt	1,979	-
Change in operating assets and liabilities:		
Receivables	(8,118)	19,138
Prepaid expenses and inventory	(10,199)	2,449
Accounts payable and accrued expenses	(44,072)	33,211
Accrued income tax	(37,288)	(10,294)
Pass-through obligations	3,109,992	110,859
Deferred revenue	<u>289,764</u>	<u>83,372</u>
Total adjustments	<u>3,543,666</u>	<u>488,027</u>
Net cash provided by operating activities	3,466,566	468,988
Cash flows from investing activities:		
Proceeds from redemption of certificates of deposit	249,055	-
Purchase of certificates of deposit	(1,000,000)	(500,551)
Purchase of assets	<u>(3,746)</u>	<u>(66,526)</u>
Net cash used in investing activities	(754,691)	(567,077)
Cash flows from financing activities:		
Proceeds from long-term debt	1,550,000	-
Principal payments on long-term debt	(1,612,099)	(141,596)
Principal payments on capital leases	<u>(83,885)</u>	<u>(86,430)</u>
Net cash used by financing activities	<u>(145,984)</u>	<u>(228,026)</u>
Net increase (decrease) in cash and cash equivalents	2,565,891	(326,115)
Cash and cash equivalents, beginning of year	<u>1,618,212</u>	<u>1,944,327</u>
Cash and cash equivalents, end of year	\$ <u><u>4,184,103</u></u>	<u><u>1,618,212</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u>97,364</u>	<u>106,479</u>
Income taxes paid	\$ <u>83,186</u>	<u>51,984</u>
Non-cash transactions:		
Equipment acquired through capital lease	\$ <u>5,209</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

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 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, and the two organizations are financially interrelated. Therefore, as State Bar has a controlling financial interest in the Foundation, their financial statements have been combined as required by accounting principles generally accepted in the United States of America, collectively referred to as the Organization. Significant intercompany accounts and transactions are eliminated in combination.

The purposes of the Foundation are 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).

A. Programs of State Bar

State Bar's principal programs are comprised of:

Communications - Publishes a weekly *Bar Bulletin*, and the annual *Bench and Bar Directory* for State Bar members and other interested individuals and subscribers. Communications also manages public legal education programs and publications, and printing/production jobs for internal and outside entities.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

1. Definition of Reporting Entity (continued)

A. Programs of State Bar (continued)

Membership Programs and 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 - 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.

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.

Professional Development Center - The Bar Center offers use of rooms as a service to members of the State Bar. They are also available to rent for interested parties.

Legal Services to the Public – State Bar funds committees and programs that support legal services to the people of New Mexico. Several public education and legal services programs are sponsored by the Young Lawyers Division (YLD), including Constitution Day, V.A. Civil Legal Advice Clinics, Law Day, and Wills for Heroes.

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.

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 member 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 31<sup>st</sup> 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 OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

1. Definition of Reporting Entity (continued)

A. Programs of State Bar (continued)

State Bar General Account. Should the Section be saving funds for a future activity, the Section may request additional funds of the Finance Committee.

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 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 non-admitted) - Provides members of the State Bar and non-admitted 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. Mentors and new lawyers meet a minimum of 12 times, seven of which must be in person, to discuss the practical issues in the practice of law and to complete activities chosen from a mentoring curriculum. 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.

Ethics 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.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

1. Definition of Reporting Entity (continued)

A. Programs of State Bar (continued)

- 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.

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 direction of the New Mexico Supreme Court. The funds are used to provide civil legal assistance to the poor, legal education and improvements to the administration of justice in New Mexico.

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.

Lawyers Professional Liability and Insurance Committee - Advises the State Bar regarding risk management activities and provides information on professional malpractice insurance for members.

Pro Hac Vice - Pursuant to Rule 24-106 NMRA, the State Bar of New Mexico collects a registration fee of \$450 from non-admitted attorneys intending to appear in civil actions before New Mexico courts. Subsequent registration fees of \$275 are collected for additional appearances limited to five registrations in total. The State Bar holds these fees in the Access to Justice Fund on behalf of the New Mexico Supreme Court. The State Bar receives an administrative fee of \$25 from each registration fee.

