

STATE BAR OF NEVADA
REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Governors
State Bar of Nevada
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the State Bar of Nevada (the State Bar), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the State Bar, as of December 31, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Bar's basic financial statements. The supplementary information on pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of the State Bar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State Bar's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Bar's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "D. M. Smith", written in a cursive style.

Las Vegas, Nevada
November 29, 2021

**STATE BAR OF NEVADA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

As management of the State Bar of Nevada (the State Bar), we offer readers of financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. The Management’s Discussion and Analysis (“MD&A”) introduces the financial reports. The MD&A is designed to give the reader an easy-to-understand overview of the financial position and results of operations for the year. The MD&A is separated into Financial Highlights, an Overview of the Financial Statements, a Financial Analysis, General Fund Budgetary Highlights, Capital Asset and Debt Administration, and Economic Factors and Next Year’s Budget.

Financial Highlights

The assets of the State Bar exceeded its liabilities at the close of the most recent fiscal year by \$11,167,494; of this amount 39.79%, or \$4,443,571 (unrestricted net position), may be used to meet the State Bar's ongoing obligations to members and creditors.

The State Bar's total net position increased by 10.15%, or \$1,028,967.

The State Bar's total liabilities (including unavailable revenue) increased by 5.34%, or \$200,244.

Overview of the Financial Statements

Basic Financial Statements

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

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

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

The basic financial statements can be found on pages 10-14 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is considered essential to the full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 15-27 of this report.

**STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Overview of the Financial Statements (Continued)

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The State Bar adopts annual appropriated budgets. A budgetary comparison schedule has been provided to demonstrate the State Bar's compliance with this budget. The supplementary information can be found on pages 28-29 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. In the case of the State Bar, assets exceeded liabilities by \$11,167,494 at the close of the most recent year. This is a 10.15%, or \$1,028,967, increase in net position from the prior year.

A significant portion, 53.89%, of the State Bar's net position is its investment in capital assets, net of related debt (land, buildings, building improvements, equipment, and furniture). It is worth noting that the State Bar of Nevada fully owns its 3100 West Charleston Las Vegas building and its Reno building with no related debt. The 3100 West Charleston building currently has one tenant. These buildings are used to provide services to members. Consequently, these assets are not available for future spending.

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

Net position as of December 31, 2020, is summarized and analyzed below:

	December 31,	
	2020	2019
Assets		
Capital assets	\$ 6,040,001	\$ 6,137,942
Other assets	9,074,784	7,747,632
Total assets	<u>\$ 15,114,785</u>	<u>\$ 13,885,574</u>
Liabilities		
Long-term liabilities	\$ 15,645	\$ 22,267
Other liabilities	3,931,646	3,724,780
Total liabilities	<u>3,947,291</u>	<u>3,747,047</u>
Net position		
Invested in capital assets, net of related debt	6,017,734	6,109,248
Restricted (Client Security Fund)	706,189	652,561
Unrestricted/undesignated	4,443,571	3,376,718
Total net position	<u>11,167,494</u>	<u>10,138,527</u>
Total liabilities and net position	<u>\$ 15,114,785</u>	<u>\$ 13,885,574</u>

**STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Financial Analysis (Continued)

The State Bar's operating revenues decreased by 6.78%, or \$520,392. Membership Fees decreased by 0.16%, or \$6,211, Admissions revenue decreased by 6.26%, or \$46,483, Publications revenues increased by 8.43%, or \$17,278, Continuing Legal Education revenue increased by 7.58%, or \$29,335, Lawyer Referral Service revenues decreased by 30.35%, or \$107,102, Law Related Education revenue decreased by 20.75%, or \$8,190, Annual Meeting decreased by 100%, or \$153,408, Law Sections decreased by 12.86%, or \$37,858, Client Security Fund contributions decreased by 16.30%, or \$61,402, Transitioning into Practice revenues increased by 16.41%, or \$10,190, and Leased Properties income decreased by 14.57%, or \$5,374.

The State Bar's operating expenses decreased by 11.88%, or \$833,675. Administration expenses increased by 7.37%, or \$109,774 due to expense reclassifications, Admissions expenses decreased by 17.25%, or \$132,815, Publications expenses decreased by 0.12%, or \$463, Continuing Legal Education expenses decreased by 14.17%, or \$24,074, Continuing Legal Education Sections expenses decreased 22.63%, or \$32,714, Discipline expenses decreased by 10.24%, or \$210,525, Client Protection expenses decreased by 5.18%, or \$4,658, Access to Justice expenses increased by 3.00%, or \$3,489, Lawyer Referral Service expenses decreased by 10.32%, or \$19,641, Nevada Lawyer Assistance Program expenses decreased by 15.17%, or \$13,404, Law Related Education expenses decreased by 43.81%, or \$37,460, Client Security Fund claims decreased by 16.47%, or \$51,604, Transitioning into Practice decreased by 4.72%, or \$2,735, Annual Meeting expenses decreased by 95.56%, or \$135,768, Attorney Advertising Department expenses increased by 1.94%, or \$404, Law Section expenses decreased by 48.55%, or \$173,196, and Leased Properties expenses increased by 29.88%, or \$12,857.

