

State Bar of Texas

(A Component Unit of the State of Texas)

Financial Report May 31, 2023



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Financial Section

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Independent Auditor's Report

To the Board of Directors
State Bar of Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar of Texas (the State Bar), as of and for the year ended May 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar, as of May 31, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended May 31, 2023, the State Bar implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The State Bar's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

The Board of Directors
State Bar of Texas

Supplementary 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 Combining and Individual Nonmajor Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements are the responsibility of management and were derived from and relate 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 Combining and Individual Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 20, 2023

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Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis is provided by management of the State Bar of Texas (State Bar) to offer readers an overview and analysis of the financial activities of the State Bar for the fiscal year ended May 31, 2023. This section is only an introduction and should be read in conjunction with the State Bar's financial statements, which immediately follow this section.

Financial Highlights

- The State Bar remains in a strong financial position with no debt carried on the balance sheet, consistent revenues and controlled expenses. The State Bar General Fund's activities for the year ended May 31, 2023, increased the fund balance by \$148,106 after paying the board commitments and transfers.
- The State Bar complies with the Governmental Accounting Standards Board's (GASB) pronouncements, and has implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during fiscal year 2019. In fiscal year 2016, the State Bar implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. As a result, the State Bar's Government-wide financial statements disclose a net pension liability of (\$22,820,589) and a liability for Other Post-Employment Benefits (OPEB) of (\$36,216,200) on its balance sheet for the fiscal year ended May 31, 2023. The total net position of the State Bar is (\$35,591,526) even with these liabilities recorded. The amount of liability for both plans represents the State Bar's proportionate share of the total State of Texas plan's net liability based on the State Bar's total contributions made for its current and former employees. The amount of unfunded liability is not controlled or established by the State Bar of Texas. The plan is administered by the Employees' Retirement System of Texas (ERS). The liability does not affect the governmental funds or the budget of the State Bar, unless ERS requires a higher premium payment per employee. Historically, the premiums for employees and retirees have increased gradually and the State Bar does not anticipate significant changes to operating budget of the State Bar as a result of this GASB requirement. During the 87th Texas legislative session, the Legislature adopted an unfunded liability payment schedule requiring the State to make annual payments to the plan that will address the unfunded pension liability. Also, changes were made for future employees to participate in a defined contribution plan as opposed to the current defined benefit plan.. See note 9 and note 11 for further disclosures on the defined benefit pension and OPEB plan.
- The assets of the State Bar were below its liabilities for fiscal year ended May 31, 2023, by (\$35,591,526). This amount includes all State Bar-related assets, including the reserves, all capital assets, all assets related to TexasBarBooks, the Sections and Division and all special revenue funds and capital project funds. The net deficit is due to the GASB requirement that the State Bar report its proportionate share of the pension and retiree's health insurance plans on its financial statements. Apart from those liabilities, the State Bar would show a positive net position.
- The State Bar's total net position increased by \$22,689,040 from the end of fiscal year 2022 to the end of fiscal year 2023. The increase is primarily due to the reduction in the State Bar's proportionate share of the contribution rate to the pension and OPEB plans as calculated by ERS.
- As of the close of the current fiscal year, the State Bar's governmental funds reported combined ending fund balances of \$55,728,414 an increase of \$ 4,527,539 in comparison with the prior year. Of this amount, \$ 33,145,843 is committed for ongoing expenses for board commitments, or for the special revenue fund expenditures.
- At the end of the current fiscal year, the fund balance for the General Fund was \$26,328,818 or 60.4 percent of the total General Fund expenditures for the year ended May 31, 2023. Of this amount, \$16,315,230 is classified as unassigned. This is comprised of \$11,917,606 is held in minimum reserves, \$4,942,566 amount available for board designation, and (\$544,942) in unrealized changes in fair market value.

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements

The State Bar's basic financial statements are comprised of the following components: (1) the government-wide financial statements, (2) the fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves. Each one is described below.

Government-wide statements: The government-wide 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 statements include all assets and liabilities using the accrual basis of accounting. The government-wide financial statements are made up of the statement of net position and the statement of activities. The government-wide financial statements can be found on pages 19 through 21 of this report.

The statement of net position presents information on all the State Bar's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the State Bar is improving and deteriorating.

The statement of activities presents information showing how the State Bar's net position changed during the most recent fiscal year. The statement of activities is presented on the full accrual basis. This means that 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. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., earned, but unused vacation leave).

Both government-wide financial statements distinguish functions of the State Bar that are principally supported by dues and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State Bar include general government, public services, member services and public protection. The business-type activities of the State Bar include the Texas Bar Books fund.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State Bar, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are made up of a balance sheet and a statement of revenues, expenditures and changes in fund balances. The basic governmental fund financial statements can be found on pages 22 through 30 of this report. All the funds of the State Bar can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis (Unaudited)

The State Bar has three types of funds:

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The State Bar maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Sections and Divisions, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. These nine funds are: Texas Board of Legal Specialization Fund, Texas Bar College, Annual Meeting, Client Security, Texas Law Center, Technology Fund, Project Grants Fund, Hatton W. Sumners Grants Fund, and Law Focused Education. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplemental section of this report.

The State Bar adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22 through 30 of this report.

Proprietary funds—The Texas Bar Books fund is the State Bar's only proprietary fund due to the long-term nature of its book projects. It is an enterprise fund. An enterprise fund is used to report an entity's business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State Bar's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds the State Bar has is a custodial fund used to hold monies for donations received for access to justice and the State Bar of Texas Insurance Trust, included as a blended component unit. The basic fiduciary fund financial statement can be found on pages 29 through 30 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31 through 60 of this report.

Management's Discussion and Analysis (Unaudited)

Required supplemental information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. The State Bar adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. In addition, this report includes required supplemental information regarding the State Bar's changes in their proportionate share of net pension liability and related ratios and schedules of employer's contributions. Required supplemental information can be found on pages 62 through 79 of this report.

Other supplemental information: In addition to the basic financial statements, accompanying notes and required supplemental information this report also presents certain other supplemental information. The combining balance sheet—non-major governmental funds, combining statement of revenues, expenditures and changes in fund balances—non-major governmental funds are provided to give additional information for each non-major fund. The combining statement of revenues, expenditures and changes in fund balances—governmental funds is provided to give additional information by expenditure type. Other supplemental information is provided on pages 80 through 83.

Government-Wide Financial Analysis

Net position. The following table presents a summary of the State Bar's net position for the year ended May 31, 2023, with comparison totals as of May 31, 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 75,024,666	\$ 70,379,960	\$ 1,634,219	\$ 1,590,483	\$ 76,658,885	\$ 71,970,443
Capital assets, net	12,415,704	8,438,704	203,947	260,156	12,619,651	8,698,860
Total assets	87,440,370	78,818,664	1,838,166	1,850,639	89,278,536	80,669,303
Deferred outflows of resources	7,393,454	17,078,640	471,923	1,090,126	7,865,377	18,168,766
Current liabilities	21,959,474	20,925,327	222,108	226,021	22,181,582	21,151,348
Noncurrent liabilities	59,591,798	70,661,633	3,485,714	4,433,336	63,077,512	75,094,969
Total liabilities	81,551,272	91,586,960	3,707,822	4,659,357	85,259,094	96,246,317
Deferred inflows of resources	44,627,764	57,219,979	2,848,581	3,652,339	47,476,345	60,872,318
Net position						
Net investment in capital assets	7,900,007	8,236,656	203,947	260,156	8,103,954	8,496,812
Unrestricted (deficit)	(39,245,219)	(61,146,291)	(4,450,261)	(5,631,087)	(43,695,480)	(66,777,378)
Total net position	\$ (31,345,212)	\$ (52,909,635)	\$ (4,246,314)	\$ (5,370,931)	\$ (35,591,526)	\$ (58,280,566)

The State Bar's net position invested in capital assets, net of accumulated depreciation (e.g., land, buildings, furniture, equipment, and right of use assets), less any related debt used to acquire those assets that is still outstanding reflects \$7,900,007 of total net position. The State Bar uses these capital assets to provide services to members; consequently, these assets are not available for future spending. Although the State Bar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

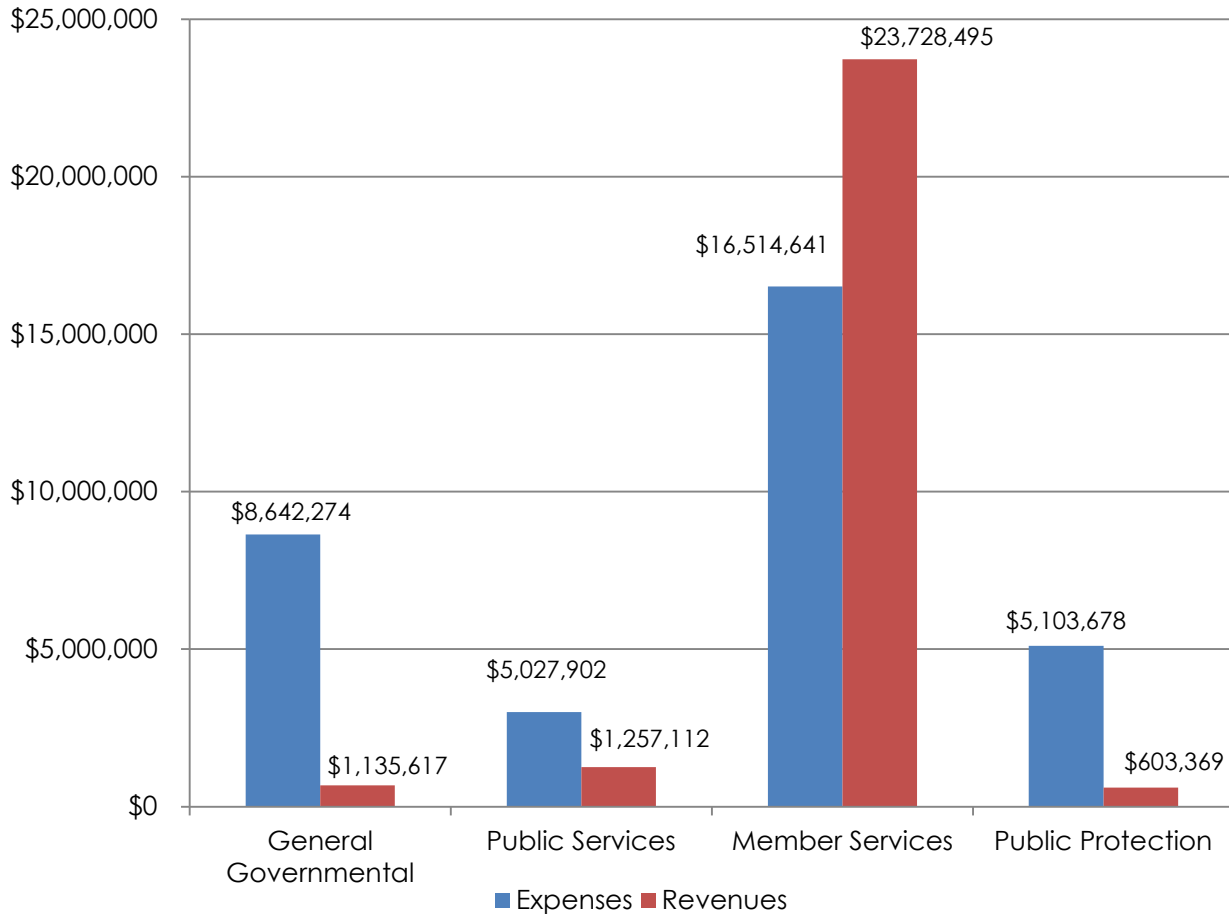
Management's Discussion and Analysis (Unaudited)

Changes in net position. The following schedule shows the changes in net position for the year ended May 31, 2023 with comparison totals for the year ended May 31, 2022. The difference between revenues and expenditures represents the change in net position:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 23,838,352	\$ 22,206,361	\$ 2,103,935	\$ 1,810,259	\$ 25,942,287	\$ 24,016,620
Operating grants and contributions	2,421,781	1,238,208	-	-	2,421,781	1,238,208
General revenues:						
Membership dues	26,356,393	25,349,853	-	-	26,356,393	25,349,853
Investment income	941,481	(534,659)	23,473	138	964,954	(534,521)
Royalty revenue	1,081,302	1,790,062	1,436,280	1,381,102	2,517,582	3,171,164
Other income	231,343	310,045	-	-	231,343	310,045
Total revenues	<u>54,870,652</u>	<u>50,359,870</u>	<u>3,563,688</u>	<u>3,191,499</u>	<u>58,434,340</u>	<u>53,551,369</u>
Expenses						
General government	8,642,274	9,904,677	-	-	8,642,274	9,904,677
Public services	2,998,134	3,004,907	-	-	2,998,134	3,004,907
Member services	16,514,641	15,582,471	-	-	16,514,641	15,582,471
Public protection	5,103,678	7,655,502	-	-	5,103,678	7,655,502
Interest on long-term liabilities	47,502	-	-	-	47,502	-
Books	-	-	2,439,071	2,748,305	2,439,071	2,748,305
Total expenses	<u>33,306,229</u>	<u>36,147,557</u>	<u>2,439,071</u>	<u>2,748,305</u>	<u>35,745,300</u>	<u>38,895,862</u>
Increase (decrease) in net position	21,564,423	14,212,313	1,124,617	443,194	22,689,040	14,655,507
Net Position - beginning of year, as restated	<u>(52,909,635)</u>	<u>(67,121,948)</u>	<u>(5,370,931)</u>	<u>(5,814,125)</u>	<u>(58,280,566)</u>	<u>(72,936,073)</u>
Net position at end of year	<u>\$ (31,345,212)</u>	<u>\$ (52,909,635)</u>	<u>\$ (4,246,314)</u>	<u>\$ (5,370,931)</u>	<u>\$ (35,591,526)</u>	<u>\$ (58,280,566)</u>

Management's Discussion and Analysis (Unaudited)

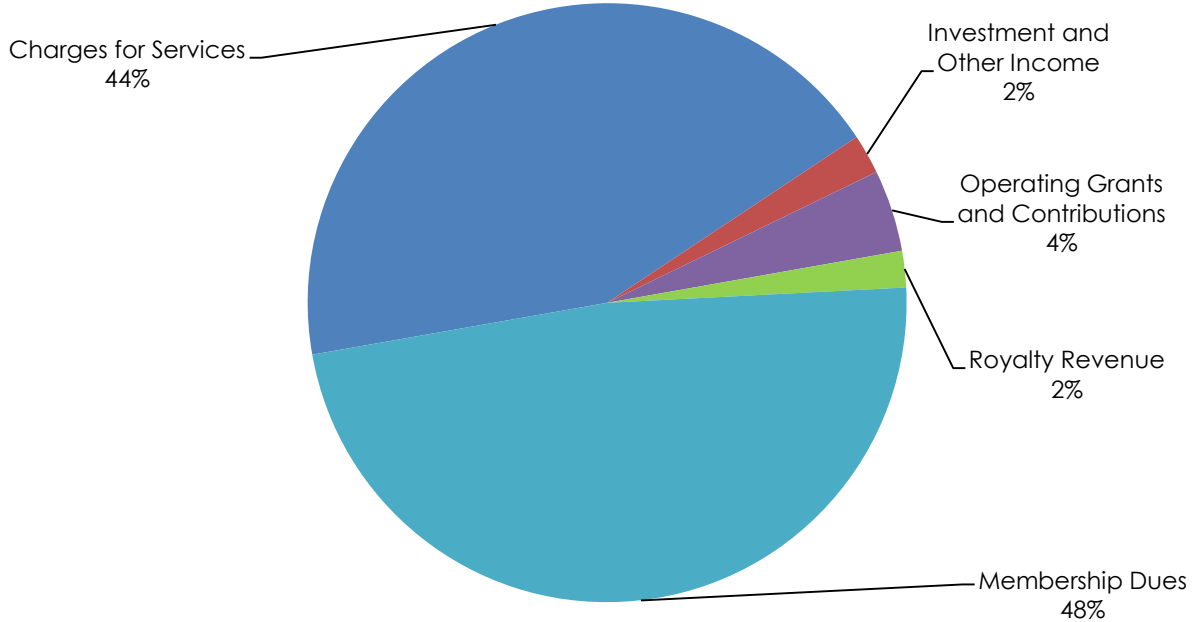
Expense and Program Revenues—Governmental Activities



This chart depicts the program revenues and expenses as presented in the statement of activities on page 21 of the financial statements. These represent the revenues and related expenses for these programs. The State Bar also collects membership dues, investment income, royalty revenue and other income that totaled \$28,610,519 for the year ended May 31, 2023.

