

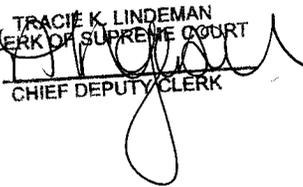


February 25, 2016

Chief Justice Ron Parraguirre  
Nevada Supreme Court  
201 South Carson Street  
Carson City, NV 89701-4702

**FILED**

**FEB 29 2016**

TRACIE K. LINDEMAN  
CLERK OF SUPREME COURT  
BY   
CHIEF DEPUTY CLERK

**RE: ADKT 0479: Annual Statement of the Nevada Bar Foundation**

Dear Chief Justice Parraguirre:

On behalf of the Nevada Bar Foundation, I would like to thank the Court once again for the opportunity to administer Nevada's IOLTA program. Enclosed you will find an Annual Report of the Foundation's activities as well as the Foundation's audited financial statements for 2014. These documents are submitted pursuant to SCR 216(5) and 220.5.

I would like to highlight some of the Nevada Bar Foundation's activities from this past year. In addition to granting more than \$2.8 million in IOLTA grant funds to ensure statewide delivery of pro bono services, the Foundation accepted proceeds resulting from a settlement between Bank of America and the U.S. Department of Justice. The Foundation used these proceeds to grant another \$227,657 to legal aid providers for the purpose of foreclosure related legal assistance and community redevelopment legal assistance.

The Nevada Bar Foundation also furthered its commitment to law related education by successfully bidding to host the 2018 National High School Mock Trial Championship in Reno, NV. This competition will mark Nevada's 20<sup>th</sup> year of mock trial participation and is expected to bring more than a thousand students, coaches, families and volunteers to this great State.

It has been our pleasure working with this Court to administer the IOLTA program and promote the access to justice to those in need. If I can offer additional information, please do not hesitate to contact me.

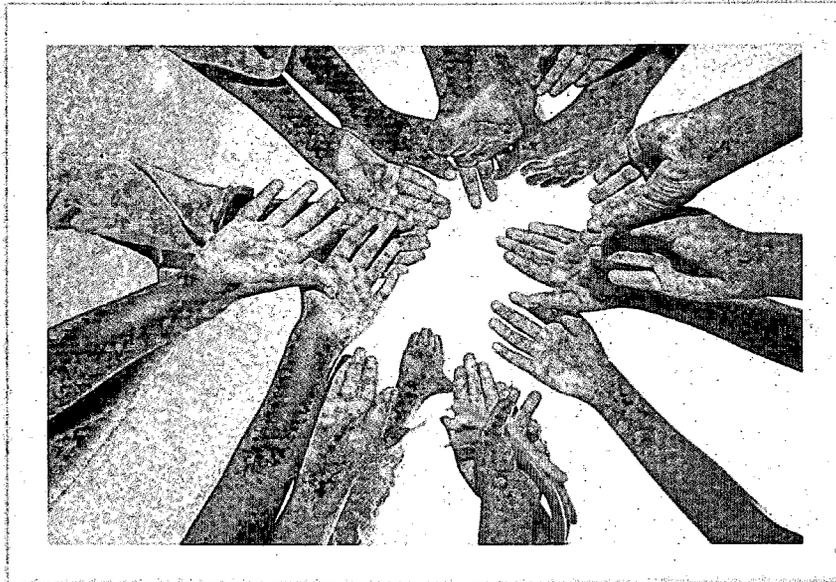
Respectfully,



Kimberly K. Farmer  
Executive Director

Enclosures

**RECEIVED**  
**FEB 29 2016**  
CC: Tracie Lindeman  
CLERK OF SUPREME COURT  
DEPUTY CLERK



## 2015 Annual Report

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Las Vegas | NV | 89102  
[www.nevadabarfoundation.org](http://www.nevadabarfoundation.org)

## Executive Summary

The Nevada Bar Foundation (NBF) was incorporated in 1997 as the 501(c)(3) charitable arm of the State Bar of Nevada. The NBF was organized to support charitable giving related to access to justice and legal education programs.

In 2014, the NBF assumed management of the Interest on Lawyer Trust Accounts (IOLTA) program, including the making of annual grants to organizations that promote access to justice through direct legal services to the poor, to victims of domestic violence and to children protected by or in need of protection of the juvenile court. This year, in its first full year of operation, the Nevada Bar Foundation awarded \$2,813,917 in IOLTA grants.

Nevada's legal aid community received an additional boost in funding this year. In August 2014, the U.S. Department of Justice announced a \$17 billion settlement with Bank of America related to its involvement in residential mortgage-backed securities and other unlawful conduct that contributed to the housing/financial crisis. The settlement provided for \$30 million to be distributed to every IOLTA program in the country and the territories for "foreclosure related legal assistance" and "community redevelopment legal services." In late-April, the Nevada Bar Foundation received its portion of the settlement: \$355,046.96. Of this amount, the Foundation distributed \$227,657 in grants to legal aid providers whose programs fulfilled this purpose.

In addition to management of the IOLTA program, the NBF supports law related education. In coordination with the State Bar of Nevada, the Nevada Bar Foundation successfully bid to host the 2018 National High School Mock Trial Championship in Reno, NV, bringing nearly 700 students and team coaches; upwards of 400 family members; and more than 400 volunteer judges, team coordinators and competition organizers to the "Biggest Little City in the World."

## Message from President Connie Akridge



Two years ago, the Nevada Bar Foundation was a somewhat dormant organization, functioning primarily as an entity that held Federal grant funds and donations used for law related education (LRE). During this country's great recession, grant funding for LRE dried up, leaving the Foundation with a nominal role in fundraising from the State Bar of Nevada annual license renewal process. Recognizing the need to support LRE, the Nevada Bar Foundation was reconstituted in October 2013, starting with a small, five-member Board of Trustees committed to building the program.

In late 2014, the Nevada Bar Foundation was honored to accept management of the Interest on Lawyer Trust Accounts (IOLTA) program, including the distribution of IOLTA grants under SCR 216. This undertaking required the Foundation to shift gears quickly and among other things, increase the size of our Board of Trustees to 11 members. I'm proud to state that in addition to continuing our original objective of supporting LRE by hosting the 2018 National High School Mock Trial Competition, the Nevada Bar Foundation has ensured access to justice to thousands of low income Nevadans in need of legal assistance.

## Nevada Bar Foundation Board of Trustees

**Constance Akridge, President**

**Richard Pocker, Treasurer**

**Cynthia Alexander**

**Ann Bersi**

**James W. Bradshaw**

**Hon. Linda Gardner**

**Kirk Jacobson**

**Mark Knobel**

**Margaret Wightman Lambrose**

**Vernon (Gene) Leverty**

**Lori Teicher**

**Kimberly K. Farmer, Executive Director**

**Lisa Dreitzer, Deputy Executive Director**



**A Moment of Levity...The Nevada Bar Foundation Board of Trustees received the 2015 State Bar of Nevada Medal of Justice Award**

*Back row (left to right): Richard Pocker, Connie Akridge, Gene Leverty, Kirk Jacobsen, Jim Bradshaw. Front row (left to right): Hon. Linda Gardner, Maggie Lambrose, Lori Teicher.*

*"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."*

*--Margaret Mead*

## IOLTA Grant Distribution: \$2,813,917

The Nevada Bar Foundation focuses its charitable giving on legal aid organizations that provide a variety of pro bono legal services statewide.

Thanks to the support of its participating financial institutions, the Nevada Bar Foundation granted more than \$2.8 million dollars to fund the 2016 operations of Nevada’s legal service providers.

To ensure distribution of IOLTA funds by population needs, the majority of IOLTA funding is distributed to a core group of legal aid organizations, including: Legal Aid Center of Southern Nevada, Nevada Legal Services, Southern Nevada Senior Law Program, Volunteer Attorneys for Rural Nevada, and Washoe County Legal Services. Secondary funding is distributed to those legal aid organizations that provide specialized services, such as domestic violence assistance and services for juveniles.

