

**STATE BAR OF NEW MEXICO
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**STATE BAR OF NEW MEXICO AND AFFILIATE
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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 State Bar of New Mexico and New Mexico State Bar Foundation (collectively, the Organization), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information for the year ended December 31, 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. The 2016 accompanying supplementary information was subjected to the auditing procedures applied in the 2016 audit of the combined financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 combined financial statements as a whole.

Other Matter

The 2016 combined financial statements were audited by other auditors (Burt & Company CPAs, LLC), whose report dated April 24, 2017 expressed an unmodified opinion on those combined statements.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
May 18, 2018

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,038,834	\$ 1,885,164
Certificates of Deposit	1,256,011	1,251,496
Accounts Receivable, Net:		
Grants	22,435	23,179
Program Services/Trade	62,953	48,367
Prepaid Expenses	71,897	56,312
Inventory	6,682	6,682
Total Current Assets	3,458,812	3,271,200
OTHER ASSETS		
Cash for Pass-Through Obligations	1,313,041	2,298,939
PROPERTY AND EQUIPMENT		
Bar Center, Net	1,862,146	1,935,948
Furniture and Equipment, Net	277,507	377,711
Total Property and Equipment	2,139,653	2,313,659
 Total Assets	 \$ 6,911,506	 \$ 7,883,798
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 149,907	\$ 119,104
Payroll and Related Liabilities	138,908	94,822
Accrued Expenses	7,135	8,078
Accrued Income Tax	4,913	4,402
Pass-Through Obligations	977,773	1,469,329
Deferred Revenue	865,338	835,093
Current Maturities of Long-Term Debt	54,860	53,621
Obligations Under Capital Leases - Current Portion	103,099	97,280
Total Current Liabilities	2,301,933	2,681,729
LONG-TERM LIABILITIES		
Long-Term Debt - Noncurrent Portion	1,441,521	1,496,379
Obligations Under Capital Leases - Noncurrent Portion	99,491	210,934
Pass-Through Obligations	1,973,232	2,298,939
Total Long-Term Liabilities	3,514,244	4,006,252
 Total Liabilities	 5,816,177	 6,687,981
NET ASSETS		
Unrestricted	475,491	574,559
Temporarily Restricted	619,838	621,258
Total Net Assets	1,095,329	1,195,817
 Total Liabilities and Net Assets	 \$ 6,911,506	 \$ 7,883,798

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES, GAINS, AND PUBLIC SUPPORT		
Member Dues	\$ 1,958,974	\$ 1,927,843
Continuing Legal Education Fees	962,639	991,395
Publications	336,083	360,419
Contributions and Other	213,866	129,736
Grants	298,343	307,798
Administration Fees	176,297	228,700
Client Protection Fund	140,346	118,029
Professional Development Center Rental	97,867	90,538
Total Unrestricted Revenues, Gains, and Public Support	4,184,415	4,154,458
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Program Restrictions	60,978	108,464
Total Net Assets Released From Restrictions	60,978	108,464
Total Unrestricted Revenues, Gains, and Other Support	4,245,393	4,262,922
EXPENSES		
Administration/ Regulatory Programs	1,927,546	1,972,690
Center for Legal Education (CLE)	622,350	636,366
Legal Services to the Public	419,617	417,822
Membership Program and Services	388,980	390,708
Communications/ Publications	303,521	281,097
Bar Center/ Professional Development Center (PDC)	258,148	226,339
Governance/ Board of Bar Commissioners	92,053	62,182
Committees and Divisions	87,945	72,012
Entrepreneurs in Community Lawyering (ECL)	82,703	29,428
Practice Area Sections	60,973	60,373
Client Protection Fund	44,501	166,121
Bridge the Gap Mentorship Program	41,419	43,448
Pro Bono Committees	14,704	10,912
Total Expenses	4,344,460	4,369,498
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(99,067)	(106,576)

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Practice Area Sections	\$ 59,557	\$ 57,940
Client Protection Fund	-	80,000
Temporarily Restricted Revenue	<u>59,557</u>	<u>137,940</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(60,978)</u>	<u>(108,464)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(1,421)</u>	<u>29,476</u>
CHANGES IN NET ASSETS	(100,488)	(77,100)
Net Assets - Beginning of Year	<u>1,195,817</u>	<u>1,272,917</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,095,329</u></u>	<u><u>\$ 1,195,817</u></u>

