

**STATE BAR ASSOCIATION OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors and Management
State Bar Association of North Dakota
Bismarck, North Dakota

Opinion

We have audited the accompanying financial statements of State Bar Association of North Dakota (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Bar Association of North Dakota as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of State Bar Association of North Dakota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about State Bar Association of North Dakota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State Bar Association of North Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Bar Association of North Dakota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Grants, Scholarships, and Contributions is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited State Bar Association of North Dakota's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 2, 2022

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF FINANCIAL POSTITION
DECEMBER 31, 2021 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,980,691	\$ 1,691,838
Certificates of deposit	254,650	502,714
Accounts receivable	44,825	18,174
Prepaid expense	35,262	21,576
Inventory	11,156	13,771
Accrued interest receivable	<u>5,337</u>	<u>6,938</u>
Total current assets	<u>2,331,921</u>	<u>2,255,011</u>
Noncurrent assets:		
Certificates of deposit	259,585	228,138
Bonds	264,387	183,617
Equipment at cost, net of accumulated depreciation of \$137,719 and \$129,522 in 2021 and 2020, respectively	13,879	22,074
Website development costs, net of accumulated amortization of \$6,460 and \$4,940 in 2021 and 2020, respectively	<u>1,140</u>	<u>2,660</u>
Total noncurrent assets	<u>538,991</u>	<u>436,489</u>
Total assets	<u><u>\$ 2,870,912</u></u>	<u><u>\$ 2,691,500</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 55,161	\$ 40,297
Accrued expenses	56,402	52,859
Capital lease payable - due within one year	<u>1,980</u>	<u>1,636</u>
Total current liabilities	<u>113,543</u>	<u>94,792</u>
Noncurrent liabilities:		
Capital lease payable	<u>4,934</u>	<u>6,914</u>
Total liabilities	<u>118,477</u>	<u>101,706</u>
Net assets:		
Without donor restrictions	1,324,752	1,268,904
With donor restrictions	<u>1,427,683</u>	<u>1,320,890</u>
Total net assets	<u>2,752,435</u>	<u>2,589,794</u>
Total liabilities and net assets	<u><u>\$ 2,870,912</u></u>	<u><u>\$ 2,691,500</u></u>

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020 (Memorandum only)
Revenue:				
License fees	\$ 756,476	\$ -	\$ 756,476	\$ 755,069
Disciplinary fees	-	255,225	255,225	258,225
Continuing legal education	110,602	-	110,602	97,085
Publications	9,608	-	9,608	5,887
Newsletter	19,509	-	19,509	14,883
Web page income	2,064	-	2,064	1,142
Service income	250	-	250	500
Annual meeting	86,530	-	86,530	21,290
Interest income	15,271	5,465	20,736	33,500
CLE Commission	-	101,910	101,910	94,730
Sections income	-	28,039	28,039	27,029
Client protection fund	-	49,394	49,394	54,634
Realized and unrealized gain (loss) on investment	(10,074)	-	(10,074)	12,607
Miscellaneous income	50,700	-	50,700	48,256
Revenue before net assets released	1,040,936	440,033	1,480,969	1,424,837
Net assets released from restrictions	333,240	(333,240)	-	-
Total revenue	1,374,176	106,793	1,480,969	1,424,837
Expenses and losses:				
Sections fund	17,563	-	17,563	12,323
CLE - commission	92,660	-	92,660	78,274
IOLTA - volunteer lawyers	42,305	-	42,305	36,295
Law related education	1,556	-	1,556	1,924
Disciplinary board	198,020	-	198,020	245,424
Client protection fund	1,369	-	1,369	20,013
Graduating into adult world	-	-	-	8,081
Lawyer assistance program	23,628	-	23,628	12,570
General and administrative	941,227	-	941,227	797,428
Total expenses	1,318,328	-	1,318,328	1,212,332
Change in net assets	55,848	106,793	162,641	212,505
Net assets - beginning of period	1,268,904	1,320,890	2,589,794	2,377,289
Net assets - end of period	\$ 1,324,752	\$ 1,427,683	\$ 2,752,435	\$ 2,589,794

