

December 3, 2020

To Management and the Board of Directors  
State Bar of Texas  
1414 Colorado Street, 3rd Floor  
Austin, TX 78701

In planning and performing our audit of the financial statements of State Bar of Texas (the State Bar) as of and for the year ended May 31, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the State Bar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Bar's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in the State Bar's internal control to be a material weakness:

*Restatement of beginning net position*

The State Bar restated beginning net position of the government and business-type activities to correct a material misstatement of deferred outflows related to Postemployment Benefits Other Than Pensions (OPEB). The error reported was in OPEB related contributions made after the measurement date, which resulted in an understatement of deferred outflows in prior year financial statements for the government and business-type activities in the amounts of \$2,503,370 and \$159,796, respectively. The existence of such a material restatement indicates that the State Bar's system of controls did not properly detect and/or prevent such an error. Management should examine the adjustments required and address any inherent limitations in its internal control system, and modify accordingly.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any issues that would require communication as a significant deficiency, however, a significant deficiency may still exist. Our audit did, however, reveal other areas for improvement, which we bring to your attention below.

*Decentralized operations*

Although all financial information is compiled at the State Bar's main office, the information gathered for the financial statements is created and provided by multiple sections and divisions at various locations. Internal controls exist to protect State Bar's assets, however, the implementation of those controls is subject to how effectively management can enforce compliance with the State Bar's policies and procedures upon its sections and divisions. We noted the following instances during our audit procedures in which the decentralized nature of operations caused noncompliance with internal control policies or misstatements:

The State Bar's internal purchasing guidelines require amounts over \$5,000 to have at least three vendor quotes, with purchases over \$10,000 requiring open bid offers from 3 vendors in some instances. For purchases \$25,000 and above, a public request for proposal (RFP) is to be performed if the purchase cannot otherwise be made under an existing Comptroller of Public Accounts procurement contract. We noted instances during the year ended May 31, 2020 where no evidence was maintained that proper procurement steps, including public RFP, was properly performed. In general, proper procurement documentation was maintained by purchasing but less so when the procurement was made by other departments. We recommend management in all departments be required to document the procurement process and retain all relevant documentation in accordance with internal policy. Additionally, the State Bar may consider evaluating its policies to provide clear guidance on documentation required for sole source contracts, or other exceptions to the purchasing guidelines.

During the course of the audit, we also noted that one of the sections and divisions approved an amendment to a vendor contract without receiving formal approval from the State Bar's legal department. While the misstatement caused by this oversight was not material, it creates a heightened risk of fraud and improper financial reporting. We recommend that management reinforce existing policies and procedures related to financial reporting to ensure better communication among the divisions, proper compliance, and documentation of internal controls.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.





December 3, 2020

To the Board of Directors  
State Bar of Texas  
1414 Colorado Street, 3rd Floor  
Austin, TX 78701

We have audited the financial statements of the State Bar of Texas (the State Bar) as of and for the year ended May 31, 2020, and have issued our report thereon dated November 20, 2020. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 21, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the State Bar solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding a material weakness over financial reporting and other control deficiencies noted during our audit in a separate letter to you dated December 3, 2020.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the State Bar is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most significant accounting estimates affecting the State Bar's financial statements are management's estimate of the net pension liability, other post-employment benefits (OPEB) liability, depreciable lives of capital assets, allowance for doubtful accounts, and the fair value of investments. The net pension liability is obtained from Employees Retirement System of Texas (ERS) through a report prepared for the State Bar by ERS's consulting actuary in compliance with GASB Statement No. 68. Information regarding the State Bar's OPEB liability is obtained through a similar report prepared for the State Bar by ERS' consulting actuary in compliance with GASB Statement No. 75. Management's estimate of the depreciable lives of capital assets is based on management's assumptions and historical knowledge of capital assets with similar lives. Management's estimate of allowance for doubtful accounts is based on management's historical knowledge of customer balances. Investment fair values are provided by a third party asset management company. We evaluated the inputs and results of each of these estimates, and determined them to be appropriate in relation to the financial statements as a whole.

### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

## **Identified or Suspected Fraud**

We did not identify or obtain information that indicates that fraud may have occurred.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods as determined by management are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes the misstatements identified by us as a result of our audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the State Bar's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated November 20, 2020, which is available upon request.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there was no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the State Bar, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the State Bar's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the State Bar's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, with respect to the supplementary information accompanying the financial statements, we made certain inquiries with management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying records used to prepare the financial statements or to the financial statement themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

### Schedule of Corrected Misstatements

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1006</b>			
to record BTA prior period adjustment for Deferred Outflows - OPEB contributions			
WT4-0000-17000-	Deferred Outflows Related to OPEB (BTA)	159,796	
WT4-0000-30005-	Net Position		159,796
<b>Total</b>		<b>159,796</b>	<b>159,796</b>
<b>Adjusting Journal Entries JE # 1007</b>			
to correct beginning net position / fund balance for FY2019 adjustments previously passed on			
01-0000-30005-	Fund Balance - Undesignated	90,127.00	
03-0000-30005-	Fund Balance - Undesignated	6,732.00	
F0-9330-40500-	Interest Income	6,553.00	
01-1240-50160-	Group Insurance		54,625.00
01-3500-40100-	Dues Revenue		35,502.00
03-6265-40400-	Book sales		6,732.00
F0-0000-30005-	Fund Balance - Undesignated		6,553.00
<b>Total</b>		<b>103,412.00</b>	<b>103,412.00</b>
<b>GASB Journal Entries</b>			
<b>GASB Entry JE # 0007</b>			
to record GTA prior period adjustment for Deferred Outflows - OPEB contributions			
WT3-0000-17000-	Deferred Outflows related to OPEB (GTA)	2,503,470	
WT3-0000-30005-	Net Position		2,503,470
<b>Total</b>		<b>2,503,470</b>	<b>2,503,470</b>
<b>GASB Entry JE # 0008</b>			
to adjust beginning net position for Deferred Rent Balance as of 5/31/2019.			
WT2-0000-35005-	Net Position	155,940	
WT2-1220-50700-	Rent Expense		25,358
WT2-1240-50700-	Rent Expense		68,558
WT2-1250-50700-	Rent Expense		40,073
WT2-4091-50700-	Rent Expense		21,951
<b>Total</b>		<b>155,940</b>	<b>155,940</b>
<b>GASB Entry JE # 0009</b>			
to adjust beginning net position for capital leases incorrectly omitted for FY2019.			
WT2-0000-35005-	Net Position	93,100	
WT2-4300-51020-	Capital Lease Payments		93,100
<b>Total</b>		<b>93,100</b>	<b>93,100</b>



### Schedule of Uncorrected Misstatements

Account	Description	Debit	Credit
<b>Proposed Journal Entries JE # 3001</b>			
To write off amounts accrued under previous TFLF contract			
F0-0000-20010-	Accounts Payable - Other	72,500	
F0-9330-50365-F019	TFLF Contract		72,500
<b>Total</b>		<b>72,500</b>	<b>72,500</b>
<b>Proposed Journal Entries JE # 3002</b>			
to record additional monthly fees for FY2020			
19-0000-13010-	Accounts Receivable - Other	9,550	
19-4400-40232-	Monthly Fee		9,550
<b>Total</b>		<b>9,550</b>	<b>9,550</b>
<b>Proposed Journal Entries JE # 3003</b>			
to reclassify payments on capital leases from prepaids to debt service expenditure			
11-4300-51022-	Monthly Lease Payments	57,847.00	
11-0000-15020-	Prepaid Other		57,847.00
<b>Total</b>		<b>57,847.00</b>	<b>57,847.00</b>
<b>Proposed Journal Entries JE # 3006</b>			
to true up investment balance to match December 31, 2020 statement			
TAPS-10015	Certificates of Deposit (CD)	16,317.00	
TAPS-41000	Interest-Certificates of Deposit		16,317.00
<b>Total</b>		<b>16,317.00</b>	<b>16,317.00</b>
<b>Total Proposed Journal Entries</b>		<b>156,214.00</b>	<b>156,214.00</b>



# **State Bar of Texas**

(A Component Unit of the State of Texas)

Financial Report May 31, 2020

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## Independent Auditor's Report

To the Board of Directors  
State Bar of Texas

### Report on the Financial Statements

We have audited the accompanying 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), a component unit of the State of Texas, as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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

### **Emphasis Other Matters**

As described in Note 14 to the basic financial statements, the State Bar restated beginning net position of the governmental and business-type activities to correct a misstatement of deferred outflows related to Postemployment Benefits Other Than Pensions (OPEB). Other adjustments to beginning net position and beginning fund balances were made as well to recognize prior year audit adjustments that were not previously recorded. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, statement of revenues, expenditures and changes in fund balance – budget (GAAP basis) and actual – general fund, schedule of changes in State Bar's proportionate share of net pension liability and related ratios, schedule of employer contributions – net pension liability, schedule of changes in State Bar's proportionate share of total OPEB liability and related ratios, schedule of employer contributions – total OPEB liability and related notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Supplemental 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 balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds and the combining statement of revenues, expenditures and changes in fund balances – governmental funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds and the combining statement of revenues, expenditures and changes in fund balances – governmental funds 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 other supplemental information, as listed in the table of contents, is 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, 2020

## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

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, 2020. 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 is in a strong financial position with no debt carried on the balance sheet, consistent revenues and controlled expenses. Despite the pandemic, the State Bar General Fund's activities for the year ended May 31, 2020 increased the fund balance by \$2,730,547, leaving \$14,881,726 for the Board to commit to further the mission of the State Bar.
- 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 pension liability of (\$87,292,720) and a liability for Other Post-Employment Benefits (OPEB) of (\$42,155,749) on its balance sheet for the fiscal year ended May 31, 2020. The total net position of the State Bar is (\$69,305,243) 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. 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, 2020 by (\$69,305,243). 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 State Bar's total net position decreased by (\$7,546,457) from the end of fiscal year 2019 to the end of fiscal year 2020. The decrease in net position is due to adjusting entries to the net pension liability and OPEB liability as a result of actuarial changes in plan assumptions.
- As of the close of the current fiscal year, the State Bar's governmental funds reported combined ending fund balances of \$39,701,398 an increase of \$3,709,671 in comparison with the prior year adjusted fund balance. This increase in fund balance is primarily due to the strong performance of TexasBarCLE, membership dues, and MCLE revenues. Of this amount, \$14,881,726 is reserved for ongoing expenses. The amount consists primarily of the General Fund.
- At the end of the current fiscal year, the fund balance for the General Fund was \$20,390,297 or 51 percent of the total General Fund expenditures for the year ended May 31, 2020. Of this amount, \$19,575,792 is subject to the Board of Director's (the Board) approval on how the funds may be used, and \$814,505 is nonspendable.

## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

#### 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 16 through 18 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 Texas Bar Books.

**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 19 through 27 of this report. All the funds of the State Bar can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.



## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

- 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 12 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, the Client Security Fund and Sections, all of 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, Texas Law Center, Technology Fund, Project Grants Fund, Hatton W. Sumners Grants Fund, Law Focused Education and Department of Public Service. 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 19 through 27 of this report.

- Proprietary funds—Texas Bar Books is the State Bar's only proprietary fund. 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 23 through 25 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 an agency 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 26 through 27 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 28 through 60 of this report.

**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, 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 61 through 74 of this report.

## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

**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 75 through 78.

### 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, 2020, with comparison totals as of May 31, 2019 as originally stated:

**Table A-1**  
**The State Bar's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 54,403,142	\$ 55,407,484	\$ 1,536,067	\$ 1,698,538	\$ 55,939,209	\$ 57,106,022
Capital assets, net	6,266,438	6,305,122	215,505	35,322	6,481,943	6,340,444
Total assets	\$ 60,669,580	\$ 61,712,606	\$ 1,751,572	\$ 1,733,860	\$ 62,421,152	\$ 63,446,466
Deferred outflows of resources	\$ 28,483,837	\$ 7,350,376	\$ 1,818,118	\$ 469,173	\$ 30,301,955	\$ 7,819,549
Current liabilities	\$ 16,359,728	\$ 20,944,131	\$ 204,976	\$ 157,967	\$ 16,564,704	\$ 21,102,098
Noncurrent liabilities	122,975,401	89,240,459	7,821,613	5,698,645	130,797,014	94,939,104
Total liabilities	\$ 139,335,129	\$ 110,184,590	\$ 8,026,589	\$ 5,856,612	\$ 147,361,718	\$ 116,041,202
Deferred inflows of resources	\$ 13,786,634	\$ 18,149,073	\$ 879,998	\$ 1,158,446	\$ 14,666,632	\$ 19,307,519
Net position:						
Net investment in capital assets	\$ 6,090,842	\$ 6,267,138	\$ 215,505	\$ 35,322	\$ 6,306,347	\$ 6,302,460
Unrestricted (deficit)	(70,059,188)	(65,537,819)	(5,552,402)	(4,847,347)	(75,611,590)	(70,385,166)
Total net position	\$ (63,968,346)	\$ (59,270,681)	\$ (5,336,897)	\$ (4,812,025)	\$ (69,305,243)	\$ (64,082,706)

The State Bar's net position invested in capital assets, net of accumulated depreciation (e.g., land, buildings, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding reflects \$6,306,347 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.

# State Bar of Texas

## Management's Discussion and Analysis (Unaudited)

May 31, 2020

**Changes in net position:** The following schedule shows the changes in net position for the year ended May 31, 2020 with comparison totals for the year ended May 31, 2019 as originally stated. The difference between revenues and expenditures represents the change in net position.