Activities

During the current year, the State Bar's net position increased by 10.15%, or \$1,028,967. Key elements of this increase are as follows:

Changes in Net Position:

	Year Ended December 31,	
	2020	2019
Revenues:		
Regulatory	\$ 5,466,695	\$ 5,622,055
Organizational	1,684,228	2,049,260
	<u>7,150,923</u>	<u>7,671,315</u>
Expenses:		
Regulatory	4,243,750	4,484,305
Organizational	1,612,331	2,152,332
Depreciation	329,038	382,157
	<u>6,185,119</u>	<u>7,018,794</u>
Operating income	965,804	652,521
Other revenues and expenses, net	63,163	102,771
Increase (decrease) in net position	1,028,967	755,292
Net position, beginning of year	<u>10,138,527</u>	<u>9,383,235</u>
Net position, end of year	<u><u>\$11,167,494</u></u>	<u><u>\$ 10,138,527</u></u>

**STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Financial Analysis (Continued)

Activities (Continued)

Regulatory revenues decreased by 2.76%, or \$155,360, during the year. This decrease is primarily due to a decrease in all fees except Transitioning into Practice with the largest decrease in Discipline of 32.68%, or \$30,717. Regulatory/administrative revenues decreased by 8.40%, or \$73,548, due to lower SCR 42 income and the decrease also relates to the bar regrouping revenue items to differentiate between regulatory functions and organizational functions. Admissions revenue decreased by 6.26%, or \$46,483. This department annually has seen small increases/decreases year to year.

The Organizational revenues decreased by 17.81%, or \$365,032, during the year. Individual departments showed a mixture of increases and decreases in revenue. Continuing Legal Education Sections revenue decreased by 54.40%, or \$48,151 due to a decrease in live seminar registrations. Annual Meeting revenue decreased by 100%, or \$153,408, due to the meeting cancellation due to COVID-19. Lawyer Referral Service revenue decreased by 30.35%, or \$107,102, due to a large referral fee in the prior year. Law Sections revenues decreased by 12.86%, or \$37,858, due a decrease in event registration fees and subscriptions/publications. Client Security Fund contributions decreased by 16.30%, or \$61,402, due to fewer claims paid.

Regulatory expenses decreased by 5.36%, or \$240,555. The administration expenses increased by 7.37%, or \$109,774, due to an increase building repairs and maintenance, computer purchases/maintenance and software subscriptions relating to the new system. Discipline expenses decreased by 10.24%, or \$210,525, due to staff vacancies. Admissions expenses decreased 17.25%, or \$132,815, primarily due to decreases in the Board of Bar Examiners expenses and exam costs.

Organizational expenses decreased by 25.09%, or \$540,001. This is primarily due to a decrease in Client Security Fund claims and a decrease in many of the other activities including the following detail of the larger changes. Continuing Legal Education Sections expenses decreased by 22.63%, or \$32,714, due to a reduction in section seminars costs of events due to fewer in person events due to COVID-19. Client Security Fund claims decreased by 16.47%, or \$51,604, this expense is dependent on the number of claims made against the fund and may significantly vary from year to year. Annual meeting expenses decreased by 95.56%, or \$135,768, due to the cancellation of the annual meeting due to COVID-19, the only expenses relate to refunds and nonrefundable costs. Law Sections/divisions expenses have decreased by 48.55%, or \$173,196, primarily due to decreased event, travel, and other expenses.

**STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

General Fund Budgetary Highlights

A budgetary comparison schedule has been provided to demonstrate the State Bar's compliance with the budget. This information can be found on pages 28-29 of this report.

The original budget was amended to adjust for implications related to COVID-19 on operations of the State Bar, resulting in lower than anticipated revenues and expenses.

During the year, operating revenues exceeded the amended final budgetary estimate by 2.87%, or \$190,472, and operating expenses were less than the final amended budgetary estimate by 6.20%, or \$391,709.

Regulatory revenues exceeded the budget by 2.25%, or \$120,295. Licensing revenue exceeded budget by 0.73%, or \$27,420 due to higher than anticipated revenues for membership fees and penalties. Admissions revenue was under the budget by 0.74%, or \$5,212, due to a decrease in exam filing fees. Regulatory/administrative revenue exceeded the budget by 9.87%, or \$72,046, due to an increase in income from SCR 42 Pro Hacs and other income.

Organizational revenue exceeded the budget by 5.40%, or \$70,177. Publication revenue exceeded the budget by 14.32%, or \$27,856, due to higher than anticipated royalties and advertising revenues. Continuing Legal Education revenue exceeded the budget by 53.72%, or \$145,520, due to Online Seminar revenues higher than anticipated. Lawyer Referral Service revenue exceeded the budget by 25.26%, or \$49,554, due to higher than anticipated referral fees. Leased Properties income exceeded the budget by 41.92%, or \$9,307. Law Section revenues were under budget by 38.36%, or \$159,680, due to lower than anticipated family law and gaming law sections.

Regulatory expenses were under budget 3.12%, or \$136,850. Administration expenses were over budget by 0.99%, or \$15,736. This was primarily due to an increase in software subscription expenses and overhead expenses.

Admissions expenses were 7.62%, or \$52,542, under budget primarily due to lower-than-expected committee and exam costs. Discipline expenses were under the budget by 5.55%, or \$108,513, due to decreased staff costs and overhead expenses.

Organizational expenses were under the budget by 15.30%, or \$243,897. Law sections were under budget by 48.79%, or \$174,849, due to fewer events and travel costs. Continuing legal education sections expenses were 15.97%, or \$21,260, under budget due to fewer staff costs. Publications expenses were under budget by 8.54%, or \$35,127, due to costs being less than anticipated for salaries, graphics and printing costs. All other activities combined were slightly over or under budget.

STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

Capital Asset and Debt Administration

Capital Assets

The State Bar's investment in capital assets as of December 31, 2020, amounts to \$6,040,001 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, equipment, and furniture. The net decrease in the State Bar's investment in capital assets for the current fiscal year was 1.60%, or \$97,941. This was primarily due to capital asset acquisitions being offset by depreciation.