### Participating Financial Institutions

American First National Bank  
 Bank of America  
 Bank of George  
 Bank of Nevada  
 Bank of the West  
 BMO Harris Bank  
 Citibank  
 City National Bank  
 East West Bank  
 Financial Horizons Credit Union  
 First Foundation Bank  
 First Independent Bank of Nevada  
 First Savings Bank  
 First Security Bank of Nevada  
 Heritage Bank  
 JP Morgan Chase & Co.  
 Meadows Bank  
 Mutual of Omaha  
 Nevada Bank & Trust  
 Nevada State Bank  
 Northern Trust Bank  
 Plaza Bank  
 Royal Business Bank  
 Silver State Credit Union  
 Town and Country Bank  
 Umpqua Bank  
 US Bank  
 Valley Bank of Nevada (BNLV)  
 Wells Fargo

### 2016 IOLTA Grant Recipients

<b>Committee to Aid Abused Women (CAAW)</b>	\$28,000
<b>Court Appointed Special Advocates (CASA) – Carson City</b>	\$11,200
<b>Court Appointed Special Advocates (CASA) – Lyon County</b>	\$14,000
<b>Court Appointed Special Advocates (CASA) – Northeastern Nevada</b>	\$10,500
<b>Court Appointed Special Advocates (CASA) – Pioneer Territory</b>	\$17,514
<b>Legal Aid Center of Southern Nevada</b>	\$1,533,873
<b>Nevada Legal Services</b>	\$304,500
<b>Nevada Rural Counties RSVP Program (RSVP)</b>	\$26,600
<b>S.A.F.E. House</b>	\$12,250
<b>Safe Nest</b>	\$35,000
<b>Southern Nevada Senior Law Program</b>	\$211,892
<b>Volunteer Attorneys for Rural Nevada</b>	\$164,805
<b>Washoe County Legal Services: General Legal Services</b>	\$329,609
<b>Washoe County Legal Services: Rural Legal Services</b>	\$94,174

## 2015 IOLTA Grant Recipient Activities

The Nevada Bar Foundation distributes IOLTA grants to legal aid organizations that provide statewide delivery of pro bono legal services, ensuring all Nevadans in need of assistance have access to justice. **This year, 10,000 more households received services from the year prior**, due in large part to the ever increasing needs for legal services and availability of IOLTA dollars to fund programs.

The numbers of households represented below were served with IOLTA dollars alone (each legal service provider receives funding from multiple sources and thus the total number of clients served is greater than represented here). For the purpose of this report, there is one person per household.

NEVADA COUNTIES	2015	2014
CARSON CITY	761	752
CHURCHILL	77	158
CLARK	31,331	19,701
DOUGLAS	144	124
ELKO	205	145
ESMERALDA	24	26
EUREKA	10	0
HUMBOLDT	340	296
LANDER	36	17
LINCOLN	7	16
LYON	169	250
MINERAL	331	299
NYE	89	93
PERSHING	50	74
STOREY	20	5
WASHOE	1,187	1,696
WHITE PINE	14	8
	<b>34,521</b>	<b>23,660</b>

**Client Story:** A client in early stage dementia was coerced into marriage by a much younger woman who he 'met' over the internet. The woman moved to the United States and lived here long enough to marry the man before returning home. The client faced eviction from his apartment because he had been sending the woman half his monthly income to support her and her 'four children.' A pro bono attorney obtained information which proved the woman was not who she said she was and assisted the client to annul his marriage.

## HIGHLIGHTS

### ▲ MORE THAN 34,000 HOUSEHOLDS SERVED

Although the vast majority of legal services were provided in Clark and Washoe Counties, IOLTA grant funding was distributed to legal service providers who ensured pro bono representation in Nevada's rural counties.

### ▲ CLIENT SERVICES

Clients may be assisted directly through litigation or through other non-traditional means such as an Ask-a-Lawyer clinic. More than 24,000 clients were provided legal advice at self-help centers.

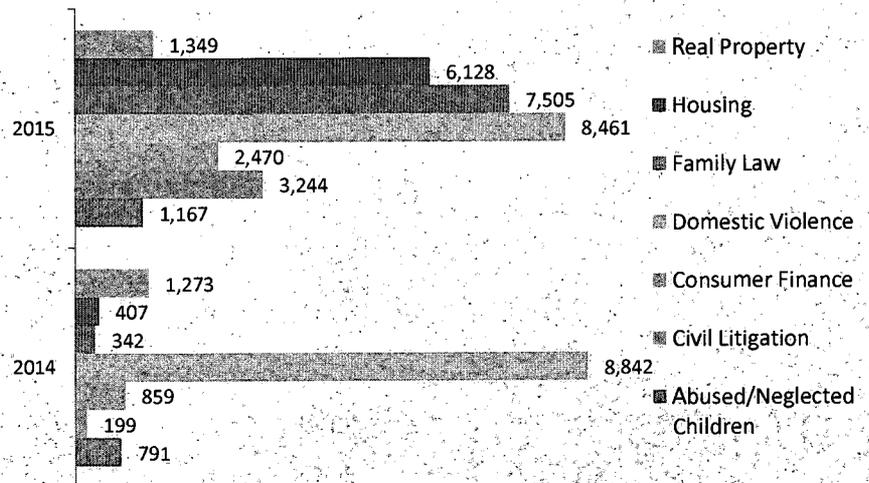
### ▲ LEGAL MATTERS

Client legal matters run the gamut from abuse and neglect issues to assistance receiving government benefits. In 2015, majority of legal matters pertained to

**Client Story:** While working as a cab driver, a man had a heart attack during his shift. He immediately took himself to the hospital for treatment, without first returning his cash pouch to his employer's office. The cab driver was fired and denied unemployment benefits; the employer cited misconduct for failing to return the pouch. A legal aid attorney represented the driver at his Appeals Referee hearing and the man was awarded his unemployment benefits.

## Legal Matters

In Nevada, more than one million people qualify for legal services at the 200 percent poverty measure. Ninety percent of those people live in Clark and Washoe Counties. IOLTA funding supports people – whether they reside in urban or rural areas – who are most vulnerable when legal emergencies occur. Whether facing eviction, emergency medical situations, domestic violence or unscrupulous predators who steal life savings from unwary seniors, legal assistance from well-trained professionals can be literally the difference between life and death.



The nature of the types of services provided from year to year can vary and is often dependent on factors such as current economic conditions and availability of funding for dedicated programs. For example, representation for domestic violence issues has remained consistent – largely due to the services provided by two legal service providers, Safe Nest and Safe House, whose legal service programs concentrate on this limited issue. Alternatively, representation in family law and housing matters increased significantly in 2015 due to availability of IOLTA funding as well as other sources of revenue for providers such as Legal Aid Center of Southern Nevada and Nevada Legal Services.

**Client Story:** *Following allegations of abuse and neglect of three children in northeastern Nevada, a CASA worker stepped in to help. After the children were removed from their mother's home, the CASA volunteer attended parent-teacher conferences, advocated for counseling and tutoring for the children, and spent hours helping the kids with their homework to improve their lack of education. The CASA volunteer advocated for the children to be placed with their individual fathers, who visit regularly and share time with the children to facilitate their sibling relationship. The CASA volunteer followed through with the transition, ensuring all three children are in a safe loving home and are doing well in school.*

## Client Representation Examples

- *Assisting a client with significant deficits in cognitive function who was the victim of federal tax identity theft.*
- *Filing an appeal on behalf of a 71 year-old widow whose sole source of income was \$801 a month from Social Security and whose food stamps were being reduced from \$16 to \$6 per month.*
- *Working with the court to allow a mother seeking treatment for addiction to keep her children and develop a permanency plan.*
- *Representing a victim of domestic violence when her abuser filed frivolous and unmeritorious motions for custody of their shared child.*
- *Helping a young woman with limited English proficiency whose husband abused her, "hid" her baby at his mother's house, and isolated her from her family to obtain a divorce, custody of the child and support.*

## Non-IOLTA Operations

### National High School Mock Trial Championship

In addition to managing the IOLTA program, the Nevada Bar Foundation engages in programs that promote legal education. This year, with cooperation from the State Bar of Nevada, the Nevada Bar Foundation successfully bid to host the 2018 National High School Mock Trial Championship (NHSMTC) competition in Reno, Nevada. This is the first time Nevada has had the honor of hosting the NHSMTC – and 2018 will mark the State Bar of Nevada's 20<sup>th</sup> anniversary of mock trial involvement.