Management's Discussion and Analysis (Unaudited)

Revenues by Source—Governmental Activities



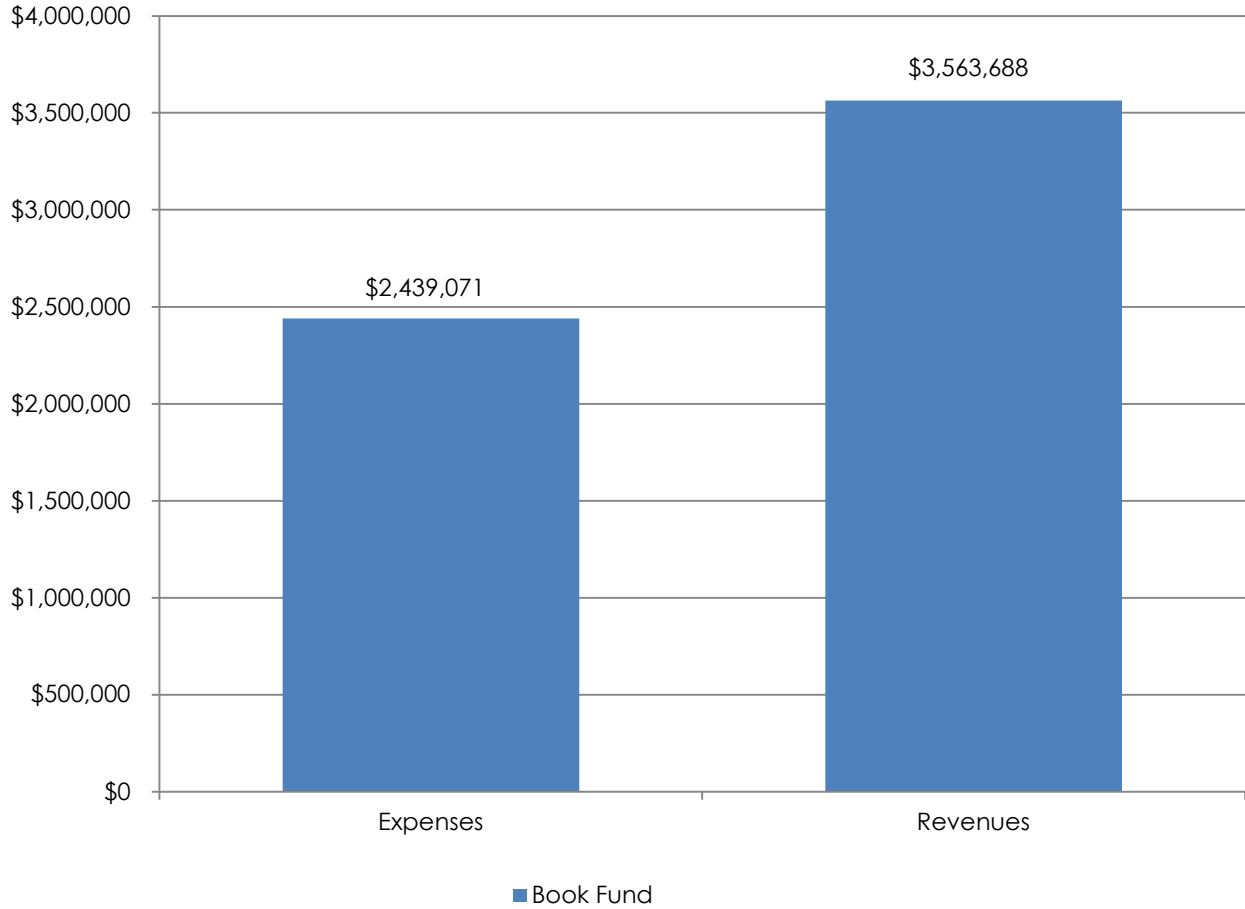
Membership dues continues to be the primary source of revenue for the State Bar. Total membership dues collections, including sections dues, for fiscal year 2023 were \$26,356,393 compared to \$25,349,853 in the prior fiscal year. Membership dues includes regular dues, section dues, and TBLs dues payments. The State Bar anticipates a slowing growth in the revenue from dues because the projected number of licensed attorneys will likely stabilize over the next five years as new growth is offset by retiring attorneys.

TexasBarCLE charges for services were at \$15,412,742 for fiscal year 2023 compared to \$14,266,393 in revenue from fiscal year 2022. The continuing legal education offered by TexasBarCLE provides a stable income for the Bar to supplement other strategic goals that may not generate revenue, and it provides a valuable service to lawyers and the public by improving the quality of legal services. Other charges for services include Minimum Continuing Legal Education (MCLE) fees, Member Benefit fees, and Bar Journal fees.

Management's Discussion and Analysis (Unaudited)

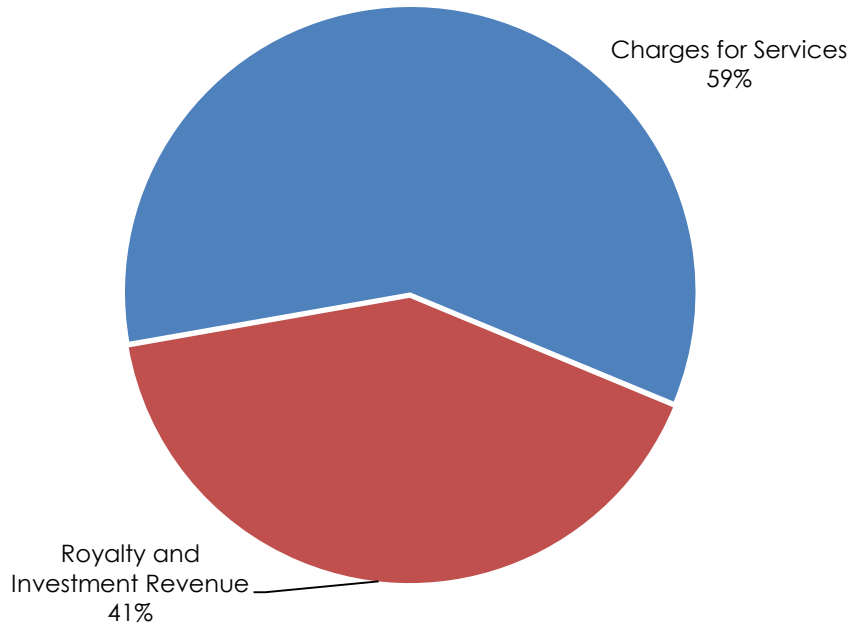
Business-type activities. Business-type activities increased the State Bar's net position by \$1,124,617 due primarily to book sales and royalty revenue. The Texas Bar Books Fund shows steady income and expenses. The revenue and expenses will fluctuate from year to year based on the number of projects that are completed during the year. A breakdown of expenses and program revenues and revenues by source type follows:

Expenses and Program Revenues—Business-Type Activities



Management's Discussion and Analysis (Unaudited)

Revenues by Source—Business Activities



The types of revenue for the State Bar's business activities continues to be charges for the sale of Texas Bar books, both online subscriptions and hard copies of practice manuals. Additionally, TexasBarBooks receives royalties from Thompson Reuters on the sale of Texas Bar books. These revenues are anticipated to remain stable.

Financial Analysis of the Government's Funds

As noted earlier, the State Bar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the State Bar's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the State Bar's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the State Bar's governmental funds reported combined ending fund balances of \$55,728,414 an increase of \$4,527,539 in comparison with the prior year. Of this amount, \$927,209 is non-spendable for inventories and prepaid items, \$33,145,843 is committed for specific uses by the Board, and \$5,340,132 is assigned to eliminate an expected future budgetary deficit.

The General Fund is the chief operating fund of the State Bar. At the end of the current fiscal year, the total fund balance of the General Fund was \$26,328,818, which is 62 percent unassigned. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37.5 percent of total General Fund expenditures. During the current fiscal year, the fund balance of the State Bar's General Fund increased by \$148,106 after paying the board commitments and transfers.

Management's Discussion and Analysis (Unaudited)

Proprietary funds: The State Bar's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, net position of Texas Bar Books totaled (\$4,246,314). The total increase in net position was \$1,124,617.

General Fund budgetary highlights: The State Bar's actual revenue for the General Fund was \$3,123,978 above budgeted amounts. The most significant positive variances resulted from TexasBarCLE fees and MCLE fees. The State Bar's actual operating expenditures and transfers were below budgeted amounts by \$2,550,772, resulting in a net variance before board committed expenditures of \$5,674,750.

Capital asset administration.

Capital assets: The State Bar's investment in capital assets for its governmental activities and business-type activities as of May 31, 2022, amounts to \$12,710,162 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and systems, furniture, equipment, digital publication, and other assets. Also, the State Bar recorded a right of use asset and a corresponding liability with the implementation of GASB 87 for the leases it held as of May 31, 2023.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,413,874	\$ 1,413,874	\$ -	\$ -	\$ 1,413,874	\$ 1,413,874
Construction in progress	918,627	248,640	-	-	918,627	248,640
Building and systems, net	2,630,534	2,701,557	-	-	2,630,534	2,701,557
Furniture, equipment, digital publication and other, net	3,010,824	4,074,633	203,947	260,156	3,214,771	4,334,789
Right-of-use asset, net	4,441,845	-	-	-	4,441,845	-
Net capital assets	\$ 12,415,704	\$ 8,438,704	\$ 203,947	\$ 260,156	\$ 12,619,651	\$ 8,698,860

Additional information on the State Bar's capital assets can be found in Note 2 on page 42 of this report.

Management's Discussion and Analysis (Unaudited)

Long-term liabilities: At the end of the current fiscal year, the State Bar had debt service of \$4,515,697 related to leases and accrued compensated absences of \$2,315,393. The current portion of liabilities, or liabilities that are due within one year include lease payments and estimated payouts of vacation leave to employees. The following table presents a summary of the State Bar's Long-term liabilities for the year ended May 31, 2023, with comparative information as of May 31, 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Lease liability	\$ 4,515,697	\$ -	\$ -	\$ -	\$ 4,515,697	\$ -
Capital lease payable	-	202,048	-	-	-	202,048
Deferred Rent	-	245,116	-	-	-	245,116
Accrued compensated absences	2,244,741	2,202,342	70,652	77,631	2,315,393	2,279,973
Net pension liability	21,451,354	27,265,719	1,369,235	1,740,365	22,820,589	29,006,084
Total OPEB Liability	<u>34,043,228</u>	<u>42,492,650</u>	<u>2,172,972</u>	<u>2,712,297</u>	<u>36,216,200</u>	<u>45,204,947</u>
Total liabilities	62,255,020	72,407,875	3,612,859	4,530,293	65,867,879	76,938,168
Less current portion	<u>(2,663,222)</u>	<u>(1,746,242)</u>	<u>(127,145)</u>	<u>(96,957)</u>	<u>(2,790,367)</u>	<u>(1,843,199)</u>
Total noncurrent liabilities	<u>\$ 59,591,798</u>	<u>\$ 70,661,633</u>	<u>\$ 3,485,714</u>	<u>\$ 4,433,336</u>	<u>\$ 63,077,512</u>	<u>\$ 75,094,969</u>

Additional information on the State Bar's noncurrent liabilities can be found in Note 5 on page 47 of this report.

Economic Factors and Next Year's Budget

For the General Fund, estimated revenues for fiscal year 2024 are \$45,021,806 and estimated expenditures and other uses are \$48,575,973. If these estimates are realized, the State Bar's budgetary General Fund balance is expected to decrease by \$3.5 million due to the expenditures related to Board commitments of excess fund balance.

Contacting the State Bar's Financial Management

This financial report is designed to provide a general overview of the State Bar's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, State Bar of Texas, and P.O. Box 12487, Austin, Texas 78711.