Capital assets at year-end were as follows:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Capital assets not being depreciated:				
Land	\$ 794,278	\$ 0	\$ 0	\$ 794,278
Capital assets being depreciated:				
Buildings	3,840,200	0	0	3,840,200
Building improvements	2,634,926	133,519	0	2,768,445
Office furniture and equipment	506,825	5,387	0	512,212
AV equipment	201,375	33,215	0	234,590
Computer equipment	621,443	58,976	0	680,419
Total capital assets being depreciated	7,804,769	231,097	0	8,035,866
Accumulated depreciation:				
Buildings	(1,069,414)	(106,694)	0	(1,176,108)
Building improvements	(415,582)	(108,212)	0	(523,794)
Office furniture and equipment	(448,838)	(24,216)	0	(473,054)
AV equipment	(163,471)	(17,192)	0	(180,663)
Computer equipment	(363,800)	(72,724)	0	(436,524)
Total accumulated depreciation	(2,461,105)	(329,038)	0	(2,790,143)
Business-type activities assets, net	\$ 6,137,942	\$(97,941)	\$ 0	\$ 6,040,001

Additional information on the State Bar's capital assets can be found in notes A9 and B3 of the State Bar's basic financial statements.

Debt Administration

At December 31, 2020, debt consisted of the following:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Due within one Year
Capital leases	\$ 28,694	\$ 0	\$ 6,427	\$ 22,267	\$ 6,622
Compensated absences	185,851	62,895	0	248,746	248,746
	\$ 214,545	\$ 62,895	\$ 6,427	\$ 271,013	\$ 255,368

**STATE BAR OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Economic Factors and Next Year's Budget

The approved budget for the 2021 year considered the following factors in the development of the budget.

- Revenues are anticipated to increase compared to the prior year by \$201,000. Membership fees are expected to increase with an anticipated increase of \$36,800 as new admittees are offset by members going exempt and/or moving to inactive status. Annual meeting is expected to increase \$151,000 as there was no annual meeting in 2020. Administrative revenue is anticipated to decrease \$115,200. All other department revenues are expected to have minimal increases or decreases.
- Expenditures are anticipated to increase \$288,600 with the primary increase related to salaries and benefits and the annual meeting is expected to increase \$148,500 as there was no annual meeting in 2020.

Requests for Information

This financial report is designed to provide its users with a general overview of the State Bar of Nevada's finances and to demonstrate the accountability for the revenues it receives. Any comments, further questions, or requests for additional financial information should be addressed to:

State Bar of Nevada - Finance
3100 W. Charleston Blvd. Ste. 100
Las Vegas, Nevada 89102

STATE BAR OF NEVADA
STATEMENT OF NET POSITION-BUSINESS-TYPE ACTIVITIES
DECEMBER 31, 2020

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,643,779	\$ 31,093	\$ 4,674,872
Investments	4,257,575	-	4,257,575
Other receivables	16,543	-	16,543
Due (to) from other funds	(794,861)	794,861	-
Due from the Nevada Bar Foundation	51,992	-	51,992
Prepaid expenses	73,802	-	73,802
Total current assets	<u>8,248,830</u>	<u>825,954</u>	<u>9,074,784</u>
NONCURRENT ASSETS			
Capital assets			
Land	794,278	-	794,278
Building	3,840,200	-	3,840,200
Building improvements	2,768,445	-	2,768,445
Office furniture and equipment	512,212	-	512,212
AV equipment	234,590	-	234,590
Computer equipment	680,419	-	680,419
Less accumulated depreciation	(2,790,143)	-	(2,790,143)
Total noncurrent assets	<u>6,040,001</u>	<u>-</u>	<u>6,040,001</u>
Total assets	<u>\$ 14,288,831</u>	<u>\$ 825,954</u>	<u>\$ 15,114,785</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 282,061	\$ -	\$ 282,061
Compensated absences	248,746	-	248,746
Unearned revenue	3,244,708	119,765	3,364,473
Due to the Nevada Bar Foundation	23,923	-	23,923
Tenant rent deposits	5,821	-	5,821
Current portion of capital lease	6,622	-	6,622
Total current liabilities	<u>3,811,881</u>	<u>119,765</u>	<u>3,931,646</u>
NONCURRENT LIABILITIES			
Capital lease, net of current portion	<u>15,645</u>	<u>-</u>	<u>15,645</u>
Total liabilities	<u>3,827,526</u>	<u>119,765</u>	<u>3,947,291</u>
NET POSITION			
Net investment in capital assets, net of related debt	6,017,734	-	6,017,734
Restricted-expendable for client security funds	-	706,189	706,189
Unrestricted	4,443,571	-	4,443,571
Total net position	<u>10,461,305</u>	<u>706,189</u>	<u>11,167,494</u>
Total liabilities and net position	<u>\$ 14,288,831</u>	<u>\$ 825,954</u>	<u>\$ 15,114,785</u>