Governance - 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 2016 and 2015, respectively, they had four and four regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per

STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

1. Definition of Reporting Entity (continued)

A. Programs of State Bar (continued)

diem allowances for travel, in accordance with the State of New Mexico and IRS travel policies.

B. Programs of the Foundation

The Foundation's principal programs are comprised of:

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.

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.

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.

Legal Services to the Public - Provides programs, activities and opportunities for both members of the bar and the public:

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.

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



STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

1. Definition of Reporting Entity (continued)

B. Programs of the Foundation (continued)

Governance – The Foundation's by laws 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.

2. Summary of Significant Accounting Policies

A. 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.

B. 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization reports unrestricted net assets and temporarily restricted net assets at December 31, 2016 and 2015. The Organization did not have any permanently restricted net assets.

C. 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.

D. 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



STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

D. Accounts Receivable (continued)

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 \$9,800 for uncollectable receivables as of December 31, 2016 and 2015, respectively.

E. 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 expense totaled \$241,608 and \$249,292 for the years ended December 31, 2016 and 2015, respectively.

F. Inventories

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

G. 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.

H. 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, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

I. 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, 2016 and 2015, the Organization had \$4,037,002 and \$600,505 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.

J. 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:

Unrestricted - Unrestricted net assets represent those resources that are not restricted by their source, or for which source-imposed restrictions have expired. Included in unrestricted are mandatory dues fees that are designated for the Client Protection Fund program.

Temporarily Restricted - Temporarily restricted net assets 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.

The Organization records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same accounting period are recorded in the unrestricted net asset category. The Organization reports both unrestricted net assets and temporarily restricted net assets at December 31, 2016 and 2015.

K. 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, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

L. 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.

M. Advertising Costs

The Organization expenses advertising costs as incurred. Expenses incurred for the years ended December 31, 2016 and 2015 were approximately \$2,100 and \$3,800, respectively.

N. 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, 2016 and 2015, respectively, the income tax liability was \$4,402 and \$41,690. During the years ended December 31, 2016 and 2015, the provision for income taxes was \$53,659 and \$43,543, 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)(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.

As of December 31, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2013 forward.

O. 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, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

P. Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the 2016 presentation.

Q. Subsequent Events

Management evaluated subsequent events through April 24, 2017, the date the financial statements were available to be issued.

3. Cash and Cash Equivalents

	2016	2015
State Bar of New Mexico	\$ 3,799,506	1,293,237
Bar Foundation	384,597	324,975
Total cash and cash equivalents	\$ 4,184,103	1,618,212

At December 31, 2016 and 2015, cash and cash equivalents of \$2,298,939 and \$0, respectively was cash held for long-term pass-through obligations. See Note 5.

4. Certificates of Deposits

At December 31, 2016 a Certificate of Deposit was held by a bank with total value of \$251,101, an interest rate of 0.30%, and a maturity date of January 14, 2017.

At December 31, 2016 a Certificate of Deposit was held by a bank with a value of \$1,000,395, an interest rate of 0.40%, and a maturity date of October 26, 2017.

5. Due from other Organizations and Pass-Through Obligations

During the years ended December 31, 2016 and 2015, State Bar charged other organizations \$29,103 and \$29,397, 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:

	2016	2015
The Disciplinary Board	\$ 413,894	268,472
Funds held on behalf of Supreme Court	3,316,712	358,207
Other	37,662	31,597
Total pass-through obligations	\$ 3,768,268	658,276

STATE BAR OF NEW MEXICO AND AFFILIATE  
Notes to Combined Financial Statements  
December 31, 2016 and 2015

5. Due from other Organizations and Pass-Through Obligations (continued)

Funds held on behalf of Supreme Court represent pro bono contributions, pro hac vice fees, and IOLTA interest that the State Bar has collected and are pending disbursement as ordered by Supreme Court. At December 31, 2016 and 2015, \$2,298,939 and \$0, respectively were long-term pass-through obligations. See Note 3.