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Sections Fund	CLE Commissions	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board/ Committee	Client Protection Fund	Lawyer Assistance Program	Total Program Costs	General and Admin.	Total 2021	Total 2020 (Memorandum only)
Salaries	\$ -	\$ 47,250	\$ 23,195	\$ -	\$ 1,823	\$ 681	\$ 8,244	\$ 81,193	\$ 323,483	\$ 404,676	\$ 399,482
Payroll taxes	-	-	1,774	-	-	-	-	1,774	26,385	28,159	27,968
Employee Benefits	-	3,678	1,300	-	-	-	-	5,178	17,396	22,574	18,175
Depreciation and amortization	-	-	-	-	-	-	-	-	9,717	9,717	10,066
Staff expense	-	-	-	-	-	-	-	-	11,792	11,792	6,989
Officers' expenses	-	-	-	-	-	-	-	-	10,954	10,954	8,560
Disciplinary expenses	-	-	-	-	193,464	-	-	193,464	2,267	195,731	242,535
Law review	-	-	-	-	-	-	-	-	22,000	22,000	22,000
Contract services	-	1,800	780	-	-	-	-	2,580	46,114	48,694	38,206
Advertising	-	-	89	-	-	-	-	89	-	89	398
Attorney expense	-	-	-	-	-	-	-	-	-	-	255
Rent	-	13,200	5,400	-	-	-	-	18,600	45,614	64,214	60,955
Utilities	-	4,000	-	-	-	-	-	4,000	-	4,000	4,000
Maintenance	-	500	-	-	-	-	-	500	-	500	-
Telephone	-	1,500	540	-	-	300	-	2,340	4,388	6,728	8,940
Supplies	198	125	437	33	-	221	-	1,014	6,066	7,080	9,786
Travel / education	-	-	-	-	-	-	-	-	6,288	6,288	2,498
Annual meeting	-	5,000	-	-	-	-	-	5,000	101,375	106,375	16,279
Committee meetings	2,782	-	-	341	-	-	-	3,123	-	3,123	1,361
Web page expenses	-	-	625	-	-	-	-	625	18,509	19,134	5,795
CLE production	-	-	-	-	-	-	-	-	73,535	73,535	55,760

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Sections Fund	CLE Commissions	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board/ Committee	Client Protection Fund	Lawyer Assistance Program	Total Program Costs	General and Admin.	Total 2021	Total 2020 (Memorandum only)
Newsletter expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,230	\$ 57,230	\$ 58,126
Committee expenses	-	-	-	-	2,267	-	-	2,267	4,809	7,076	7,705
Insurance	-	-	7,342	-	-	-	-	7,342	73,031	80,373	77,767
Contingency	-	-	-	-	-	-	-	-	9,599	9,599	4,087
Audit	-	-	-	-	-	-	-	-	13,025	13,025	12,795
Lawyer referral	-	-	-	-	-	-	-	-	11,247	11,247	14,088
Publication	-	-	-	-	-	-	-	-	3,547	3,547	3,554
Dues	-	-	-	-	-	-	-	-	4,507	4,507	5,149
Bank charges	-	-	-	-	-	-	-	-	5,893	5,893	3,250
Casemaker	-	-	-	-	-	-	-	-	14,750	14,750	14,750
Computer expense	-	5,750	-	-	-	-	-	5,750	-	5,750	2,580
Claims	-	-	-	-	-	40	-	40	-	40	17,000
Contributions	-	8,157	-	-	-	-	-	8,157	-	8,157	7,540
Leadership forum contribution	7,643	-	-	-	-	-	-	7,643	-	7,643	7,143
Rural justice support	-	-	-	-	-	-	-	-	12,000	12,000	12,000
Lobbying	6,440	-	-	-	-	-	-	6,440	-	6,440	-
Administrative	500	-	-	1,182	-	-	-	16,151	118	16,269	13,600
Postage / copies	-	1,500	564	-	466	127	915	3,572	4,602	8,174	9,842
Interest expense	-	-	259	-	-	-	-	259	986	1,245	1,348
Totals	\$ 17,563	\$ 92,660	\$ 42,305	\$ 1,556	\$ 198,020	\$ 1,369	\$ 23,628	\$ 377,101	\$ 941,227	\$ 1,318,328	\$ 1,212,332