Basic Financial Statements

State Bar of Texas
Statement of Net Position
May 31, 2023

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents – cash in bank	\$ 27,760,905	\$ -	\$ 27,760,905
Investments	42,745,489	-	42,745,489
Receivables			
Sales, net of an allowance for uncollectibles of \$2,853 and \$69,156, respectively	54,197	383,325	437,522
Interest receivable	176,444	-	176,444
Other accounts receivable	4,179,432	-	4,179,432
Internal balances	(842,829)	842,829	-
Due from fiduciary fund	23,819	-	23,819
Inventories, net of obsolescence	14,466	372,436	386,902
Prepaid expenses	912,743	35,629	948,372
	<u>75,024,666</u>	<u>1,634,219</u>	<u>76,658,885</u>
Total current assets			
NONCURRENT ASSETS			
Capital assets			
Land	1,413,874	-	1,413,874
Construction in progress	918,627	-	918,627
Buildings, net	2,630,534	-	2,630,534
Furniture, fixtures, computer equipment, software and other equipment, net	3,010,824	203,947	3,214,771
Right of use asset, net	4,441,845	-	4,441,845
	<u>12,415,704</u>	<u>203,947</u>	<u>12,619,651</u>
Total noncurrent assets			
Total assets	<u>87,440,370</u>	<u>1,838,166</u>	<u>89,278,536</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related amounts	3,749,028	239,300	3,988,328
Pension related amounts	3,644,426	232,623	3,877,049
	<u>\$ 7,393,454</u>	<u>\$ 471,923</u>	<u>\$ 7,865,377</u>
Total deferred outflows of resources			

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Statement of Net Position – Continued

May 31, 2023

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 1,762,955	\$ -	\$ 1,762,955
Accrued liabilities	465,638	83,720	549,358
Due to custodial funds	1,099,770	-	1,099,770
Unearned revenue	15,967,889	11,243	15,979,132
Current portion lease liability	643,915	-	643,915
Current portion OPEB liability	885,051	56,493	941,544
Current portion compensated absences	1,134,256	70,652	1,204,908
	<u>21,959,474</u>	<u>222,108</u>	<u>22,181,582</u>
NONCURRENT LIABILITIES			
Lease liability	3,871,782	-	3,871,782
OPEB liability	33,158,177	2,116,479	35,274,656
Compensated absences	1,110,485	-	1,110,485
Net pension liability	21,451,354	1,369,235	22,820,589
	<u>59,591,798</u>	<u>3,485,714</u>	<u>63,077,512</u>
Total liabilities	<u>81,551,272</u>	<u>3,707,822</u>	<u>85,259,094</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related amounts	11,750,297	750,019	12,500,316
Pension related amounts	32,877,467	2,098,562	34,976,029
	<u>44,627,764</u>	<u>2,848,581</u>	<u>47,476,345</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	7,900,007	203,947	8,103,954
Unrestricted (deficit)	(39,245,219)	(4,450,261)	(43,695,480)
TOTAL NET POSITION (DEFICIT)	<u>\$ (31,345,212)</u>	<u>\$ (4,246,314)</u>	<u>\$ (35,591,526)</u>

State Bar of Texas
Statement of Activities
Year Ended May 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities:						
General government	\$ 8,642,274	\$ 671,157	\$ -	\$ (7,971,117)	\$ -	\$ (7,971,117)
Public services	2,998,134	658,169	598,943	(1,741,022)	-	(1,741,022)
Member services	16,514,641	21,943,277	1,785,218	7,213,854	-	7,213,854
Public protection	5,103,678	565,749	37,620	(4,500,309)	-	(4,500,309)
Interest on long-term liabilities	47,502	-	-	(47,502)	-	(47,502)
Total governmental activities	33,306,229	23,838,352	2,421,781	(7,046,096)	-	(7,046,096)
Business type activities						
Books	2,439,071	2,103,935	-	-	(335,136)	(335,136)
Total business-type activities	2,439,071	2,103,935	-	-	(335,136)	(335,136)
TOTAL PRIMARY GOVERNMENT ACTIVITIES	\$ 35,745,300	\$ 25,942,287	\$ 2,421,781	(7,046,096)	(335,136)	(7,381,232)
General revenues:						
Membership dues				26,356,393	-	26,356,393
Investment income				941,481	23,473	964,954
Royalty revenue				1,081,302	1,436,280	2,517,582
Other income				231,343	-	231,343
Total general revenues				28,610,519	1,459,753	30,070,272
Change in net position				21,564,423	1,124,617	22,689,040
Net position (deficit), beginning of year				(52,909,635)	(5,370,931)	(58,280,566)
NET POSITION (DEFICIT), end of year				\$ (31,345,212)	\$ (4,246,314)	\$ (35,591,526)

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Balance Sheet – Governmental Funds

May 31, 2023

	<u>General Fund</u>	<u>Sections and Divisions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents, cash in bank	\$ 11,605,475	\$ 8,895,792	\$ 7,259,638	\$ 27,760,905
Investments	29,226,478	3,925,220	9,593,791	42,745,489
Receivables				
Sales to members and other, net of an allowance for uncollectibles of \$2,853	54,197	-	-	54,197
Interest receivable	119,982	13,306	43,156	176,444
Other accounts receivable	3,911,438	241,051	26,943	4,179,432
Due from other governmental funds	1,152,712	1,302,452	1,921,466	4,376,630
Due from fiduciary fund	23,819	-	-	23,819
Inventories	14,466	-	-	14,466
Prepaid items	698,499	100,484	113,760	912,743
TOTAL ASSETS	\$ 46,807,066	\$ 14,478,305	\$ 18,958,754	\$ 80,244,125
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable	\$ 1,583,246	\$ 134,908	\$ 44,801	\$ 1,762,955
Accrued liabilities	448,075	17,063	500	465,638
Due to other governmental funds	3,223,918	591,723	560,989	4,376,630
Due to enterprise fund	842,829	-	-	842,829
Due to custodial fund	1,099,770	-	-	1,099,770
Unearned revenue	13,280,410	1,720,777	966,702	15,967,889
Total current liabilities	<u>20,478,248</u>	<u>2,464,471</u>	<u>1,572,992</u>	<u>24,515,711</u>
Fund balances:				
Nonspendable	712,965	100,484	113,760	927,209
Committed	3,960,491	11,913,350	17,272,002	33,145,843
Assigned	5,340,132	-	-	5,340,132
Unassigned	16,315,230	-	-	16,315,230
Total fund balances	<u>26,328,818</u>	<u>12,013,834</u>	<u>17,385,762</u>	<u>55,728,414</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,807,066	\$ 14,478,305	\$ 18,958,754	\$ 80,244,125

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position May 31, 2023

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 55,728,414
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.	12,415,704
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	(21,451,354)
OPEB liability	(34,043,228)
Deferred outflows related to net OPEB liability	3,749,028
Deferred inflows related to net OPEB liability	(11,750,297)
Deferred outflows related to net pension liability	3,644,426
Deferred inflows related to net pension liability	(32,877,467)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These items include:	
Lease liability	(4,515,697)
Compensated Absences	(2,244,741)
	<hr/>
NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (31,345,212)</u></u>

State Bar of Texas

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds Year Ended May 31, 2023

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Membership dues	\$ 21,478,915	\$ 2,632,952	\$ 2,306,474	\$ 26,418,341
Accounting and management fees	586,843	-	-	586,843
Texas Bar Journal	676,500	-	-	676,500
MCLE fees	4,371,129	-	-	4,371,129
Professional development	14,660,918	751,824	-	15,412,742
Minority affairs	531,950	-	-	531,950
Investment income	552,715	194,769	193,995	941,479
Grant revenue	-	-	695,643	695,643
Member benefits	1,093,223	-	-	1,093,223
Website	712,723	-	-	712,723
Advertising review	260,850	-	-	260,850
CDC disciplinary fees	565,749	-	-	565,749
Other income	1,409,385	741,860	566,759	2,718,004
	<u>46,900,900</u>	<u>4,321,405</u>	<u>3,762,871</u>	<u>54,985,176</u>
EXPENDITURES				
Executive	3,319,481	-	-	3,319,481
Member and public service	2,312,157	-	-	2,312,157
Professional development	9,722,061	-	-	9,722,061
Legal and attorney services	1,755,206	-	-	1,755,206
Access to justice commission	570,763	-	-	570,763
Law practice and management division	198,579	-	-	198,579
Attorney compliance	1,982,542	-	-	1,982,542
Operations and security division	2,795,525	-	78,385	2,873,910
Finance and information technology	4,459,205	-	458,189	4,917,394
Communications	3,146,045	-	-	3,146,045
Public protection	10,266,894	-	889,769	11,156,663
Special services	-	3,719,765	2,757,641	6,477,406
Expenditures related to Board commitments	718,667	-	-	718,667
Capital outlay	1,836,979	-	669,987	2,506,966
Debt service				
Principal	432,249	-	157,025	589,274
Interest	36,118	-	11,384	47,502
	<u>43,552,471</u>	<u>3,719,765</u>	<u>5,022,380</u>	<u>52,294,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,348,429</u>	<u>601,640</u>	<u>(1,259,509)</u>	<u>2,690,560</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	1,836,979	-	-	1,836,979
Transfers in	-	-	5,037,302	5,037,302
Transfers out	(5,037,302)	-	-	(5,037,302)
	<u>(3,200,323)</u>	<u>-</u>	<u>5,037,302</u>	<u>1,836,979</u>
Net change in fund balances	148,106	601,640	3,777,793	4,527,539
FUND BALANCES, beginning of year,	26,180,712	11,412,194	13,607,969	51,200,875
FUND BALANCES, end of year	\$ 26,328,818	\$ 12,013,834	\$ 17,385,762	\$ 55,728,414

The Notes to the Financial Statement are an integral part of this statement.

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 Year Ended May 31, 2023

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 4,527,539

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	2,506,966
Depreciation and amortization expense	(1,408,733)
Increase in right of use assets due to implementation of GASB 87	2,878,766

Proceeds from leases provide current financial resources to governmental funds, but issuing debt increases noncurrent liabilities in the statement of net position; repayment of leases is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position:

Leases and financed purchases	(1,836,979)
Principal retirement	589,274
Increase in obligations due to implementation of GASB 87	(3,065,943)

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	14,856,116
Change in OPEB liability and related deferred inflows and outflows	2,314,700
Change in deferred rent	245,116
Change in compensated absences	(42,399)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 21,564,423

State Bar of Texas

Statement of Net Position – Proprietary Funds

May 31, 2023

	Texas Bar Books
ASSETS	
CURRENT ASSETS	
Accounts receivable, net of allowance for uncollectibles of \$69,156	\$ 383,325
Due from other funds	842,829
Inventories, net of obsolescence	372,436
Prepaid expenses	35,629
Total current assets	<u>1,634,219</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation of \$430,733	<u>203,947</u>
TOTAL ASSETS	<u>1,838,166</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related amounts	239,300
Pension related amounts	232,623
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 471,923</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued liabilities	\$ 83,720
Unearned revenue	11,243
OPEB Liability	56,493
Accrued compensated absences	70,652
Total current liabilities	<u>222,108</u>
NONCURRENT LIABILITIES	
OPEB Liability	2,116,479
Net pension liability	1,369,235
Total noncurrent liabilities	<u>3,485,714</u>
TOTAL LIABILITIES	<u>3,707,822</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related amounts	750,019
Pension related amounts	2,098,562
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,848,581</u>
NET POSITION (DEFICIT)	
Investment in capital assets	203,947
Unrestricted (deficit)	<u>(4,450,261)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (4,246,314)</u>

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds Year Ended May 31, 2023

	Texas Bar Books
OPERATING REVENUES	
Charges for sale and services	
Book sales	\$ 2,103,935
Total operating revenues	<u>2,103,935</u>
OPERATING EXPENSES	
Costs of good sold	563,381
Salaries and benefits	735,159
Professional services	73,988
Administrative fee	479,040
Office, equipment, storage rentals	156,708
Postage and freight	84,972
Other administrative expenses	345,823
Total operating expenses	<u>2,439,071</u>
Operating loss	<u>(335,136)</u>
NONOPERATING REVENUES	
Investment income	23,473
Royalty revenue	1,436,280
Total nonoperating revenues	<u>1,459,753</u>
Change in net position	1,124,617
NET POSITION (DEFICIT), beginning of year	<u>(5,370,931)</u>
NET POSITION (DEFICIT), end of year	<u>\$ (4,246,314)</u>

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Statement of Cash Flows –
Proprietary Funds
Year Ended May 31, 2023

	Texas Bar Books
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,305,522
Payments to suppliers for goods and services	(1,744,907)
Payments to employees	(1,838,148)
Net cash used in operating activities	<u>(1,277,533)</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Interfund transactions	(182,220)
Net cash used in noncapital financing	<u>(182,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	23,473
Royalties received	1,436,280
Net cash provided by investing activities	<u>1,459,753</u>
Net change in cash and cash equivalents	-
CASH AND CASH EQUIVALENTS, beginning of year	-
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (335,136)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	56,209
Changes in assets and liabilities	
Accounts receivable	201,587
Inventories, net of obsolescence	(27,474)
Accrued liabilities	(13,948)
Unearned revenue	(20,153)
Accrued compensated absences	(6,979)
OPEB liability	(147,747)
Net pension liability	(948,263)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (1,277,533)</u>

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Statement of Net Position –
Fiduciary Funds
May 31, 2023

	Custodial Funds	State Bar of Texas Insurance Trust Private-Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash in bank	\$ 5,488,611	\$ 993,203
Accounts receivable	-	7,500
Due from general fund	1,099,770	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>6,588,381</u>	<u>1,000,703</u>
LIABILITIES		
Due to general fund	-	23,819
Due to other organizations	5,443,924	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>5,443,924</u>	<u>23,819</u>
NET POSITION		
Restricted for:		
Access to Justice	1,144,457	-
Held in Trust for member group insurance benefits	-	976,884
	<u> </u>	<u> </u>
TOTAL NET POSITION	<u>\$ 1,144,457</u>	<u>\$ 976,884</u>

The Notes to the Financial Statement are an integral part of this statement.

State Bar of TexasStatement of Changes in Net Position –
Fiduciary Funds
Year Ended May 31, 2023

	Custodial Funds	State Bar of Texas Insurance Trust Private-Purpose Trust Fund
ADDITIONS		
Contributions of subscribers	\$ -	\$ 7,843,245
Contributions	1,823,138	-
Royalties	-	76,650
Service agreement revenue	-	750,000
Other Income	-	46
Total additions	<u>1,823,138</u>	<u>8,669,941</u>
DEDUCTIONS		
Payments to Other Entities	1,814,869	-
Premiums to insurance carrier	-	7,843,245
Accounting fees	-	12,262
Insurance	-	184,278
Service agreement fee	-	250,000
Total deductions	<u>1,814,869</u>	<u>8,289,785</u>
Income before income tax benefit	8,269	380,156
INCOME TAX BENEFIT	<u>-</u>	<u>8,500</u>
Change in net position	8,269	371,656
NET POSITION, beginning of year	<u>1,136,188</u>	<u>605,228</u>
NET POSITION, end of year	<u>\$ 1,144,457</u>	<u>\$ 976,884</u>

The Notes to the Financial Statement are an integral part of this statement.

State Bar of Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The State Bar of Texas' (the State Bar) enabling legislation, Texas Rev. Civ. Stat. Ann. Art. 320a-I (Vernon Supp. 1986), provides the authority for operations of the State Bar. In 1939, the State Bar was created by the State of Texas legislature. Located in the judicial branch of the State government, its primary responsibility is to cooperate in the regulation of the practice of law in the State of Texas. The State Bar is an administrative branch or department of the Supreme Court of Texas. This report includes the funds and account groups required to account for those activities, organizations and functions which are related to the State Bar and are controlled by the State Bar. The State Bar is included in the financial statements of the State of Texas as a component unit.

The State Bar's major activities or functions include the collection and monitoring of membership dues, discipline of attorneys, development and accreditation of professional development courses, publishing and printing of legal text for sale to members, preparation and distribution of the Bar Journal and providing access to a database of legal information for member use. These activities are included in the accompanying financial statements.