The competition is expected to bring to Reno nearly 700 students and team coaches; upwards of 400 family members; and more than 400 volunteer judges, team coordinators and competition organizers. The competition's success will hinge on volunteer efforts and the Nevada Bar Foundation will rely extensively on lawyers, judges/justices, and business leaders to see it through fruition. Additionally, the Nevada Bar Foundation has formed a Steering Committee and several committees dedicated to planning and carry-through of competition logistics.

#### NHSMTC STEERING COMMITTEE

- ▲ PAUL MATTEONI, PRESIDENT
- ▲ CONNIE AKRIDGE, VICE-PRESIDENT
- ▲ ANN BERSI
- ▲ CYNTHIA ALEXANDER
- ▲ DON CHRISTENSEN
- ▲ KATHLEEN DICKINSON
- ▲ LISA DREITZER
- ▲ KIMBERLY FARMER
- ▲ GENE LEVERTY
- ▲ HON. LINDA GARDNER
- ▲ MARK KNOBEL
- ▲ JUSTICE NANCY SAITTA

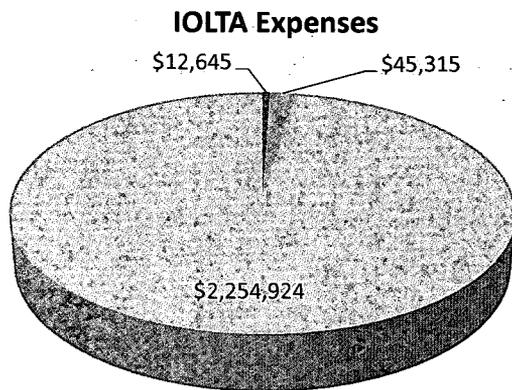
### Colleagues Fund

The Colleagues Fund was previously established by the Nevada Law Foundation as a charitable endowment to assist low income people with their legal problems and assist members of the public in learning more about the law and the state's judicial system. When the Nevada Bar Foundation assumed responsibility for the IOLTA program from the Nevada Law Foundation, it also took over management of the Colleagues Fund. This year, the Nevada Bar Foundation contacted the 174 Colleagues and asked them to elect to maintain their donations in an endowment or release them for pro bono and law related education purposes. **Of the \$468,000 held in the Colleagues Fund, \$189,800 was released.** The Nevada Bar Foundation Board of Trustees elected to donate \$50,000 of the released funds to support the 2018 NHSMTC, provide five years of funding for non-IOLTA operations, and leave the remaining unrestricted dollars for future use.

## Financial Operations

The Nevada Bar Foundation is the tax-exempt entity under SCR 216 for administering Nevada's IOLTA program, including the distribution of grants to legal aid organizations that provide services to the poor, victims of domestic violence, and to children protected by or in need of protection of the juvenile court. In addition, the Foundation engages in non-IOLTA activities, such as fundraising to support law related education.

Staffing to support the Foundation is provided under a contract with the State Bar of Nevada and select IOLTA data management and legal services are contracted with third party vendors. These partnerships allow the Foundation to operate with three percent of funding used for administration, maximizing the dollars available for grant funding.



■ Travel, Ins., Misc.   ■ Contract Services   ■ Grants

In addition to administering the IOLTA program, the Foundation has focused its fundraising to support the Access to Justice Commission's One Promise campaign and law related education, primarily the 2018 National High School Mock Trial Championship. Excluding funding for the Mock Trial Championship, the Nevada Bar Foundation realized a net profit of \$9,284 in 2015.

### Financial Information as of 12.31.15 (Unaudited)

#### CURRENT ASSETS

	2015
<b>Cash and Cash Equivalents</b>	<b>\$4,275,100</b>
IOLTA	\$2,275,102
Non-IOLTA	\$331,807
IOLTA Reserves	\$697,545
Colleagues Funds	\$278,200
Bank of America Settlement	\$355,047
IOLTA Rainy-Day Reserves	\$116,400
Mock Trial Fund	\$105,006
Accounts Receivable	\$355,010
Prepaid Expenses	<u>\$3,619</u>
<b>Total Current Assets</b>	<b><u>\$4,633,729</u></b>

#### PROPERTY & EQUIPMENT

Flagpole and Podium	\$11,513
Less: Accumulated Depreciation	(\$6,080)
<b>Net Property &amp; Equipment</b>	<b><u>\$5,433</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$4,639,162</u></b>

#### CURRENT LIABILITIES

Accounts Payable	\$3,042,499
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#### OTHER CURRENT LIABILITIES

Mock Trial Deferred Income	\$50,000
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#### FUND BALANCE

	<b><u>\$1,546,663</u></b>
	<b><u>\$4,639,162</u></b>

STATE BAR OF NEVADA  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2014

STATE BAR OF NEVADA  
DECEMBER 31, 2014

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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Board of Governors of the  
State Bar of Nevada

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar of Nevada (the State Bar) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 opinions on these 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Bar's financial statements as a whole. The supplemental information on pages 27 through 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Barnard, Vogler & Co.*

Reno, Nevada  
September 25, 2015

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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As management of the State Bar of Nevada (the State Bar), we offer readers of the financial report this narrative overview and analysis of the financial activities of the State Bar as of and for the year ended December 31, 2014.

### Financial Highlights

- The assets of the State Bar exceeded its liabilities at the close of the most recent fiscal year by \$8,898,790; of this amount \$2,583,089 (unrestricted net position) may be used to meet the State Bar's ongoing obligations to members and creditors.
- The State Bar's total net position increased by 6.9%, \$570,644.
- The State Bar's total liabilities (including unavailable revenue) decreased by 66%, (\$1,940,612).
- The majority of the liabilities decrease was due to deferred revenue (less members of the State Bar of Nevada paying their next year's dues before 12/31) and accounts payable.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State Bar's basic financial statements. The State Bar's basic financial statements are comprised of the financial statements and the notes thereto. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basic Financial Statements.** The financial statements are designed to provide readers with a broad overview of the State Bar's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the State Bar's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State Bar is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the State Bar's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses in this statement for some items will only result in cash flows in the future fiscal periods (e.g., uncollected membership fees and earned but unused vacation leave).

The basic financial statements can be found on pages 9-13 of this report.

**Notes to basic financial statements.** The notes provide additional information that is considered essential to the full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 14-25 of this report.

**Supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The State Bar adopts annual appropriated budgets. A budgetary comparison schedule has been provided to demonstrate the State Bar's compliance with this budget.

The supplementary information can be found on pages 26-28 of this report.

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. In the case of the State Bar, assets exceeded liabilities by \$8,898,790 at the close of the most recent year. This is a 6.9%, \$570,644, increase in net position from the prior year.

A significant portion (67%) of the State Bar's net position is its investment in capital assets (land, buildings, building improvements, equipment, and furniture). It is worth noting that the State Bar of Nevada fully owns its two Las Vegas buildings and its Reno building with no related debt. The 3100 W. Charleston building currently has three tenants. The 600 E. Charleston Building is leased as of September 1, 2015 and a signed sales agreement is in place depending upon use variance being accepted by the city of Las Vegas. These buildings are used to provide services to members; consequently, these assets are not available for future spending.

At the current year end, the State Bar had positive balances in all categories of net position. The same situation was true in the previous fiscal year.