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 162,641	\$ 212,505
Adjustments to reconcile changes in net assets to cash from operating activities:		
Depreciation and amortization	9,717	10,066
Realized and unrealized (gain) loss on investment	10,074	(12,607)
Effects on operating cash flows due to changes in:		
Accounts receivable	(26,651)	18,314
Accrued interest receivable	1,601	1,413
Prepaid expenses	(13,686)	2,713
Inventory	2,615	(12,475)
Accounts payable	14,862	(85,295)
Accrued expenses	<u>3,543</u>	<u>6,003</u>
Cash provided (used) by operating activities	<u>164,716</u>	<u>140,637</u>
Cash flows from investing activities:		
Purchase of investments	(319,014)	(337,127)
Sale of investments	<u>444,787</u>	<u>350,753</u>
Cash provided (used) by investing activities	<u>125,773</u>	<u>13,626</u>
Cash flows (used) by financing activities:		
Payments on capital lease payable	<u>(1,636)</u>	<u>(1,249)</u>
Net change in cash and cash equivalents	288,853	153,014
Cash and cash equivalents balance - beginning of year	<u>1,691,838</u>	<u>1,538,824</u>
Cash and cash equivalents balance - end of year	<u><u>\$ 1,980,691</u></u>	<u><u>\$ 1,691,838</u></u>
Supplemental disclosures of cash flow information:		
Interest paid for the year	\$ 1,245	\$ 1,349

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The State Bar Association of North Dakota is the professional association of members of the legal profession licensed to practice law in the State of North Dakota and of attorneys who, by virtue of holding judicial or other public office, are exempt from such licensing. These licensing and disciplinary fees account for approximately 67% of the Association's revenue. The Association was created by statute and is administered by a Board of Governors elected from its membership. The objectives of the Association are to improve professional competence, promote the administration of justice, uphold the honor of the profession of law and encourage cordial relations among members of the State Bar.

The objectives of the Association are accomplished by the offering of a Continuing Legal Education program to its membership; organizing committees to study and act upon matters that affect the membership; and representing the membership in legislative activities.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Association to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for a board designated purpose.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Association holds various certificates of deposit with financial institutions. Certificates are reported at cost, which approximates fair value. Interest income is accrued at year end.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of December 31, 2021, no allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. Receivables from contracts with customers are reported as accounts receivable in the accompanying statement of financial position.

Inventory

Inventory consists of continuing education materials and is valued at lower of cost or net realizable value on a first-in, first-out basis.

Equipment

Equipment is stated at cost, less accumulated depreciation. The Association capitalizes those items with a cost greater than \$1,000 and a useful life longer than two years. Depreciation is computed by the straight-line method using estimated useful lives of 5 to 10 years.

Expenditures for major additions and improvement that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Intangible Assets

Intangible assets consist of costs incurred for the development of the Association's website. Costs incurred during planning and for the continuing operation of the website are expensed as incurred. The Association amortizes the intangible assets using the straight-line method over a period of 5 years.

Revenue and Support With and Without Donor Restriction

The Association recognizes revenue from licensing and membership fees over the license period or membership period, which is generally one year. Licensing and membership fees are accounted for fully as exchange transactions. The performance obligation of delivering licensing and membership services and benefits is simultaneously received and consumed by the members; therefore, the revenue is recognized ratably over the course of the calendar year.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Revenues derived from continuing education and the Association's annual meeting is recognized once the continuing education or annual meeting takes place. Continuing education and annual meeting fees paid in advance are deferred to the period in which the class or event takes place. Due to the nature and timing of the performance and/or transfer of services, substantially all contact liabilities at December 31 of each year are recognized in the following year.