Component Units

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a government unit. Because of the closeness of their relationships with the primary government, some component units are blended as though they are part of the primary government.

The State Bar appoints a majority of members to the Texas Bar Foundation's (the Foundation) and the Texas Center for Legal Ethics' (the Center) governing body; however, because the State Bar is not in a position to impose its will on or significantly influence the programs, projects, activities or level of service performed by the Foundation or the Center, and because no financial burden or benefit exists between the State Bar and the Foundation or the Center, they are not considered a component unit of the State Bar.

Blended Component Units

The relationship among the following component units and the State Bar is such that it meets the criteria, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, for inclusion in the reporting entity and are such that the financial statements are blended with those of the State Bar.

The Texas Bar College (the College) is an honor society designed to recognize attorneys who accumulate at least twice as many continuing legal education credit hours each year than the minimum required. The College was created in 1981 by order of the Texas Supreme Court. The College is governed by an 18-member board of directors, of which, 12 members are appointed by the State Bar's President, and six members are appointed by the State Bar's President based on nominations submitted by the College's board. The College is a section 501(c)(3) corporation and is funded through membership dues, investment income and merchandise sales. The College is reported as a Special Revenue Fund because the services it provides, exclusively benefits the State Bar.

State Bar of Texas

Notes to the Financial Statements

Law Focused Education, Inc. was created in 1975 as a section 501(c)(3) corporation to plan, promote and support law-related education programs aimed at preparing elementary, middle and high school students for effective, responsible citizenship and who are committed to liberty, justice and the Rule of Law. Law Focused Education, Inc. is governed by a 16-member board of directors, all of which are appointed by the State Bar's President. Law Focused Education, Inc. is made up of two funds: Hatton W. Sumners Grants Fund and Law Focused Education, both of which are reported as Special Revenue Funds because the services it provides, exclusively benefits the State Bar. Contact the Finance Division of the State Bar to obtain financial statements of the blended component units.

The State Bar of Texas Insurance Trust and Affiliate consists of the State Bar of Texas Insurance Trust (the Trust) and the SBIT Insurance Agency, LLC (the Agency). The State Bar of Texas Insurance Trust and Affiliate is custodial in nature and is reported with the fiduciary fund financial statements as a private purpose trust fund.

The State Bar evaluated GASB No. 61 and determined the Trust meets the criteria for inclusion in the reporting entity as a blended component unit.

The Trust was formed in 1973 to provide group insurance benefits to members of the State Bar, including their employees, employees of the State Bar and the Trust and families of all eligible participants.

Premiums for the group policies are collected by the Trust and are remitted to the insurance company, Prudential Insurance Company of America (Prudential), who underwrites the State Bar of Texas Insurance Program (the Program). Prudential is responsible for all claims.

The Agency was formed on January 11, 2005, as a general lines insurance agency. The Agency was formed to assist employees of the State Bar, the Trust and the families of eligible participants in acquiring insurance from companies other than those currently provided by the Trust. The Trust owns 100% of the membership interest of the Agency and is, therefore, consolidated in its financial statements. All intercompany balances and transactions have been eliminated.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the State Bar and are reported on a full accrual basis of accounting, using the economic resource measurement focus, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in process of consolidation. Governmental activities, which are supported by dues, fees, grants and other revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the State Bar's nonfiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. All capital asset depreciation is reported as a direct expense of the financial program that benefits from the use of the capital assets. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Membership dues and other items not required to be included among program revenues are reported instead as general revenues.

State Bar of Texas

Notes to the Financial Statements

Membership dues are reported as general revenues as they are the primary revenue source of the State Bar and attorneys are required to pay this membership due in order to practice law in the State of Texas.

Fund Financial Statements

The fund financial statements provide information about the State Bar's funds, including its fiduciary funds and blended component units. Separate financial statements for each fund category – governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Fund Accounting

The accounts of the State Bar are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate.

Fund Structure

Governmental Fund Types

The State Bar reports the following major governmental funds:

General Fund: The General Fund is the State Bar's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds: The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Sections and Divisions are a special revenue fund reported as a major governmental fund. The Sections and Divisions are created by the State Bar's Board and serve the individual members of the State Bar in certain legal specialization areas. The Sections and Divisions' officers are elected by the members of the individual sections and divisions and are responsible for maintaining and administering their operations. Although the Sections and Divisions collect a portion of their revenues and pay expenditures for administration and operations individually, the State Bar administers the collection of dues for the Sections and Divisions. The State Bar believes it is unlikely that it will be required to use its assets to satisfy future claims of the Sections and Divisions; however, the State Bar is liable for any claims should they occur.

Proprietary Fund: Proprietary fund types are used to account for the State Bar's ongoing activities, which are operated similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise Fund: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the State Bar has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accounting.

The State Bar reports its Book Enterprise Fund, known as Texas Bar Books, as a major enterprise fund. The Book Enterprise Fund accounts for the activities relating to the sales of books. The principal operating revenues of the State Bar's Book Enterprise Fund are charges for the sales of books and royalty income. Operating expenses include the cost of sales and services, and administrative expenses.

State Bar of Texas

Notes to the Financial Statements

Additionally, the State Bar reports the following nonmajor fund types:

Special Revenue Funds: The special revenue funds include: Texas Board of Legal Specialization Fund, Texas Bar College, Annual Meeting, Client Security Fund, Project Grants Fund, Hatton W. Sumners Grants Fund, Law Focused Education and Department of Public Service.

Capital Projects Funds: The capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The capital projects funds include the Texas Law Center and the Technology Fund.

Fiduciary Funds: Fiduciary funds account for assets held by the State Bar in a trustee or custodial capacity for the benefit of others and cannot be used to support the State Bar's activities. The State Bar has the following fiduciary fund types:

Custodial Fund – The custodial fund used to account for reporting voluntary access to justice contributions.

Private-Purpose Trust Fund: Component Unit – Additional information about the blended presented component unit, the State Bar of Texas Insurance Trust and Affiliate, a private purpose trust fund, can be found on pages 27-29.

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The custodial funds do not have a measurement focus, but are reported using 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. Internal activity between funds is eliminated in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus means that only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present resources (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues earned are recognized as soon as they are both measurable and available. For this purpose, State Bar considers revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State Bar considers revenues to be available if they are collected within 60 days after year-end.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, other postemployment benefits, pension-related amounts and claims and judgments are recognized as expenditures only when the liability has matured and payment is due. Capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital financing and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State Bar's proprietary funds are charges for services. Operating expenses for proprietary funds include the costs of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Notes to the Financial Statements

Budget and Budgetary Accounting

The State Bar's budget is prepared annually by the Executive Director for the General Fund and is reviewed by the budget committee of the Board and adopted by the Board. The Sections and Divisions major fund and other special revenue funds do not have appropriated budgets since other means control the use of these resources. The budget passes several stages of review, including a public hearing, adoption by the Board and approval by the Supreme Court of Texas. The budget may be amended at any meeting of the Board, but the amendments made are subject to the approval of the Supreme Court of Texas. Variances from budgeted revenues and expenditures are analyzed by management, the audit and finance committee, the executive committee and the Board. Regulations do not prohibit the State Bar from having unfavorable variances.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position

Cash and Cash Equivalents: The State Bar's cash and cash equivalents are considered to be demand deposits, petty cash and money market accounts. Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Investments: Investments consist primarily of United States treasury securities, government agency securities, commercial paper and money market mutual funds, which are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investments are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, estimated fair values using observable inputs including quoted prices for similar securities, interest rates, net asset values (NAV) of underlying securities and a fixed income pricing model which uses available market rates. Investments in nonnegotiable certificates of deposit are reported at amortized costs.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Chapter 2256 of the Texas Governmental Code (Public Funds Investment Act) authorizes the State Bar to invest in funds under a written investment policy. The State Bar's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the State Bar's investment strategy, in order of priority, are preservation and safety of principal, liquidity and return on investment.

Receivables

Receivables represents amounts due from sales to members and others. All receivables are shown net of an allowance for uncollectibles, if applicable. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to net position. Losses are charged against the allowance when management believes the uncollectibility of a receivable is probable. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. At May 31, 2023, the State Bar governmental activities and business-type activities reported an allowance of \$2,853 and \$69,156 respectively.

State Bar of Texas

Notes to the Financial Statements

Inventories

Inventories consists of merchandise such as books and other publications held for sale by the State Bar, which are valued at the lower of cost or market. Cost is determined for inventories on the first-in, first-out method. Merchandise inventories reported in the General Fund are offset in the fund level financial statements by a nonspendable fund balance to indicate they do not represent available spendable resources.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, consisting of land, buildings, furniture and fixtures, computer equipment, software and other equipment, are reported in the governmental activities and business-type activities columns of the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the State Bar as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Asset Life
Buildings	30 years
Furniture and fixtures	10 to 20 years
Computer equipment	3 to 5 years
Software	3 to 5 years
Other equipment	5 to 10 years

Accounts Payable

Accounts payable represent the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Unearned Revenue

The State Bar collects certain dues, fees and subscription revenue in advance for future events or for license, fees and memberships with periods beginning subsequent to year-end.

These receipts are accounted for as unearned revenue, which will be earned and recognized in the subsequent fiscal year, as the events occur and the licenses and memberships commence.

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Notes to the Financial Statements

Leases

State Bar is a lessee for a non-cancelable lease of office equipment and facilities. State Bar recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. At the commencement of the lease, State Bar initially measures the lease liability at the present value of the payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amounts of the lease liability, adjusted for least payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the State Bar determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, (3) lease payments.

- State Bar uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, State Bar generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price the State Bar is reasonably certain to exercise.

State Bar monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

The State Bar grants paid annual leave to its employees. The amount of annual leave that employees accrue depends on the length of State of Texas service as of the employee's anniversary date and accrued days and allowable carryover hours increases with the length of service. Subject to certain limitations and requirements, employees' accrued annual leave may be used while employed, through the transfer to another State of Texas agency, at the termination of employment, at death or retirement. The current and long-term liabilities for accumulated vacation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds upon the occurrence of relevant events such as resignations, retirements and other uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid. Accrued annual leave of \$2,244,741 and \$70,652 was recorded as accrued compensated absences for governmental activities and business-type activities, respectively, for the year ended May 31, 2023.

Pensions

The fiduciary net position of the Employees Retirement System of Texas Plan (ERS) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the State Bar's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions and deductions from ERS's fiduciary net position.

Benefit payments by ERS (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments of ERS are reported at fair value.

State Bar of Texas

Notes to the Financial Statements

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.

Deferred outflows of resources consists of items not yet charged to pension and OPEB expense and contributions from the State Bar after the measurement date but before the end of the State Bar's reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of items including difference between expected and actual experience, changes in assumptions and the change in proportion and contribution differences for pension and OPEB amounts.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide financial statements and proprietary fund financial statements. Net position consists of the following:

Net Investment in Capital Assets

Consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding capital lease obligations attributed to the acquisition of those assets.

Restricted Net Position

Net position is reported as restricted when there are external limitations imposed on its use by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Represents the remaining portion of net position.

Fund Balance

Fund balance is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund financial statements. Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund statements.

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, such as inventories and prepaid items, or amounts that are legally or contractually required to be maintained intact. The nonspendable form criterion includes items that are not expected to be converted to cash.

State Bar of Texas

Notes to the Financial Statements

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the State Bar can be compelled by an external party, such as citizens, public interest groups or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to a fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the State Bar for specific purposes, but do not meet the criteria to be classified as restricted or committed. In Governmental Funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a State Bar official delegated by the Board or by resolution.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other Governmental Funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance/net position are available, the State Bar considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned/unrestricted funds, as needed, unless the Board or its delegated official has provided otherwise in its commitment or assignment actions.

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Notes to the Financial Statements

The following table details fund balances between the various categories as of May 31, 2023:

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total
Fund balances				
Nonspendable				
Inventories	\$ 14,466	\$ -	\$ -	\$ 14,466
Prepaid items	698,499	100,484	113,760	912,743
Total nonspendable	<u>712,965</u>	<u>100,484</u>	<u>113,760</u>	<u>927,209</u>
Committed to				
Texas Law Center projects	-	-	6,795,148	6,795,148
Legal Reserve account	500,000	-	-	500,000
Access to Justice (ATJ) student loan repayment program	557,500	-	-	557,500
Presidential initiatives	191,168	-	-	191,168
Legal Access Division Programs	52,975	-	-	52,975
Client Security Fund	-	-	4,576,182	4,576,182
Technology Fund	530,000	-	-	530,000
Texas Opportunity and Justice Incubator Program	265,975	-	-	265,975
Sheeran Crowley Trust	250,000	-	-	250,000
Referendum Reserve	150,000	-	-	150,000
Contingency for SCBP	24,064	-	-	24,064
Public Information Campaign	20,000	-	-	20,000
Archives Digitization Project	39,500	-	-	39,500
Insurance Expenditures	33,728	-	-	33,728
Run-off Election Reserve	70,000	-	-	70,000
Ethics initiatives	8,801	-	-	8,801
Sections	-	11,913,350	-	11,913,350
Information Technology	-	-	1,676,119	1,676,119
Special Revenue Funds	-	-	4,224,553	4,224,553
Building Fund	1,000,000	-	-	1,000,000
HR Compensation Study	200,000	-	-	200,000
Texas Access to Justice Project	66,780	-	-	66,780
Total committed	<u>3,960,491</u>	<u>11,913,350</u>	<u>17,272,002</u>	<u>33,145,843</u>
Assigned to				
FY24 Operations Reserves	5,340,132	-	-	5,340,132
Total assigned	<u>5,340,132</u>	<u>-</u>	<u>-</u>	<u>5,340,132</u>
Unassigned	16,315,230	-	-	16,315,230
Total fund balances	<u><u>\$ 26,328,818</u></u>	<u><u>\$ 12,013,834</u></u>	<u><u>\$ 17,385,762</u></u>	<u><u>\$ 55,728,414</u></u>

State Bar of Texas

Notes to the Financial Statements

At the September 2005 Board meeting, the Board adopted a financial policy to maintain a minimum level of unrestricted fund balance. The minimum level for the year ended May 31, 2023, is approximately \$11.9 million of the unassigned fund balance. The target level is based on 3.0 months of budgeted operating expenditures.

Transfers

Legally required transfers that are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund. Interfund transfers are reported as other financing sources/uses in the governmental funds and after nonoperating revenues/expenses in the proprietary funds.

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are shown in the financial statements as, due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. These balances will be repaid within the next year and, therefore, are classified as current.

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the State Bar's interfund activities and balances are presented in Note 12.

