



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

March 28, 2016

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

We have audited the financial statements of State Bar Association of North Dakota for the year ended December 31, 2015, and have issued our report thereon dated March 28, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 19, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by State Bar Association of North Dakota are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of the marketable securities is based on quoted market prices. We evaluated the key factors and assumptions used to develop the fair value of marketable securities in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Governors, and management of State Bar Association of North Dakota and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

Client: 41166 - State Bar Association of North Dakota
Engagement: AUD - State Bar Association of North Dakota
Trial Balance: TB
Workpaper: 2201.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
		PY 4605.00		
To record PY AJE not recorded. To apply disposals to leasehold improvements				
1155.1	Furniture & Fixtures		8,014.21	
1157.0	Leasehold Improvements			8,014.21
Total			<u>8,014.21</u>	<u>8,014.21</u>
Adjusting Journal Entries JE # 2				
		6101.01		
To adjust net assets to actual				
1300.0	General Fund		3,473.00	
2140.1	Miscellaneous Income			3,473.00
Total			<u>3,473.00</u>	<u>3,473.00</u>
Adjusting Journal Entries JE # 3				
		5106.01		
To record accounts payable discovered in subsequent disbursement testing				
3075.54	Attorney Expense		9,452.00	
1200.0	Accounts Payable			9,452.00
Total			<u>9,452.00</u>	<u>9,452.00</u>
Adjusting Journal Entries JE # 201				
PBC - To record webinar splits				
4080.10	Others Share of Income		2,363.07	
4080.15	Others Share of Income		709.97	
4080.18	Others Share of Income (Loss)		964.46	
4080.22	Others Share of Income		752.61	
2041.6	Young Lawyers Webinar Income			4,790.11
Total			<u>4,790.11</u>	<u>4,790.11</u>
Adjusting Journal Entries JE # 202				
PBC - To adjust receivable due from Supreme Court				
3237.1	Judicial Nominating Committee		8,252.98	
1150.0	Accounts Receivable			1,252.98
3150.1	Salaries and Wages			7,000.00
Total			<u>8,252.98</u>	<u>8,252.98</u>
Adjusting Journal Entries JE # 203				
PBC - To record additional seminar split				
4080.23	Others Share of Income		102.35	
2041.5	Family Law Section Seminar			102.35
Total			<u>102.35</u>	<u>102.35</u>
Adjusting Journal Entries JE # 204				
PBC - To split task force bills				
5010.5	Travel-Family Law Task Force		368.22	
3280.1	Task Forces			368.22
Total			<u>368.22</u>	<u>368.22</u>
Adjusting Journal Entries JE # 205				
PBC - To reclass task force portion of Ramada bill				
3280.1	Task Forces		204.70	
4040.23	Facility			204.70
Total			<u>204.70</u>	<u>204.70</u>

Client: **41166 - State Bar Association of North Dakota**
Engagement: **AUD - State Bar Association of North Dakota**
Period Ending: **12/31/2015**
Trial Balance: **TB**
Workpaper: **2205.00 - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 100				
To reclassify long term portion of CD's.				
B1120	CD's Noncurrent	4153.00	218,035.99	
1120.0	Certificates of Deposit			218,035.99
Total			218,035.99	218,035.99
Reclassifying Journal Entries JE # 101				
To reclass grant income from miscellaneous expense per conversation with client.				
2140.1	Miscellaneous Income		4,241.99	
2501.00	WSI ERGO PHASE II Grant			4,241.99
Total			4,241.99	4,241.99
Reclassifying Journal Entries JE # 102				
To eliminate intercompany payables/receivables.				
1200.0	Accounts Payable	4202.01	77,654.98	
1150.0	Accounts Receivable			77,654.98
Total			77,654.98	77,654.98

