

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Governors and Management  
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, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

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.

## **Report on Summarized Comparative Information**

We have previously audited State Bar Association of North Dakota's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 7, 2021

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**STATEMENT OF FINANCIAL POSITION**  
DECEMBER 31, 2020 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019

**ASSETS**

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,691,838	\$ 1,538,824
Certificates of deposit	502,714	146,753
Accounts receivable	18,174	36,488
Prepaid expense	21,576	24,289
Inventory	13,771	1,296
Accrued interest receivable	6,938	8,351
Total current assets	2,255,011	1,756,001
Noncurrent assets:		
Certificates of deposit	228,138	598,725
Bonds	183,617	170,010
Equipment at cost, net of accumulated depreciation of \$129,522 and \$82,282 in 2020 and 2019, respectively	22,074	30,622
Website development costs, net of accumulated amortization of \$4,940 and \$3,420 in 2020 and 2019, respectively	2,660	4,180
Total noncurrent assets	436,489	803,537
Total assets	\$ 2,691,500	\$ 2,559,538

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 40,297	\$ 125,594
Accrued expenses	52,859	46,856
Capital lease payable - due within one year	1,636	1,249
Total current liabilities	94,792	173,699
Noncurrent liabilities:		
Capital lease payable	6,914	8,550
Total liabilities	101,706	182,249
Net assets:		
Without donor restrictions	1,268,904	1,131,100
With donor restrictions	1,320,890	1,246,189
Total net assets	2,589,794	2,377,289
Total liabilities and net assets	\$ 2,691,500	\$ 2,559,538

See Notes to the Financial Statements

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019 (Memorandum only)
Revenue:				
License fees	\$ 755,069	\$ -	\$ 755,069	\$ 755,148
Disciplinary fees	-	258,225	258,225	257,475
Continuing legal education	97,085	-	97,085	107,457
Publications	5,887	-	5,887	11,223
Lawyer referral	-	-	-	240
Newsletter	14,883	-	14,883	17,053
Web page income	1,142	-	1,142	1,862
Service income	500	-	500	943
Annual meeting	21,290	-	21,290	92,290
Interest income	24,813	8,687	33,500	39,517
CLE Commission	-	94,730	94,730	90,450
Sections income	-	27,029	27,029	23,282
Client protection fund	-	54,634	54,634	56,114
Realized and unrealized gain (loss) on investment	12,607	-	12,607	8,895
Gain (loss) on disposal of equipment	-	-	-	(500)
Miscellaneous income	48,256	-	48,256	50,666
Revenue before net assets released	981,532	443,305	1,424,837	1,512,115
Net assets released from restrictions	368,604	(368,604)	-	-
	<u>1,350,136</u>	<u>74,701</u>	<u>1,424,837</u>	<u>1,512,115</u>
Total revenue				
Expenses and losses:				
Sections fund	12,323	-	12,323	22,329
CLE - commission	78,274	-	78,274	91,226
IOLTA - volunteer lawyers	36,295	-	36,295	24,991
Law related education	1,924	-	1,924	7,643
Disciplinary board	245,424	-	245,424	199,135
Client protection fund	20,013	-	20,013	77,118
Graduating into adult world	8,081	-	8,081	191
Lawyer assistance program	12,570	-	12,570	12,374
General and administrative	797,428	-	797,428	1,110,986
	<u>1,212,332</u>	<u>-</u>	<u>1,212,332</u>	<u>1,545,993</u>
Total expenses				
Change in net assets	137,804	74,701	212,505	(33,878)
Net assets - beginning of period	1,131,100	1,246,189	2,377,289	2,411,167
Net assets - end of period	<u>\$ 1,268,904</u>	<u>\$ 1,320,890</u>	<u>\$ 2,589,794</u>	<u>\$ 2,377,289</u>

