

# 2021 INDEPENDENT AUDITOR'S REPORT

## Summary of the Independent Auditor's Report

The State Bar of Texas received an unmodified—or “clean”—opinion from an independent auditor on its annual financial report for the fiscal year that ended May 31, 2021. The auditor, Weaver, concluded the financial statements presented fairly, in all material respects, the respective financial position of the State Bar in accordance with generally accepted accounting principles.

The State Bar of Texas' basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The user of the financial statements should refer to the full annual financial report to gain a complete understanding of the State Bar's financial position. The full report is available on the Our Finances page of the State Bar's website at [texasbar.com/finances](https://texasbar.com/finances). This report also contains supplementary information in addition to the basic financial statements.

An excerpt of the State Bar's financial statements is presented on the following pages, consisting of the government-wide financial statements, the governmental fund financial statements, and reconciliations between the two statements.

### *Government-wide Financial Statements*

Government-wide financial statements (pages 17-19 of the full report) are presented using full accrual accounting and report the State Bar's financial position, including all capital assets and long-term liabilities, including pension and other post-employment benefits, or retirees' health insurance benefits liabilities.

On the full accrual financial statement, the assets of the State Bar were below its liabilities for the fiscal year that ended May 31, 2021, by \$72,936,073 (net position). This is due to the implementation of Governmental Accounting Standards Board, or GASB, Statements No. 68 and No. 75, which require all governments to report pension and retirees' health insurance benefit liability on their government-wide financial statements in an effort to increase transparency. The State Bar participates in a plan to provide health insurance and defined pension benefits to its retirees. That plan is administered by the Employees Retirement System of Texas (ERS), which determines the amount of contributions that the State Bar and all other participating state agencies must make to fund the plan. The State Bar has made all of the required contributions to ERS. The amount of pension and retirees' health insurance benefits liability recorded on the government-wide financial statements represents the State Bar's proportionate share of the plan's total actuarially determined liability based on the State Bar's total contributions to the plan. The State Bar does not control or establish the amount of unfunded liability.

### *Governmental-fund Financial Statements*

Governmental-fund financial statements (pages 20-23 of the full report) are reported using the modified accrual basis of accounting. These financial statements provide a financial indication on the State Bar's ability to meet its purpose using the revenues it receives during the year. The State Bar is prohibited by statute to issue debt, and therefore, must budget and expend its resources in a controlled manner to maintain a healthy fund balance on its fund financial statements.

As of the close of the last fiscal year, the State Bar's governmental funds reported combined ending fund balances of \$44,953,373, an increase of \$5,251,975 in comparison with the prior year. This increase in fund balance is primarily due to the savings in expenditures in travel, meetings, and conferences in response to the pandemic. As indicated on page 22 of the full report, the general fund, or the operating fund of the State Bar, retained a fund balance of \$21,969,190, or 54% of the total general fund expenditures and transfers for the fiscal year that ended May 31, 2021.