Revenues derived from CLE Commission income includes an administrative fee for ensuring compliance with the Supreme Court's continuing education rules along with fees for transcripts and sponsoring agencies CLE applications. The Association recognizes revenue from the administrative fee during the period in which the related services are provided. The Association recognizes revenue from transcript and application fees when the transcript is provided and sponsoring agency CLE application is received.

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Depending on the existence and/or nature of any restrictions, contributions received are recorded as support with donor restrictions or support without donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restriction consist of funds received for Client Protection Services, Disciplinary Board, CLE Commissions, Lawyer Assistance Program, and Sections activities.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There has been no change in the methodology used at December 31, 2021.

Bonds

The fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort and occupancy costs, which are allocated on the basis of square footage.

Income Taxes

The Association is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code, but is subject to unrelated business income tax for its advertising and supplies sales. There was no material taxable income for the year ended December 31, 2021.

The Association's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Use of Estimates

The presentation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 2 CERTIFICATES OF DEPOSIT

Certificates of deposit are recorded at cost and consist of the following as of December 31, 2021:

Financial Institution	Amount	Rate	Maturity Date
State Bank of India	\$ 25,000	2.30%	02/24/22
Morgan Stanley Bk N A Salt	44,000	2.30%	07/05/24
State Bank of India	25,000	2.30%	02/09/22
State Bank of India	14,000	2.90%	03/29/23
Morgan Stanley Bk N A Salt	14,000	2.30%	07/05/24
State Bank of India	14,000	0.65%	03/16/26
Wells Fargo Bank Na	12,000	2.55%	01/31/22
Sallie Mae Bank	12,000	2.65%	01/24/23
Wells Fargo Bk N A Sioux Falls	14,000	2.05%	10/17/24
State Bank of India	19,000	1.60%	04/29/25
State Bank of India	22,000	0.65%	03/16/26
BNC - 12-23 Months CD	31,990	0.15%	09/05/22
BNC - 36 - 59 Months CD	50,123	2.00%	04/06/22
BNC - 2-Year Non-Personal CD	106,585	0.50%	12/21/23
Bremer Bank CD	110,536	0.30%	01/17/22
Total certificates of deposit	<u>\$ 514,235</u>		

NOTE 3 CREDIT RISK

The Association maintains its cash, cash equivalents and certificates of deposit on deposit with various financial institutions which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Association maintains their cash, cash equivalents and certificates of deposits in large, well-capitalized financial institutions. The Association also maintains certificates of deposit on deposit with a local brokerage firm which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC). The Association has not experienced any losses in such accounts nor does the Association believe it is exposed to any significant credit risk on its cash, cash equivalents and certificates of deposit.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 4 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of December 31, 2021 are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds:				
Municipal-Fixed	\$ 47,165	\$ -	\$ 47,165	\$ -
Corporate-Fixed	217,222	-	217,222	-
Total	<u>\$ 264,387</u>	<u>\$ -</u>	<u>\$ 264,387</u>	<u>\$ -</u>

NOTE 5 INTANGIBLE ASSETS

Intangible assets consist of costs incurred for the creation of the Association's website, the portion of which that is eligible for capitalization totaled \$7,600. Amortization expense for the year ended December 31, 2021 was \$1,520. The accumulated amortization at December 31, 2021 related to the website was \$6,460.

NOTE 6 OPERATING LEASE

The Association has a lease on its office space until January 1, 2025.

The Association paid \$64,214 in rent in for the year ended December 31, 2021.

The agreement is for the period January 1, 2020 through January 1, 2025. The lease calls for monthly rent of \$4,551 through December 31, 2021. Beginning January 1, 2021 and each year thereafter the yearly rate shall increase 1.5%.

Future minimum lease payments are as follows:

2022	\$ 55,436
2023	56,268
2024	57,112

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 7 CAPITAL LEASE

The Association has a lease on a copier under capital lease agreement with monthly payments of \$262 including interest through November 2024. Equipment capitalized and accumulated depreciation is \$10,042 and \$4,519, respectively, for the year ended December 31, 2021.