Significant Estimates

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

State Bar of Texas
Notes to the Financial Statements

Note 2. Capital Assets

Capital asset activity for the year ended May 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions	CIP Transfers and Adjustments	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,413,874	\$ -	\$ -	\$ -	\$ 1,413,874
Construction in progress	248,640	669,987	-	-	918,627
Total capital assets not being depreciated	1,662,514	669,987	-	-	2,332,501
Capital assets being depreciated and amortized:					
Buildings	8,498,637	-	-	-	8,498,637
Furniture, fixtures, computer equipment, software and other equipment	16,549,299	-	(1,162,423)	-	15,386,876
Right of use asset	-	4,962,435	-	-	4,962,435
Total capital assets being depreciated and amortized	25,047,936	4,962,435	(1,162,423)	-	28,847,948
Less accumulated depreciation and amortization for:					
Buildings	(5,797,080)	(71,023)	-	-	(5,868,103)
Furniture, fixtures, computer equipment, software and other equipment	(12,474,666)	(817,120)	915,734	-	(12,376,052)
Right of use asset	-	(520,590)	-	-	(520,590)
Total accumulated depreciation and amortization	(18,271,746)	(1,408,733)	915,734	-	(18,764,745)
Total capital assets being depreciated and amortized, net	6,776,190	3,553,702	(246,689)	-	10,083,203
Governmental activities capital assets, net	\$ 8,438,704	\$ 4,223,689	\$ (246,689)	\$ -	\$ 12,415,704
Business-type activities:					
Furniture, fixtures, computer equipment, software and other equipment	\$ 634,680	\$ -	\$ -	\$ -	\$ 634,680
Accumulated depreciation and amortization	(374,524)	(56,209)	-	-	(430,733)
Business-type activities capital assets, net	\$ 260,156	\$ (56,209)	\$ -	\$ -	\$ 203,947

Depreciation and amortization expense for the year ended May 31, 2023, was allocated in the following manner:

Governmental Activities	
General government	\$ 1,250,209
Member services	158,524
Total depreciation expense - governmental activities	\$ 1,408,733

Depreciation expense of \$56,209 was allocated to the bar books function for the year ended May 31, 2023.

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Notes to the Financial Statements

Note 3. Deposits, Investments and Repurchase Agreements

Deposits of Cash in Bank

As of May 31, 2023, the carrying amount of deposits totaled \$34,242,719 as presented below:

	Carrying Amount	Bank Balance
Governmental, business-type and fiduciary activities:		
Cash in bank - carrying amount	\$ 28,734,346	\$ 29,379,956
Money market mutual funds - carrying amount at net asset value	5,508,373	5,508,373
Total cash in bank	\$ 34,242,719	\$ 34,888,329

These amounts are included on the statement of net position and statement of net position – fiduciary funds as cash and cash equivalents.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the State Bar will not be able to recover deposits or collateral securities that are in the possession of an outside party. The State Bar has a deposit policy for custodial credit risk, which requires bank deposit accounts to be collateralized with pledged securities. As of May 31, 2023, the State Bar's deposits are not exposed to custodial credit risk because they are collateralized with securities held by the Federal Reserve in the State Bar's name in the amount of \$30.8 million.

Investments

The State Bar uses various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, established a hierarchy that prioritizes inputs to valuation methods. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the State Bar has the ability to access at the measurement date.

Level 2 inputs are observable inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 inputs are unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the State Bar's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

State Bar of Texas

Notes to the Financial Statements

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments measured at fair value using NAV per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy.

As of May 31, 2023, the fair value of investments were as follows:

Governmental Activities

	Carrying Value	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fixed income securities:					
US Treasury securities	\$ 26,930,848	\$ 26,930,848	\$ -	\$ -	\$ -
US government agency obligations	12,093,762	-	12,093,762	-	-
GNMA Pool	32,617	-	-	-	32,617
Certificates of deposit	3,688,262	-	-	-	3,688,262
Total investments at fair value	\$ 42,745,489	\$ 26,930,848	\$ 12,093,762	\$ -	\$ 3,720,879

U.S. Treasury securities are valued using closing bid quoted market prices as of the last business day of the month (Level 1 inputs). U.S. government agency obligations and commercial paper are valued using a yield-based matrix pricing model (Level 2 inputs). Certificates of deposits are valued at amortized cost.

Custodial Credit Risk

In the case of investments, there is a risk that in the event of the failure of a counterparty, the State Bar will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State Bar's investment policy requires that all deposits are fully insured or collateralized, as required by the Public Funds Collateral Act, 2257, of the Texas Government Code. The State Bar had no exposure to investment custodial credit risk at May 31, 2023, because all certificates of deposit were fully covered by Federal Deposit Insurance Corporation and all other investments are held in the State Bar's name.

State Bar of Texas

Notes to the Financial Statements

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Bar's investment policy allows for various types of investments including: United States government agency obligations, United States Treasury securities, certificates of deposit, Banker's acceptances, repurchase agreements, money market mutual funds and commercial paper. Investments in United States government agency obligations are not guaranteed by the United States government, but are government-sponsored enterprises. As of May 31, 2023, State Bar's credit quality distribution for securities was as follows:

Investment Type	Standard and Poor's Ratings		Total
	AAA	AA+	
US Treasury securities	\$ -	\$ 26,930,848	\$ 26,930,848
US government agency obligations	-	12,093,762	12,093,762
Money market mutual funds	5,508,373	-	5,508,373
	<u>\$ 5,508,373</u>	<u>\$ 39,024,610</u>	<u>44,532,983</u>
GNMA Pool - not applicable			3,688,262
Certificates of deposit - not rated			32,617
Less: cash and cash equivalents (money market mutual funds)			<u>(5,508,373)</u>
			<u>\$ 42,745,489</u>

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The State Bar is authorized to invest funds in accordance with its investment policy and the Texas Public Funds Investment Act. Authorized investments include, but are not limited to:

1. U.S. Treasury and federal agency securities – up to 100% of the investment portfolio (IP)
2. Mortgage-backed securities – guaranteed by U.S. government-sponsored agencies up to 30% of the IP
3. Certificates of deposit – up to 30% of the IP, but no more than 5% with any single issuer
4. Banker's acceptance – up to 15% of the IP, but no more than 5% with any single issuer
5. Repurchase agreements – up to 30% of the IP, but no more than 10% with any single issuer
6. Money market mutual funds – up to 100% of the IP
7. Commercial paper – up to 30% of the IP, but no more than 5% with any single issuer

State Bar of Texas

Notes to the Financial Statements

As of May 31, 2023, the State Bar's investments consist of the following:

Issuer	Fair Value	Percentage
US Treasury securities	\$ 26,930,848	63%
Fannie Mae	5,104,060	12%
Freddie Mac	6,989,702	16%
GNMA Pool	32,617	0%
Certificates of deposit	3,688,262	9%
Total investments	\$ 42,745,489	100%

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the State Bar manages its exposure to declines in fair values by limiting the types of investment it allows and by limiting the average maturity to five years.

As of May 31, 2023, the State Bar's investments exposure to interest rate risk was as follows:

Description	Fair Value	Weighted-Average Maturity (In Days)
US Treasury securities	\$ 26,930,848	514
US government agency obligations	12,093,762	371
GNMA Pool	32,617	2686
Certificates of deposit	3,688,262	259
Total investments	\$ 42,745,489	

Note 4. Short-Term Debt

The State Bar has no short-term debt to report for the fiscal year ended May 31, 2023.

State Bar of Texas

Notes to the Financial Statements

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities during the year ended May 31, 2023, is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Lease liability	\$ -	\$ 5,104,971	\$ (589,274)	\$ 4,515,697	\$ 643,915	\$ 3,871,782
Capital lease obligations	202,048	-	(202,048)	-	-	-
Deferred rent	245,116	-	(245,116)	-	-	-
Accrued						
compensated absences	2,202,342	1,377,474	(1,335,075)	2,244,741	1,134,256	1,110,485
Total OPEB liability	42,492,650	3,255,012	(11,704,434)	34,043,228	885,051	33,158,177
Net pension liability	27,265,719	7,040,469	(12,854,834)	21,451,354	-	21,451,354
Total governmental activities	\$ 72,407,875	\$ 16,777,926	\$ (26,930,781)	\$ 62,255,020	\$ 2,663,222	\$ 59,591,798
Business-type activities:						
Accrued						
compensated absences	\$ 77,631	\$ 100,754	\$ (107,733)	\$ 70,652	\$ 70,652	\$ -
Total OPEB liability	2,712,297	207,767	(747,092)	2,172,972	56,493	2,116,479
Net pension liability	1,740,365	449,392	(820,522)	1,369,235	-	1,369,235
Total business-type activities	\$ 4,530,293	\$ 757,913	\$ (1,675,347)	\$ 3,612,859	\$ 127,145	\$ 3,485,714

The liabilities for pension-related and OPEB debt and compensated absences are liquidated by the General Fund and the Texas Bar Books fund.

Note 6. Bonded Indebtedness

The State Bar has no bonded indebtedness to report for the fiscal year ended May 31, 2023.

Note 7. Derivatives

The State Bar has no derivatives to report for the fiscal year ended May 31, 2023.

Note 8. Leases

The State Bar entered into long-term leases for various facilities and office equipment as a lessee. The leases allow the right to use the facilities and equipment over the term of the lease. The State Bar is required to make periodic payments at its incremental borrowing rate or interest rate stated or implied within the leases. In fiscal year 2023, the State Bar recorded right-of-use assets of \$4,962,435, which are recorded in capital assets on the statement of net position. These assets had \$520,590 in amortization for the fiscal year of 2023. Lease liabilities of \$5,104,971 were recorded and are reported with long-term liabilities on the statement of net position. The difference between the right-of-use assets and lease liabilities represents the balance of lease incentives and lease prepayments as of the commencement date. In fiscal year 2023, the State Bar reduced these liabilities by \$589,274. The ending balance of lease liabilities at May 31, 2023 was \$4,515,697.

State Bar of Texas

Notes to the Financial Statements

The lease rate, term, and ending lease liability are as follows:

Governmental Activities	Liability at Commencement	Interest Rate	Lease term (years)	Balance at year-end
Office space	\$ 4,631,165	1.93% - 3.65%	4-10	\$ 4,211,895
Equipment	473,804	0.98% - 2.95%	2-5	303,802
Total Governmental Activities				\$ 4,515,697

Principal and interest requirements to maturity for the lease liabilities as of May 31, 2023 are as follows:

Year ending May 31:	Principal	Interest	Total Future Minimum Lease Payments
2024	\$ 643,915	\$ 111,515	\$ 755,430
2025	710,773	96,975	807,748
2026	621,303	81,923	703,226
2027	408,192	69,620	477,812
2028	427,128	58,717	485,845
Thereafter	1,704,386	132,356	1,836,742
Total	\$ 4,515,697	\$ 551,106	\$ 5,066,803

Note 9. Defined Benefit Pension Plans

Plan Description

The State Bar contributes to Employees Retirement System of Texas (ERS), a public employee retirement system. It is a single employer defined benefit pension plan, since the plan is for all state employees. For financial reporting purposes, ERS is treated as a cost-sharing plan, since each participating employer has an obligation to contribute. ERS provides service retirement, death and disability benefits to plan members and beneficiaries. ERS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle B, Employees Retirement System of Texas, which is subject to amendment by the Texas Legislature. The ERS' annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

State Bar of Texas

Notes to the Financial Statements

Plan Benefits

ERS plan covers members in employee and elected classes. The State Bar participates in the employee class. The benefit and contribution provisions of the ERS plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class:

- The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before Aug. 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after September 1, 2009 and before September 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after September 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.
- The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

Contributions: The contribution rates for the state and the members for the ERS plan for the measurement date of August 31, 2022, are presented in the table below:

Required Contribution Rates - ERS Plan					
Employer			Members		
Employee Class	Elected Class - Legislators	Elected Class - Other	Employee Class	Elected Class - Legislators	Elected Class - Other
10.00%	10.00%	10.00%	9.50%	9.50%	9.50%

The amount of State Bar's contributions recognized by the ERS plan during the 2022 measurement period was \$2,071,956.

Net Pension Liability

The State Bar's net pension liability was measured as of August 31, 2022, and the total pension liability is used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2021.

State Bar of Texas

Notes to the Financial Statements

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2022:

Actuarial Methods and Assumptions	
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.00%
Investment rate of return	7.00%
Inflation	2.30%
Salary increase	0.0 to 8.8%
Mortality Rate:	
	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

Long-Term Expected Rate of Return on Assets

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global equity	37.00%	2.15%
Private Equity	13.00%	1.16%
Global credit	13.00%	0.39%
Special Situations	1.00%	0.17%
Real Estate Investment Trust	3.00%	0.16%
Infrastructure/Land	7.00%	0.34%
Private Real Estate	9.00%	0.31%
Fixed Income - Rates	11.00%	-0.04%
Absolute Returns	5.00%	0.18%
Cash	1.00%	-0.01%
Total	100.00%	4.81%
Inflation		2.30%
Expected arithmetic nominal rate of return		7.11%

State Bar of Texas

Notes to the Financial Statements

Discount Rate

A single discount rate of 7.0% was applied to measure the total pension liability. The discount rate incorporated a 7.0% long-term expected rate of return on pension plan investments and 3.91% 20-year municipal bond rate based on the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index". The long-term expected investment rate of return was applied to projected benefit payments through the fiscal year before the fiduciary net position is depleted and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five-year period as of the measurement date, adjusted on consideration of subsequent events. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the state contributions for fiscal 2016 and 2017 and maintained the changes made by the 83rd legislative session in Senate Bill 1459, which established proportional decreases to the employee contribution if the state contribution was decreased. The passage of this bill is an indicator that the Legislature is committed to increase the funding levels for the pension funds. Projected employer contributions are based on fiscal year 2020 funding levels.

Sensitivity Analysis

The following presents the net pension liability of the State Bar, calculated using the discount rate of 7.00%, as well as what the State Bar's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
State Bar's proportionate share of net pension liability	\$ 31,881,906	\$ 22,820,589	\$ 15,283,909

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. ERS issues stand-alone audited Annual Comprehensive Financial Report (AFR).

More detailed information on the plan's investment valuation, investment policy, assets and fiduciary net position may be obtained from ERS' fiscal 2022 ACFR:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas 78711-3207
www.ers.texas.gov

State Bar of Texas

Notes to the Financial Statements

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related To Pension

At May 31, 2023, the State Bar reported a liability of \$22,820,589 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State Bar's proportion of the net pension liability was based on a projection of the State Bar's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined.

There have been no changes to the benefit terms of the plan since the prior measurement date. The State Bar's proportion of the entire ERS plan was 0.16445619% in fiscal year 2023, as compared to the 0.27427773% in the prior fiscal year.

For the fiscal year ended May 31, 2023, the State Bar recognized pension income of \$5,542,749. At May 31, 2023, State Bar reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 649,224	\$ (468,159)
Changes of assumptions	1,037,657	(14,289,512)
Net difference between projected and actual investment return	-	(384,563)
Change in proportion and contribution differences	597,126	(19,833,795)
Contributions subsequent to the measurement date	1,593,042	-
Total	\$ 3,877,049	\$ (34,976,029)

Contributions made subsequent to the measurement date are eligible employer contributions made from September 1, 2022 through May 31, 2023, totaling \$1,593,042, which is reported as deferred outflows of resources and will be recognized as a reduction in the net pension liability for the plan year ending August 31, 2023.