# STATE BAR of TEXAS

## STATEMENT OF NET POSITION: MAY 31, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
CASH AND CASH EQUIVALENTS—CASH IN BANK	\$24,938,568	—	\$24,938,568
INVESTMENTS	29,580,939	—	29,580,939
<b>RECEIVABLES:</b>			
SALES, NET OF AN ALLOWANCE FOR UNCOLLECTIBLES OF \$3,088 AND \$92,781, RESPECTIVELY	58,675	869,618	928,293
INTEREST RECEIVABLE	107,263	—	107,263
OTHER ACCOUNTS RECEIVABLE	5,502,698	—	5,502,698
INTERNAL BALANCES	(452,845)	452,845	—
DUE FROM FIDUCIARY FUND	147,839	—	147,839
INVENTORIES, NET OF OBSOLESCENCE	11,680	315,127	326,807
PREPAID EXPENSES	1,281,685	—	1,281,685
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$61,176,502</u></b>	<b><u>\$1,637,590</u></b>	<b><u>\$62,814,092</u></b>
<b>NONCURRENT ASSETS:</b>			
<b>CAPITAL ASSETS:</b>			
LAND	1,413,874	—	1,413,874
CONSTRUCTION IN PROGRESS	521,116	281,043	802,159
BUILDINGS, NET	2,772,580	—	2,772,580
FURNITURE, FIXTURES, COMPUTER EQUIPMENT, SOFTWARE AND OTHER EQUIPMENT, NET	4,324,807	35,322	4,360,129
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>\$9,032,377</u></b>	<b><u>\$316,365</u></b>	<b><u>\$9,348,742</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$70,208,879</u></b>	<b><u>\$1,953,955</u></b>	<b><u>\$72,162,834</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB RELATED AMOUNTS	3,315,178	211,607	3,526,785
PENSION RELATED AMOUNTS	27,853,506	1,777,883	29,631,389
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$31,168,684</u></b>	<b><u>\$1,989,490</u></b>	<b><u>\$33,158,174</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
ACCOUNTS PAYABLE	\$798,623	—	\$798,623
ACCRUED LIABILITIES	477,833	89,514	567,347
DUE TO CUSTODIAL FUNDS	936,953	—	936,953
UNEARNED REVENUE	14,009,720	9,486	14,019,206
CURRENT PORTION CAPITAL LEASE OBLIGATIONS	80,408	—	80,408
CURRENT PORTION OPEB LIABILITY	959,186	61,225	1,020,411
CURRENT PORTION COMPENSATED ABSENCES	678,255	42,000	720,255
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$17,940,978</u></b>	<b><u>\$202,225</u></b>	<b><u>\$18,143,203</u></b>
<b>NONCURRENT LIABILITIES:</b>			
CAPITAL LEASE OBLIGATIONS	202,048	—	202,048
DEFERRED RENT	268,412	—	268,412
OPEB LIABILITY	38,224,645	2,439,871	40,664,516
COMPENSATED ABSENCES	1,339,507	60,755	1,400,262
NET PENSION LIABILITY	98,701,904	6,300,122	105,002,026
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>\$138,736,516</u></b>	<b><u>\$8,800,748</u></b>	<b><u>\$147,537,264</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$156,677,494</u></b>	<b><u>\$9,002,973</u></b>	<b><u>\$165,680,467</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB RELATED AMOUNTS	10,264,021	655,150	10,919,171
PENSION RELATED AMOUNTS	\$1,557,996	\$99,447	\$1,657,443
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$11,822,017</u></b>	<b><u>\$754,597</u></b>	<b><u>\$12,576,614</u></b>
<b>NET POSITION (DEFICIT)</b>			
NET INVESTMENT IN CAPITAL ASSETS	\$8,749,921	\$316,365	\$9,066,286
UNRESTRICTED (DEFICIT)	(75,871,869)	(6,130,490)	(82,002,359)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$(67,121,948)</u></b>	<b><u>\$(5,814,125)</u></b>	<b><u>\$(72,936,073)</u></b>

# STATE BAR *of* TEXAS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>PRIMARY GOVERNMENT:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
GENERAL GOVERNMENT	\$11,433,213	\$1,145,113	—	\$(10,288,100)	—	\$(10,288,100)
PUBLIC SERVICES	4,468,707	529,085	313,843	(3,625,779)	—	(3,625,779)
MEMBER SERVICES	17,599,736	17,808,946	587,485	796,695	—	796,695
PUBLIC PROTECTION	13,856,544	579,118	8,122	(13,269,304)	—	(13,269,304)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$47,358,200</u></b>	<b><u>\$20,062,262</u></b>	<b><u>\$909,450</u></b>	<b><u>\$(26,386,488)</u></b>	<b><u>—</u></b>	<b><u>\$(26,386,488)</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
BOOKS	3,858,757	2,096,118	—	—	(1,762,639)	(1,762,639)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$3,858,757</u></b>	<b><u>\$2,096,118</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>\$(1,762,639)</u></b>	<b><u>\$(1,762,639)</u></b>
<b>TOTAL PRIMARY GOVERNMENTAL ACTIVITIES</b>	<b><u>\$51,216,957</u></b>	<b><u>\$22,158,380</u></b>	<b><u>\$909,450</u></b>	<b><u>\$(26,386,488)</u></b>	<b><u>\$(1,762,639)</u></b>	<b><u>\$(28,149,127)</u></b>
<b>GENERAL REVENUES:</b>						
MEMBERSHIP DUES				25,295,939	—	25,295,939
INVESTMENT INCOME				186,819	213	187,032
ROYALTY REVENUE				1,579,067	1,331,588	2,910,655
OTHER INCOME				231,167	—	231,167
TRANSFERS				(200,000)	200,000	—
<b>TOTAL GENERAL REVENUES</b>				<b><u>\$27,092,992</u></b>	<b><u>\$1,531,801</u></b>	<b><u>\$28,624,793</u></b>
<b>CHANGE IN NET POSITION</b>				<b><u>\$706,504</u></b>	<b><u>\$(230,838)</u></b>	<b><u>\$475,666</u></b>
<b>NET POSITION (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED</b>				<b><u>\$(67,828,452)</u></b>	<b><u>\$(5,583,287)</u></b>	<b><u>\$(73,411,739)</u></b>
<b>NET POSITION (DEFICIT) AT END OF YEAR</b>				<b><u>\$(67,121,948)</u></b>	<b><u>\$(5,814,125)</u></b>	<b><u>\$(72,936,073)</u></b>