The detail of the Association's capital lease as of December 31, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease	<u>\$ 8,550</u>	<u>\$ -</u>	<u>\$ (1,636)</u>	<u>\$ 6,914</u>	<u>\$ 1,980</u>

The following is a schedule by year of the future minimum rental payments due on the capital lease as of December 31:

2022	\$ 3,140
2023	3,140
2024	<u>2,782</u>
Total Minimum Lease Payments	9,062
Less: Amount Representing Interest	<u>(2,148)</u>
Present Value of Minimum Lease Payments	<u>\$ 6,914</u>
Current Portion of Capital Lease	\$ 1,980
Non-Current Portion of Capital Lease	<u>4,934</u>
	<u>\$ 6,914</u>

NOTE 8 RELATED PARTY

The North Dakota Bar Foundation (Foundation) is a separate not-for-profit foundation formed to operate within the meaning of IRS Code Section 501(c)(3). The Foundation's Board of Directors consists of directors who are elected by the membership and those who are appointed by the State Bar Association. In addition, the Association maintains the records of the Foundation and employees of the Association perform various duties for the Foundation. The Foundation paid \$40,803 for these services along with reimbursement of expenses paid on their behalf for the year ended December 31, 2021. This amount is included in accounts receivable on the statement of financial position and miscellaneous income on the statement of activities.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 9 ADVERTISING EXPENSE

The Association expenses all advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2021 was \$89.

NOTE 10 PENSION PLAN

The Association adopted a 401(k) profit sharing plan. All full-time employees are eligible to participate in the plan as long as they are at least 21 years of age and have completed one year of employment. Employer contributions to this plan totaled \$19,013 for the year ended December 31, 2021.

NOTE 11 RESERVE FUND POLICY

The Association will maintain a reserve fund of not less than \$400,000 for emergency expenditures, and will strive to maintain a reserve fund of 60% of the previous year's total expenses plus \$100,000. Reserves in excess of \$400,000 may be used for non-emergency expenditures, including the possibility of a dues refund if approved by the Board of Governors. The available reserve is computed by subtracting the book value of equipment from the total unrestricted net assets. This policy will be reviewed annually by the board.

NOTE 12 INCOME TAXES

It is the opinion of management that the Association has no significant uncertain tax positions that would be subject to change upon examination. The federal and state income tax returns of the Association are subject to examination by the IRS and state tax authorities, generally for three years after they were filed, all filings are current.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021:

Subject to expenditure for specified purpose:	
Sections program expenses	\$ 216,292
CLE Commission expenses	179,727
Lawyer Assistance Program	70,089
Disciplinary Board Committee expenses	379,872
Client Protection Fund program expenses	581,703
	<u>\$ 1,427,683</u>

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2021:

Purpose restrictions accomplished:	
Sections	\$ 17,563
CLE Commission	92,660
Disciplinary Board Committee	198,020
Client Protection Fund	1,369
Lawyer Assistance Program	23,628
	<u>\$ 333,240</u>

NOTE 14 LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:	
Cash and cash equivalents	\$ 1,980,691
Certificates of deposit	514,235
Accounts receivable	44,825
Accrued interest receivable	5,337
Bonds	264,387
Total financial assets	<u>2,809,475</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,427,683</u>
	<u>1,427,683</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 1,381,792</u>

The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Association invests cash in excess of daily requirements in marketable securities and certificates of deposit. See Note 11 for a description of the Association's reserve fund policy.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounts receivable from contracts with customers were as follows:

Beginning of year	\$ 18,174
End of year	44,825

The following table provides information about significant changes in the continuing legal education fees paid in advance for the year ended December 31, 2021:

Continuing legal education paid in advance, beginning of year	\$ 2,750
Revenue recognized that was included in continuing legal education at the beginning of year	(2,750)
Increase in continuing legal education fees due to cash received during the period	2,750
Continuing legal education paid in advance, end of year	<u>\$ 2,750</u>

NOTE 16 COMMITMENTS AND CONTINGENCIES

In December 2021, the Association entered into an agreement for the production of four publications of The Gavel magazine. The total cost of the contract is \$33,000, to be paid in 12 equal installments of \$2,750. As of December 31, 2021, no payments have been made on the contract. Additionally, the Association agreed to reimburse the production company any travel and lodging, photography, mileage expense, registration fees and any other agreed upon related expenses incurred for production.