6. Property and Equipment

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

	2016	2015
Bar Center:		
Capital building costs, beginning of year	\$ 2,990,782	2,947,704
Capital building improvements	3,746	43,078
Capital building cost, end of year	2,994,528	2,990,782
Less accumulated depreciation	(1,604,822)	(1,510,169)
	1,389,706	1,480,613
Land	546,242	546,242
	\$ 1,935,948	2,026,855
Furniture and Equipment:		
Furniture and equipment	\$ 1,223,317	1,218,108
Less accumulated depreciation	(845,606)	(698,651)
	\$ 377,711	519,457

7. Deferred Revenue

Deferred revenue consisted of the following at December 31:

	2016	2015
General operating:		
Capital member dues collected in advance	\$ 810,763	528,944
Member designated		
Section dues collected in advance	24,330	16,385
Total	\$ 835,093	545,329

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 \$8,701. During 2016, some equipment was exchanged that changed the monthly payments to \$8,887. The capital

STATE BAR OF NEW MEXICO AND AFFILIATE  
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8. Capital Lease (continued)

lease expires January 2020. Future minimum lease payments for capital leases, excluding executor costs, are as follows at December 31:

2017	\$	111,473
2018		111,473
2019		102,184
2020		<u>9,289</u>
Net minimum lease obligations		334,419
Less interest		<u>26,205</u>
Present value of minimum lease payments		308,214
Less current portion		<u>97,280</u>
Obligations under capital leases, net of current portion	\$	<u><u>210,934</u></u>

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

		<u>2016</u>	<u>2015</u>
Equipment	\$	515,540	510,331
Less accumulated depreciation		<u>254,509</u>	<u>151,792</u>
Total	\$	<u><u>261,031</u></u>	<u><u>358,539</u></u>

At December 31, 2016 and 2015, lease amortization expense of \$102,717 and \$102,067, respectively, is included in depreciation expense.

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, 2016 and 2015. The line bears interest at 1.625% over the Wall Street Prime rate (3.25% at December 31, 2015) and is secured by the Organization's ownership interest in the Bar Center. The line of credit matured May 13, 2016, and was terminated on December 21, 2016. On December 23, 2016, the Company entered into a new \$200,000 revolving line of credit with a bank. The line bears interest at 0.25% over Bank of the West prime rate (3.75% at December 31, 2016).

STATE BAR OF NEW MEXICO AND AFFILIATE  
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December 31, 2016 and 2015

9. Short-Term Borrowings and Long-Term Debt (continued)

Long-term debt consists of the following:

	2016	2015
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.	1,550,000	-
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 variable interest rate set at an initial rate of 4.875% and face amount of \$1,800,000. The note is payable in monthly installments of principal and interest at inception of the obligation of \$10,395 and matures October 15, 2023. The note is secured by the Organization's ownership interest in the Bar Center.	\$ -	<u>1,612,099</u>
	1,550,000	1,612,099
Less current maturities	<u>53,621</u>	<u>47,197</u>
Total	<u>\$ 1,496,379</u>	<u>1,564,902</u>

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

2017	\$	53,621
2018		54,860
2019		56,982
2020		59,040
2021		61,471
Thereafter		<u>1,264,026</u>
Total	\$	<u>1,550,000</u>

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December 31, 2016 and 2015

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 percent. State Bar's interest in the Bar Center was largely funded through mortgage debt.

A. 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 percent of the employee contribution up to 5 percent 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 2016 and 2015 were \$59,090 and \$60,335, respectively.

B. 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.

C. 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 2016 and 2015, 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  
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10. Commitments and Contingencies (continued)

D. LREP

The Foundation receives a significant portion of its revenue for LREP from state awards. LREP received \$307,798 and \$306,596, respectively, from state awards for the years ended December 31, 2016 and 2015. Due to possible cutbacks and changes in funding priorities, it is uncertain whether LREP will be awarded those grants/contracts in the future.

E. 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.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Practice area sections	\$ 45,624	48,058
Client Protection Fund	<u>575,634</u>	<u>543,724</u>
Total	<u>\$ 621,258</u>	<u>591,782</u>

During 2016, \$41,839 of temporarily restricted client protection fund net assets was reclassified to unrestricted net assets.