**Table A-2**  
**Changes in the State Bar's Net Position**

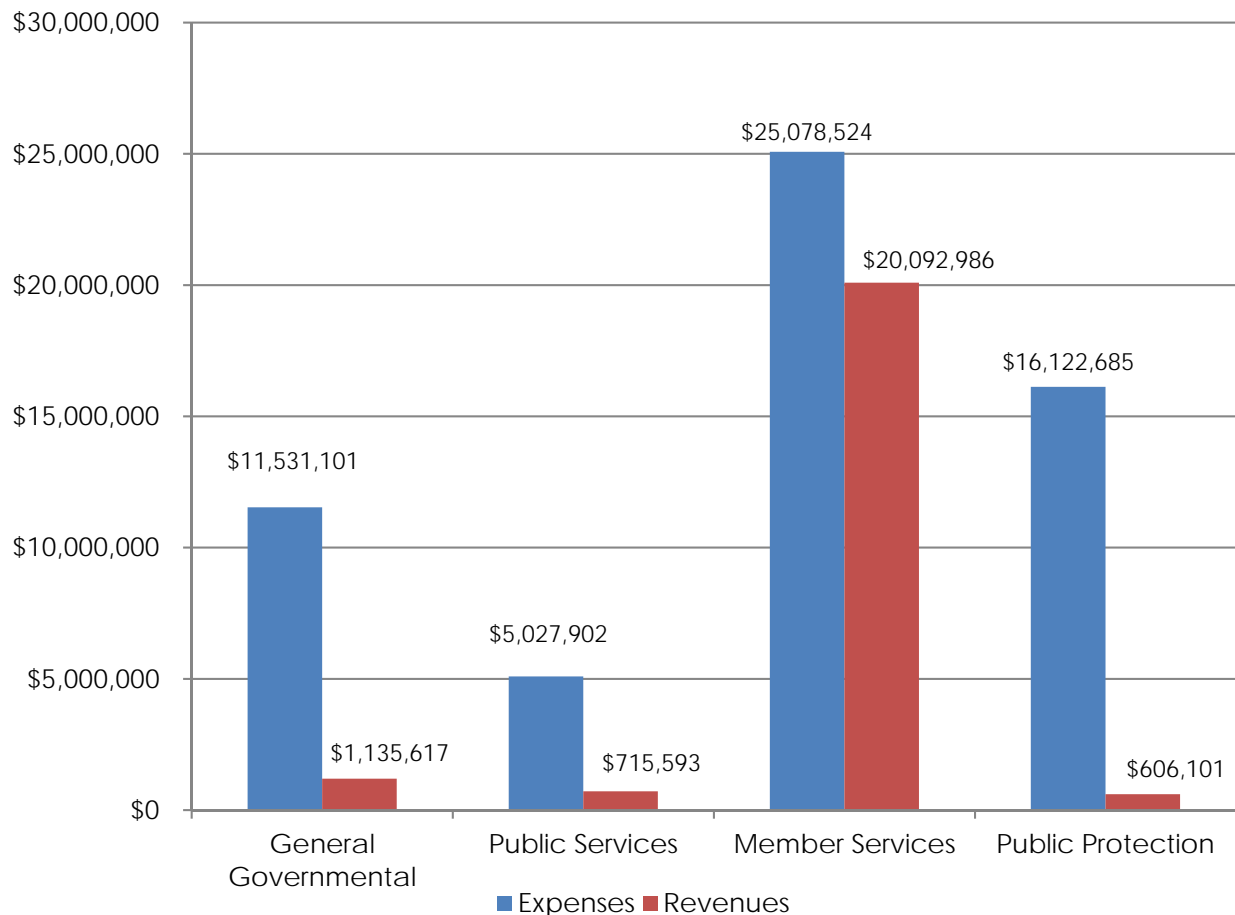
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 20,872,152	\$ 21,238,451	\$ 2,341,355	\$ 2,288,252	\$ 23,213,507	\$ 23,526,703
Operating grants and contributions	1,678,145	2,052,850	-	-	1,678,145	2,052,850
General revenues:						
Membership dues	24,872,966	24,804,055	-	-	24,872,966	24,804,055
Investment income	1,427,944	1,018,343	9,366	8,993	1,437,310	1,027,336
Royalty revenue	1,591,507	1,525,878	1,227,197	1,138,780	2,818,704	2,664,658
Other income	448,977	538,501	-	-	448,977	538,501
Loss on disposal of capital assets	-	(1,288)	-	-	-	(1,288)
Total revenues	50,891,691	51,176,790	3,577,918	3,436,025	54,469,609	54,612,815
Expenses:						
General government	11,531,101	10,597,640	-	-	11,531,101	10,597,640
Public services	5,027,902	4,979,973	-	-	5,027,902	4,979,973
Member services	25,078,524	24,876,303	-	-	25,078,524	24,876,303
Public protection	16,122,685	14,207,787	-	-	16,122,685	14,207,787
Books	-	-	4,255,854	3,975,696	4,255,854	3,975,696
Total expenses	57,760,212	54,661,703	4,255,854	3,975,696	62,016,066	58,637,399
Increase (decrease) in net position	(6,868,521)	(3,484,913)	(677,936)	(539,671)	(7,546,457)	(4,024,584)
Net position at beginning of year,	(59,270,681)	(9,024,365)	(4,812,025)	(1,240,531)	(64,082,706)	(10,264,896)
Prior Period Adjustment	2,170,856	(46,761,403)	153,064	(3,031,823)	2,323,920	(49,793,226)
Net position at end of year	\$ (63,968,346)	\$ (59,270,681)	\$ (5,336,897)	\$ (4,812,025)	\$ (69,305,243)	\$ (64,082,706)