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Workpaper Reference	Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Understated UBIT	F	No accrual recorded for 2015 UBIT.	7500.02		-\$1,705			-\$1,705	\$1,705	
Understated license fee revenue.	F	Revenue recorded is less than quarterly remittances from State Bar Examiners	7101.01				\$905		\$905	
		Reimbursement for 2014 expense received after 2014 year end was recorded back to 2014 after 2014 audit was completed per explanation from Anderson & Associates.	6101.01				\$3,474		\$3,474	
Overstatement of Revenue	F								\$0	
									\$0	
									\$0	
									\$0	
Total				\$0	-\$1,705	\$0	\$4,379	-\$1,705	\$6,084	\$0
Less Audit Adjustments Subsequently Booked									\$0	
Unadjusted AD—Current Year (Iron Curtain Method)				\$0	-\$1,705	\$0	\$4,379	-\$1,705	\$6,084	\$0
Effect of Unadjusted AD—Prior Years								\$1,367	-\$1,367	
Combined Current and Prior Year AD (Rollover Method)				\$0	-\$1,705	\$0	\$4,379	-\$338	\$4,717	\$0
Financial Statement Caption Totals				2,232,050	81,457	2,150,593	1,463,826	1,197,767	\$266,059	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	-2.09%	0.00%	0.30%	-0.14%	2.29%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	-2.09%	0.00%	0.30%	-0.03%	1.77%	0.00%

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

MANAGEMENT LETTER

DECEMBER 31, 2015



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

In planning and performing our audit of the financial statements of State Bar Association of North Dakota (the Association) for the year ended December 31, 2015, we considered the Association's internal controls in order to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated March 28, 2016, on the financial statements of State Bar Association of North Dakota.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with State Bar Association of North Dakota personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Governors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions or need any additional assistance or information, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "Brady Martz". The signature is fluid and cursive.

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

March 28, 2016

STATE BAR ASSOCIATION OF NORTH DAKOTA
MEMORANDUM ON AUDIT
DECEMBER 31, 2015

- 1) During our walk through of internal controls, we noted there is currently no password required for QuickBooks or Microsoft Money. We recommend a password that expires every 90-120 days be setup for both QuickBooks and Microsoft Money.
- 2) During our testing of accounts payable, we discover two payable balances for outstanding checks on closed bank accounts. These checks were written over two years ago and are required to be remitted to the North Dakota Unclaimed Property Division of the Department of ND Trust Lands. We recommend these checks be reported and remitted to the North Dakota Unclaimed Property Division.

STATE BAR ASSOCIATION
OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited State Bar Association of North Dakota's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Program Activities 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.



BRADY, MARTZ & ASSOCIATES, P.C.

BISMARCK, NORTH DAKOTA

March 28, 2016

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF FINANCIAL POSTITION
DECEMBER 31, 2015 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,355,704	\$ 1,135,063
Certificates of deposit	368,081	235,843
Accounts receivable	33,964	34,789
Prepaid expense	19,378	22,157
Inventory	2,073	3,810
Accrued interest receivable	<u>4,965</u>	<u>4,265</u>
Total current assets	<u>1,784,165</u>	<u>1,435,927</u>
Noncurrent assets:		
Certificates of deposit	218,036	294,545
Bonds	167,661	166,065
Equipment at cost, net of accumulated depreciation of \$33,475 and \$20,008 in 2015 and 2014, respectively	9,988	59,806
Software at cost, net of accumulated depreciation of \$41,760 and \$31,320 in 2015 and 2014, respectively	<u>52,200</u>	<u>20,880</u>
Total noncurrent assets	<u>447,885</u>	<u>541,296</u>
Total assets	<u><u>\$ 2,232,050</u></u>	<u><u>\$ 1,977,223</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 44,116	\$ 55,650
Accrued expenses	26,590	24,248
Capital lease payable-due within one year	<u>2,248</u>	<u>1,846</u>
Total current liabilities	<u>72,954</u>	<u>81,744</u>
Noncurrent liabilities:		
Capital lease payable	<u>8,503</u>	<u>10,945</u>
Total liabilities	<u>81,457</u>	<u>92,689</u>
Net assets:		
Unrestricted	1,076,124	908,022
Temporarily restricted	<u>1,074,469</u>	<u>976,512</u>
Total net assets	<u>2,150,593</u>	<u>1,884,534</u>
Total liabilities and net assets	<u><u>\$ 2,232,050</u></u>	<u><u>\$ 1,977,223</u></u>