12. Related Party Transactions

An employee who is part of the governance 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, 2016 and 2015 the Organization purchased approximately \$25,500 and \$0, respectively, from this restaurant.

SUPPLEMENTARY INFORMATION

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule I - Combining Statements of Financial Position  
December 31, 2016

<u>Assets</u>	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
Current assets:					
Cash and cash equivalents	\$ 1,500,567	384,597	1,885,164	-	1,885,164
Certificates of deposit	1,251,496	-	1,251,496	-	1,251,496
Receivables, net:					
Grants	-	23,179	23,179	-	23,179
Program services/trade	35,337	13,030	48,367	-	48,367
Prepaid expenses and inventory	49,799	13,195	62,994	-	62,994
Total current assets	<u>2,837,199</u>	<u>434,001</u>	<u>3,271,200</u>	-	<u>3,271,200</u>
Cash for pass-through obligations	2,298,939	-	2,298,939	-	2,298,939
Due from Foundation/State Bar	1,089,309	-	1,089,309	(1,089,309)	-
Bar Center, net	1,246,306	689,642	1,935,948	-	1,935,948
Furniture and equipment, net	368,894	8,817	377,711	-	377,711
Total assets	<u>\$ 7,840,647</u>	<u>1,132,460</u>	<u>8,973,107</u>	<u>(1,089,309)</u>	<u>7,883,798</u>
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 150,993	71,011	222,004	-	222,004
Accrued income tax	4,402	-	4,402	-	4,402
Pass-through obligations	1,463,999	5,330	1,469,329	-	1,469,329
Deferred revenue	827,093	8,000	835,093	-	835,093
Current maturities of long-term debt	53,621	-	53,621	-	53,621
Obligations under capital leases - current portion	97,280	-	97,280	-	97,280
Total current liabilities	<u>2,597,388</u>	<u>84,341</u>	<u>2,681,729</u>	-	<u>2,681,729</u>
Long-term liabilities:					
Due to Foundation/State Bar	-	1,089,309	1,089,309	(1,089,309)	-
Long-term debt	1,496,379	-	1,496,379	-	1,496,379
Obligations under capital leases	210,934	-	210,934	-	210,934
Pass-through obligations	2,298,939	-	2,298,939	-	2,298,939
Total long-term liabilities	<u>4,006,252</u>	<u>1,089,309</u>	<u>5,095,561</u>	<u>(1,089,309)</u>	<u>4,006,252</u>
Total liabilities	<u>6,603,640</u>	<u>1,173,650</u>	<u>7,777,290</u>	<u>(1,089,309)</u>	<u>6,687,981</u>
Net assets:					
Unrestricted	615,749	(41,190)	574,559	-	574,559
Temporarily restricted	621,258	-	621,258	-	621,258
Total net assets	<u>1,237,007</u>	<u>(41,190)</u>	<u>1,195,817</u>	-	<u>1,195,817</u>
Total liabilities and net assets	<u>\$ 7,840,647</u>	<u>1,132,460</u>	<u>8,973,107</u>	<u>(1,089,309)</u>	<u>7,883,798</u>

See independent auditors' report.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule I - Combining Statements of Financial Position (continued)  
December 31, 2015