# STATE BAR of TEXAS

## BALANCE SHEET—GOVERNMENTAL FUNDS: MAY 31, 2021

	GENERAL FUND	SECTIONS AND DIVISIONS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS—CASH IN BANK	\$11,421,947	\$8,594,270	\$4,922,351	\$24,938,568
INVESTMENTS	20,084,578	2,301,860	7,194,501	29,580,939
RECEIVABLES:				
SALES TO MEMBERS AND OTHERS, NET OF AN ALLOWANCE				
FOR UNCOLLECTIBLES OF \$3,088	58,675	—	—	58,675
INTEREST RECEIVABLE	68,432	106	38,725	107,263
OTHER ACCOUNTS RECEIVABLE	5,395,141	100,614	6,943	5,502,698
DUE FROM OTHER GOVERNMENTAL FUNDS	275,434	1,152,140	1,100,962	2,528,536
DUE FROM FIDUCIARY FUND	147,839	—	—	147,839
INVENTORIES	11,680	—	—	11,680
PREPAID ITEMS	969,050	53,143	259,492	1,281,685
<b>TOTAL ASSETS</b>	<b><u>\$38,432,776</u></b>	<b><u>\$12,202,133</u></b>	<b><u>\$13,522,974</u></b>	<b><u>\$64,157,883</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>CURRENT LIABILITIES:</b>				
ACCOUNTS PAYABLE	\$697,911	\$91,096	\$9,616	\$798,623
ACCRUED LIABILITIES	457,025	20,263	545	477,833
DUE TO OTHER GOVERNMENTAL FUNDS	2,253,102	153,533	121,901	2,528,536
DUE TO ENTERPRISE FUND	452,845	—	—	452,845
DUE TO CUSTODIAL FUND	936,953	—	—	936,953
UNEARNED REVENUE	11,665,750	1,277,084	1,066,886	14,009,720
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$16,463,586</u></b>	<b><u>\$1,541,976</u></b>	<b><u>\$1,198,948</u></b>	<b><u>\$19,204,510</u></b>
<b>FUND BALANCES:</b>				
NONSPENDABLE	980,730	53,143	259,492	1,293,365
COMMITTED	4,036,786	10,607,014	12,064,534	26,708,334
UNASSIGNED	16,951,674	—	—	16,951,674
<b>TOTAL FUND BALANCES</b>	<b><u>\$21,969,190</u></b>	<b><u>\$10,660,157</u></b>	<b><u>\$12,324,026</u></b>	<b><u>\$44,953,373</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$38,432,776</u></b>	<b><u>\$12,202,133</u></b>	<b><u>\$13,522,974</u></b>	<b><u>\$64,157,883</u></b>

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION: MAY 31, 2021

<b>Total fund balance—Governmental Funds</b>	\$44,953,373
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, including accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,032,377
Employee benefit related liabilities, and related accounts, are not due and payable in the current period and are not included in the fund financial statements, but are reported in the governmental activities in the statement of net positions. These items include:	
Net pension liability	(98,701,904)
OPEB liability	(39,183,831)
Deferred outflows related to net OPEB liability	3,315,178
Deferred inflows related to net OPEB liability	(10,264,021)
Deferred outflows related to net pension liability	27,853,506
Deferred inflows related to net pension liability	(1,557,996)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These items include:	
Capital lease payable	(282,456)
Deferred Rent	(268,412)
Compensated absences	(2,017,762)
<b>Net position of governmental activities</b>	<b><u>\$(67,121,948)</u></b>