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Revenue:				
License fees	\$ 724,643	\$ -	\$ 724,643	\$ 696,908
Disciplinary fees	-	252,150	252,150	241,800
Continuing legal education	110,752	-	110,752	116,391
Publications	15,040	-	15,040	9,857
Lawyer referral	7,455	-	7,455	6,600
Newsletter	17,958	-	17,958	18,797
Web page income	311	-	311	962
Service income	1,750	-	1,750	2,795
Annual meeting	87,065	-	87,065	96,080
Interest income	8,458	4,423	12,881	12,013
Grants	4,242	-	4,242	-
CLE Commission	-	87,070	87,070	77,336
Sections income	-	35,051	35,051	30,410
Client protection fund	-	48,515	48,515	43,673
Lawyer assistance program	-	10,783	10,783	9,793
Realized and unrealized gain (loss) on investment	54	-	54	4,213
Loss on disposal of equipment	-	-	-	(4,635)
Miscellaneous income	48,106	-	48,106	35,868
Revenue before net assets released	1,025,834	437,992	1,463,826	1,398,861
Net assets released from restrictions:				
Satisfaction of restrictions	340,035	(340,035)	-	-
Total revenue	1,365,869	97,957	1,463,826	1,398,861
Expenses and losses:				
Sections fund	40,083	-	40,083	23,490
CLE - commission	72,826	-	72,826	66,456
IOLTA - volunteer lawyers	35,592	-	35,592	30,014
Law related education	4,618	-	4,618	6,221
Disciplinary board	213,400	-	213,400	197,621
Client protection fund	2,943	-	2,943	1,436
Graduating into adult world	2,233	-	2,233	7,844
Lawyer assistance program	10,783	-	10,783	9,794
General and administrative	815,289	-	815,289	940,997
Total expenses	1,197,767	-	1,197,767	1,283,873
Change in net assets	168,102	97,957	266,059	114,988
Net assets - beginning of period	908,022	976,512	1,884,534	1,769,546
Net assets - end of period	\$ 1,076,124	\$ 1,074,469	\$ 2,150,593	\$ 1,884,534

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	Sections Fund	CLE Commissions	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board/Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total Program Costs	General and Admin.	Total 2015	Total 2014
Salaries	\$ -	\$ 35,917	\$ 10,757	\$ -	\$ 1,288	\$ 1,125	\$ 1,255	\$ 2,506	\$ 52,848	\$ 296,929	\$ 349,777	\$ 339,054
Payroll taxes	-	-	823	-	-	-	-	-	823	23,763	24,586	23,643
Retirement expenses	-	3,561	632	-	-	-	-	-	4,193	12,677	16,870	17,927
Depreciation	-	-	-	-	-	-	-	-	-	23,907	23,907	22,601
Staff expense	-	-	-	-	-	-	-	-	-	19,347	19,347	17,813
Officers' expenses	-	-	-	-	-	-	-	-	-	19,987	19,987	19,189
Disciplinary expenses	-	-	-	-	185,750	-	-	-	185,750	14,753	200,503	184,149
Law review	-	-	-	-	-	-	-	-	-	22,000	22,000	22,000
Contract services	3,435	1,020	780	-	-	-	-	-	5,235	22,231	27,466	19,372
Advertising	-	-	948	-	-	-	-	-	948	-	948	1,292
Attorney expense	-	-	9,452	-	-	-	-	-	9,452	-	9,452	12
Rent	-	10,995	5,400	-	-	-	-	-	16,395	40,950	57,345	51,882
Utilities	-	-	-	-	-	-	-	-	-	-	-	4,385
Maintenance	-	-	-	-	-	-	-	-	-	-	-	3,823
Telephone	-	2,042	540	-	-	300	-	-	2,882	4,597	7,479	7,268
Administrative	-	-	-	4,618	-	-	-	6,752	11,370	117	11,487	9,774
Postage / copies	-	2,184	980	-	609	143	-	1,525	5,441	7,972	13,413	8,334
Supplies	53	983	776	-	-	150	978	-	2,940	4,748	7,688	16,909
Travel / education	483	-	-	-	-	-	-	-	483	6,972	7,455	3,313
Annual meeting	-	-	-	-	217	-	-	-	217	74,182	74,399	99,935
Committee meetings	8,712	-	23	-	-	-	-	-	8,735	-	8,735	2,516
Web page expenses	-	-	625	-	-	-	-	-	625	12,394	13,019	7,780
CLE production	-	-	-	-	-	-	-	-	-	56,266	56,266	62,059
Newsletter expense	-	-	-	-	-	-	-	-	-	27,114	27,114	38,526