### State Bar of Nevada Net Position

	December 31,	
	2014	2013
Assets		
Capital assets	\$ 5,998,554	\$ 5,660,952
Other assets	<u>3,916,650</u>	<u>5,624,220</u>
	<u>\$ 9,915,204</u>	<u>\$ 11,285,172</u>
Liabilities		
Current portion of long term liabilities	\$ 32,568	\$43,566
Other liabilities	<u>983,846</u>	<u>2,913,460</u>
	<u>1,016,414</u>	<u>2,957,026</u>
Net position		
Invested in capital assets, net of related debt	5,954,998	5,606,829
Restricted (Client Security Fund)	360,703	202,653
Unrestricted/undesignated	<u>2,583,089</u>	<u>2,518,664</u>
Total net position	<u>8,898,790</u>	<u>8,328,146</u>
	<u>\$ 9,915,204</u>	<u>\$11,285,172</u>

- The State Bar's total net position increased by 6.9%, \$570,644. Membership dues increased by 1.2%, \$41,726, Admissions revenue increased by 5.1%, \$35,978, Publications decreased by 31%, (\$78,994), CLE revenue increased 26%, \$133,538, Lawyer Referral Service decreased by 10.8%, (\$40,902), Other Funds decreased by 3.2%, (\$26,610), Annual Meeting decreased by 11%, (\$16,667), Law sections increased by 20.9%, \$54,108 and CSF contributions increased by 2%, \$9,471. TIP decreased by 42%, (\$36,927). Rental income was a new line item and totaled \$119,135.

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Financial Analysis (Continued)**

- Administration Expenses increased by 1.6%, \$22,201. Admissions expenses increased by 3.4%, \$23,303, Publications expenses decreased by 15.4%, (\$80,077), CLE expenses increased 15.2%, \$71,328, Discipline expenses increased 6.4%, \$102,185, Fee Dispute expenses were relatively flat, Access to Justice expenses increased 26.7%, \$21,458, LRIS expenses including public service grants increased 38%, \$236,310, LRE expenses increased 4.8%, \$8,191, CSF claims decreased 34.4%, (\$155,761), Transitioning into practice increased 3.9%, \$3,144. Annual meeting expenses are down 16.6%, (\$23,487) Attorney Advertising department expenses are down 2.7%, (\$2,618), Section expenses increased 19%, \$32,679, other funds expenses decreased 14%, (\$17,142), and 3100 rental expenses is a new line item.

**Activities.** During the current year, the State Bar's net position increased by 6.9%, \$570,644. Key elements of this increase are as follows:

**State Bar of Nevada  
Changes in Net position**

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Administration	\$ 3,676,926	\$ 3,610,299
Bar activities	<u>3,767,035</u>	<u>3,627,394</u>
	<u>7,443,961</u>	<u>7,237,693</u>
Expenses		
Administration	1,448,005	1,425,804
Bar activities	5,208,490	5,391,850
Depreciation	<u>210,984</u>	<u>138,547</u>
	<u>6,867,479</u>	<u>6,956,201</u>
Other revenues and expenses, net	( 5,838)	<u>79,683</u>
Increase in net position	570,644	361,175
Net position, beginning of year	<u>8,328,146</u>	<u>7,966,971</u>
Net position, end of year	<u>\$ 8,898,790</u>	<u>\$ 8,328,146</u>

- Administration revenues increased by 1.8%, \$66,627 during the year. This increase is primarily due to the yearly increase in members, and dues collected.
- Bar activities revenues increased by 3.8%, \$139,641 during the year. There were several increases and decreases in the individual departments. Admissions revenue increased 5.1%, \$35,978. This department has started a flat trend therefore small increases/decreases year to year are expected. CLE revenue increased by 26%, \$133,538 due to the Bankruptcy Secrecy Act Seminar and increased online and self-study related revenue. Publications decreased by 31%, (\$78,994) due to the delay of Affordable Care Act and Appellate Practice Manual releases. Annual Meeting revenue decreased by 11%, (\$16,667) due to decreased attendance, Other Funds revenue decreased 3.2%, (\$26,610) mostly due to lower Pro Hac Vice revenue - a highly variable item. LRIS revenue decreased 10.8%, (\$40,902). LRIS revenue is highly variable thus year to year fluctuations are expected, however we may be seeing a continuing downward trend. Law sections revenues increased 20.9%, \$54,108 due to section seminars. Client Security Fund expenses decreased 34.4%, (\$156,761) due to decreased claims submitted to the fund.

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

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### Financial Analysis (Continued)

- Administration expenses increased by 1.6%, \$22,201. This increase was the result of increases in salaries, legal, and website expenses. These increases were offset by decreases in direct overhead, officer's expenses, building repairs/maintenance, and computer hardware/software.
- Bar Activities expenses decreased by 3.4%, (\$183,360). Most departments saw decreases in expenses. Admissions expenses increased 1.6%, \$2,201 due to an increase in FTE hours and exam related expenses. Publications decreased by 15.4%, (\$80,077) mostly due to delay release of publications until 2015. CLE expenses increased 15.2%, \$71,328 due to increased seminar expenses related to seminars that were presented in conjunction with sections. Discipline expenses increased 6.4%, \$102,185 due to increased FTEs and increased number of hearings and the related costs of those hearings. Fee Dispute expenses were flat, Lawyer referral expenses (including public service grants) have decreased 38%, (\$236,310) due to a large decrease in grants (grants are based on a formula based on prior years performance and can change significantly year to year). LRE expenses increased 4.8%, \$8,191 due reduced costs related to program expenses. Access to Justice expenses increased 26.7%, \$21,458 due to that department being fully staffed. CSF claims decreased 34.4%, (\$156,761), as this expense is dependent on the number of claims made against the fund and may vary significantly year to year. Transitioning into practice increased 3.9%, \$3,144, as this is a newer department and expense increases as it matures are expected. Other Funds expenses decreased 14%, (\$17,142) mostly due to reductions in the cost of FastCase. Annual meeting expenses are down 16.6%, (\$23,487) due to decreased attendance, Attorney Advertising department expenses are down 2.7%, (\$2,618) mostly due to a change in FTEs, and Section expenses have increased 19%, \$32,679 due to an increase section seminar activity.

### General Fund Budgetary Highlights

A budgetary comparison schedule has been provided to demonstrate the State Bar's compliance with this budget. This information can be found on pages 27-28 of this report.

During the year revenues were over the final budgetary estimate by 1.5%, \$105,503, and total operating expenses were under the final budgetary estimate by 3.6%, (\$248,059).

Administration Revenues were over the budget by .7%, \$25,926.

Bar Activities revenue was close to budget at 2.5%, \$79,577 over. Most departments were close to budgeted. Publications was under budget 15%, (\$30,878) due to delays in releasing Affordable Care Act & Appellate Practice Manuals. CLE was over budget 12.8%, \$74,277 due to Live Seminars, Online CLE, and Nevada Lawyer Self Study. LRIS is over budget 11.5%, \$34,616. LRIS revenue is difficult to predict so variations from budget are expected. Note that the revised budget lowered LRIS revenue budget by almost 25%. Transitioning into practice is lower than budget 43%, (\$38,300) due to a change in when revenues are recognized. 3100 West Charleston Rental Income is a new line item for 2014. Annual meeting is under budget 22%, (\$38,778) due to lower attendance than anticipated. Section revenues are higher than expected 17%, \$46,138 due to increased section seminar activity.

Administration Expenses were extremely close to budgeted at 2.7%, (\$39,550) under. There was a mix of line items that were over and under budget. Applied Overhead, Consulting/Miscellaneous, Website and Recruitment were slightly over budget while BOG expenses, Building Repairs, and Computer purchases were slightly under budget.

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

**General Fund Budgetary Highlights (Continued)**

Bar Activities expenses were under budgeted by 4%, (\$207,993). Discipline expenses were under budget by 5.3%, (\$95,718) due to staff vacancies, increased costs recovered, and lower than budgeted hearing costs due to settlements and plea bargains. Lawyers Concerned for Lawyers was under budgeted 18%, (\$12,402) due to changes in contracted positions. Other Funds was 12.8%, (\$12,196) under budget due to lower than anticipated Other Committees expenses. Annual meeting expenses were 30%, (\$49,672) under budget due to lower attendance than anticipated. Section expenses are higher than budgeted 19.8%, \$50,563 due to increased section seminar activity.

**Capital Asset and Debt Administration**

**Capital assets.** The State Bar's investment in capital assets as of December 31, 2014, amounts to \$5,998,554 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, equipment and furniture. The net increase in the State Bar's investment in capital assets for the current fiscal year was 5.9%, \$337,602. This was primarily due building improvements to 3100 West Charleston related to the total build out. Note that \$60,000 of Antique Fixtures and Furniture were written off due to the items losing their value.