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ (99,067)	\$ (106,576)
Change in Temporarily Restricted Net Assets	(1,421)	29,476
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	241,258	241,608
Bad Debt	(981)	1,979
(Increase) Decrease in Assets:		
Accounts Receivable	(12,861)	(8,118)
Prepaid Expenses and Inventory	(15,585)	(10,199)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	73,946	(44,072)
Accrued Income Tax	511	(37,288)
Pass-Through Obligations	(817,263)	3,109,992
Deferred Revenue	30,245	289,764
Net Cash Provided (Used) by Operating Activities	(601,218)	3,466,566
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Redemption of Certificates of Deposit	-	249,055
Purchase of Certificates of Deposit	(4,515)	(1,000,000)
Purchase of Assets	(67,252)	(3,746)
Net Cash Used by Investing Activities	(71,767)	(754,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	1,550,000
Principal Payments on Long-Term Debt	(53,619)	(1,612,099)
Principal Payments on Capital leases	(105,624)	(83,885)
Net Cash Used by Financing Activities	(159,243)	(145,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(832,228)	2,565,891
Cash and Cash Equivalents - Beginning of Year	4,184,103	1,618,212
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,351,875	\$ 4,184,103
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 72,321	\$ 97,364
Income Taxes	59,731	83,186
Total	\$ 132,052	\$ 180,550
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Acquired through Capital Lease	\$ -	\$ 5,209

See accompanying Notes to Combined Financial Statements.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 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, 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, 2017 AND 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar

State Bar's principal programs are comprised of:

Administration/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 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.

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.
- 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 AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Administration/Regulatory Programs (Continued)

Interest on Lawyer Trust Accounts (IOLTA) (Continued) – 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 nonadmitted 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.

Bar Center/Professional Development Center (PDC)

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.

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 2017 and 2016 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.

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

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.

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.

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.

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.

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 twelve 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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of State Bar (Continued)

Communications/Publications

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.

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.

Programs of the Foundation

The Foundation's principal programs are comprised of:

Administration

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.

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. They are also available to rent for interested parties.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

Programs of the Foundation (Continued)

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.

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.

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016. The Organization did not have any permanently restricted net assets.

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.

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 \$1,600 and \$1,100 for uncollectable receivables as of December 31, 2017 and 2016, 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 \$241,258 and \$241,608 for the years ended December 31, 2017 and 2016, respectively.

Inventories

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

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 and 2016, the Organization had \$2,733,072 and \$4,037,002 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:

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. Included in temporarily restricted are contributions from the Minimum Continuing Legal Education Program.

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, 2017 and 2016.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributions In-Kind

The New Mexico Bar Foundation received \$-0- of in-kind support during the years ended December 31, 2017 and 2016. Contributions of support are recognized at fair value when received.

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 2017. Total fundraising revenue equaled \$42,950, and total fundraising expense equaled \$20,735. State Bar of New Mexico had a net revenue from fundraising in 2017 of \$22,215.

Advertising Costs

The Organization expenses advertising costs as incurred. Expenses incurred for the years ended December 31, 2017 and 2016 were approximately \$3,750 and \$2,100, respectively.

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, 2017 and 2016, the income tax liability was \$4,913 and \$4,402, respectively. During the years ended December 31, 2017 and 2016, the provision for income taxes was \$59,731 and \$53,659, 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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

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

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the 2017 presentation.

Subsequent Events

Management evaluated subsequent events through May 18, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to May 18, 2018, have been recognized in the financial statements for the fiscal year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, 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, 2017.

NOTE 3 CASH AND CASH EQUIVALENTS

	2017	2016
State Bar of New Mexico	\$ 2,778,714	\$ 3,799,506
Bar Foundation	573,161	384,597
Total	\$ 3,351,875	\$ 4,184,103

At December 31, 2017 and 2016, cash and cash equivalents of \$1,313,041 and \$2,298,939, respectively, was cash held for long-term pass-through obligations. See Note 5.

NOTE 4 CERTIFICATES OF DEPOSIT

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.

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.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 DUE FROM OTHER ORGANIZATIONS AND PASS-THROUGH OBLIGATIONS

During the years ended December 31, 2017 and 2016, State Bar charged other organizations \$29,623 and \$29,103, 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:

	2017	2016
The Disciplinary Board	\$ 269,935	\$ 413,894
Funds Held on Behalf of Supreme Court	2,657,021	3,316,712
Other	24,049	37,662
Total	<u>\$ 2,951,005</u>	<u>\$ 3,768,268</u>

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 the Supreme Court. At December 31, 2017 and 2016, \$1,973,232 and \$2,298,939, respectively, were long-term pass-through obligations. See Note 3.