<u>Assets</u>	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
Current assets:					
Cash and cash equivalents	\$ 1,293,237	324,975	1,618,212	-	1,618,212
Certificates of deposit	500,551	-	500,551	-	500,551
Receivables, net:					
Grants	-	23,562	23,562	-	23,562
Program services/trade	9,200	32,645	41,845	-	41,845
Prepaid expenses and inventory	45,718	7,077	52,795	-	52,795
Total current assets	<u>1,848,706</u>	<u>388,259</u>	<u>2,236,965</u>	-	<u>2,236,965</u>
Due from Foundation/State Bar	918,996	-	918,996	(918,996)	-
Bar Center, net	1,310,978	715,877	2,026,855	-	2,026,855
Furniture and equipment, net	506,341	13,116	519,457	-	519,457
Total assets	<u>\$ 4,585,021</u>	<u>1,117,252</u>	<u>5,702,273</u>	<u>(918,996)</u>	<u>4,783,277</u>
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 208,287	57,789	266,076	-	266,076
Accrued income tax	41,690	-	41,690	-	41,690
Pass-through obligations	656,729	1,547	658,276	-	658,276
Deferred revenue	538,729	6,600	545,329	-	545,329
Current maturities of long-term debt	47,197	-	47,197	-	47,197
Obligations under capital leases - current portion	91,192	-	91,192	-	91,192
Total current liabilities	<u>1,583,824</u>	<u>65,936</u>	<u>1,649,760</u>	-	<u>1,649,760</u>
Long-term liabilities:					
Due to Foundation/State Bar	-	918,996	918,996	(918,996)	-
Long-term debt	1,564,902	-	1,564,902	-	1,564,902
Obligations under capital leases	295,698	-	295,698	-	295,698
Pass-through obligations	-	-	-	-	-
Total long-term liabilities	<u>1,860,600</u>	<u>918,996</u>	<u>2,779,596</u>	<u>(918,996)</u>	<u>1,860,600</u>
Total liabilities	<u>3,444,424</u>	<u>984,932</u>	<u>4,429,356</u>	<u>(918,996)</u>	<u>3,510,360</u>
Net assets					
Unrestricted	548,815	132,320	681,135	-	681,135
Temporarily restricted	591,782	-	591,782	-	591,782
Total net assets	<u>1,140,597</u>	<u>132,320</u>	<u>1,272,917</u>	-	<u>1,272,917</u>
Total liabilities and net assets	<u>\$ 4,585,021</u>	<u>1,117,252</u>	<u>5,702,273</u>	<u>(918,996)</u>	<u>4,783,277</u>

See independent auditors' report.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule II - Combining Statements of Activities  
For the Year Ended December 31, 2016

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
Changes in unrestricted net assets:					
Revenues, gains and public support:					
Member dues	\$ 1,927,843	-	1,927,843	-	1,927,843
Continuing legal education fees	-	991,395	991,395	-	991,395
Publications	431,667	-	431,667	(71,248)	360,419
Grants	-	307,798	307,798	-	307,798
Administration fees	228,700	-	228,700	-	228,700
Contributions and other	52,986	76,750	129,736	-	129,736
Client protection fund	118,029	-	118,029	-	118,029
Professional development center rental	90,538	-	90,538	-	90,538
Total revenues, gains, and public support	2,849,763	1,375,943	4,225,706	(71,248)	4,154,458
Net assets released from restrictions:					
Satisfaction of program restrictions	108,464	-	108,464	-	108,464
Total net assets released from restrictions	108,464	-	108,464	-	108,464
Total unrestricted revenues, gains and other support	2,958,227	1,375,943	4,334,170	(71,248)	4,262,922
Expenses:					
Administration	1,615,469	357,290	1,972,759	(69)	1,972,690
Continuing legal education	-	707,545	707,545	(71,179)	636,366
Membership services	390,708	-	390,708	-	390,708
Legal services to the public	-	417,822	417,822	-	417,822
Publications	281,097	-	281,097	-	281,097
Bar Center/PDC	199,883	26,456	226,339	-	226,339
Client protection	166,121	-	166,121	-	166,121
Sections	60,373	-	60,373	-	60,373
Board of Bar Commissioners	62,182	-	62,182	-	62,182
Divisions and Committees	72,012	-	72,012	-	72,012
Mentorship program	43,448	-	43,448	-	43,448
Entrepreneurs in Community Lawyering	-	29,428	29,428	-	29,428
Access to Justice	-	10,912	10,912	-	10,912
Total expenses	2,891,293	1,549,453	4,440,746	(71,248)	4,369,498
Increase (decrease) in unrestricted net assets	66,934	(173,510)	(106,576)	-	(106,576)

See independent auditors' report.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule II - Combining Statements of Activities (continued)  
For the Year Ended December 31, 2016