Capital assets at year end were as follows:

**State Bar of Nevada**

**Capital Assets**

**Net of accumulated depreciation**

	December 31,	
	2014	2013
Land	\$ 1,476,148	\$ 1,476,148
Buildings	4,501,755	4,501,755
Building improvements	303,403	303,403
Office furniture and equipment	241,134	241,134
Computer equipment	348,516	218,878
Antique furniture and fixtures	0	60,075
Construction In progress	469,031	0
Less accumulated depreciation	<u>(1,341,433)</u>	<u>(1,140,441)</u>
	<u>\$ 5,998,554</u>	<u>\$ 5,660,952</u>

Additional information on the State Bar's capital assets can be found in notes 1 and 6 to the State Bar's basic financial statements on pages 15 and 21 of this report.

**Long-term debt.** At the end of the current year, the State Bar had a total long-term debt outstanding of \$32,568. These liabilities are solely related to the capital leases for the two copy machines in Las Vegas and one in Reno.

The State Bar's total liabilities (including unavailable revenue) decreased by 66%, (\$1,940,612), due to a decrease in accounts payable because of timing of the Client's Security Fund Payments and invoices for next year's attorneys' dues being sent a month later than usual.

**Economic Factors and Next Year's Budgets and Rates.** Clark County and Nevada seem to be seeing small economic growth. The current economic conditions and other factors were considered in preparing the State Bar's budget for the 2015 year.

STATE BAR OF NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

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**Requests for Information**

The accompanying financial report is designed to provide a general overview of the State Bar's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Bar's Finance Department, 3100 W. Charleston Blvd. Suite 100, Las Vegas, Nevada 89102.

Submitted respectfully,

Marc Mersol  
State Bar of Nevada  
Director of Finance and Information Systems

STATE BAR OF NEVADA  
STATEMENTS OF NET POSITION-BUSINESS-TYPE ACTIVITIES  
DECEMBER 31, 2014

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,123,952	\$ 30,453	\$ 1,154,405
Cash restricted for building improvements	653,560	-	653,560
Investments	1,995,167	-	1,995,167
Interest and other receivables	11,738	-	11,738
Due (to) from other funds	(395,955)	395,955	-
Prepaid expenses	101,780	-	101,780
Total current assets	<u>3,490,242</u>	<u>426,408</u>	<u>3,916,650</u>
<b>NONCURRENT ASSETS</b>			
Capital assets			
Land	1,476,148	-	1,476,148
Building	4,501,755	-	4,501,755
Building improvements	303,403	-	303,403
Office furniture and equipment	241,134	-	241,134
Computer equipment	348,516	-	348,516
Construction in progress	469,031	-	469,031
Less accumulated depreciation	(1,341,433)	-	(1,341,433)
Total noncurrent assets	<u>5,998,554</u>	<u>-</u>	<u>5,998,554</u>
Total assets	<u>\$ 9,488,796</u>	<u>\$ 426,408</u>	<u>\$ 9,915,204</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 169,262	\$ 55,530	\$ 224,792
Accrued expenses	176,797	-	176,797
Due to the Nevada Bar Foundation	535	-	535
Deposits	18,164	-	18,164
Current portion of long-term debt	10,988	-	10,988
Total current liabilities	<u>375,746</u>	<u>55,530</u>	<u>431,276</u>
Long-term debt, net of current portion	<u>32,568</u>	<u>-</u>	<u>32,568</u>
Total liabilities	<u>408,314</u>	<u>55,530</u>	<u>463,844</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>542,395</u>	<u>10,175</u>	<u>552,570</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,954,998	-	5,954,998
Restricted-expendable for client security funds	-	360,703	360,703
Unrestricted	2,583,089	-	2,583,089
Total net position	<u>8,538,087</u>	<u>360,703</u>	<u>8,898,790</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,488,796</u>	<u>\$ 426,408</u>	<u>\$ 9,915,204</u>

See accompanying notes

STATE BAR OF NEVADA  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
<b>OPERATING REVENUE</b>			
Administration:			
Membership fees	\$ 3,589,575	\$ -	\$ 3,589,575
Penalties	81,275	-	81,275
Discipline	3,576	-	3,576
Other fees	2,500	-	2,500
	<u>3,676,926</u>	<u>-</u>	<u>3,676,926</u>
Bar activities:			
Admissions	735,620	-	735,620
Publications	171,722	-	171,722
Continuing legal education	651,377	-	651,377
Lawyer referral service	335,316	-	335,316
Transitioning into practice	50,300	-	50,300
Other funds	801,447	-	801,447
Annual meeting	134,422	-	134,422
Law sections	312,868	-	312,868
3100 W Charleston rental income	119,135	-	119,135
Client security fund contributions	-	454,828	454,828
	<u>3,312,207</u>	<u>454,828</u>	<u>3,767,035</u>
<b>Total Operating Revenue</b>	<b>6,989,133</b>	<b>454,828</b>	<b>7,443,961</b>
<b>OPERATING EXPENSES</b>			
Administration:			
Salaries	756,416	-	756,416
Benefits and payroll taxes	215,452	-	215,452
Overhead expenses	124,469	-	124,469
Postage/shipping	22,987	-	22,987
Professional memberships	3,171	-	3,171
Member relations	2,918	-	2,918
Temporary staffing	27,157	-	27,157
Education	530	-	530
Travel	12,116	-	12,116
Board of Governors' expenses	67,571	-	67,571
Building repairs and maintenance	14,115	-	14,115
Computer purchases/maintenance	59,606	-	59,606
Executive Director's expenses	18,703	-	18,703
Legal and accounting	71,654	-	71,654
Consulting/miscellaneous	29,669	-	29,669
Website	15,135	-	15,135
Recruitment	6,336	-	6,336
	<u>1,448,005</u>	<u>-</u>	<u>1,448,005</u>

See accompanying notes

STATE BAR OF NEVADA  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
BUSINESS-TYPE ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
<b>OPERATING EXPENSES (Continued)</b>			
Bar activities:			
Admissions	\$ 712,161	\$ -	\$ 712,161
Publications	438,440	-	438,440
Continuing legal education	538,834	-	538,834
Discipline	1,704,782	-	1,704,782
Fee disputes	114,124	-	114,124
Lawyer referral service	211,354	-	211,354
Lawyers concerned for lawyers	54,898	-	54,898
Access to justice	101,862	-	101,862
Law-related education	162,418	-	162,418
Client security claims	-	296,778	296,778
Transitioning into practice	86,212	-	86,212
Other funds	107,096	-	107,096
Annual meeting	117,928	-	117,928
Attorney advertising department	94,190	-	94,190
Public service grants	135,342	-	135,342
3100 W Charleston rental expenses	126,869	-	126,869
Law sections	205,202	-	205,202
	<u>4,911,712</u>	<u>296,778</u>	<u>5,208,490</u>
Depreciation	210,984	-	210,984
Total Operating Expenses	<u>6,570,701</u>	<u>296,778</u>	<u>6,867,479</u>
OPERATING INCOME	418,432	158,050	576,482
<b>NONOPERATING REVENUE AND EXPENSES</b>			
Interest income	13,583	-	13,583
Net increase in the fair value of investments	232	-	232
Gain (loss) on disposition of fixed assets	(16,381)	-	(16,381)
Impairment of antique furniture and fixtures	(60,075)	-	(60,075)
Interest expense	(1,973)	-	(1,973)
Grant income	58,776	-	58,776
Total nonoperating revenue and expenses	<u>(5,838)</u>	<u>-</u>	<u>(5,838)</u>
INCREASE IN NET POSITION	412,594	158,050	570,644
NET POSITION, beginning of year	<u>8,125,493</u>	<u>202,653</u>	<u>8,328,146</u>
NET POSITION, end of year	<u>\$ 8,538,087</u>	<u>\$ 360,703</u>	<u>\$ 8,898,790</u>