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-02 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Association for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit entities for Contribution Nonfinancial Assets*

This ASU addresses presentation and disclosure requirements for not-for-profit entities for contribution nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

Management has not yet determined what effect these pronouncements will have on the Association's financial statements.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Association's financial statements.

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year-end, the markets experienced significant declines in value. Management is closely monitoring the investment portfolio and its liquidity and are actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that have resulted from these declines.

Subsequent events have been evaluated through June 2, 2022, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STATE BAR ASSOCIATION OF NORTH DAKOTA
SCHEDULE OF PROGRAM ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Sections Fund	CLE Commission	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total 2021	Total 2020
Revenues:										
License fees	\$ -	\$ -	\$ -	\$ -	\$ 255,225	\$ -	\$ -	\$ -	\$ 255,225	\$ 258,225
CLE commission	-	101,910	-	-	-	-	-	-	101,910	94,730
Section income	28,039	-	-	-	-	-	-	-	28,039	27,029
Client protection fund	-	-	-	-	-	49,394	-	-	49,394	54,634
Interest income	-	-	-	-	2,631	2,294	-	540	5,465	8,687
Total revenue	28,039	101,910	-	-	257,856	51,688	-	540	440,033	443,305
Expenditures:										
Salaries	-	47,250	23,195	-	1,823	681	-	8,244	81,193	74,483
Payroll taxes	-	-	1,774	-	-	-	-	-	1,774	1,409
Retirement expenses	-	3,878	1,300	-	-	-	-	-	5,178	4,616
Disciplinary expenses	-	-	-	-	193,464	-	-	-	193,464	241,356
Contract services	-	1,800	780	-	-	-	-	-	2,580	1,920
Advertising	-	-	89	-	-	-	-	-	89	398
Lobbying	-	-	-	-	-	-	-	-	-	-
Rent	-	13,200	5,400	-	-	-	-	-	18,600	17,340
Utilities	-	4,000	-	-	-	-	-	-	4,000	4,000
Telephone	-	1,500	540	-	-	300	-	-	2,340	2,114
Administrative	500	-	-	1,182	-	-	-	14,469	16,151	10,167
Postage / copies	-	1,500	564	-	466	127	-	915	3,572	4,519
Supplies	198	125	437	33	-	221	-	-	1,014	8,360
Annual meeting	-	5,000	-	-	-	-	-	-	5,000	-
Committee meetings	2,782	-	-	341	-	-	-	-	3,123	1,361
Web page expenses	-	-	625	-	-	-	-	-	625	625

STATE BAR ASSOCIATION OF NORTH DAKOTA
SCHEDULE OF PROGRAM ACTIVITIES - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Sections Fund	CLE Commission	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total 2021	Total 2020
Committee expenses	\$ -	\$ -	\$ -	\$ -	\$ 2,267	\$ -	\$ -	\$ -	\$ 2,267	\$ 1,180
Insurance	-	-	7,342	-	-	-	-	-	7,342	6,513
Computer expense	-	5,750	-	-	-	-	-	-	5,750	2,580
Lobbying	6,440	-	-	-	-	-	-	-	6,440	-
Claims	-	-	-	-	-	40	-	-	40	17,000
Contributions	-	-	-	-	-	-	-	-	-	7,540
Leadership forum contribution	7,643	8,157	-	-	-	-	-	-	8,157	7,143
Interest expense	-	-	259	-	-	-	-	-	259	280
Total expenditures	17,563	92,660	42,305	1,556	198,020	1,369	-	23,628	377,101	414,904
Excess revenue over expenditures	\$ 10,476	\$ 9,250	\$ (42,305)	\$ (1,556)	\$ 59,836	\$ 50,319	\$ -	\$ (23,088)	\$ 62,932	\$ 28,401