STATE BAR ASSOCIATION OF NORTH DAKOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 266,059	\$ 114,988
Adjustments to reconcile changes in net assets to cash from operating activities:		
Depreciation	23,907	22,601
Realized and unrealized (gain) loss on investment	(55)	(4,213)
Loss on disposal of equipment	-	4,635
Effects on operating cash flows due to changes in:		
Accounts receivable	825	5,688
Interest receivable	(700)	(293)
Prepaid expenses	2,779	(2,868)
Inventory	1,737	(3,015)
Accounts payable	(11,534)	(2,017)
Accrued expenses	<u>2,342</u>	<u>5,567</u>
Cash provided (used) by operating activities	<u>285,360</u>	<u>141,073</u>
Cash flows from investing activities:		
Purchase of investments	(308,377)	(371,721)
Sale of investments	251,107	360,165
Purchase of equipment	(5,409)	(36,852)
Sale of equipment	<u>-</u>	<u>3,270</u>
Cash provided (used) by investing activities	<u>(62,679)</u>	<u>(45,138)</u>
Cash flows provided (used) by financing activities:		
Payments on capital lease payable	<u>(2,040)</u>	<u>(7,396)</u>
Net change in cash and cash equivalents	220,641	88,539
Cash and cash equivalents balance - beginning of year	<u>1,135,063</u>	<u>1,046,524</u>
Cash and cash equivalents balance - end of year	<u><u>1,355,704</u></u>	<u><u>1,135,063</u></u>
Supplemental disclosures of cash flow information:		
Interest paid for the year	<u>\$ 979</u>	<u>\$ 967</u>
Noncash investing activities:		
Equipment acquired with capital lease	<u>\$ -</u>	<u>\$ 13,506</u>

See Notes to the Financial Statements

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets consists of grants and funds received for IOLTA Volunteer Lawyers Program, Law Related Education, Client Protection Services, Disciplinary Board, CLE Commissions, Lawyer Assistance Program, Graduating into the Adult World, and Sections Activities.

The Association has no permanently restricted net assets.

Revenue Recognition

The Association recognizes revenue under the accrual basis of accounting. As a result, revenue is recognized in the period that services are provided and licensing fees are earned and expenses are reported in the period incurred.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

Inventory

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

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, 2015, no allowance for uncollectible accounts has been provided since management considers all accounts to be collectible.

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.

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 ending December 31, 2015.

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.

Cash and Cash Equivalents

The Association includes money market and savings accounts as cash equivalents.

Fair Value Measurements

The Association has determined the fair value of certain assets and liabilities in accordance with the provisions of Codification Topic 820, Fair Value Measurements which provides a framework for measuring fair value under generally accepted accounting principles.

Codification Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Codification Topic 820 required that valuation techniques maximize the use

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

of observable inputs and minimize the use of unobservable inputs. Codification Topic 820 also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

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.