## State Bar of Texas

Management's Discussion and Analysis (Unaudited)

May 31, 2020

### Expense and Program Revenues—Governmental Activities



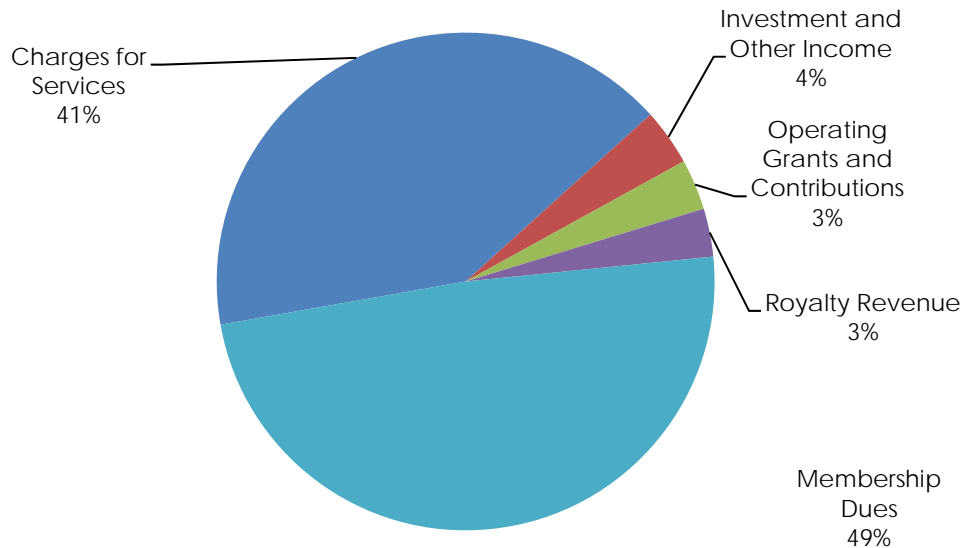
This chart depicts the program revenues and expenses as presented in the statement of activities on page 18 of the financial statements. These represent the revenues and related expenses for these programs. The State Bar also collects membership dues, investment income, royalty revenue and other income that totaled \$28,341,394 for the year ended May 31, 2020.

## State Bar of Texas

Management's Discussion and Analysis (Unaudited)

May 31, 2020

### Revenues by Source—Governmental Activities



Membership dues continues to be the primary source of revenue for the State Bar. Total membership dues collections for fiscal year 2020 were \$24,872,966 compared to \$24,804,055 in the prior fiscal year. 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.

TexasBarCLE charges for services remain strong at \$14,227,389 for fiscal year 2020 compared to \$15,165,102 in revenue from fiscal year 2019, despite the economic impact of the pandemic. The continuing legal education offered by TexasBarCLE has continued to provide stable income for the Bar to supplement other strategic goals that may not generate revenue, but provide a valuable service to lawyers and the public of the State of Texas. Other charges for services include Minimum Continuing Legal Education (MCLE) fees, Texas Board of Legal Specialization fees and Bar Journal fees.