See accompanying notes

STATE BAR OF NEVADA  
STATEMENTS OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from members and customers	\$ 5,236,676	\$ 443,023	\$ 5,679,699
Cash payments to suppliers for goods and services	(2,821,161)	(423,286)	(3,244,447)
Cash payments to employees and contractors for services	(3,582,521)	-	(3,582,521)
Net cash provided (used) by operating activities	(1,167,006)	19,737	(1,147,269)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	14,746	-	14,746
Purchases of investments	(1,500,000)	-	(1,500,000)
Proceeds from maturity and sales of investments	3,314,921	-	3,314,921
Net cash provided by investing activities	1,829,667	-	1,829,667
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(626,194)	-	(626,194)
Capital grants	58,776	-	58,776
Interest paid	(1,973)	-	(1,973)
Principal payments on long-term debt	(10,567)	-	(10,567)
Net cash (used) in capital and related financing activities	(579,958)	-	(579,958)
Net increase in cash and cash equivalents	82,703	19,737	102,440
CASH AND CASH EQUIVALENTS, beginning of the year	1,694,809	10,716	1,705,525
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 1,777,512</u>	<u>\$ 30,453</u>	<u>\$ 1,807,965</u>

See accompanying notes

STATE BAR OF NEVADA  
 STATEMENTS OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 418,432	\$ 158,050	\$ 576,482
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	210,984	-	210,984
Changes in certain assets and liabilities			
(Increase) decrease in:			
Receivables	12,161	-	12,161
Due from General Fund	-	62,695	62,695
Prepaid expenses	(16,851)	-	(16,851)
Increase (decrease) in:			
Accounts payable	(32,155)	(126,508)	(158,663)
Accrued expenses	6,746	-	6,746
Due to the Client Security Fund	(62,695)	-	(62,695)
Due to the Nevada Bar Foundation	(1,705)	-	(1,705)
Unearned revenue	(1,681,923)	(74,500)	(1,756,423)
Deposits	(20,000)	-	(20,000)
Net cash provided (used) by operating activities	<u>\$ (1,167,006)</u>	<u>\$ 19,737</u>	<u>\$ (1,147,269)</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In 1928, the State Bar of Nevada (the State Bar) was established as a public corporation by the State of Nevada Legislature with responsibility for regulating and licensing of the legal profession in the State of Nevada (the State). Membership issued by the State Bar is required in order to practice law in the State of Nevada. The State Bar's activities relate primarily to admissions, discipline, regulation of attorneys, and other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system. The State Bar has engaged in such functions as administering the bar examination, formulating rules of professional conduct, disciplining members for misconduct, administering mandated continuing legal education requirements, and administering other regulatory provisions affecting the profession or the practice of law. This responsibility is fulfilled through various committees and boards charged with admissions and discipline of attorneys and programs designed to ensure the delivery of ethical and competent legal services to the public. In 1963, the Nevada Supreme Court gained exclusive jurisdiction and control of the State Bar.

The Governmental Accounting Standards Board ("GASB") defines the reporting entity as the primary government (in this case, the State Bar itself) and those component units for which the primary government is financially accountable. Financial accountability is defined as 1) the appointment of a voting majority of the component unit's governing body, 2) the ability of the primary government to impose its will, 3) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or 4) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the component unit and the resources to which the primary government is entitled or has the ability to otherwise access are significant to the primary government. The State Bar has complied with the GASB codification by examining its position relative to other entities. There are no entities that qualify as a component unit to the State Bar.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The State Bar of Nevada follows the business type activities reporting requirement of the GASB codification and has two business-type funds. The general fund accounts for the State Bar's principal ongoing operations. The Client Security Fund, a nonmajor fund, accounts for dues and contributions from members for the purpose of providing reimbursement to persons who have sustained a loss as a result of a dishonest act by a member of the State Bar.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The basic financial statements include a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows, all of which present information for the State Bar activities. The basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

In the statement of net position, net position is classified as 1) net investment in capital assets, 2) restricted-nonexpendable net position, 3) restricted-expendable net position, or 4) unrestricted net position.

The statement of revenue, expenses and changes in net position distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the State Bar's principal ongoing operations. The principal operating revenue of the State Bar are membership fees, admissions, continuing legal education and other user fees charged by the State Bar. Operating expenses include the cost of admissions, continuing legal education, administrative expenses, discipline, regulation of attorneys, other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system, and capital asset depreciation. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Indirect expenses are allocated to the various functions based on the percentage of employees by department.

Deposits and Investments

The State Bar's cash and cash equivalents are defined as cash on hand and demand deposits and investments with an initial maturity of three months or less.

Investments are stated at fair value as determined by quoted market prices, regardless of the length of time remaining to maturity.

Interest and Other Receivables

Interest and other receivables are primarily comprised of interest receivable from certificates of deposit. No allowance for uncollectible accounts has been recorded as management does not expect any material collections losses.

STATE BAR OF NEVADA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets, which include land, building, building improvements, equipment, and furniture, are reported in the financial statements. All purchased capital assets are valued at cost where historical records are available and, where no historical records exist, at estimated historical cost. Donated capital assets are valued at their estimated fair value on the date received. The State Bar used a capitalization threshold of \$1,500 for the current year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building, building improvements	5 to 40 years
Furniture and equipment	3 to 7 years
Memorial monument and podium	30 years

Compensated Absences

It is the State Bar's policy to permit employees to accumulate earned vacation benefits that would be paid to them upon separation from State Bar service if not previously taken. Accrued vacation obligations of \$176,797 at December 31, 2014 are included in accrued expenses.

Unearned Revenue and Refundable Advance

Pursuant to Supreme Court Rule (SCR) 98, annual membership fees are due and payable on January 1 for licensure expiring December 31 of each year. The membership fees are generally billed in November of the previous year of licensure. The billed fees collected are recorded as deferred revenue and recognized in the period of licensure. Unearned revenue represents revenue that relates ratably over the next fiscal year. Other annual fees pursuant to SCR's are received from attorneys and law firms' licenses in other states who wish to provide certain types of legal services within the State. Unearned revenue arises when the State Bar receives resources before it has a legal claim to them and the related services are provided, which includes membership fees, bar examination fees and various qualification hearings. In accordance with GASB 65, unearned revenue is considered a Deferred Inflow of Resources on the Statement of Net Position.

Revenue from grants are recognized and included in contributions when unconditionally promised.

Donor contributions with contingencies are recorded as a liability referred to as refundable advances. Once the contingencies are met, the amounts received are recorded as contributions.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Net Position Classification

The State Bar classifies net position, revenue, gains, and other support and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the State Bar and changes therein are classified and reported as follows:

- *Net investment in capital assets* - consists of capital asset balances less accumulated depreciation and reduced by outstanding balances of debt used to acquire, construct, or improve those assets.
- *Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted net position* - consists of all other net position that do not meet the definition of the above components and are available for the State Bar's general use.

The net position balance of the State Bar is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures to be used solely for the State Bar's benefit. The net position of the general fund is restricted solely to be used by the State Bar to meet its obligation of licensing and regulating the practice of the legal profession in the State of Nevada. If restrictions are present, restricted resources are used first to fund appropriations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The State Bar is a governmental entity and, as such, is not required to pay federal or state income taxes.

Subsequent Events

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The State Bar adopts an annual budget, which was amended during the year. All budget amendments made during the year ended December 31, 2014 were as prescribed by law. The budget was adopted on a basis consistent with applicable accounting principles generally accepted in the United States and used by the State Bar for financial reporting.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The State Bar uses the following procedures to establish, amend and control budgetary data:

1. Prior to December, the sections, committees, and departments work independently in making a proposed budget. The proposed budgets are brought to management who works with the Board's budget committee to review a draft of the budget to propose to the Board. The budget is for the period commencing on January 1. The budget, as submitted, contains the proposed expenditures and the means of financing them for the upcoming year.
2. The Board considers, revises and adopts the budget on or before December 31.
3. Amendments to the budget are accomplished through formal Board action. Items with an amount of expenditure of \$10,000 or more and are repetitive in nature require a fiscal impact statement.