See accompanying notes

STATE BAR OF NEVADA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
OPERATING REVENUES:			
Regulatory Functions:			
Licensing Revenue			
Membership fees	\$ 3,761,755	\$ -	\$ 3,761,755
Penalties	33,465	-	33,465
Total licensing revenue	3,795,220	-	3,795,220
Regulatory/administration revenue	801,746	-	801,746
Admissions	696,088	-	696,088
Discipline	63,266	-	63,266
Transitioning into practice	72,275	-	72,275
Attorney advertising	38,100	-	38,100
Total regulatory revenues	5,466,695	-	5,466,695
Organizational Functions:			
Publications	222,356	-	222,356
Continuing legal education	416,420	-	416,420
Lawyer referral service	245,754	-	245,754
Law related education	31,280	-	31,280
Member benefits/other revenue	124,575	-	124,575
Continuing legal education sections	40,365	-	40,365
Law sections	256,588	-	256,588
Leased properties income	31,507	-	31,507
Client security fund contributions	-	315,383	315,383
Total organizational revenues	1,368,845	315,383	1,684,228
Total operating revenues	6,835,540	315,383	7,150,923
OPERATING EXPENSES:			
Regulatory Functions:			
Administration:			
Salaries	962,389	-	962,389
Benefits and payroll taxes	278,004	-	278,004
Overhead expenses	155,024	-	155,024
Postage/shipping	8,016	-	8,016
Professional memberships	1,654	-	1,654
Member relations	300	-	300
Software subscriptions	49,832	-	49,832
Education	1,668	-	1,668
Travel	309	-	309
Board of Governors' expenses	37,745	-	37,745
Building repairs and maintenance	23,190	-	23,190
Computer purchases/maintenance	36,565	-	36,565
Executive Director's expenses	4,180	-	4,180
Legal and accounting	20,343	-	20,343
Consulting/miscellaneous	5,333	-	5,333
Website	14,726	-	14,726
Recruitment	458	-	458
	1,599,736	-	1,599,736

See accompanying notes

STATE BAR OF NEVADA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
OPERATING EXPENSES: (Continued)			
Regulatory Functions: (Continued)			
Admissions	\$ 637,258	\$ -	\$ 637,258
Attorney advertising department	21,203	-	21,203
Client protection	85,305	-	85,305
Discipline	1,845,087	-	1,845,087
Transitioning into practice	55,161	-	55,161
Total regulatory expenses	4,243,750	-	4,243,750
Organizational Functions:			
Access to justice	119,933	-	119,933
Annual meeting	6,312	-	6,312
Client security claims	-	261,755	261,755
Continuing legal education	145,776	-	145,776
Continuing legal education sections	111,840	-	111,840
Leased properties expenses	55,886	-	55,886
Lawyer referral service	170,613	-	170,613
Law-related education	48,045	-	48,045
Member benefits/other expenses	57,521	-	57,521
Nevada lawyer assistance program	74,953	-	74,953
Publications	376,173	-	376,173
Law sections expense	183,524	-	183,524
Total organizational expenses	1,350,576	261,755	1,612,331
	5,594,326	261,755	5,856,081
Depreciation	329,038	-	329,038
Total operating expenses	5,923,364	261,755	6,185,119
OPERATING INCOME (LOSS)	912,176	53,628	965,804
NONOPERATING REVENUE AND EXPENSES			
Interest income	63,936	-	63,936
Interest expense	(773)	-	(773)
Total nonoperating revenue and expenses	63,163	-	63,163
INCREASE (DECREASE) IN NET POSITION	975,339	53,628	1,028,967
NET POSITION, beginning of year	9,485,966	652,561	10,138,527
NET POSITION, end of year	\$ 10,461,305	\$ 706,189	\$ 11,167,494

See accompanying notes

STATE BAR OF NEVADA
STATEMENT OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from members and customers	\$ 7,023,929	\$ 287,907	\$ 7,311,836
Cash payments to suppliers for goods and services	(1,631,003)	(261,755)	(1,892,758)
Cash payments to employees and for benefits	(3,965,836)	-	(3,965,836)
Net cash provided by operating activities	<u>1,427,090</u>	<u>26,152</u>	<u>1,453,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	63,936	-	63,936
Purchases of investments	(754,020)	-	(754,020)
Net cash provided by investing activities	<u>(690,084)</u>	<u>-</u>	<u>(690,084)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(231,097)	-	(231,097)
Interest paid	(773)	-	(773)
Principal payments on long-term debt	(6,427)	-	(6,427)
Net cash used by capital and related financing activities	<u>(238,297)</u>	<u>-</u>	<u>(238,297)</u>
Net increase (decrease) in cash and cash equivalents	498,709	26,152	524,861
CASH AND CASH EQUIVALENTS, beginning of the year	<u>4,145,070</u>	<u>4,941</u>	<u>4,150,011</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 4,643,779</u>	<u>\$ 31,093</u>	<u>\$ 4,674,872</u>

See accompanying notes

STATE BAR OF NEVADA
STATEMENT OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major General Fund	Non-Major Client Security Fund	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES			
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 912,176	\$ 53,628	\$ 965,804
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	329,038	-	329,038
Changes in certain assets and liabilities :			
(Increase) decrease in:			
Receivables	13,516	-	13,516
Due (to) from other funds	24,291	(24,291)	-
Due from the Nevada Bar Foundation	(51,992)	-	(51,992)
Prepaid expenses	(9,795)	-	(9,795)
Increase (decrease) in:			
Accounts payable	(55,613)	-	(55,613)
Accrued expenses	62,895	-	62,895
Deposits	3,709	-	3,709
Due to the Nevada Bar Foundation	14,911	-	14,911
Unearned revenue	183,954	(3,185)	180,769
	<u>\$ 1,427,090</u>	<u>\$ 26,152</u>	<u>\$ 1,453,242</u>
Net cash provided by operating activities	<u>\$ 1,427,090</u>	<u>\$ 26,152</u>	<u>\$ 1,453,242</u>

See accompanying notes

**STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

In 1928, the State Bar of Nevada (the State Bar) was established as a public corporation by the State of Nevada Legislature with responsibility for regulating and licensing of the legal profession in the State of Nevada (the State). Membership issued by the State Bar is required in order to practice law in the State of Nevada. The State Bar's activities relate primarily to admissions, discipline, regulation of attorneys, and other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system. The State Bar has engaged in such functions as administering the bar examination, formulating rules of professional conduct, disciplining members for misconduct, administering mandated continuing legal education requirements, and administering other regulatory provisions affecting the profession or the practice of law. This responsibility is fulfilled through various committees and boards charged with admissions and discipline of attorneys and programs designed to ensure the delivery of ethical and competent legal services to the public. In 1963, Nevada Revised Statutes chapter 2.120 gave the Nevada Supreme Court exclusive jurisdiction and control of the State Bar.