NOTE 6 PROPERTY AND EQUIPMENT

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

	2017	2016
Bar Center:		
Capital Building Costs - Beginning of Year	\$ 2,994,528	\$ 2,990,782
Capital Building Improvements	20,745	3,746
Capital Building Costs - End of Year	<u>3,015,273</u>	<u>2,994,528</u>
Less: Accumulated Depreciation	<u>(1,699,369)</u>	<u>(1,604,822)</u>
Total	1,315,904	1,389,706
Land	<u>546,242</u>	<u>546,242</u>
Bar Center, Net	1,862,146	1,935,948
Furniture and Equipment	1,269,824	1,223,317
Less: Accumulated Depreciation	<u>(992,317)</u>	<u>(845,606)</u>
Furniture and Equipment, Net	<u>277,507</u>	<u>377,711</u>
Property and Equipment, Net	<u>\$ 2,139,653</u>	<u>\$ 2,313,659</u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 DEFERRED REVENUE

Deferred revenue consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
General Operating:		
Capital Member Dues Collected in Advance	\$ 847,688	\$ 810,763
Member Designated:		
Section Dues Collected in Advance	17,650	24,330
Total	<u>\$ 865,338</u>	<u>\$ 835,093</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 \$8,701. During 2016, some equipment was exchanged that changed the monthly payments to \$8,887. The capital lease expires January 2020. 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>
2018	\$ 111,473
2019	102,185
Net Minimum Lease Obligations	213,658
Less: Interest	(11,068)
Present Value of Minimum Lease Payments	202,590
Less: Current Portion	(103,099)
Obligations Under Capital Leases, Net of Current Portion	<u>\$ 99,491</u>

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

	<u>2017</u>	<u>2016</u>
Equipment	\$ 515,540	\$ 515,540
Less: Accumulated Depreciation	(356,807)	(254,509)
Total	<u>\$ 158,733</u>	<u>\$ 261,031</u>

At December 31, 2017 and 2016, lease amortization expense of \$101,997 and \$102,717, respectively, is included in depreciation expense.

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016. 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, 2017). This line of credit is no longer secured by the Organization's ownership interest in the Bar Center.

Long-term debt consists of the following:

<u>Description</u>	<u>2017</u>	<u>2016</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.	\$ 1,496,381	\$ 1,550,000
Less: Current Maturities	<u>(54,860)</u>	<u>(53,621)</u>
Long-Term Debt, Net	<u>\$ 1,441,521</u>	<u>\$ 1,496,379</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 54,860
2019	56,982
2020	59,040
2021	61,471
2022	63,850
Thereafter	<u>1,200,178</u>
Total	<u>\$ 1,496,381</u>

**STATE BAR OF NEW MEXICO AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 2017 and 2016 were \$66,852 and \$59,090, 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 2017 and 2016, 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, 2017 AND 2016**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

LREP

The Foundation receives a significant portion of its revenue for LREP from state awards. LREP received \$298,343 and \$307,798 from state awards for the years ended December 31, 2017 and 2016, 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 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Practice Area Sections	\$ 44,203	\$ 45,624
Client Protection Fund	575,635	575,634
Total	<u>\$ 619,838</u>	<u>\$ 621,258</u>

During 2017, \$60,978 of temporarily restricted client protection fund net assets was reclassified to unrestricted net assets.

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, 2017 and 2016, the Organization made purchases totaling approximately \$26,350 and \$25,500, respectively, from this restaurant.