Amounts currently reported as deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense in the following years:

Years Ending May 31,	
2024	\$ (19,762,305)
2025	(12,542,762)
2026	(1,389,912)
2027	1,002,957
	<u>\$ (32,692,022)</u>

State Bar of Texas

Notes to the Financial Statements

Note 10. Deferred Compensation

The State Bar has no deferred compensation to report for the fiscal year ended May 31, 2023.

Note 11. Postemployment Benefits Other Than Pensions

In addition to the pension benefits described in Note 9, ERS provides postemployment health care, life and dental insurance benefits through the Group Benefits Program in accordance with Chapter 1551, Texas Insurance Code. This program is governed by the same Board of Trustees who are also responsible for the defined benefit pension plans.

The State Bar employees participate in the State Retiree Health Plan (SRHP) administered by ERS. SRHP is a cost-sharing multiple-employer postemployment health care plan with a special funding situation. This plan covers retired employees of the State and other entities as specified by the State legislature. Benefit and contribution provisions of SRHP are authorized by state law and may be amended by the Texas Legislature. Retirees must meet certain age and service requirements and have at least ten years of service at retirement to participate in the plan. The principal participating employer is the State of Texas. State agencies and universities employ 178,096, or 80.4%, of the employees covered by the SRHP. Participating entities are as follows:

State agencies	114
Universities	27
Junior and community colleges	50
Other entities	8
Total participating entities	199

The maximum monthly employer contributions toward eligible retirees' health and basic life premium are summarized as follows:

Retiree only	625
Retiree and spouse	1,340
Retiree and children	1,104
Retiree and family	1,819

Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity, the State of Texas pays part of the premiums for the junior and community college.

For the measurement period ending August 31, 2022, the amount of the State Bar's contributions recognized by SHRP was \$1,285,400. Fiscal year 2023 contributions were \$1,317,624.

The total OPEB liability is determined by an actuarial valuation. The actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2021.

State Bar of Texas

Notes to the Financial Statements

The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2022:

Actuarial Methods and Assumptions	
ERS Plan	
Actuarial valuation date	August 31, 2022
Actuarial cost method	Entry age
Actuarial assumptions:	
Discount rate	3.59%
Inflation	2.30%
Salary increase	2.30% to 8.95%, including inflation
Annual health care trend rate	5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
Retirement age	Experience based tables of rates that are specific to employee class
Mortality Rate:	
State Agency Members	
Service Retirees, Survivors and other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020.
Disability Retirees	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020.
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010.

Calculations are based on the benefit provided under the terms of the substantive plan in effect at the time of each valuation, and on the pattern of sharing of cost between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The discount rate that was used to measure the total OPEB liability was the municipal bond rate of 3.59% for the measurement date ending August 31, 2022, as compared to a discount rate of 2.14% as of the beginning of the measurement period. The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return.

State Bar of Texas

Notes to the Financial Statements

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of State Bar's net OPEB liability. The result of the analysis is presented in the table below:

	1% Decrease	Rate	1% Increase
	2.59%	3.59%	4.59%
State Bar's proportionate share of the net OPEB liability	\$ 42,239,034	\$ 36,216,200	\$ 31,399,381

The initial healthcare trend rate is 5.6% and the ultimate rate is 4.3%. The sensitivity of the net OPEB liability to changes in the discount rate and health care trend rate is summarized below:

	1% Decrease (4.6%, Decreasing to 3.3%)	Current Health Care Cost Trend Rates Decreasing to 4.3%)	1% Increase (6.6%, Decreasing to 5.3%)
State Bar's proportionate share of the net OPEB liability	\$ 31,014,198	\$ 36,216,200	\$ 42,857,752

More detailed information on SHRP may be obtained from ERS' fiscal 2022 ACFR:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas 78711-3207
www.ers.texas.gov

At May 31, 2023, the State Bar's recognized a total OPEB liability of \$36,216,200 for its proportionate share of the collective total OPEB liability. The State Bar's proportionate share of the total OPEB liability was 0.12713253% in fiscal year 2023, as compared to the 0.12600504% in the prior fiscal year, and was based on contributions to the OPEB plan relative to the contributions of all employers and the non-employer contributing entity for the period.

At August 31, 2022, the State Bar's reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,142,665)
Change in proportionate share and contribution difference	867,739	(162,881)
Changes of assumptions	2,127,846	(11,194,770)
Net difference between projected and actual investment return	6,247	-
Contributions subsequent to the measurement date	986,496	-
Total	\$ 3,988,328	\$ (12,500,316)

State Bar of Texas

Notes to the Financial Statements

Contributions made subsequent to the measurement date are eligible employer contributions made from September 1, 2022 through May 31, 2023, totaling \$986,496, which is reported as deferred outflows of resources and will be recognized as a reduction in the total OPEB liability for the plan year ending August 31, 2023.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Years Ended May 31,			
2024	\$	(2,661,640)	
2025		(2,100,494)	
2026		(1,979,706)	
2027		(1,727,529)	
2028		(1,029,115)	
	\$	<u>(9,498,484)</u>	

Note 12. Interfund Balances/Activities

During the course of operations, numerous transactions occurred between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds. The composition of interfund balances as of May 31, 2023, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 560,989
General Fund	Sections and Divisions	591,723
General Fund	Fiduciary Fund - SBOIT Private-Purpose Trust Fund	23,819
Sections and Divisions	General Fund	1,302,452
Nonmajor governmental funds	General Fund	1,921,466
Texas Bar Books	General Fund	842,829
Custodial Fund	General Fund	1,099,770
Total		<u>\$ 6,343,048</u>

During the year, the General Fund transferred \$5,037,302 to nonmajor governmental funds to supplement operations, to fund the purchase of its new headquarter building, and to fund claims, technology projects, and future renovations to the Texas Law Center.

Note 13. Continuance Subject to Review

The State Bar is subject to the Texas Sunset Act (Chapter 325). Subsequent to May 31, 2016, the revised State Bar Act was approved (Texas Gov. Code section 81.001 et. seq.), which recreated the State Bar until September 1, 2029, and thereafter, contingent upon the State of Texas legislature and the Supreme Court of Texas.

State Bar of Texas

Notes to the Financial Statements

Note 14. Adjustment to Net Position

The State Bar has no adjustments to net position to report for the fiscal year ended May 31, 2023.

Note 15. Contingencies and Commitments

The State Bar has no contingencies or commitments to report for the fiscal year ended May 31, 2023.

Note 16. Subsequent Events

Management evaluated the need for disclosures and/or adjustments resulting from subsequent events through November 20, 2023, the date the financial statements were available to be issued. There are no subsequent events that necessitate disclosure and/or adjustments.

Note 17. Risk Management

The State Bar is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The State Bar purchases commercial insurance to cover risks associated with potential claims. For the fiscal year ended May 31, 2023, there were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. State Bar employees are included in the Texas Employees Group Benefits Program (GBP) administered by the ERS, whose risk of loss is retained with self-insured plans or transferred to the insurance carrier with health maintenance organization (HMO) plans.

Texas Employees Group Benefits Program

Claims for health, life, accidental death and dismemberment, disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental health maintenance organizations contracts.

Note 18. Management's Discussion and Analysis (MD&A)

See pages 7-17 for MD&A.

Note 19. The Financial Reporting Entity

See pages 31-41.

Note 20. Stewardship, Compliance and Accountability

The State Bar had none to report.

Note 21. Placeholder Note

Note 22. Donor-Restricted Endowments

The State Bar has no donor-restricted endowments to report for the fiscal year ended May 31, 2023.

State Bar of Texas

Notes to the Financial Statements

Note 23. Extraordinary and Special Items

The State Bar has no extraordinary or special items to report for the fiscal year ended May 31, 2023.

Note 24. Disaggregation of Receivable Balances

The State Bar had other accounts receivable at May 31, 2023, which consisted of the following:

General Fund:	
Clerk of the Supreme Court	\$ 3,429,774
Texas Center for Legal Ethics	78,572
Texas Supreme Court Historical Society	35,943
Texas Bar Foundation	192
Other	366,957
	<hr/>
	3,911,438
Sections and Divisions:	
Family Law Royalties	53,760
Law Business Research	29,031
Other	158,260
	<hr/>
	241,051
Nonmajor governmental funds:	
Refundable deposits	6,943
Other	20,000
	<hr/>
	26,943
	<hr/>
Total	\$ 4,179,432

Note 25. Termination Benefits

The State Bar has no termination benefits to report for the fiscal year ended May 31, 2023.

Note 26. Component Unit – State Bar of Texas Insurance Trust and Affiliate Agreement between Primary Government and Component Unit

The Trust entered into a professional services agreement on April 14, 2016. Under this agreement, the State Bar established and maintains a private insurance exchange through which qualified insurance companies can market and sell their products to members of the State Bar. The Trust offers insurance coverage to members of the State Bar and have been allowed to participate in the State Bar private insurance exchange since inception in October 2013. This agreement provides for the payment of an initial fee of \$687,000 and an annual fee of \$250,000 thereafter, paid quarterly beginning June 1, 2016, by the Trust to the State Bar in exchange for the State Bar's professional services.

Contributions of Subscribers and Premiums to Insurance Carrier

Contributions of subscribers, as required by the Program, are credited to net position. In turn, premiums for insurance coverage are charged against net position and are payable to the insurance carrier, in accordance with applicable policy provisions, in amounts based on rates established by the carrier.

State Bar of Texas

Notes to the Financial Statements

Royalties

Royalties are received from an administration agreement between the Trust and Business Planning Concepts, Inc. (dba Member Benefits), whereby Member Benefits provides administrative duties pertaining to the insurance program offered by the Trust. Royalty income is recognized when Member Benefits collect the premiums.

Commissions

Effective January 2, 2014, the Trust entered into a purchase and sales agreement with Member Benefits. Under this agreement, the Trust agreed to sell its book of medical insurance business and its Affiliate agreed to sell its book of individual and small group medical insurance business to Member Benefits for a purchase price equal to 15% of revenues received in connection with the books of business. Monthly payments related to this agreement began on February 15, 2014. The agreement was amended on January 1, 2020 extending monthly payments for a total of 120 months. Commission revenue is recognized when Member Benefits receive the commissions related to the sold insurance policies.

Rental income

Rental income is recognized on a straight-line basis over the term of each lease.

Service Agreement Revenue

The Trust recognizes service revenue when expenses are incurred that require a withdrawal from the premium stabilization fund.

Income Taxes

The Trust and Agency are subject to the Texas gross margin tax. The Trust files a United States federal income tax return.

Description of the Program

The Trust Program is a plan sponsor for association group insurance which provides for group term life, long-term disability, office overhead and personal accident benefits. The Trust Program, including all benefit charges are fully insured through contracts with Prudential. The Trust Program has no benefit obligations outstanding as of May 31, 2023.

Program Terminations

In the event the Program terminates, the net position of the Program will be allocated, as prescribed by the Trust Agreement, to provide the following benefits in the order indicated:

1. To liquidate all obligations of the Program;
2. To continue insurance on all those insured to the extent possible; and
3. To be applied to either the benefit of those insured or paid directly to the insured.

Contributions

At the option of each subscriber, contributions from insured employees may be required to defray the cost of providing insurance under a policy.

State Bar of Texas

Notes to the Financial Statements

Reserve for Premium Stabilization

The underwriter of the Program, Prudential, maintains a premium stabilization reserve on behalf of the Trust. The reserve's purpose is to equalize the net premium cost to the Trust and, thus, minimize fluctuations in premium cost from year-to-year by reason of variation in claim experience. Together, these funds comprise the reserve for premium stabilization.

The premium stabilization fund represents the accumulation of (a) premiums paid in excess of claims and other charges and (b) interest credited to the funds. This fund is used under the terms of each contract for the payment of claims, expenses and other charges under the contract in any policy year in which such claims, expenses and other charges exceed the amount of premiums paid by the Trust. Interest is earned on the reserve at rates determined annually by the underwriters.

The Program year under the contract with Prudential is June 1 through May 31. The stabilization fund totaled \$241,998.

In the event of termination of the insurance contract, balances, if any, remaining in the reserve after final adjustments, payment of claims, expenses, and other contractual changes would be paid to the Trust as return of premiums. The Trust is not liable for any deficit in the premium stabilization reserve.

Note 27. Service Concession Arrangements

The State Bar has no service concession arrangements to report for the fiscal year ended May 31, 2023.

Note 28. Deferred Outflows of Resources and Deferred Inflows of Resources

See page 52 and 55.

Note 29. Troubled Debt Restructuring

The State Bar has no troubled debt restructurings to report for the fiscal year ended May 31, 2023.

Note 30. Nonexchange Financial Guarantees

The State Bar has no nonexchange financial guarantees to report for the fiscal year ended May 31, 2023.

Note 31. Tax Abatements

The State Bar has no tax abatements to report for the fiscal year ended May 31, 2023.

Note 32. Governmental Fund Balances

See pages 38-39.