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

2. Basic Financial Statements

The State Bar's basic financial statements consist of a Statement of Net Position which presents the financial position of the State Bar at year-end. The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues and expenses to operate the State Bar General Fund and Client Securities Fund. The Statement of Cash Flows presents the changes in cash for the year.

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

The State Bar's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, donations, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The State Bar distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the State Bar's principal ongoing operations. The principal operating revenues of the State Bar are membership fees, admissions, continuing legal education and other user fees. Operating expenses include the cost of admissions, continuing legal education, administrative expenses, discipline, regulation of attorneys, other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system, and capital asset depreciation. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. Non-operating revenue and expenses consist of investment income, realized and unrealized gains and losses on investments, and interest expense on capital leases.

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

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows; all of which present information on the State Bar's activities. The State Bar of Nevada reports the following enterprise funds:

General Fund - The general fund accounts for the State Bar's principal ongoing operations and is reported as a major fund.

Client Security Fund - The Client Security Fund, a nonmajor fund, accounts for dues and contributions from members for the purpose of providing reimbursement to persons who have sustained a loss as a result of a dishonest act by a member of the State Bar.

4. Budgetary Information

The State Bar adopts an annual budget, which was amended during the year. All budget amendments made during the year ended December 31, 2020, were as prescribed by law. The budget was adopted on a basis consistent with applicable accounting principles generally accepted in the United States and used by the State Bar for financial reporting.

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

- a. Prior to December, the sections, committees, and departments work independently in making a proposed budget. The proposed budgets are brought to management who works with the Board's budget committee to review a draft of the budget to propose to the Board. The budget is for the period commencing on January 1. The budget, as submitted, contains the proposed expenditures and the means of financing them for the upcoming year.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgetary Information (Continued)

- b. The Board considers, revises, and adopts the budget on or before December 31.
- c. Amendments to the budget are accomplished through formal Board action. The Board approved a revised budget in August 2020.
- d. Items with an amount of expenditure of \$10,000 or more and that are repetitive in nature require a fiscal impact statement.

5. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits and investments with an initial maturity of three months or less.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as investments.

6. Investments

Investments are stated at fair value on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Changes in the fair value of investments are part of investment income.

Supreme Court Rule 86 Paragraph 11 authorizes the State Bar to invest in the following:

- a. Time certificates of deposit.
- b. Bonds and debentures of the United States, the maturity dates of which shall not extend more than 10 years from the date of purchase.
- c. Bills and Notes of the United States Treasury, the maturity date of which is not more than 10 years from date of purchase.
- d. Obligations of the United States Postal Service or the Federal National Mortgage Association, the maturity date of which is not more than 10 years from the date of purchase.
- e. Bonds of federal agencies, where underwritten by, or payment is guaranteed by, the United States.

The Board has not adopted a formal investment and depository policy that further limits allowable investments and deposits.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Other Receivables

Other receivables are primarily comprised of receivables relating to publication advertisements and royalties. No allowance for uncollectible accounts has been recorded as management does not expect any material collections losses.

8. Prepaid Expenses

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

9. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and furniture, are defined by the State Bar as assets with an initial individual cost of \$1,500 or more and an estimated useful life in excess of one year. If purchased or constructed, capital assets are recorded at historical cost where records are available and, if no records are available at estimated historical cost and updated for additions and retirements during the year. Donated capital assets are valued at their estimated value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

Office furniture and equipment	3 to 7 years
Computer equipment	5 years
Building, building improvements	5 to 40 years

10. Compensated Absences

Vested accumulated vacation leave is reported as an expense in the Statement of Revenues, Expenses, and Changes in Net Position when the liability is incurred. The accrued vacation leave liabilities are reported in the Statement of Net Position.

11. Unearned Revenue

Unearned revenue collected in advance is recognized as income when earned. Accordingly, fees are recorded as revenue in the year to which the fees apply. Fees received but not yet earned are recorded as unearned fees collected in advance in the accompanying financial statements.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Net Position Policies

In the government-wide statements, net position on the Statement of Net Position includes the following:

a. Invested in Capital Assets, Net of Related Debt

This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

b. Restricted Assets

This is the component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation. Currently, the State Bar restricts assets as follow:

1. Supreme Court Rule 86.5 restricts the net position of the Client Security Fund. This rule states that the State Bar shall maintain, from dues paid by members, voluntary contributions and any other sources which may become available, a fund for the purpose of providing reimbursement to persons who have sustained a loss by reason of a dishonest act by a member of the State Bar. The restricted balance for the Client Security Fund as of December 31, 2020, was \$706,189.

c. Unrestricted

This is the component of net position that is the difference between the assets and liabilities not reported in Invested in Capital Assets, Net of Related Debt and Restricted Assets.