NOTE 3 - DEPOSITS AND INVESTMENTS

The State Bar maintains bank accounts in five financial institutions. The cash held in most of the financial institutions is insured up to the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. In addition, the State Bar invests its excess cash reserves in certificates of deposit in various financial institutions through an investment broker to ensure that the investments are fully insured by the FDIC. These certificates of deposit are classified as investments. Cash is held in one financial institution that is insured by the Securities Investors Protection Corporation (SIPC), which provides protection to the account holder of \$500,000, and cash up to \$1,900,000 is insured by Lloyds of London. In addition, another account is collateralized by United States Treasury Bills. As of December 31, 2014, \$589,017 of deposits held by the State Bar were in excess of insured limits. Although, at times cash balances may be in excess of FDIC and SIPC insurance limits, all cash balances were in compliance with Supreme Court Rules, and the State Bar has not experienced any losses on those balances.

As of December 31, 2014, the State Bar had the following investments stated at the quoted market prices:

	Fair Value	Investment maturities		Percentage of Total
		Less than 1 year	1-5 years	
Certificates of deposit	\$ 1,995,167	\$ 1,995,167	\$ -	71%
Money market	800,848	800,848	-	29%
Total	2,796,015	2,796,015	-	100%
Less money market	(800,848)	(800,848)	-	
Total investments	\$ 1,995,167	\$ 1,995,167	\$ -	

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The State Bar has a formal investment policy that is designed to insure conformity with the Nevada Revised Statutes (NRS) and to limit exposure to investment risks. Allowable State Bar investments include certificates of deposit and United States bonds and U.S. Treasury bills or notes not to exceed a ten year maturity from the date of purchase and obligation of U.S. agencies where underwritten by or payment is guaranteed by the United States.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the State Bar manages its exposure to interest rate risk is by investing monies in certificates of deposit with staggered maturity dates. The State Bar plans to hold all certificates of deposit through maturity, redeeming the full value of the investment.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical organization. Investments in certificates of deposit are not rated.

The State Bar's policy places no limits on the amounts that can be invested in any one issuer beyond that stipulated by the NRS.

NOTE 4 - FAIR VALUE MEASUREMENTS

The FASB ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. This definition was issued after November 30, 1989.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State Bar has the ability to access.

Level 2: Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table sets forth by level, within the fair value hierarchy, the State Bar's assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ <u>1,995,167</u>	\$ --	\$ --	\$ <u>1,995,167</u>

NOTE 5 - NET POSITION

The State Bar has a restricted net position for the Client Security Fund as this was imposed by an enabling rule of the Supreme Court of Nevada Rule 86.5. This rule states that the State Bar shall maintain from dues paid by members, voluntary contributions and any other sources which may become available, a fund for the purpose of providing reimbursement to persons who have sustained a loss by reason of a dishonest act by a member of the State Bar. The restricted balance for the Client Security Fund as of December 31, 2014 was \$360,703.

NOTE 6 - CAPITAL ASSETS

For the business-type activities, for the year ended December 31, 2014 is as follows:

	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 1,476,148	\$ -	\$ -	\$ 1,476,148
Construction in progress	-	469,031	-	469,031
Antique furniture and fixtures	60,075	-	60,075	-
	<u>1,536,223</u>	<u>469,031</u>	<u>60,075</u>	<u>1,945,179</u>
Capital assets being depreciated:				
Buildings	4,501,755	-	-	4,501,755
Building Improvements	303,403	-	-	303,403
Office furniture and equipment	241,134	-	-	241,134
Computer equipment	218,878	177,163	47,525	348,516
	<u>5,265,170</u>	<u>177,163</u>	<u>47,525</u>	<u>5,394,808</u>
Accumulated depreciation:				
Buildings	(589,290)	(141,914)	-	(731,204)
Building improvements	(248,292)	(8,713)	-	(257,005)
Office furniture and equipment	(181,683)	(15,919)	-	(197,602)
Computer equipment	(121,176)	(44,438)	(9,992)	(155,622)
	<u>(1,140,441)</u>	<u>(210,984)</u>	<u>(9,992)</u>	<u>(1,341,433)</u>
	<u>\$ 5,660,952</u>	<u>\$ 435,210</u>	<u>\$ 97,608</u>	<u>\$ 5,998,554</u>

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 7 - RETIREMENT PLAN

The State Bar provides a defined contribution retirement plan through the ABA Master Money Purchase Pension Plan for all full time employees after one year of service, which vests over a five year period. Contributions to the plan were equal to 10% of gross wages paid to eligible employees during the year. For the years ended December 31, 2014, 2013, and 2012, the cash contributions made by the State Bar were \$250,279, \$242,666, and \$178,338, respectively. The retirement plan and/or the contribution rate may be modified or terminated at the discretion of the State Bar's Board.

NOTE 8 - CAPITAL LEASES

In September 2013, the State Bar entered into three capital lease agreements, as lessee, for financing the acquisition of replacement copy machines. For accounting purposes, the assets acquired under these capital leases have been recorded at the present value of the future minimum lease obligation payments reduced by the loss on disposal of the remaining copy machines under lease.

The assets acquired through capital leases are as follows with \$13,503 of depreciation expense recorded for the year ended December 31, 2014:

Copy machines	\$ 49,059
Less accumulated depreciation	<u>(18,228)</u>
	<u>\$ 30,831</u>

Installments of principal and interest are due each month with the final payment due in 2018. Future minimum lease obligation payments and net present value of future minimum lease obligation payments as of December 31, 2014 are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2015	\$ 12,530
2016	12,530
2017	12,530
2018	<u>9,388</u>
Total future minimum lease obligation payments	46,978
Portion of payment representing interest	<u>( 3,422)</u>
Present value of minimum lease obligation payments	43,556
Current portion of capital lease payable	<u>(10,988)</u>
Long term portion of capital lease payable	<u>\$ 32,568</u>

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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## NOTE 9 - INTERFUND BALANCES

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General Fund	Client Security Fund	<u>\$ 395,955</u>
Net Interfund Balance		<u>\$ 395,955</u>

Interfund balances were present as the General Fund had yet to remit the portion of attorney's dues and donations applicable to the Client Security Fund as of December 31, 2014 that has been deposited in the State Bar's main bank account.

## NOTE 10 - RENTALS UNDER OPERATING LEASES

In September 2013, the State Bar purchased a building at 3100 W. Charleston Blvd. which included three spaces leased by other entities. The leases expire in 2016, 2017 and 2018. For accounting purposes, deposits under the leases are recorded as liabilities at the value in which cash was received under the lease terms, and lease receipts and expenses are recorded when received or incurred.

Minimum future rental on noncancellable operating leases are as follows:

<u>Year Ending December 31:</u>	
2015	99,452
2016	80,255
2017	77,610
2018	40,102
Total minimum future rentals	<u>\$ 297,419</u>

## NOTE 11 - RELATED PARTY TRANSACTIONS

The Nevada Bar Foundation is considered a related party as the State Bar Board of Governors appoints five of the Foundation's eleven board members and the State Bar provides the overhead necessary to carry out the Foundation's exempt purpose. During the year ended December 31, 2014, the State Bar received \$20,000 for providing overhead services to the Foundation, the Foundation gave a grant of \$58,776 to the State Bar for Continuing Legal Education audio visual equipment, and the State Bar collected voluntary donations on behalf of the Foundation amounting to \$19,839. As of December 31, 2014, \$535 is due to the Foundation from the State Bar.

## NOTE 12 - OTHER INFORMATION

Risk Management

The State Bar is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these and other risks, the State Bar has purchased insurance coverage. Settlements, during the past three years, have not exceeded insurance coverage.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 13 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"). GASB 68 replaces the requirement of Statement No. 27 and 50 and requires governments providing defined benefit pensions to recognize their long-term obligation. GASB 68 is effective for periods beginning after June 15, 2014. In November 2013, the GASB issued Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement date to amend GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB 71 is effective for periods beginning after June 15, 2014. GASB 68 and 71 will be adopted when effective and are not expected to have a material impact on the State Bar's financial statements.