# STATE BAR of TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS FOR THE YEAR ENDED MAY 31, 2021

	GENERAL FUND	SECTIONS AND DIVISIONS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
MEMBERSHIP DUES	\$21,252,132	\$2,553,767	\$1,490,040	\$25,295,939
ACCOUNTING AND MANAGEMENT FEES	658,255	—	—	658,255
TEXAS BAR JOURNAL	546,062	—	—	546,062
MCLE FEES	3,405,087	—	—	3,405,087
PROFESSIONAL DEVELOPMENT	13,114,860	357,707	—	13,472,567
MINORITY AFFAIRS	76,750	—	—	76,750
INVESTMENT INCOME	118,581	32,546	35,692	186,819
GRANT REVENUE	—	—	397,043	397,043
MEMBER BENEFITS	957,886	—	—	957,886
WEBSITE	579,415	—	—	579,415
ADVERTISING REVIEW	284,300	—	—	284,300
CDC DISCIPLINARY FEES	579,118	—	—	579,118
OTHER INCOME	1,025,964	543,476	378,612	1,948,052
<b>TOTAL REVENUES</b>	<b><u>\$42,598,410</u></b>	<b><u>\$3,487,496</u></b>	<b><u>\$2,301,387</u></b>	<b><u>\$48,387,293</u></b>
<b>EXPENDITURES:</b>				
EXECUTIVE	\$2,673,136	—	—	\$2,673,136
MEMBER AND PUBLIC SERVICE	1,811,214	—	—	1,811,214
VOLUNTEER COMMITTEES	64,681	—	—	64,681
PROFESSIONAL DEVELOPMENT	5,705,061	—	—	5,705,061
LEGAL AND ATTORNEY SERVICES	1,967,894	—	—	1,967,894
ACCESS TO JUSTICE COMMISSION	531,109	—	—	531,109
LAW PRACTICE MANAGEMENT DIVISION	166,709	—	—	166,709
MEMBER BENEFITS AND RESEARCH	211,934	—	—	211,934
ATTORNEY COMPLIANCE	1,830,018	—	—	1,830,018
OPERATIONS AND SECURITY DIVISION	1,626,241	—	117,514	1,743,755
FINANCE AND INFORMATION TECHNOLOGY	4,756,335	—	629,955	5,386,290
COMMUNICATIONS	2,226,400	—	—	2,226,400
PUBLIC PROTECTION	9,929,638	—	539,508	10,469,146
SPECIAL SERVICES	—	1,762,738	1,768,585	3,531,323
EXPENDITURES RELATED TO BOARD COMMITMENTS	976,475	—	—	976,475
CAPITAL OUTLAY	6,663	—	3,643,724	3,650,387
DEBT SERVICE:				
PRINCIPAL	—	—	218,017	218,017
INTEREST	—	—	14,448	14,448
<b>TOTAL EXPENDITURES</b>	<b><u>\$34,483,508</u></b>	<b><u>\$1,762,738</u></b>	<b><u>\$6,931,751</u></b>	<b><u>\$43,177,997</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>8,114,902</u></b>	<b><u>1,724,758</u></b>	<b><u>(4,630,364)</u></b>	<b><u>5,209,296</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>				
PROCEEDS FROM CAPITAL LEASES	—	—	242,679	242,679
TRANSFERS IN	—	—	6,336,009	6,336,009
TRANSFERS OUT	( 6,536,009)	—	—	( 6,536,009)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$(6,536,009)</u></b>	<b><u>—</u></b>	<b><u>\$6,578,688</u></b>	<b><u>\$42,679</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,578,893</b>	<b>1,724,758</b>	<b>1,948,324</b>	<b>5,251,975</b>
<b>FUND BALANCES, BEGINNING OF YEAR,</b>	<b>20,390,297</b>	<b>8,935,399</b>	<b>10,375,702</b>	<b>39,701,398</b>
<b>FUND BALANCES, END OF YEAR</b>	<b><u>\$21,969,190</u></b>	<b><u>\$10,660,157</u></b>	<b><u>\$12,324,026</u></b>	<b><u>\$44,953,373</u></b>

# STATE BAR *of* TEXAS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2021

NET CHANGE IN FUND BALANCE — TOTAL GOVERNMENTAL FUNDS \$5,251,975

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE NOT REPORTED AS REVENUES IN THE FUNDS

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES; HOWEVER, IN THE STATEMENT OF ACTIVITIES, THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AS DEPRECIATION AND AMORTIZATION EXPENSE:

CAPITAL OUTLAY	3,650,387
DEPRECIATION AND AMORTIZATION EXPENSE	(872,482)

CURRENT YEAR CAPITAL ASSET DISPOSALS ARE SHOWN AS DECREASES IN CAPITAL ASSETS IN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS BUT HAVE NO EFFECT ON THE FUND STATEMENTS. THE EFFECT OF REMOVING THE LOSS ON THE CAPITAL ASSET DISPOSALS IS TO DECREASE NET POSITION (11,966)

PROCEEDS FROM CAPITAL LEASES PROVIDE CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, BUT ISSUING DEBT INCREASES NONCURRENT LIABILITIES IN THE STATEMENT OF NET POSITION; REPAYMENT OF CAPITAL LEASES IS AN EXPENDITURE IN THE GOVERNMENTAL FUNDS, BUT THE REPAYMENT REDUCES NONCURRENT LIABILITIES IN THE STATEMENT OF NET POSITION:

PROCEEDS FROM CAPITAL LEASES	(242,679)
REPAYMENT OF CAPITAL LEASES	135,819

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN GOVERNMENTAL FUNDS:

CHANGE IN PENSION LIABILITY AND RELATED DEFERRED INFLOWS AND OUTFLOWS	(7,402,357)
CHANGE IN OPEB LIABILITY AND RELATED DEFERRED INFLOWS AND OUTFLOWS	657,394
CHANGE IN DEFERRED RENT	(47,504)
CHANGE IN COMPENSATED ABSENCES	<u>(412,083)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$706,504

Audited financial statements, including notes and supporting schedules, are available at [texasbar.com/finances](http://texasbar.com/finances).