**Required Supplemental Information
(Unaudited)**

State Bar of Texas

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund Year Ended May 31, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Membership dues	\$ 21,221,742	\$ 21,221,742	\$ 21,478,915	\$ 257,173
Accounting and management fees	586,843	586,843	586,843	-
Texas bar journal	543,700	543,700	676,500	132,800
MCLE fees	3,438,950	3,438,950	4,371,129	932,179
Professional development	13,846,526	13,846,526	14,660,918	814,392
Minority affairs	414,500	414,500	531,950	117,450
Investment income	100,000	100,000	552,715	452,715
Member benefits	983,260	983,260	1,093,223	109,963
Website	525,000	525,000	712,723	187,723
Advertising review	284,300	284,300	260,850	(23,450)
CDC disciplinary fees	574,277	574,277	565,749	(8,528)
Other income	1,257,824	1,257,824	1,409,385	151,561
Total revenues	43,776,922	43,776,922	46,900,900	3,123,978
EXPENDITURES				
Executive				
Office of executive director	700,838	700,838	684,891	15,947
Associate executive director/legal counsel	783,269	783,269	766,457	16,812
Deputy executive director	242,975	242,975	232,793	10,182
Deputy Executive Director/External affairs	274,858	274,858	265,918	8,940
Officers and directors	1,153,503	1,153,503	1,018,233	135,270
Human resources	331,693	331,693	339,874	(8,181)
Training/Tuition	62,133	62,133	11,315	50,818
Total executive	3,549,269	3,549,269	3,319,481	229,788
Member and Public Services				
Center for legal history	154,170	154,170	134,735	19,435
Law related education	533,269	533,269	531,433	1,836
Governmental relations	322,599	322,599	205,612	116,987
Texas young lawyers association	1,024,297	1,024,297	1,010,451	13,846
LeadershipSBOT	98,672	98,672	97,422	1,250
Sections	353,389	353,389	329,060	24,329
Law student department	20,266	20,266	3,444	16,822
Total member and public services	2,506,662	2,506,662	2,312,157	194,505
Legal and Attorney Services				
Texas lawyers assistance program	513,944	513,944	488,665	25,279
Legal access division	1,522,165	1,522,165	1,266,541	255,624
Total legal and attorney services	2,036,109	2,036,109	1,755,206	280,903
Access to justice commission				
	740,527	740,527	570,763	169,764
Total Access to Justice Commission	\$ 740,527	\$ 740,527	\$ 570,763	\$ 169,764

State Bar of Texas

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – Continued Year Ended May 31, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Law Practice and Management Division	\$ 294,707	\$ 294,707	\$ 198,579	\$ 96,128
Total Law Practice and Management Division	294,707	294,707	198,579	96,128
Professional development				
TexasBarCLE	9,982,301	9,982,301	8,955,738	1,026,563
Minority affairs	580,524	580,524	766,323	(185,799)
Total professional development	10,562,825	10,562,825	9,722,061	840,764
Attorney compliance				
Office of attorney compliance director	196,193	196,193	188,935	7,258
Advertising review	156,912	156,912	141,675	15,237
Client attorney assistance program	558,065	558,065	555,349	2,716
Lawyer referral	430,424	430,424	447,670	(17,246)
MCLE	567,899	567,899	648,913	(81,014)
Total attorney compliance	1,909,493	1,909,493	1,982,542	(73,049)
Operations and security division				
Purchasing and facilities	1,325,310	1,325,310	1,231,599	93,711
Membership	1,144,361	1,144,361	1,143,844	517
Research and analysis	221,705	221,705	173,897	202,448
Insurance Member Benefits	43,094	43,094	19,257	(130,803)
SBOT volunteer committees	323,432	323,432	226,928	96,504
Capital Outlay	-	-	1,836,979	(1,836,979)
Total operations and security division	3,057,902	3,057,902	4,632,504	(1,574,602)
Finance				
Accounting	1,093,115	1,093,115	1,081,140	11,975
Other administrative	1,695,968	1,695,968	1,784,503	(88,535)
Total finance	2,789,083	2,789,083	2,865,643	(76,560)
Information technology				
Information technology	1,259,567	1,259,567	1,171,901	87,666
Customer Service	390,591	390,591	421,661	(31,070)
Total information technology	1,650,158	1,650,158	1,593,562	56,596
Communications				
Office of communications director	266,798	266,798	287,006	(20,208)
Texas bar journal	1,409,549	1,409,549	1,689,422	(279,873)
Public information	178,043	178,043	128,960	49,083
Printing and Graphics	335,281	335,281	207,224	128,057
Website	421,064	421,064	304,757	116,307
Local Bars	468,835	468,835	390,231	78,604
Special Events	73,604	73,604	89,685	(16,081)
Member Benefits	45,169	45,169	48,760	(3,591)
Total communications	\$ 3,198,343	\$ 3,198,343	\$ 3,146,045	\$ 52,298

State Bar of Texas

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – Continued Year Ended May 31, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Public protection				
Chief disciplinary counsel	\$ 10,231,432	\$ 10,231,432	\$ 9,512,603	\$ 718,829
Ombudsman	98,461	98,461	106,933	(8,472)
Committee on disciplinary rules and referendum	25,000	25,000	4,937	20,063
Grievance oversight committee	48,800	48,800	36,328	12,472
Unauthorized practice of law	170,000	170,000	99,339	70,661
Professional ethics commission	12,662	12,662	6,854	5,808
Board of disciplinary appeals	548,481	548,481	499,900	48,581
Total public protection	11,134,836	11,134,836	10,266,894	867,942
Expenditures related to Board commitments				
Texas student loan repayment assistance program	557,500	557,500	-	557,500
Texas opportunity and justice incubator program	344,246	344,246	78,272	265,974
Presidential initiatives	190,173	190,173	8,832	181,341
Statewide pro-bono recruitment campaign	41,975	41,975	5,000	36,975
Legal counsel reserve	500,000	500,000	-	500,000
Sheeran Crowley trust	500,000	500,000	500,000	-
Texas Access to Justice Project	100,000	100,000	33,220	66,780
Referendum Reserve	150,000	150,000	-	150,000
Public information project	30,734	30,734	1,934	28,800
Insurance Expenses	74,201	74,201	40,473	33,728
Archives digitization project	39,500	39,500	-	39,500
Run-off Election Reserve	70,000	70,000	-	70,000
Contingency for SCBP	75,000	75,000	50,936	24,064
Total expenditures related to Board commitments	2,673,329	2,673,329	718,667	1,954,662
Debt service				
Principal	-	-	432,249	(432,249)
Interest and other charges	-	-	36,118	(36,118)
Total debt service	-	-	468,367	(468,367)
Total expenditures	46,103,243	46,103,243	43,552,471	2,550,772
Excess (deficiency) of revenues over (under) expenditures	\$ (2,326,321)	\$ (2,326,321)	\$ 3,348,429	\$ 5,674,750

State Bar of Texas

Statement of Revenues, Expenditures and Changes in Fund Balance –
 Budget (GAAP Basis) and Actual – General Fund – Continued
 Year Ended May 31, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Proceeds from leases	\$ -	\$ -	\$ 1,836,979	\$ (1,836,979)
Transfers in (out) to:				
Building & Equipment Fund	(1,537,302)	(1,537,302)	(1,537,302)	-
Technology Fund	(2,000,000)	(2,000,000)	(2,000,000)	-
Client Security Fund	(1,500,000)	(1,500,000)	(1,500,000)	-
Total other financing sources (uses)	(5,037,302)	(5,037,302)	(3,200,323)	(1,836,979)
Net change in fund balances	(7,363,623)	(7,363,623)	148,106	7,511,729
FUND BALANCE, beginning of year	26,180,712	26,180,712	26,180,712	-
FUND BALANCE, end of year	<u>\$ 18,817,089</u>	<u>\$ 18,817,089</u>	<u>\$ 26,328,818</u>	<u>\$ 7,511,729</u>

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State Bar of Texas

Note to Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget (GAAP Basis) and Actual – General Fund
Year Ended May 31, 2023

Note 1. Basis of Presentation

The State Bar adopts an annual appropriated budget for its General Fund. The State Bar's budget is prepared annually by the Executive Director and is reviewed by the budget committee of the Board. The budget passes several stages of review, including a public hearing, adoption by the Board and approval by the Supreme Court of Texas. The budget may be amended at any meeting of the Board, but the amendments made are subject to the approval of the Supreme Court of Texas. Variances from budgeted revenues and expenditures are analyzed by management, the finance committee, the executive committee and the Board. Regulations do not prohibit the State Bar from having unfavorable variances.

The State Bar is not legally required to adopt a budget for Sections and Divisions, which is listed as a major Special Revenue Fund and, therefore, a budget compared to actual is not included.

The State Bar's budget for the General Fund is prepared using the GAAP basis of accounting.

State Bar of Texas

Schedule of Changes in State Bar's Proportionate Share of Net Pension Liability and Related Ratios

	August 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	August 31, 2022	August 31, 2021	August 31, 2020	August 31, 2019	August 31, 2018	August 31, 2017	August 31, 2016	August 31, 2015	August 31, 2014
State Bar's proportionate share of the net pension liability	0.1644562%	0.2742777%	0.2763890%	0.2911198%	0.28934813%	0.27637361%	0.27324143%	0.29402350%	0.30057126%
State Bar's proportionate share of the net pension liability balance at August 31	<u>\$ 22,820,589</u>	<u>\$ 29,006,084</u>	<u>\$ 105,002,026</u>	<u>\$ 87,292,720</u>	<u>\$ 58,442,218</u>	<u>\$ 60,427,988</u>	<u>\$ 53,984,064</u>	<u>\$ 39,006,462</u>	<u>\$ 43,465,009</u>
State Bar's covered payroll*	<u>\$ 11,850,068</u>	<u>\$ 19,716,091</u>	<u>\$ 19,785,126</u>	<u>\$ 20,225,911</u>	<u>\$ 22,361,932</u>	<u>\$ 20,632,468</u>	<u>\$ 19,977,021</u>	<u>\$ 19,590,734</u>	<u>\$ 19,402,731</u>
State Bar's proportionate share of the net pension liability as a percentage of covered payroll	<u>192.58%</u>	<u>147.12%</u>	<u>530.71%</u>	<u>431.59%</u>	<u>261.35%</u>	<u>292.88%</u>	<u>270.23%</u>	<u>199.11%</u>	<u>224.01%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>69.74%</u>	<u>76.06%</u>	<u>42.38%</u>	<u>47.70%</u>	<u>57.89%</u>	<u>54.67%</u>	<u>55.32%</u>	<u>64.40%</u>	<u>63.40%</u>

* The covered payroll is the payroll of employees that are provided with pension through the pension plan for each plan year, the measurement period.

The schedule of changes in State Bar's proportionate share of net position liability and related ratio disclosure is required for ten years. The schedule noted above is only for the years for which the new GASB statements have been implemented.

State Bar of Texas

Schedule of Employer Contributions – Net Pension Liability

Fiscal Years Ended May 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 2,117,216	\$ 2,117,216	\$ -	\$ 21,205,501	9.98%
2022	2,032,801	2,032,801	-	20,537,736	9.90%
2021	2,015,232	2,015,232	-	20,309,262	9.92%
2020	2,040,744	2,040,744	-	20,727,003	9.65%
2019	2,027,891	2,027,891	-	21,023,817	12.03%
2018	2,482,803	2,482,803	-	20,638,696	11.98%
2017	2,371,089	2,371,089	-	19,794,416	11.76%
2016	2,293,610	2,293,610	-	19,507,265	9.50%
2015	1,845,751	1,845,751	-	19,427,203	8.75%
2014	1,665,702	1,665,702	-	19,032,960	7.41%
2013	1,376,433	1,376,433	-	18,584,172	7.55%

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State Bar of Texas

Notes to Net Pension Liability

May 31, 2023

Note 1. Changes of Benefit Terms – Pension Plan

For the year ended August 31, 2015, during the most recent legislative session, the Texas Legislature enacted House Bill 9 (HB-9). HB-9 increased the member contribution rate for ERF members to 9.5% of member's compensation for service after August 31, 2015. HB-9 also eliminated the 90-day waiting period to become a member of ERF and LECOSRF. In conjunction with HB-9, the State's contribution appropriation to ERF also increased to 9.5% of pay.

For the year ended August 31, 2014, and the years ended August 31, 2016 through 2022, there were no changes to the plan provisions.

Note 2. Changes of Assumptions – Pension Plan

For the year ended August 31, 2022, all actuarial methods and assumptions are the same for both funding and financial reporting purposes.

For the year ended August 31, 2021, other than the difference in the discount rate increased to 7.00%, all other actuarial methods and assumptions are the same for both funding and financial reporting purposes.

For the year ended August 31, 2020, other than the difference in the discount rate decrease to 3.62%, all other actuarial methods and assumptions are the same for both funding and financial reporting purposes.

For the year ended August 31, 2019, other than the difference in the discount rate decrease to 4.42%, all other actuarial methods and assumptions are the same for both funding and financial reporting purposes.

For the year ended August 31, 2018, other than the difference in the discount rate increase to 5.69%, all other actuarial methods and assumptions are the same for both funding and financial reporting purposes.

For the year ended August 31, 2017, the following assumptions have been changed since the previous pension valuation:

- Decrease the investment return assumption from 8.0% to 7.5%
- Decrease the inflation assumption from 3.5% to 2.5%
- Establish a general wage inflation assumption of 0.5% above inflation, or 3.0%
- Mortality assumptions updated from 1994 Group Annuity Mortality table to most recently published national tables, RP-2014 Mortality tables for employees and disability retirees
- Modified the application of Entry Age Normal (EAN) actuarial cost method from Ultimate EAN, the normal cost rate based on the benefits payable to a new member and the entry age characteristics of the current active membership, to individual EAN which bases the normal cost rate on benefits payable to each individual active member

For the years ended August 31, 2014, 2015, and 2016, other than the difference in the discount rate (6.07% for 2014, 6.86% for 2015 and 5.73% in 2016), all other actuarial methods and assumptions are the same for both funding and financial reporting purposes.

State Bar of Texas

Schedule of Changes in State Bar's Proportionate Share of Net OPEB Liability and Related Ratios

	August 31,				
	2023	2022	2021	2020	2019
Measurement date	August 31, 2022	August 31, 2021	August 31, 2020	August 31, 2019	August 31, 2018
State Bar's proportionate share of the OPEB liability	0.12713253%	0.12600504%	0.12614735%	0.12489197%	0.12339085%
State Bar's proportionate share of the net OPEB liability balance at August 31	\$ 36,216,200	\$ 45,204,947	\$ 41,684,927	\$ 43,166,005	\$ 36,570,262
State Bar's covered payroll*	\$ 16,189,222	\$ 15,859,486	\$ 15,964,258	\$ 15,386,726	\$ 14,865,101
State Bar's proportionate share of the net OPEB liability as a percentage of its covered payroll	223.71%	285.03%	261.11%	280.54%	246.01%
Plan fiduciary net position as a percentage of total OPEB liability	0.57%	0.38%	0.32%	0.17%	1.27%

*The covered payroll is the payroll of employees that are provided with OEPB through the OPEB plan for each plan year, the measurement period.

The schedule of changes in State Bar's proportionate share of net OPEB liability and related ratio disclosure is required for ten years. The schedule noted above is only for the years for which the new GASB statements have been implemented.

State Bar of Texas

Schedule of Employer Contributions – Net OPEB Liability

Fiscal Years Ended May 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 1,317,624	\$ 1,317,624	\$ -	\$ 21,205,501	6.21%
2022	1,267,355	1,267,355	-	20,537,736	6.17%
2021	1,193,125	1,193,125	-	20,309,262	5.87%
2020	1,065,054	1,065,054	-	20,727,003	4.83%
2019	1,016,477	1,016,477	-	21,023,817	4.73%
2018	976,371	976,371	-	20,638,696	4.52%
2017	895,157	895,157	-	19,794,416	3.91%
2016	763,559	763,559	-	19,507,265	3.28%

The information disclosed for each fiscal year is reported as of the fiscal year-end date.

The information for all periods for the ten year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

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State Bar of Texas

Notes to OPEB Liability

May 31, 2023

Note 1. Changes of Benefit Terms – OPEB Plan

For the year ended August 31, 2021 and 2022, there were no changes to the benefit terms.

For the year ended August 31, 2020, minor benefit revisions have been adopted since the prior valuation. These changes, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

For the year ended August 31, 2019, there were no changes to the benefit terms.