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. GASB 69 requires government mergers to use the carrying values to measure assets and liabilities, acquisitions to be based on the acquisition value, and disposing of a government activity to recognize gains or losses as a special item in the period in which the disposal occurs. GASB 69 is effective for periods beginning after December 15, 2013. GASB 69 will be adopted when effective and is not expected to have a material impact on the State Bar's financial statements.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. GASB 72 provides guidance on determining a fair value measurement by requiring a government to use valuation techniques that are appropriate and consistent with the market approach, cost approach or the income approach. GASB 72 is effective for periods beginning after June 15, 2015. GASB 72 is not expected to have a material impact on the State Bar's financial statements as the State Bar is already measuring their investments at quoted market prices.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

An employment agreement was executed by and between the State Bar and the Executive Director effective July 31, 2014. The agreement is for a period of three years commencing on July 31, 2014 and shall remain in effect until July 30, 2017 or until terminated by either party. The agreement shall automatically renew for one year at the end of the term unless it is terminated by either party. If the State Bar terminates the Executive Director's employment without cause in the first year, the Executive Director will be paid eight month's base salary compensation. The severance pay increases by one month for a maximum pay of ten months at the end of the term. If the Executive Director terminates her employment with a ninety days advance written notice, then she will be paid three-and-a-half month's base salary compensation in the first year to five month's base salary compensation in the final year.

The State Bar is remodeling their building at 3100 W. Charleston which was purchased in 2013. As of December 31, 2014, \$469,031 has been spent in conjunction with this remodel and has been included in construction in progress. Of these expenditures, the Bar paid for architectural services and interior furnishings, less a credit of \$20,000 received from the building's purchase, amounting to \$122,165 from their general bank account and expended the balance of \$346,866 from a restricted purpose construction bank account. This construction bank account was originally funded with \$1,000,000 and is shown on the balance sheet as restricted cash of \$653,560 at December 31, 2014. The Bar contracted with Boyd Martin Construction LLC for this remodel.

STATE BAR OF NEVADA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

To further fund this remodel, on October 14, 2014 the State Bar signed a promissory note with Western Alliance Bank in the amount of \$2,082,000. This promissory note initially is a line of credit with monthly interest-only payments at a rate of 4% until July 14, 2015. After this date, the loan becomes a fixed note with monthly principal and interest payments due for 5 years until July 14, 2020 with an interest rate of 2.33% plus the current index defined as the 5 year interest rate SWAP as obtained from Bloomberg Financial system with a floor of 4% amortized over 20 years. On July 14, 2020 the fixed monthly principal and interest payment for the next 5 years is adjusted by applying the current index plus 2.33% with an interest rate floor of 4% to be amortized over 15 years with payments through July 14, 2025. At this date the entire amount of principal and interest is due and payable. As of December 31, 2014, no funds have been drawn on this promissory note.

NOTE 15 – SUBSEQUENT EVENTS

On August 24, 2015 the State Bar sold their former office space at 600 E. Charleston in Las Vegas for \$1,400,000, pending land use approvals. In conjunction with the buyer seeking land use approvals a nonrefundable deposit of \$50,000 was made with an additional \$50,000 due on or before the land use approval date of February 15, 2016. During this six month period there is a six month non renewable lease from September 1, 2015 to March 1, 2016.

**SUPPLEMENTARY INFORMATION**

STATE BAR OF NEVADA  
MAJOR GENERAL FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance to Amended Budget Positive (Negative)
<b>OPERATING REVENUE</b>				
Administration:				
Membership fees	\$ 3,613,300	\$ 3,574,000	\$ 3,589,575	\$ 15,575
Penalties	60,000	70,000	81,275	11,275
Discipline	7,000	5,500	3,576	(1,924)
Other fees	500	1,500	2,500	1,000
	<u>3,680,800</u>	<u>3,651,000</u>	<u>3,676,926</u>	<u>25,926</u>
Bar activities:				
Admissions	666,650	729,500	735,620	6,120
Publications	186,300	202,600	171,722	(30,878)
Continuing legal education	533,600	577,100	651,377	74,277
Lawyer referral service	400,000	300,700	335,316	34,616
Transitioning into practice	110,500	88,600	50,300	(38,300)
Other funds	797,200	791,900	801,447	9,547
Annual meeting	173,200	173,200	134,422	(38,778)
3100 Charleston rental income	120,000	102,300	119,135	16,835
Law sections	266,730	266,730	312,868	46,138
	<u>3,254,180</u>	<u>3,232,630</u>	<u>3,312,207</u>	<u>79,577</u>
 Total Operating Revenue	 6,934,980	 6,883,630	 6,989,133	 105,503
<b>OPERATING EXPENSES</b>				
Administration:				
Salaries	695,700	761,755	756,416	5,339
Benefits and payroll taxes	213,000	222,200	215,452	6,748
Overhead expenses	129,700	115,500	124,469	(8,969)
Postage/shipping	25,500	26,000	22,987	3,013
Professional memberships	2,700	2,300	3,171	(871)
Member relations	2,700	1,800	2,918	(1,118)
Temporary staffing	24,500	24,900	27,157	(2,257)
Education	4,500	2,900	530	2,370
Travel	16,550	14,000	12,116	1,884
Board of Governors' expenses	112,300	85,400	67,571	17,829
Building repairs and maintenance	20,000	23,400	14,115	9,285
Computer purchases/maintenance	71,000	71,000	59,606	11,394
Executive Director's expenses	28,100	19,100	18,703	397
Legal and accounting	60,000	80,000	71,654	8,346
Consulting/Miscellaneous	20,000	23,800	29,669	(5,869)
Website	12,000	12,000	15,135	(3,135)
Recruitment	3,600	1,500	6,336	(4,836)
	<u>1,441,850</u>	<u>1,487,555</u>	<u>1,448,005</u>	<u>39,550</u>

See accompanying notes

STATE BAR OF NEVADA  
MAJOR GENERAL FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance to Amended Budget Positive (Negative)
OPERATING EXPENSES (Continued)				
Bar activities:				
Admissions	\$ 715,500	\$ 709,600	\$ 712,161	\$ (2,561)
Publications	510,130	444,940	438,440	6,500
Continuing legal education	442,580	522,700	538,834	(16,134)
Discipline	1,718,000	1,800,500	1,704,782	95,718
Fee disputes	116,800	116,400	114,124	2,276
Lawyer referral service	250,750	217,300	211,354	5,946
Lawyers concerned for lawyers	85,450	67,300	54,898	12,402
Access to justice	106,322	111,400	101,862	9,538
Law-related education	179,003	168,600	162,418	6,182
Transitioning into practice	83,400	87,500	86,212	1,288
Other funds	111,600	94,900	107,096	(12,196)
Annual meeting	167,600	167,600	117,928	49,672
Attorney advertising department	95,200	100,300	94,190	6,110
Public service grants	126,000	130,400	135,342	(4,942)
3100 Charleston rental expenses	124,500	124,500	126,869	(2,369)
Law sections	255,765	255,765	205,202	50,563
	<u>5,088,600</u>	<u>5,119,705</u>	<u>4,911,712</u>	<u>207,993</u>
Depreciation	<u>211,500</u>	<u>211,500</u>	<u>210,984</u>	<u>516</u>
Total Operating Expenses	6,741,950	6,818,760	6,570,701	248,059
OPERATING INCOME	193,030	64,870	418,432	353,562
NONOPERATING REVENUE AND EXPENSES				
Interest income	11,500	11,500	13,583	2,083
Net increase in fair value	-	-	232	232
Gain (loss) on disposition of fixed assets	-	-	(16,381)	(16,381)
Impairment of antique furniture and fixtures	-	-	(60,075)	(60,075)
Interest expense	-	-	(1,973)	(1,973)
Other income	-	-	58,776	58,776
Total nonoperating revenue	<u>11,500</u>	<u>11,500</u>	<u>(5,838)</u>	<u>(17,338)</u>
INCREASE IN NET POSITION	<u>\$ 204,530</u>	<u>\$ 76,370</u>	<u>\$ 412,594</u>	<u>\$ 336,224</u>
Capital Expenditures	<u>\$ 23,300</u>	<u>\$ 199,800</u>	<u>\$ 626,194</u>	<u>\$ (426,394)</u>

See accompanying notes