13. Net Position Flow Assumptions

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the State Bar's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

14. Use of Estimates

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

15. Future Changes in Accounting Standards

The State Bar of Nevada has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2020. Future changes in accounting standards are as follows:

GASB has issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Future Changes in Accounting Standards (Continued)

GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2021.

GASB issued Statement No. 92, *Omnibus 2020, Paragraphs 4, 5 11 and 13 will be effective for periods ending after December 31, 2019. Paragraphs 6, 7, 8, 9, 10, 12*, which will be effective for periods beginning after June 15, 2021.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 1-11a, and 12*, which will be effective for reporting periods beginning after June 15, 2020.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 13 and 14*, which will be effective for reporting periods beginning after June 15, 2021.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 11b*, which will be effective for reporting periods beginning after December 15, 2021.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for reporting periods beginning after June 15, 2022.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for reporting periods beginning after June 15, 2022.

GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*, which will be effective for reporting periods beginning after June 15, 2021.

GASB issued Statement No. 98, *Annual Comprehensive Financial Report*, which will be effective for reporting periods ending after December 15, 2021.

The State Bar of Nevada will evaluate the impact of each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS.

1. Cash and Investments

The State Bar maintains bank accounts in various financial institutions.

A reconciliation of cash and cash equivalents as shown in the Statement of Net Position is as follows:

Cash amount of deposits	\$ 4,665,902
Money Market Fund	<u>8,970</u>
Cash and cash equivalents	<u>\$ 4,674,872</u>

As of December 31, 2020, the State Bar had the following investments and maturities stated at the quoted market prices:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities (in Years)</u>		<u>Percentage of Total</u>
		<u>Less than 1 year</u>	<u>1-5 years</u>	
CD's	\$ 3,507,890	\$ 3,507,890	\$ 0	82.22%
US Treasury Bills	749,685	749,685		17.57%
Money Market	<u>8,970</u>	<u>8,970</u>	<u>0</u>	<u>0.21%</u>
Total	4,266,545	4,266,545	0	<u>100.00%</u>
Less money market	<u>(8,970)</u>	<u>(8,970)</u>	<u>0</u>	
Total investments	<u>\$ 4,257,575</u>	<u>\$ 4,257,575</u>	<u>\$ 0</u>	

Cash and investment are subject to the following risks:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank or brokerage failure, the State Bar's deposits may not be returned. The State Bar's bank deposits are generally covered by FDIC insurance. At year-end, the State Bar's carrying amount of deposits was \$4,665,902 and the bank balance was \$3,995,342. Of the bank balance, \$3,988,785 was covered by federal depository insurance. The remaining balance of \$6,557 was not covered by FDIC insurance. At times, cash balances may be in excess of FDIC insurance limits. Cash deposits followed Supreme Court Rule 86 concerning the deposit and investment of money. The State Bar has not experienced any losses on the balances.

The State Bar's deposits in the money market fund were \$8,970. The money market fund invests in U.S. government and agency securities and repurchase agreements. The U.S. Government guarantees the underlying securities of the fund's portfolio and not the fund's shares. The money market fund was collateralized by Securities Investors Protection Corporation (SIPC), which provides protection to the account holder of \$500,000. At times, cash balances may be in excess of SIPC insurance limits. Money market balances followed Supreme Court Rule 86 concerning the deposit and investment of money. The State Bar has not experienced any losses on the balances.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

1. Cash and Investments (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. The State Bar investments at year end consist of negotiable certificates of deposit purchased from various financial institutions. Each certificate of deposit is equal to or less than the FDIC insured limit of \$250,000.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the State Bar manages its exposure to interest rate risk is by investing monies in certificates of deposit and U.S. Treasury Bills with staggered maturity dates. The State Bar plans to hold all investments through maturity, redeeming the full value of each investment. Supreme Court rule 86 limits investments in bills and notes of the United States Treasury, United States Postal Service, and the Federal National Mortgage Association to not more than 10 years from date of purchase. The approximate weighted average maturity of investment negotiable certificates of deposit and treasury bills was 0.54 years.

Concentrations of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments with a single issuer within the State Bar that represent five percent or more of total investments as of December 31, 2020, are as follows:

The State Bar currently holds 14 - \$250,000 certificate of deposits with 14 banks. Each CD equals approximately 5.88% of the total investments of the State Bar of Nevada at the following banks:

Haven Savings Bank	Preferred Bank
Berkshire Bank	Safra National Bank
Great Southern Bank	Beal Bank USA
American Express National Bank	Southeast Bank
BMW Bank North America	Washington TR CO Westerly
First Source Bank	Beal Bank Plano Tex
Citizens National Bank	Tolleson Private Bank

The State Bar has a Treasury Bill that equals approximately 17.57% of the total investments of the State Bar of Nevada.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

1. Cash and Investments (Continued)

Fair Value Measurement

The State Bar follows the guidance of GASB Statement No. 72, Fair Value Measurement and Application, to categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposit are not subject to the fair value hierarchy level disclosures.

US Treasury bills are considered level 1 inputs.