For the year ended August 31, 2018, the following benefit revisions have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans.

For the year ended August 31, 2017, the following benefit revisions have been adopted since the prior valuation: (a) an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility, (b) an elimination of the copayment for virtual visits, (c) a copay reduction for Airrosti and for out-of-state participants and (d) elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits. These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

For the year ended August 31, 2016, the following benefit revisions have been adopted since the prior valuation: (a) an increase in the overall annual out-of-pocket maximum in accordance with the requirements of the Affordable Care Act (ACA) (effective January 1, 2017) and (b) implementation of (i) a program under which HealthSelect participants can consult with a licensed physician from their mobile device and (ii) an online weight-loss program available to eligible HealthSelect participants not enrolled in Medicare Part B. These minor benefit changes have been reflected in the fiscal year 2017 Assumed Per Capita Health Benefit Costs. These changes became effective September 1, 2016 (except as noted) and are incorporated into this valuation in accordance with Question Number 49 of the Guide to Implementation of GASB Statements No. 43 and No. 45 on Other Postemployment Benefits.

For the year ended August 31, 2015, the following benefit revisions have been adopted since the prior valuation: (a) an increase to the total network annual out-of-pocket maximum, (b) an elimination of the requirement for referrals in order to see ophthalmologists and optometrists, (c) a copay reduction for a mental health office visit and (d) effective January 1, 2016, the inclusion of medical and pharmacy deductibles, coinsurance and copays in the total network out-of-pocket maximum. These changes became effective September 1, 2015 (unless otherwise noted) and are incorporated into this valuation in accordance with Question Number 49 of the Guide to Implementation of GASB Statements No. 43 and No. 45 on Other Postemployment Benefits. These minor benefit changes have been reflected in the fiscal year 2016 Assumed Per Capita Health Benefit Costs.

For the year ended August 31, 2014, the following benefit revisions have been adopted since the prior valuation: (a) implementation of an overall annual out-of-pocket maximum in accordance with the requirements of the ACA, (b) mental health benefit changes; (c) benefit enhancements for hearing aids and breast pumps and (d) copay reductions for generic prescription drugs. These changes became effective September 1, 2014 (except for the out-of-pocket maximum, which becomes effective January 1, 2015) and are incorporated into this valuation in accordance with Question Number 49 of the Guide to Implementation of GASB Statements No. 43 and No. 45 on Other Postemployment Benefits. The new benefit provisions are expected to have no impact on the employer's cost.

State Bar of Texas

Notes to OPEB Liability

May 31, 2023

Note 2. Changes of Assumptions – OPEB Plan

For the year ended August 31, 2022, changes in assumptions and other inputs include (a) discount rate increased from 2.14% to 3.59%, (b) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (c) proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement, (d) demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members, (e) proportion of future retirees assumed to cover dependent children, (f) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and (g) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends.

For the year ended August 31, 2021, the following assumptions have been changed since the previous OPEB valuation:

- Demographic Assumptions, assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rates of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumptions adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- I. Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
 - II. Proportion of future female retirees assumed to be married and electing coverage for their spouse.
 - III. Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
 - IV. Percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date.
- Economic Assumptions, assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
 - Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
 - Assumed expense directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.
 - The discount rate was changed from 2.20% to 2.14% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

State Bar of Texas

Notes to OPEB Liability

May 31, 2023

For the year ended August 31, 2020, the following assumptions have been changed since the previous OPEB valuation:

- Demographic Assumptions, assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rates of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumptions adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- V. Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
 - VI. Proportion of future female retirees assumed to be married and electing coverage for their spouse.
 - VII. Proportion of future retirees assumed to cover dependent children.
- Economic Assumptions, assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
 - The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.
 - Assumed inflation has been updated to reflect an assumption adopted by the ERS Trustees since the last valuation date. This new assumption was adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
 - Other Inputs, the discount rate was changed from 2.97% to 2.20% as a result of requirements by GASB No. 74 to reflect the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.
 - The change in the discount rate was made to comport with the requirements of GASB No. 74.

For the year ended August 31, 2019, the following assumptions have been changed since the previous OPEB valuation:

- The discount rate assumption was decreased from 3.96% to 2.97% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, the percentage of future retirees assumed to be married and electing coverage for their spouse, and the percentage of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

State Bar of Texas

Notes to OPEB Liability

May 31, 2023

For the year ended August 31, 2018, the following assumptions have been changed since the previous OPEB valuation:

- Demographic assumptions (including rates of retirement, disability, termination, mortality and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from TRS.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence and the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

For the year ended August 31, 2017, the following assumptions have been changed since the previous OPEB valuation:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study.
- The percentage of current and future retirees and retirees spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends.
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience.
- Effects in short-term expectations and revised assumed rate of general inflation.
- For the year ended August 31, 2016, the following assumptions have been changed since the previous OPEB valuation:
 - Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution Trends have been updated to reflect recent experience and its effects on our short-term expectations.
 - The percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence.
 - The proportion of future retirees covering dependent children and the percentage of future retirees and retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

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Notes to OPEB Liability

May 31, 2023

For the year ended August 31, 2015, the following assumptions have been changed since the previous OPEB valuation:

- The Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect recent health plan experience.
- The percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends.
- Assumed salary increases and rates of mortality, termination, disability and retirement for Higher Education members were updated to remain consistent with the assumptions, which were adopted by the TRS board earlier this year for use by the TRS retirement plan actuary; and the Health Benefit Cost and Retiree Contribution Trends have been updated to reflect changes in short-term expectations due to recent health plan experience. The following benefit revisions have been adopted since the prior valuation: (a) an increase to the total network annual out-of-pocket maximum, an elimination of the requirement for referrals in order to see ophthalmologists and optometrists, a copay reduction for a mental health office visit and (d) effective January 1, 2016, the inclusion of medical and pharmacy deductibles, coinsurance and copays in the total network out-of-pocket maximum. These changes became effective September 1, 2015 (unless otherwise noted) and are incorporated into this valuation in accordance with Question Number 49 of the Guide to Implementation of GASB Statements No. 43 and No. 45 on Other Postemployment Benefits. These minor benefit changes have been reflected in the fiscal year 2016 Assumed Per Capita Health Benefit Costs.

For the year ended August 31, 2014, the following assumptions have been changed since the previous OPEB valuation:

- The Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect recent health plan experience.
- The percentage of future retirees electing coverage for their spouses, the percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence and the percentage of future retirees assumed to use tobacco have been updated to reflect recent plan experience and expected trends.
- Assumed rates of retirements for Higher Education members who are not grandfathered under current TRS Care eligibility provisions as of August 31, 2014, were updated to remain consistent with the assumptions used by the TRS retirement plan actuary.
- The Health Benefit Cost and Retiree Contribution Trends have been updated to reflect changes in short-term expectations due to recent health plan experience.

Other Supplemental Information

State Bar of Texas

Combining Balance Sheet – Nonmajor Governmental Funds

May 31, 2023

	Texas Board of Legal Specialization Fund	Texas Bar College	Annual Meeting	Client Security Fund	Texas Law Center	Technology Fund	Project Grants Fund	Hatton W. Summers Grants Fund	Law Focused Education	Total Nonmajor Governmental Funds
ASSETS										
Current assets										
Cash and cash equivalents	\$ 2,575,081	\$ 876,866	\$ 515,286	\$ 325,645	\$ 2,594,652	\$ -	\$ -	\$ 372,108	\$ -	\$ 7,259,638
Investments	1,000,297	-	-	4,651,482	3,942,012	-	-	-	-	9,593,791
Receivables										
Interest receivable	367	-	-	26,373	16,416	-	-	-	-	43,156
Other accounts receivable	6,943	-	-	-	-	-	20,000	-	-	26,943
Due from other governmental funds	-	-	-	-	279,849	1,641,300	-	-	317	1,921,466
Prepaid items	-	1,134	70,787	-	-	41,839	-	-	-	113,760
TOTAL ASSETS	\$ 3,582,688	\$ 878,000	\$ 586,073	\$ 5,003,500	\$ 6,832,929	\$ 1,683,139	\$ 20,000	\$ 372,108	\$ 317	\$ 18,958,754
LIABILITIES AND FUND BALANCES										
Current liabilities										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 37,781	\$ 7,020	\$ -	\$ -	\$ -	\$ 44,801
Accrued liabilities	-	2	498	-	-	-	-	-	-	500
Due to other governmental funds	91,398	16,361	700	427,318	-	-	15,000	10,212	-	560,989
Unearned revenue	-	226,437	373,052	-	-	-	5,000	361,896	317	966,702
Total liabilities	91,398	242,800	374,250	427,318	37,781	7,020	20,000	372,108	317	1,572,992
Fund balances										
Nonspendable	-	1,134	70,787	-	-	41,839	-	-	-	113,760
Committed	3,491,290	634,066	141,036	4,576,182	6,795,148	1,634,280	-	-	-	17,272,002
Total fund balances	3,491,290	635,200	211,823	4,576,182	6,795,148	1,676,119	-	-	-	17,385,762
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,582,688	\$ 878,000	\$ 586,073	\$ 5,003,500	\$ 6,832,929	\$ 1,683,139	\$ 20,000	\$ 372,108	\$ 317	\$ 18,958,754

State Bar of Texas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds Year Ended May 31, 2023

	Texas Board of Legal Specialization Fund	Texas Bar College	Annual Meeting	Client Security Fund	Texas Law Center	Technology Fund	Project Grants Fund	Hatton W. Summers Grants Fund	Law Focused Education	Total Nonmajor Governmental Funds
REVENUES										
Membership dues	\$ 1,936,020	\$ 370,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,306,474
Investment income	62,823	22,189	918	41,089	55,611	-	-	11,365	-	193,995
Grant revenue	-	-	-	-	-	-	64,517	598,943	32,183	695,643
Other income	9,016	55,965	464,158	37,620	-	-	-	-	-	566,759
Total revenues	2,007,859	448,608	465,076	78,709	55,611	-	64,517	610,308	32,183	3,762,871
EXPENDITURES										
Special services	1,207,755	312,223	530,655	-	-	-	64,517	610,308	32,183	2,757,641
Administration	-	-	-	-	78,385	-	-	-	-	78,385
Finance and information technology	-	-	-	-	-	458,189	-	-	-	458,189
Public Protection Division	-	-	-	889,769	-	-	-	-	-	889,769
Capital Outlay	-	-	-	-	214,326	455,661	-	-	-	669,987
Debt Service										
Principal	76,172	-	-	-	-	80,853	-	-	-	157,025
Interest	11,384	-	-	-	-	-	-	-	-	11,384
Total expenditures	1,295,311	312,223	530,655	889,769	292,711	994,703	64,517	610,308	32,183	5,022,380
Excess (deficiency) of revenues over (under) expenditures	712,548	136,385	(65,579)	(811,060)	(237,100)	(994,703)	-	-	-	(1,259,509)
OTHER FINANCING SOURCES										
Transfers in	-	-	-	1,500,000	1,537,302	2,000,000	-	-	-	5,037,302
Total other financing sources	-	-	-	1,500,000	1,537,302	2,000,000	-	-	-	5,037,302
Net change in fund balances	712,548	136,385	(65,579)	688,940	1,300,202	1,005,297	-	-	-	3,777,793
FUND BALANCES, beginning of year	2,778,742	498,815	277,402	3,887,242	5,494,946	670,822	-	-	-	13,607,969
FUND BALANCES, end of year	\$ 3,491,290	\$ 635,200	\$ 211,823	\$ 4,576,182	\$ 6,795,148	\$ 1,676,119	\$ -	\$ -	\$ -	\$ 17,385,762

State Bar of Texas

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds Year Ended May 31, 2023

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Membership dues	\$ 21,478,915	\$ 2,632,952	\$ 2,306,474	\$ 26,418,341
Accounting and management fees	586,843	-	-	586,843
Texas Bar Journal	676,489	-	-	676,489
MCLE fees	4,371,129	-	-	4,371,129
Professional development	14,660,929	751,824	-	15,412,753
Minority affairs	531,950	-	-	531,950
Investment income	552,715	194,769	193,995	941,479
Grant revenue	-	-	695,643	695,643
Member benefits	1,093,223	-	-	1,093,223
Website	712,723	-	-	712,723
Advertising review	260,850	-	-	260,850
CDC disciplinary fees	565,749	-	-	565,749
Other income	1,409,385	741,860	566,759	2,718,004
Total revenues	<u>46,900,900</u>	<u>4,321,405</u>	<u>3,762,871</u>	<u>54,985,176</u>
EXPENDITURES				
Salaries	18,833,984	-	596,317	19,430,301
Benefits	6,486,323	-	205,989	6,692,312
Travel	1,582,807	431,941	271,502	2,286,250
Meetings and conferences	3,951,953	1,577,073	529,421	6,058,447
Professional services	3,214,197	720,133	553,975	4,488,305
Court fees	55,186	-	-	55,186
Publicity and advertising	352,615	15,266	106,036	473,917
Dues, subscriptions and licenses	730,526	780	35,087	766,393
Education and training	72,527	73,745	740	147,012
Supplies, awards, gifts and specialty items	470,983	42,883	131,633	645,499
Rentals - office, equipment and storage	779,864	2,681	86,706	869,251
Maintenance and repairs	483,104	-	435,602	918,706
Utilities	220,792	-	1,294	222,086
Postage and freight	837,718	43,003	51,982	932,703
Telephone	460,897	71,375	15,701	547,973
Insurance	896,259	166	-	896,425
Claims and adjustments	-	-	889,769	889,769
Administrative	676,373	611,365	154,680	1,442,418
Printing and copying	1,141,017	129,354	117,550	1,387,921
Capital outlay	1,836,979	-	669,987	2,506,966
Debt service:				
Principal	432,249	-	157,025	589,274
Interest	36,118	-	11,384	47,502
Total expenditures	<u>43,552,471</u>	<u>3,719,765</u>	<u>5,022,380</u>	<u>52,294,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,348,429</u>	<u>601,640</u>	<u>(1,259,509)</u>	<u>2,690,560</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	1,836,979	-	-	1,836,979
Transfers in	-	-	5,037,302	5,037,302
Transfers out	(5,037,302)	-	-	(5,037,302)
Other financing sources (uses)	<u>(3,200,323)</u>	<u>-</u>	<u>5,037,302</u>	<u>1,836,979</u>
Net change in fund balances	<u>148,106</u>	<u>601,640</u>	<u>3,777,793</u>	<u>4,527,539</u>
FUND BALANCE, beginning of year	<u>26,180,712</u>	<u>11,412,194</u>	<u>13,607,969</u>	<u>51,200,875</u>
FUND BALANCE, end of year	<u>\$ 26,328,818</u>	<u>\$ 12,013,834</u>	<u>\$ 17,385,762</u>	<u>\$ 55,728,414</u>