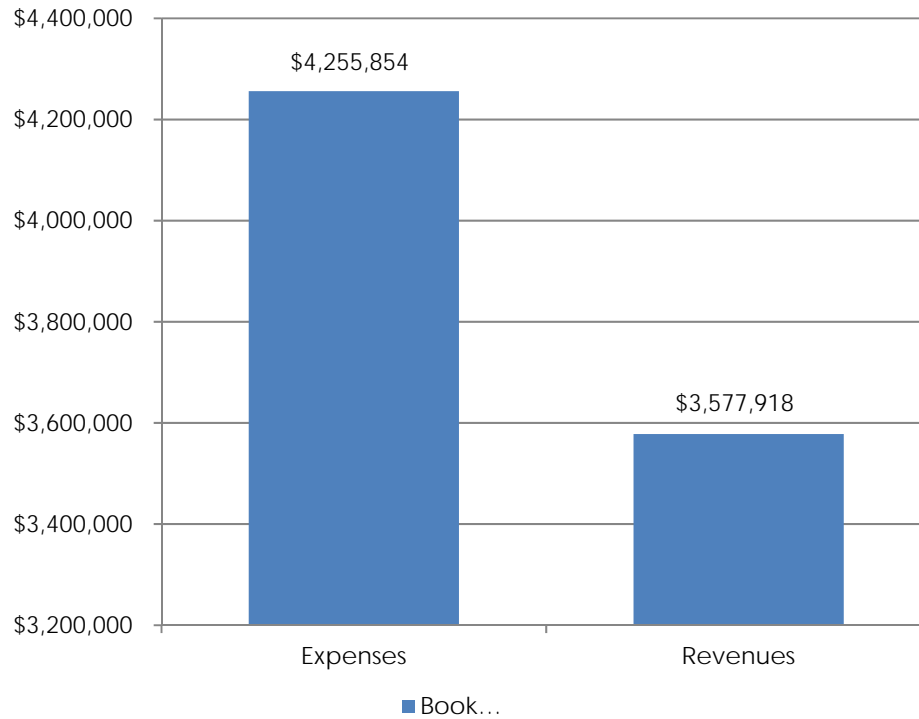
## State Bar of Texas

Management's Discussion and Analysis (Unaudited)

May 31, 2020

**Business-type activities:** Business-type activities decreased the State Bar's net position by (\$677,936) due to the impact of the pension and OPEB adjustments. The TexasBarBooks 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

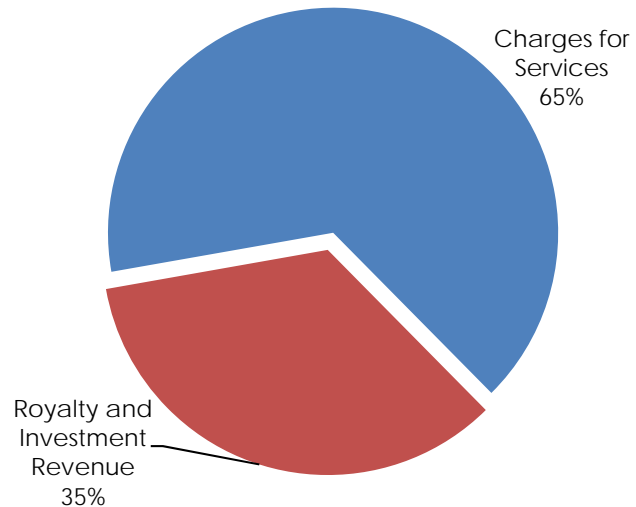


## State Bar of Texas

Management's Discussion and Analysis (Unaudited)

May 31, 2020

### 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.

## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

#### 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 \$39,701,398 an increase of \$3,709,671 in comparison with the prior year. Of this amount, \$1,195,013 is nonspendable for inventories and prepaid items and \$23,624,569 is committed for specific uses by the Board.

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 \$20,390,297, which is 73 percent unassigned. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total General Fund expenditures. During the current fiscal year, the fund balance of the State Bar's General Fund increased by \$2,730,547.

**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 TexasBarBooks totaled (\$5,336,897). The total decrease in net position was (\$677,936). Other factors concerning the finances of this fund have already been addressed in the discussion of the State Bar's business-type activities.

**General Fund budgetary highlights:** The State Bar's actual revenue for the General Fund was \$1,013,552 above budgeted amounts. The most significant positive variances resulted from investment income and membership dues income, which were offset by a negative variance from TexasBarCLE revenue as a result of the pandemic closing live classes from March-May. The State Bar's actual expenditures for the General Fund were \$2,715,585 below budgeted amounts. The most significant positive variance resulted in travel and meeting costs from holding several meetings remotely.



## State Bar of Texas

### Management's Discussion and Analysis (Unaudited)

May 31, 2020

#### 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, 2020, amounts to \$6,306,347 (net of accumulated depreciation and amortization). This investment in capital assets includes land; buildings and systems; and furniture, equipment, digital publication, and other assets.