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.

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.

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, 2014, from which the summarized information was derived.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

NOTE 2 CERTIFICATE OF DEPOSIT

Certificates of deposit are recorded at cost and consist of the following as of December 31, 2015:

Financial Institution	Amount	Rate	Maturity Date
BMW Bank of North America	\$ 12,000	2.30%	02/25/16
GE Capital Financial Inc.	25,000	2.00%	09/30/16
Lasalle Bank	19,715	2.01%	08/18/17
Bank of Baroda	19,000	1.25%	03/08/18
GE Capital Retail Bank	34,000	1.95%	02/28/19
Capital One Bank USA	24,000	2.20%	10/21/20
Discover Bank	15,000	1.55%	09/05/17
State Bank of India	12,000	2.15%	09/11/19
BMW Bank of North America	20,000	2.30%	02/25/16
American Express Centurian Bank	18,000	2.05%	05/20/20
BMW Bank of North America	36,000	2.30%	02/25/16
BNC	71,642	0.35%	11/08/16
BNC	30,321	0.40%	01/05/17
BNC	101,608	0.25%	03/01/16
BNC - Step up CD	45,999	1.25%	01/24/18
Bremer Bank	101,832	0.20%	03/17/16
	<u>\$ 586,117</u>		
Total certificates of deposit	<u>\$ 586,117</u>		

NOTE 3 CREDIT RISK

On December 31, 2015, the Association had \$615,259 of cash, cash equivalents and certificates of deposit on deposit with various financial institutions, which are insured up to \$250,000 of FDIC at each institution. The amount not insured by FDIC was \$78,583 on December 31, 2015.

The Association had \$412,095 of investments with a local brokerage firm on December 31, 2015, of which \$235,679 were certificates of deposit covered by FDIC and \$167,662 were securities covered by SIPC. The remaining \$8,754 is uninsured, neither covered by FDIC nor SIPC.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

NOTE 4 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of December 31, 2015 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	\$ 70,223	\$ -	\$ 70,223	\$ -
Corporate-Fixed	50,655	-	50,655	-
Government-FNMA	46,784	-	46,784	-
Total	<u>\$ 167,661</u>	<u>\$ -</u>	<u>\$ 167,661</u>	<u>\$ -</u>

NOTE 5 LEASE COMMITMENTS

The Association has a lease on its office space until December 31, 2019. The rental commitments for the years ending December 31 are as follows:

2016	\$ 50,699
2017	51,460
2018	52,232
2019	53,015

The Association paid \$57,345 in rent in for the year ended December 31, 2015.

NOTE 6 CAPITAL LEASE

The Association has a lease on a copier under a capital lease agreement with monthly payments of \$291 including interest through October 2019. Equipment capitalized under the agreement and accumulated depreciation is \$13,506 and \$3,377, respectively, for the year ended December 31, 2015.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2015.

2016	\$ 3,198
2017	3,489
2018	3,489
2019	<u>2,909</u>
Net minimum lease payments	13,085
Less amount representing interest	<u>2,334</u>
Present value of net minimum lease payments	<u>\$ 10,751</u>

NOTE 7 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). Three board members of the Association also serve on the board of the Foundation as ex-officio members and one member serves as the board chair on the Foundation. In addition, the Association maintains the records of the Foundation and employees of the Association perform various duties for the Foundation as of December 31, 2015. The Foundation paid the Association \$18,271 for these services, for the year ending December 31, 2015. This amount is included in miscellaneous income.

As of December 31, 2015 the Association recorded \$18,399 in accounts receivable due from the Foundation and recorded \$2,725 in accounts payable due to the Foundation.

NOTE 8 ADVERTISING EXPENSE

The Association expenses all advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2015 was \$948.

NOTE 9 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. Contributions to this plan totaled \$16,870 for the year ended December 31, 2015.

NOTE 10 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.

STATE BAR ASSOCIATION OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015

NOTE 11 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.