2. Receivables

Receivables for the year ended December 31, 2020, are as follows:

<u>Other receivables:</u>	<u>Year Ending December 31, 2020</u>
Interest	\$ 8,135
Other	<u>8,408</u>
	<u>\$ 16,543</u>

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

3. Capital Assets

Capital assets activity for the year ended December 31, 2020 is as follows:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Capital assets not being depreciated:				
Land	\$ 794,278	\$ 0	\$ 0	\$ 794,278
Capital assets being depreciated:				
Buildings	3,840,200	0	0	3,840,200
Building improvements	2,634,926	133,519	0	2,768,445
Office furniture and equipment	506,825	5,387	0	512,212
AV equipment	201,375	33,215	0	234,590
Computer equipment	621,443	58,976	0	680,419
Total capital assets being depreciated	7,804,769	231,097	0	8,035,866
Accumulated depreciation:				
Buildings	(1,069,414)	(106,694)	0	(1,176,108)
Building improvements	(415,582)	(108,212)	0	(523,794)
Office furniture and equipment	(448,838)	(24,216)	0	(473,054)
AV equipment	(163,471)	(17,192)	0	(180,663)
Computer equipment	(363,800)	(72,724)	0	(436,524)
Total accumulated depreciation	(2,461,105)	(329,038)	0	(2,790,143)
Business-type activities assets, net	\$ 6,137,942	\$ (97,941)	\$ 0	\$ 6,040,001

Depreciation expense for the year was \$329,038.

4. Unearned Revenue

The State Bar reports unearned revenue in connection with membership and other fees that have been received but not yet earned. A summary of unearned revenue for the individual major enterprise fund and nonmajor enterprise fund on December 31, 2020, is as follows:

Unearned revenue	Year Ending December 31, 2020	
	General Fund	Client Security Fund
Membership fees	\$ 2,663,984	\$ 119,765
Sections/Divisions	86,075	0
Admissions	346,425	0
Other funds	54,190	0
Pro bono	66,315	0
Miscellaneous	17,179	0
Annual convention	10,540	0
	\$ 3,244,708	\$ 119,765

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

5. Long-Term Debt

Capital Leases

Copy Machines- In April 2019, the State Bar entered into two capital lease agreements, as lessee, for financing the acquisition of copy machines valued at \$33,389. The lease agreements have been classified as capital leases according to generally accepted accounting principles. The equipment has a five-year estimated useful life. Depreciation expense of \$6,678 has been recorded for the year ending December 31, 2020. Accumulated depreciation through December 31, 2020, is \$11,130. Payments are due monthly in the amount of \$600 including principal and interest at 3.00% with the final payment due in 2024.

Future minimum lease payments are as follows:

Year Ended December 31	Principal Portion	Amount Representing Interest	Total Payment
2021	\$ 6,622	\$ 578	\$ 7,200
2022	6,824	376	7,200
2023	7,031	169	7,200
2024	<u>1,790</u>	<u>9</u>	<u>1,799</u>
	<u>\$ 22,267</u>	<u>\$ 1,132</u>	<u>\$ 23,399</u>

Changes in Long-term debt as of December 31, 2020, are as follows:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Due within one Year
Capital leases	\$ 28,694	\$ 0	\$ 6,427	\$ 22,267	\$ 6,622
Compensated absences	185,851	62,895	0	248,746	248,746
	<u>\$ 214,545</u>	<u>\$ 62,895</u>	<u>\$ 6,427</u>	<u>\$ 271,013</u>	<u>\$ 255,368</u>

6. Interfund Balances

Due From	Due To	Amount
General Fund	Client Security Fund	<u>\$ 794,861</u>
Net Interfund Balance		<u>\$ 794,861</u>

Interfund balances represent dues and donations applicable to the Client Security Fund collected and deposited into the bank account of the General Fund that had not been transferred to the bank account of the Client Security Fund as of December 31, 2020.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

7. Rentals Under Operating Lease Agreement

The building owned and used for operations of the State Bar in Las Vegas, Nevada, includes three spaces available for lease. At year end, one of the three spaces were leased, with a lease term expiring in October 2026.

Minimum future rentals on non-cancellable operating leases are as follows:

<u>Year Ending December 31:</u>	
2021	\$ 23,447
2022	56,858
2023	58,279
2024	59,736
2025	61,230
2026	<u>46,844</u>
Total minimum future rentals	<u>\$ 306,394</u>

8. Retirement Plan

The State Bar provides a defined contribution retirement plan through the American Bar Association Master Money Purchase Pension Plan for all full-time employees after one year of service, which vests over a five-year period. Contributions to the plan were equal to 10% of gross wages paid to eligible employees during the year. For the years ended December 31, 2020, 2019, 2018, 2017, 2016, and 2015, the cash contributions made by the State Bar were \$257,230, \$210,120, \$261,001, \$278,744, \$253,404, and \$237,178, respectively. The retirement plan and/or the contribution rate may be modified or terminated at the discretion of the State Bar's Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Standards Board Statement 73.

9. Related Party Transactions

The Nevada Bar Foundation is considered a related party as the State Bar Board of Governors appoints five of the Foundation's eleven board members and the State Bar charges a fee to provide the support services necessary to carry out the Foundation's exempt purpose. During the year ended December 31, 2020, the State Bar recognized \$52,000 for providing support services to the Foundation, and the State Bar collected voluntary donations on behalf of the Foundation amounting to \$14,911. As of December 31, 2020, \$51,992 is due from the Foundation for support services, and \$23,923 is due to the Foundation from the State Bar for voluntary donations.

10. Commitments and Contingencies

Litigation and Claims

State Bar Management has not been advised of any unasserted claims or assessments that they believe are probable assertions and should be considered for disclosure.

STATE BAR OF NEVADA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. DETAILED NOTE ON ALL ACTIVITIES AND FUNDS (Continued)

11. Risk Management

Property, Casualty, Crime, and Machinery Insurance

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

Unemployment Insurance

The State Bar makes contributions to the employment security department of the State of Nevada to provide for unemployment insurance.

Workers' Compensation Insurance

The State Bar has purchased commercial insurance coverage for injuries to employees.

Health Insurance

The State Bar carries commercial insurance for employee health and accident insurance.