**Table A-3**  
**State Bar's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 154,074	\$ 154,074	\$ -	\$ -	\$ 154,074	\$ 154,074
Construction in progress	604,551	200,534	180,183	-	784,734	200,534
Building and systems, net	780,927	824,028	-	-	780,927	824,028
Furniture, equipment, digital publication and other, net	4,726,886	5,126,486	35,322	35,322	4,762,208	5,161,808
	<b>\$ 6,266,438</b>	<b>\$ 6,305,122</b>	<b>\$ 215,505</b>	<b>\$ 35,322</b>	<b>\$ 6,481,943</b>	<b>\$ 6,340,444</b>

Additional information on the State Bar's capital assets can be found in Note 2 on page 39 of this report.

**Long-term liabilities:** At the end of the current fiscal year, the State Bar had capital leases of \$175,596 and accrued compensated absences of \$1,029,403. The current portion of liabilities, or liabilities that are due within one year include capital 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, 2020, with comparative information as of May 31, 2019:

**Table A-4**  
**State Bar's Noncurrent Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital lease payable	\$ 175,596	\$ 37,984	\$ -	\$ -	\$ 175,596	\$ 37,984
Deferred Rent	220,908	-	-	-	220,908	-
Accrued compensated absences	1,605,679	1,521,492	101,516	97,422	1,707,195	1,618,914
Net pension liability	82,055,157	54,916,885	5,237,563	3,505,333	87,292,720	58,422,218
Total OPEB Liability	40,576,045	34,376,046	2,589,960	2,194,216	43,166,005	36,570,262
Total liabilities	124,633,385	90,852,407	7,929,039	5,796,971	132,562,424	96,649,378
Less current portion	(1,657,984)	(1,611,948)	(107,426)	(98,326)	(1,765,410)	(1,710,274)
Total noncurrent liabilities	<b>\$ 122,975,401</b>	<b>\$ 89,240,459</b>	<b>\$ 7,821,613</b>	<b>\$ 5,698,645</b>	<b>\$ 130,797,014</b>	<b>\$ 94,939,104</b>

Additional information on the State Bar's noncurrent liabilities can be found in Note 5 on page 44 of this report.

## **State Bar of Texas**

### **Management's Discussion and Analysis (Unaudited)**

May 31, 2020

#### **Economic Factors and Next Year's Budget**

For the General Fund, estimated revenues for fiscal year 2021 are \$44,391,553 and estimated expenditures and other uses are \$42,902,753. If these estimates are realized, and the General Fund transfers \$1,488,800 to other funds as budgeted, the State Bar's budgetary General Fund balance is expected to decrease slightly due to the expenditures related to Board commitments of excess fund balance. With the impact of the coronavirus pandemic, it is anticipated that the State Bar will not collect all revenues budgeted; however, the savings in travel and meetings and conference expenses from holding meetings remotely will more than offset the decrease in actual revenue collected.

#### **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 Finance Division Director, 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, 2020

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents – cash in bank	\$ 20,016,432	\$ -	\$ 20,016,432
Investments	30,673,108	-	30,673,108
Receivables			
Sales, net of an allowance for uncollectibles of \$4,797 and \$93,101, respectively	91,152	761,902	853,054
Interest receivable	121,540	-	121,540
Other accounts receivable	2,675,671	-	2,675,671
Internal balances	(369,774)	369,774	-
Inventories, net of obsolescence	11,572	402,646	414,218
Prepaid expenses	1,183,441	1,745	1,185,186
Total current assets	54,403,142	1,536,067	55,939,209
Noncurrent assets:			
Capital assets			
Land	154,074	-	154,074
Construction in progress	604,551	180,183	784,734
Buildings, net	780,927	-	780,927
Furniture, fixtures, computer equipment, software and other equipment, net	4,726,886	35,322	4,762,208
Total noncurrent assets	6,266,438	215,505	6,481,943
Total assets	60,669,580	1,751,572	62,421,152
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related amounts	7,769,115	495,901	8,265,016
Pension related amounts	20,714,722	1,322,217	22,036,939
Total deferred outflows of resources	\$ 28,483,837	\$ 1,818,118	\$ 30,301,955

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

# State Bar of Texas

## Statement of Net Position – Continued

May 31, 2020

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 903,187	\$ -	\$ 903,187
Accrued liabilities	473,390	97,550	570,940
Due to agency funds	651,380	-	651,380
Unearned revenue	12,673,787	-	12,673,787
Current portion capital lease obligations	77,362	-	77,362
Current portion OPEB liability	949,641	60,615	1,010,256
Current portion compensated absences	630,981	46,811	677,792
Total current liabilities	16,359,728	204,976	16,564,704
Noncurrent liabilities			
Capital lease obligations	98,234	-	98,234
Deferred rent	220,908	-	220,908
OPEB liability	39,626,404	2,529,345	42,155,749
Compensated absences	974,698	54,705	1,029,403
Net pension liability	82,055,157	5,237,563	87,292,720
Total noncurrent liabilities	122,975,401	7,821,613	130,797,014
Total liabilities	139,335,129	8,026,589	147,361,718
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related amounts	10,123,032	646,151	10,769,183
Pension related amounts	3,663,602	233,847	3,897,449
Total deferred inflows of resources	13,786,634	879,998	14,666,632
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	6,090,842	215,505	6,306,347
Unrestricted (deficit)	(70,059,188)	(5,552,402)	(75,611,590)
<b>TOTAL NET POSITION (DEFICIT)</b>	\$ (63,968,346)	\$ (5,336,897)	\$ (69,305,243)