**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	103,099	-	103,099	-	103,099
Total Current Liabilities	<u>1,957,231</u>	<u>344,702</u>	<u>2,301,933</u>	<u>-</u>	<u>2,301,933</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	99,491	-	99,491	-	99,491
Pass-Through Obligations	1,973,232	-	1,973,232	-	1,973,232
Total Long-Term Liabilities	<u>3,514,244</u>	<u>1,162,003</u>	<u>4,676,247</u>	<u>(1,162,003)</u>	<u>3,514,244</u>
Total Liabilities	5,471,475	1,506,705	6,978,180	(1,162,003)	5,816,177
NET ASSETS					
Unrestricted	673,379	(197,888)	475,491	-	475,491
Temporarily Restricted	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 FINANCIAL POSITION
DECEMBER 31, 2016
(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	\$ 1,500,567	\$ 384,597	\$ 1,885,164	\$ -	\$ 1,885,164
Certificates of Deposit	1,251,496	-	1,251,496	-	1,251,496
Accounts Receivable, Net:					
Grants	-	23,179	23,179	-	23,179
Program Services/Trade	35,337	13,030	48,367	-	48,367
Prepaid Expenses	43,117	13,195	56,312	-	56,312
Inventory	6,682	-	6,682	-	6,682
Total Current Assets	<u>2,837,199</u>	<u>434,001</u>	<u>3,271,200</u>	<u>-</u>	<u>3,271,200</u>
OTHER ASSETS					
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)	-
Total Other Assets	<u>3,388,248</u>	<u>-</u>	<u>3,388,248</u>	<u>(1,089,309)</u>	<u>2,298,939</u>
PROPERTY AND EQUIPMENT					
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 Property and Equipment	<u>1,615,200</u>	<u>698,459</u>	<u>2,313,659</u>	<u>-</u>	<u>2,313,659</u>
 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>

STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016
(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	\$ 74,989	\$ 44,115	\$ 119,104	\$ -	\$ 119,104
Payroll and Related Liabilities	71,973	22,849	94,822	-	94,822
Accrued Expenses	4,031	4,047	8,078	-	8,078
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>-</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	6,603,640	1,173,650	7,777,290	(1,089,309)	6,687,981
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>-</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>

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED 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>
CHANGES IN UNRESTRICTED NET ASSETS:					
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 Unrestricted Revenues, Gains, and Public Support	<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	<u>60,978</u>	<u>-</u>	<u>60,978</u>	<u>-</u>	<u>60,978</u>
Total Net Assets Released from Restrictions	<u>60,978</u>	<u>-</u>	<u>60,978</u>	<u>-</u>	<u>60,978</u>
Total Unrestricted Revenues, Gains, and Other Support	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	60,973	-	60,973	-	60,973
Bridge the Gap Mentorship Program	41,419	-	41,419	-	41,419
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 UNRESTRICTED NET ASSETS	57,631	(156,698)	(99,067)	-	(99,067)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
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 RESTRICTIONS	<u>(60,978)</u>	<u>-</u>	<u>(60,978)</u>	<u>-</u>	<u>(60,978)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<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 - 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 - 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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

CHANGES IN UNRESTRICTED NET ASSETS:	<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	\$ 1,927,843	\$ -	\$ 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 Unrestricted 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/ Regulatory Programs	1,615,469	357,290	1,972,759	(69)	1,972,690
Center for Legal Education (CLE)	-	707,545	707,545	(71,179)	636,366
Legal Services to the Public	-	417,822	417,822	-	417,822
Membership Program and Services	390,708	-	390,708	-	390,708
Communications/ Publications	281,097	-	281,097	-	281,097
Bar Center/ Professional Development Center (PDC)	199,883	26,456	226,339	-	226,339
Client Protection Fund	166,121	-	166,121	-	166,121

**STATE BAR OF NEW MEXICO AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	State Bar	State Bar Foundation	Combined	Eliminations	Combined
EXPENSES (CONTINUED)					
Committees and Divisions	\$ 72,012	\$ -	\$ 72,012	\$ -	\$ 72,012
Governance/ Board of Bar Commissioners	62,182	-	62,182	-	62,182
Practice Area Sections	60,373	-	60,373	-	60,373
Bridge the Gap Mentorship Program	43,448	-	43,448	-	43,448
Entrepreneurs in Community Lawyering (ECL)	-	29,428	29,428	-	29,428
Pro Bono Committees	-	10,912	10,912	-	10,912
Total Expenses	<u>2,891,293</u>	<u>1,549,453</u>	<u>4,440,746</u>	<u>(71,248)</u>	<u>4,369,498</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	66,934	(173,510)	(106,576)	-	(106,576)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Practice Area Sections	57,940	-	57,940	-	57,940
Client Protection Fund	80,000	-	80,000	-	80,000
Temporarily Restricted Revenue	<u>137,940</u>	<u>-</u>	<u>137,940</u>	<u>-</u>	<u>137,940</u>
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>
CHANGES 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>