	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
Changes in temporarily restricted net assets:					
Practice area sections	57,940	-	57,940	-	57,940
Client protection fund	80,000	-	80,000	-	80,000
Net assets released from restrictions	<u>(108,464)</u>	<u>-</u>	<u>(108,464)</u>	<u>-</u>	<u>(108,464)</u>
Increase (decrease) in temporarily restricted net assets	<u>29,476</u>	<u>-</u>	<u>29,476</u>	<u>-</u>	<u>29,476</u>
Change in net assets	96,410	(173,510)	(77,100)	-	(77,100)
Net assets, beginning of year	<u>1,140,597</u>	<u>132,320</u>	<u>1,272,917</u>	<u>-</u>	<u>1,272,917</u>
Net assets, end of year	\$ <u>1,237,007</u>	<u>(41,190)</u>	<u>1,195,817</u>	<u>-</u>	<u>1,195,817</u>

See independent auditors' report.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule II - Combining Statements of Activities  
For the Year Ended December 31, 2015

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
Changes in unrestricted net assets					
Revenues, gains and public support:					
Member dues	\$ 1,895,233	-	1,895,233	-	1,895,233
Continuing legal education fees	-	854,490	854,490	-	854,490
Publications	428,880	-	428,880	(71,750)	357,130
Grants	-	306,596	306,596	-	306,596
Administration fees	191,040	-	191,040	-	191,040
Contributions and other	92,164	25,421	117,585	-	117,585
Client protection fund	123,810	-	123,810	-	123,810
Professional development center rental	<u>78,566</u>	<u>-</u>	<u>78,566</u>	<u>-</u>	<u>78,566</u>
Total revenues, gains, and public support	<u>2,809,693</u>	<u>1,186,507</u>	<u>3,996,200</u>	<u>(71,750)</u>	<u>3,924,450</u>
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>145,749</u>	<u>-</u>	<u>145,749</u>	<u>-</u>	<u>145,749</u>
Total net assets released from restrictions	<u>145,749</u>	<u>-</u>	<u>145,749</u>	<u>-</u>	<u>145,749</u>
Total unrestricted revenues, gains and other support	2,955,442	1,186,507	4,141,949	(71,750)	4,070,199
Expenses:					
Administration	1,447,733	351,449	1,799,182	-	1,799,182
Continuing legal education	-	588,718	588,718	(71,750)	516,968
Membership services	413,438	-	413,438	-	413,438
Legal services to the public	-	380,269	380,269	-	380,269
Publications	250,238	-	250,238	-	250,238
Bar Center/PDC	219,323	221	219,544	-	219,544
Client protection	126,832	-	126,832	-	126,832
Sections	101,427	-	101,427	-	101,427
Board of Bar Commissioners	72,499	-	72,499	-	72,499
Divisions and Committees	72,148	-	72,148	-	72,148
Mentorship program	38,264	-	38,264	-	38,264
Access to Justice	<u>-</u>	<u>8,830</u>	<u>8,830</u>	<u>-</u>	<u>8,830</u>
Total expenses	<u>2,741,902</u>	<u>1,329,487</u>	<u>4,071,389</u>	<u>(71,750)</u>	<u>3,999,639</u>
Increase (decrease) in unrestricted net assets	213,540	(142,980)	70,560	-	70,560

See independent auditors' report.

STATE BAR OF NEW MEXICO AND AFFILIATE  
Schedule II - Combining Statements of Activities (continued)  
For the Year Ended December 31, 2015

	<u>State Bar</u>	<u>State Bar Foundation</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Combined</u>
Changes in temporarily restricted net assets:					
Practice area sections	56,150	-	56,150	-	56,150
Client protection fund	-	-	-	-	-
Net assets released from restrictions	<u>(145,749)</u>	<u>-</u>	<u>(145,749)</u>	<u>-</u>	<u>(145,749)</u>
Increase (decrease) in temporarily restricted net assets	<u>(89,599)</u>	<u>-</u>	<u>(89,599)</u>	<u>-</u>	<u>(89,599)</u>
Change in net assets	123,941	(142,980)	(19,039)	-	(19,039)
Net assets, beginning of year	<u>1,016,656</u>	<u>275,300</u>	<u>1,291,956</u>	<u>-</u>	<u>1,291,956</u>
Net assets, end of year, as restated	\$ <u>1,140,597</u>	<u>132,320</u>	<u>1,272,917</u>	<u>-</u>	<u>1,272,917</u>

See independent auditors' report.