See Notes to the Financial Statements

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	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 2020	Total 2019 (Memorandum only)
Salaries	\$ -	\$ 45,317	\$ 18,519	\$ -	\$ 2,445	\$ 2,357	\$ -	\$ 5,845	\$ 74,483	\$ 324,999	\$ 399,482	\$ 410,184
Payroll taxes	-	-	1,409	-	-	-	-	-	1,409	26,559	27,968	29,109
Retirement expenses	-	3,561	1,055	-	-	-	-	-	4,616	13,559	18,175	17,469
Depreciation and amortization	-	-	-	-	-	-	-	-	-	10,066	10,066	12,513
Staff expense	-	-	-	-	-	-	-	-	-	6,989	6,989	28,552
Officers' expenses	-	-	-	-	-	-	-	-	-	8,560	8,560	36,193
Disciplinary expenses	-	-	-	-	241,356	-	-	-	241,356	1,179	242,535	191,960
Law review	-	-	-	-	-	-	-	-	-	22,000	22,000	22,000
Contract services	-	1,140	780	-	-	-	-	-	1,920	36,286	38,206	43,643
Advertising	-	-	398	-	-	-	-	-	398	-	398	821
Attorney expense	-	-	-	-	-	-	-	-	-	255	255	68,509
Rent	-	11,940	5,400	-	-	-	-	-	17,340	43,615	60,955	62,115
Utilities	-	4,000	-	-	-	-	-	-	4,000	-	4,000	4,000
Telephone	-	1,261	540	-	-	313	-	-	2,114	6,826	8,940	7,678
Administrative	3,778	-	-	1,924	-	-	-	4,465	10,167	3,433	13,600	13,223
Postage / copies	-	935	718	-	443	163	-	2,260	4,519	5,323	9,842	13,164
Supplies	99	-	-	-	-	180	8,081	-	8,360	1,426	9,786	10,501
Travel / education	-	-	-	-	-	-	-	-	-	2,498	2,498	23,169
Annual meeting	-	-	-	-	-	-	-	-	-	16,279	16,279	120,517
Committee meetings	1,303	-	58	-	-	-	-	-	1,361	-	1,361	13,957
Web page expenses	-	-	625	-	-	-	-	-	625	5,170	5,795	20,910
CLE production	-	-	-	-	-	-	-	-	-	55,760	55,760	67,375

See Notes to the Financial Statements

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019**

	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 2020	Total 2019 (Memorandum only)
Newsletter expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,126	\$ 58,126	\$ 60,215
Committee expenses	-	-	-	-	1,180	-	-	-	1,180	6,525	7,705	19,234
Insurance	-	-	6,513	-	-	-	-	-	6,513	71,254	77,767	61,750
Contingency	-	-	-	-	-	-	-	-	-	4,087	4,087	10,512
Audit	-	-	-	-	-	-	-	-	-	12,795	12,795	12,390
Lawyer referral	-	-	-	-	-	-	-	-	-	14,088	14,088	8,538
Publication	-	-	-	-	-	-	-	-	-	3,554	3,554	6,710
Dues	-	-	-	-	-	-	-	-	-	5,149	5,149	8,156
Bank charges	-	-	-	-	-	-	-	-	-	3,250	3,250	3,700
Casemaker	-	-	-	-	-	-	-	-	-	14,750	14,750	19,443
Computer expense	-	2,580	-	-	-	-	-	-	2,580	-	2,580	8,000
Claims	-	-	-	-	-	17,000	-	-	17,000	-	17,000	74,700
Contributions	-	7,540	-	-	-	-	-	-	7,540	-	7,540	14,896
Leadership forum contribution	7,143	-	-	-	-	-	-	-	7,143	-	7,143	7,759
Rural justice support	-	-	-	-	-	-	-	-	-	12,000	12,000	12,000
Interest expense	-	-	280	-	-	-	-	-	280	1,068	1,348	428
<b>Totals</b>	<b>\$ 12,323</b>	<b>\$ 78,274</b>	<b>\$ 36,295</b>	<b>\$ 1,924</b>	<b>\$ 245,424</b>	<b>\$ 20,013</b>	<b>\$ 8,081</b>	<b>\$ 12,570</b>	<b>\$ 414,904</b>	<b>\$ 797,428</b>	<b>\$ 1,212,332</b>	<b>\$ 1,545,993</b>

See Notes to the Financial Statements

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 212,505	\$ (33,878)
Adjustments to reconcile changes in net assets to cash from operating activities:		
Depreciation and amortization	10,066	12,513
Realized and unrealized (gain) loss on investment	(12,607)	(8,896)
Effects on operating cash flows due to changes in:		
Accounts receivable	18,314	(11,867)
Accrued interest receivable	1,413	(2,594)
Prepaid expenses	2,713	(956)
Inventory	(12,475)	2,209
Accounts payable	(85,295)	80,811
Accrued expenses	6,003	5,931
	140,637	43,273
Cash flows from investing activities:		
Purchase of investments	(337,127)	(411,905)
Sale of investments	350,753	221,578
	13,626	(190,327)
Cash flows (used) by financing activities:		
Payments on capital lease payable	(1,249)	(3,013)
Net change in cash and cash equivalents	153,014	(150,067)
Cash and cash equivalents balance - beginning of year	1,538,824	1,688,891
Cash and cash equivalents balance - end of year	\$ 1,691,838	\$ 1,538,824
Supplemental disclosures of cash flow information:		
Interest paid for the year	\$ 1,349	\$ 428
Non-cash investing and financing activities		
Assets acquired by capital lease	\$ -	\$ 10,042

See Notes to the Financial Statements

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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 71% 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, 2019, from which the summarized information was derived.