NOTE 12 COMMITMENTS

A lawsuit was filed against officers of the Association that challenges the collection of mandatory dues from active attorneys in the state of North Dakota. It also requests the implementation of specific procedures and safeguards surrounding the use of Association funds for lobbying activities. Litigation insurance payments were exhausted in the year ended December 31, 2015. All future legal fees will be funded by the Association. The amount of future payments cannot be reasonably determined.

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Association's year end. Subsequent events have been evaluated through March 28, 2016, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SCHEDULE I

STATE BAR ASSOCIATION OF NORTH DAKOTA
SCHEDULE OF PROGRAM ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	Sections Fund	CLE Commission	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total 2015	Total 2014
Revenues:										
License fees	\$ -	\$ -	\$ -	\$ -	\$ 252,150	\$ -	\$ -	\$ -	\$ 252,150	\$ 241,800
Grants	-	-	-	4,242	-	-	-	-	4,242	-
CLE commission	-	87,070	-	-	-	-	-	-	87,070	77,336
Section income	35,051	-	-	-	-	-	-	-	35,051	30,410
Client protection income	-	-	-	-	-	48,515	-	-	48,515	43,673
Lawyer assistance program	-	-	-	-	-	-	-	10,783	10,783	9,793
Interest income	-	-	-	-	1,910	2,161	-	352	4,423	4,125
Total revenue	35,051	87,070	-	4,242	254,060	50,676	-	11,135	442,234	407,137
Expenditures:										
Salaries	-	35,917	10,757	-	1,288	1,125	1,255	2,506	52,848	54,559
Payroll taxes	-	-	823	-	-	-	-	-	823	935
Retirement expenses	-	3,561	632	-	-	-	-	-	4,193	4,337
Disciplinary expenses	-	-	-	-	185,750	-	-	-	185,750	174,000
Contract services	3,435	1,020	780	-	-	-	-	-	5,235	1,780
Advertising	-	-	948	-	-	-	-	-	948	1,292
Attorney expense	-	-	9,452	-	-	-	-	-	9,452	12
Rent	-	10,995	5,400	-	-	-	-	-	16,395	14,380
Utilities	-	-	-	-	-	-	-	-	-	1,284
Maintenance	-	-	-	-	-	-	-	-	-	916
Telephone	-	2,042	540	-	-	300	-	-	2,882	1,554
Administrative	-	-	-	4,618	-	-	-	6,752	11,370	9,657
Postage / copies	-	2,184	980	-	609	143	-	1,525	5,441	3,341
Supplies	53	983	776	-	-	150	978	-	2,940	9,416
Travel / education	483	-	-	-	-	-	-	-	483	137
Annual meeting	-	-	-	-	217	-	-	-	217	2,000
Committee meetings	8,712	-	23	-	-	-	-	-	8,735	2,516
Web page expenses	-	-	625	-	-	-	-	-	625	625

Committee expenses	-	-	-	14,753	-	-	14,753	10,149
Insurance	-	3,677	-	-	-	-	3,677	4,087
Computer expense	-	4,020	-	-	-	-	4,020	4,125
Claims	-	-	-	-	1,225	-	1,225	68
Contributions	-	12,104	-	-	-	-	12,104	9,762
Leadership forum contribution	27,000	-	-	-	-	-	27,000	2,000
Interest expense	-	179	-	-	-	-	179	151
District representative	400	-	-	-	-	-	400	-
Lawyer assistance program	-	-	-	10,783	-	-	10,783	9,793
Keeping kids first campaign	-	-	-	-	-	-	-	20,000
Capital lease payments	-	-	316	-	-	-	316	429
Total expenditures	40,083	72,826	35,908	4,618	213,400	2,943	382,794	343,305
Excess revenue over expenditures	\$ (5,032)	\$ 14,244	\$ (35,908)	\$ (376)	\$ 40,660	\$ 47,733	\$ 59,440	\$ 63,832