SUPPLEMENTARY INFORMATION

**STATE BAR OF NEVADA
MAJOR GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Operating Revenues:				
Regulatory Functions:				
Licensing Revenue				
Membership fees	\$ 3,764,400	\$ 3,742,800	\$ 3,761,755	\$ 18,955
Penalties	35,000	25,000	33,465	8,465
Total licensing revenue	3,799,400	3,767,800	3,795,220	27,420
Regulatory/administration revenue	747,100	729,700	801,746	72,046
Admissions	767,800	701,300	696,088	(5,212)
Discipline	86,000	43,500	63,266	19,766
Transitioning into practice	64,400	63,300	72,275	8,975
Attorney advertising	40,000	40,800	38,100	(2,700)
Total regulatory revenue	5,504,700	5,346,400	5,466,695	120,295
Organizational Functions:				
Publications	189,700	194,500	222,356	27,856
Continuing legal education	314,000	270,900	416,420	145,520
Lawyer referral service	240,000	196,200	245,754	49,554
Law related education	35,500	35,800	31,280	(4,520)
Member benefits/other revenue	109,000	109,000	124,575	15,575
Annual meeting	156,300	-	-	-
Continuing legal education sections	82,700	53,800	40,365	(13,435)
Law sections	416,268	416,268	256,588	(159,680)
Leased properties income	21,900	22,200	31,507	9,307
Total organizational revenue	1,565,368	1,298,668	1,368,845	70,177
Total operating revenue	7,070,068	6,645,068	6,835,540	190,472
Operating Expenses:				
Regulatory Functions:				
Administration:				
Salaries	952,500	950,000	962,389	(12,389)
Benefits and payroll taxes	290,700	283,500	278,004	5,496
Overhead expenses	155,700	125,000	155,024	(30,024)
Postage/shipping	9,800	8,000	8,016	(16)
Professional memberships	2,300	2,300	1,654	646
Member relations	-	-	300	(300)
Software subscriptions	38,000	39,500	49,832	(10,332)
Temporary staffing	1,500	-	-	-
Education	500	1,500	1,668	(168)
Travel	13,800	200	309	(109)
Board of Governors' expenses	111,300	51,500	37,745	13,755
Building repairs and maintenance	18,000	18,000	23,190	(5,190)
Computer purchases/maintenance	25,000	27,000	36,565	(9,565)
Executive Director's expenses	27,600	7,600	4,180	3,420
Legal and accounting	58,500	46,500	20,343	26,157
Consulting/miscellaneous	9,400	9,900	5,333	4,567
Website	9,800	13,000	14,726	(1,726)
Recruitment	1,200	500	458	42
	1,725,600	1,584,000	1,599,736	(15,736)

STATE BAR OF NEVADA
MAJOR GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Operating Expenses: (Continued)				
Regulatory Functions: (Continued)				
Admissions	\$ 808,600	\$ 689,800	\$ 637,258	\$ 52,542
Attorney advertising department	21,800	21,600	21,203	397
Client protection	76,700	74,800	85,305	(10,505)
Discipline	2,051,800	1,953,600	1,845,087	108,513
Transitioning into practice	65,100	56,800	55,161	1,639
Total regulatory expenses	<u>4,749,600</u>	<u>4,380,600</u>	<u>4,243,750</u>	<u>136,850</u>
Organizational Functions:				
Access to justice	123,800	120,600	119,933	667
Annual meeting	134,800	2,500	6,312	(3,812)
Continuing legal education	157,300	140,200	145,776	(5,576)
Continuing legal education sections	164,800	133,100	111,840	21,260
Leased properties expenses	41,600	58,400	55,886	2,514
Lawyer referral service	178,700	174,100	170,613	3,487
Law-related education	53,200	53,000	48,045	4,955
Member benefits/other expenses	57,000	57,000	57,521	(521)
Nevada lawyer assistance program	92,800	85,900	74,953	10,947
Publications	420,500	411,300	376,173	35,127
Law sections expense	358,373	358,373	183,524	174,849
Total organizational expenses	<u>1,782,873</u>	<u>1,594,473</u>	<u>1,350,576</u>	<u>243,897</u>
	6,532,473	5,975,073	5,594,326	380,747
Depreciation	<u>320,500</u>	<u>340,000</u>	<u>329,038</u>	<u>10,962</u>
Total operating expenses	<u>6,852,973</u>	<u>6,315,073</u>	<u>5,923,364</u>	<u>391,709</u>
Operating income (loss)	<u>217,095</u>	<u>329,995</u>	<u>912,176</u>	<u>582,181</u>
Nonoperating revenues and expenses:				
Interest income	99,000	86,000	63,936	(22,064)
Interest expense	-	-	(773)	(773)
Total nonoperating revenue and expense	<u>99,000</u>	<u>86,000</u>	<u>63,163</u>	<u>(22,837)</u>
Increase (decrease) in net position	<u>\$ 316,095</u>	<u>\$ 415,995</u>	<u>\$ 975,339</u>	<u>\$ 559,344</u>
Capital expenses	<u>\$ 277,400</u>	<u>\$ 320,500</u>	<u>\$ 231,097</u>	<u>\$ 89,403</u>

DANIEL C. McARTHUR, LTD.

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Board of Governors
State Bar of Nevada
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the major fund and the aggregate remaining fund information of the State Bar of Nevada (the State Bar), as of, and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements, and have issued our report thereon dated November 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State Bar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Bar's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Bar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dennis M. [unclear]". The signature is written in a cursive style with a large initial letter.

Las Vegas, Nevada
November 29, 2021