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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 Foundation 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, 2020, 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 cost 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, 2020

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, 2020**

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, 2020.

*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, 2020.

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, 2020**

**NOTE 2 CERTIFICATES OF DEPOSIT**

Certificates of deposit are recorded at cost and consist of the following as of December 31, 2020:

Financial Institution	Amount	Rate	Maturity Date
State Bank of India	\$ 19,000	1.60%	04/29/25
Goldman Sachs Bank USA	13,000	1.80%	03/02/21
Capital One Bank USA	25,000	1.70%	10/05/21
State Bank of India	25,000	2.30%	02/24/22
Morgan Stanley Bk N A Salt	44,000	2.30%	07/05/24
Goldman Sachs Bank USA	11,000	1.80%	03/02/21
Wells Fargo Bank Na	13,000	1.75%	06/17/21
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
Goldman Sachs Bank USA	21,000	1.80%	03/02/21
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
BNC - 12-23 Months CD	31,800	1.45%	04/05/21
BNC - Month Step up CD	49,138	2.00%	04/06/22
BNC - 52 Week Non-Personal CD	106,320	0.25%	12/23/21
Bremer Bank CD	108,927	1.60%	02/17/21
1st International Bank & Trust	<u>172,667</u>	2.00%	06/24/21
 Total certificates of deposit	 <u>\$ 730,852</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, 2020**

**NOTE 4 FAIR VALUE MEASUREMENTS**

Assets measured at fair value on a recurring basis as of December 31, 2020 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	\$ 38,357	\$ -	\$ 38,357	\$ -
Corporate-Fixed	145,260	-	145,260	-
Total	<u>\$ 183,617</u>	<u>\$ -</u>	<u>\$ 183,617</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, 2020 was \$1,520. The accumulated amortization at December 31, 2020 related to the website was \$4,940.

**NOTE 6 OPERATING LEASE**

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

The Association paid \$60,955 in rent in for the year ended December 31, 2020.

The agreement is for the period January 1, 2020 through January 1, 2025. The lease calls for monthly rent of \$4,484 through December 31, 2020. Beginning January 1, 2021 and each year thereafter the yearly rate shall increase 1.5%.

Future minimum lease payments are as follows:

2021	\$ 54,617
2022	55,436
2023	56,268
2024	57,112

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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 \$2,511, respectively, for the year ended December 31, 2020.

The detail of the Association's capital lease as of December 31, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease	\$ 9,799	\$ -	\$ (1,249)	\$ 8,550	\$ 1,636

The following is a schedule by year of the future minimum rental payments due on the capital lease as of December 31, 2020:

	2021	\$ 3,140
	2022	3,140
	2023	3,140
	2024	<u>2,782</u>
Total Minimum Lease Payments		12,202
Less: Amount Representing Interest		<u>(3,652)</u>
Present Value of Minimum Lease Payments		<u>\$ 8,550</u>
Current Portion of Capital Lease		\$ 1,636
Non-Current Portion of Capital Lease		<u>6,914</u>
		<u>\$ 8,550</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 as of December 31, 2020. The Foundation paid the Association \$21,410 for these services, for the year ended December 31, 2020. This amount is included in miscellaneous income.

As of December 31, 2020 the Association recorded \$15,602 in accounts receivable due from the Foundation.

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 9 ADVERTISING EXPENSE**

The Association expenses all advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2020 was \$398.

**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 \$18,175 for the year ended December 31, 2020.

**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, 2020:

Subject to expenditure for specified purpose:	
Sections program expenses	\$ 204,476
CLE Commission expenses	169,294
Disciplinary Board Committee expenses	415,324
Client Protection Fund program expenses	531,384
Lawyer Assistance Program expenses	412
	<u>\$ 1,320,890</u>

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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, 2020:

Purpose restrictions accomplished:	
Sections	\$ 12,323
CLE Commission	78,274
Disciplinary Board Committee	245,424
Client Protection Fund	20,013
Lawyer Assistance Program	12,570
	<u>\$ 368,604</u>

**NOTE 14 LIQUIDITY AND AVAILABILITY**

The following reflects the Association's financial assets as of December 31, 2020, 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	\$ 1,691,838
Certificates of deposit	730,852
Accounts receivable	18,174
Accrued interest receivable	6,938
Bonds	183,617
Total financial assets	<u>2,631,419</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,320,890</u>
	<u>1,320,890</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,310,529</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, 2020**

**NOTE 15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Accounts receivable from contracts with customers were as follows:

	<u>2020</u>
Beginning of year	\$ 36,488
End of year	18,174

The following table provides information about significant changes in the continuing legal education fees paid in advance for the year ended December 31, 2020:

Continuing legal education paid in advance, beginning of year	\$ 2,450
Revenue recognized that was included in continuing legal education at the beginning of year	(2,450)
Increase in continuing legal education fees due to cash received during the period	<u>2,750</u>
Continuing legal education paid in advance, end of year	<u>\$ 2,750</u>

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

In November 2020, the Association entered into an agreement for the production of four publications of The Gavel magazine. The total cost of the contract is \$31,500, to be paid in 12 equal installments of \$2,625. As of December 31, 2020, 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 RISK AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. Restrictions and government social distancing recommendations have impacted the activities of the Association. While the Association expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

**NOTE 18 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.

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

***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.

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 19 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Association's year end. Subsequent events have been evaluated through June 7, 2021, 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, 2020 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Sections Fund	CLE Commission	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total 2020	Total 2019
<b>Revenues:</b>										
License fees	\$ -	\$ -	\$ -	\$ -	\$ 258,225	\$ -	\$ -	\$ -	\$ 258,225	\$ 257,475
CLE commission	-	94,730	-	-	-	-	-	-	94,730	90,450
Section income	27,029	-	-	-	-	-	-	-	27,029	23,282
Client protection fund	-	-	-	-	-	54,634	-	-	54,634	56,114
Interest income	-	-	-	-	3,780	4,367	-	540	8,687	9,814
<b>Total revenue</b>	<b>27,029</b>	<b>94,730</b>	<b>-</b>	<b>-</b>	<b>262,005</b>	<b>59,001</b>	<b>-</b>	<b>540</b>	<b>443,305</b>	<b>437,135</b>
<b>Expenditures:</b>										
Salaries	-	45,317	18,519	-	2,445	2,357	-	5,845	74,483	60,237
Payroll taxes	-	-	1,409	-	-	-	-	-	1,409	817
Retirement expenses	-	3,561	1,055	-	-	-	-	-	4,616	4,185
Disciplinary expenses	-	-	-	-	241,356	-	-	-	241,356	183,699
Contract services	-	1,140	780	-	-	-	-	-	1,920	2,280
Advertising	-	-	398	-	-	-	-	-	398	821
Rent	-	11,940	5,400	-	-	-	-	-	17,340	18,100
Utilities	-	4,000	-	-	-	-	-	-	4,000	4,000
Telephone	-	1,261	540	-	-	313	-	-	2,114	2,040
Administrative	3,778	-	-	1,924	-	-	-	4,465	10,167	12,456
Postage / copies	-	935	718	-	443	163	-	2,260	4,519	5,215
Supplies	99	-	-	-	-	180	8,081	-	8,360	3,005
Travel / education	-	-	-	-	-	-	-	-	-	283
Annual meeting	-	-	-	-	-	-	-	-	-	5,765
Committee meetings	1,303	-	58	-	-	-	-	-	1,361	13,957
Web page expenses	-	-	625	-	-	-	-	-	625	625

**STATE BAR ASSOCIATION OF NORTH DAKOTA**  
**SCHEDULE OF PROGRAM ACTIVITIES - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Sections Fund	CLE Commission	IOLTA Volunteer Lawyers	Law Related Education	Disciplinary Board Committee	Client Protection Fund	Graduating into Adult World	Lawyer Assistance Program	Total 2020	Total 2019
Committee expenses	\$ -	\$ -	\$ -	\$ -	\$ 1,180	\$ -	\$ -	\$ -	\$ 1,180	\$ 8,261
Insurance	-	-	6,513	-	-	-	-	-	6,513	3,820
Computer expense	-	2,580	-	-	-	-	-	-	2,580	8,000
Claims	-	-	-	-	-	17,000	-	-	17,000	74,700
Contributions	-	7,540	-	-	-	-	-	-	7,540	14,896
Leadership forum contribution	7,143	-	-	-	-	-	-	-	7,143	7,759
Interest expense	-	-	280	-	-	-	-	-	280	86
<b>Total expenditures</b>	<b>12,323</b>	<b>78,274</b>	<b>36,295</b>	<b>1,924</b>	<b>245,424</b>	<b>20,013</b>	<b>8,081</b>	<b>12,570</b>	<b>414,904</b>	<b>435,007</b>
Excess revenue over expenditures	\$ 14,706	\$ 16,456	\$ (36,295)	\$ (1,924)	\$ 16,581	\$ 38,988	\$ (8,081)	\$ (12,030)	\$ 28,401	\$ 2,128