**State Bar of Texas**  
Statement of Activities  
Year Ended May 31, 2020

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	\$ 11,531,101	\$ 1,135,617	\$ -	\$ (10,395,484)	\$ -	\$ (10,395,484)
Public services	5,027,902	439,487	276,106	(4,312,309)	-	(4,312,309)
Member services	25,078,524	18,729,866	1,363,120	(4,985,538)	-	(4,985,538)
Public protection	16,122,685	567,182	38,919	(15,516,584)	-	(15,516,584)
Total governmental activities	57,760,212	20,872,152	1,678,145	(35,209,915)	-	(35,209,915)
Business type activities						
Books	4,255,854	2,341,355	-	-	(1,914,499)	(1,914,499)
Total business-type activities	4,255,854	2,341,355	-	-	(1,914,499)	(1,914,499)
<b>Total primary government activities</b>	<b>\$ 62,016,066</b>	<b>\$ 23,213,507</b>	<b>\$ 1,678,145</b>	<b>(35,209,915)</b>	<b>(1,914,499)</b>	<b>(37,124,414)</b>
General revenues						
Membership dues				24,872,966	-	24,872,966
Investment income				1,427,944	9,366	1,437,310
Royalty revenue				1,591,507	1,227,197	2,818,704
Other income				448,977	-	448,977
Total general revenues				28,341,394	1,236,563	29,577,957
Change in net position				(6,868,521)	(677,936)	(7,546,457)
Net position (deficit) beginning of year, as restated				(57,099,825)	(4,658,961)	(61,758,786)
<b>Net position (deficit), end of year</b>				<b>\$ (63,968,346)</b>	<b>\$ (5,336,897)</b>	<b>\$ (69,305,243)</b>

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

# State Bar of Texas

## Balance Sheet – Governmental Funds

May 31, 2020

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents, cash in bank	\$ 8,258,304	\$ 7,887,095	\$ 3,871,033	\$ 20,016,432
Investments	21,933,831	1,163,668	7,575,609	30,673,108
Receivables				
Sales to members and other, net of an allowance for uncollectibles of \$4,797	91,152	-	-	91,152
Interest receivable	84,637	162	36,741	121,540
Other accounts receivable	2,428,491	240,202	6,978	2,675,671
Due from other governmental funds	1,115,863	1,048,500	97,803	2,262,166
Inventories	11,572	-	-	11,572
Prepaid items	802,933	74,018	306,490	1,183,441
<b>TOTAL ASSETS</b>	<b>\$ 34,726,783</b>	<b>\$ 10,413,645</b>	<b>\$ 11,894,654</b>	<b>\$ 57,035,082</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Accounts payable	\$ 817,114	\$ 86,073	\$ -	\$ 903,187
Accrued liabilities	472,556	16	818	473,390
Due to other governmental funds	1,146,303	198,828	917,035	2,262,166
Due to enterprise fund	369,774	-	-	369,774
Due to agency fund	651,380	-	-	651,380
Unearned revenue	10,879,359	1,193,329	601,099	12,673,787
Total current liabilities	14,336,486	1,478,246	1,518,952	17,333,684
Fund balances:				
Nonspendable	814,505	74,018	306,490	1,195,013
Committed	4,694,066	8,861,381	10,069,212	23,624,659
Unassigned	14,881,726	-	-	14,881,726
Total fund balances	20,390,297	8,935,399	10,375,702	39,701,398
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,726,783</b>	<b>\$ 10,413,645</b>	<b>\$ 11,894,654</b>	<b>\$ 57,035,082</b>

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, 2020

<b>Total fund balance - governmental funds</b>	<b>\$ 39,701,398</b>
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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.	6,266,438
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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	(82,055,157)
OPEB liability	(40,576,045)
Deferred outflows related to net OPEB liability	7,769,115
Deferred inflows related to net OPEB liability	(10,123,032)
Deferred outflows related to net pension liability	20,714,722
Deferred inflows related to net pension liability	(3,663,602)

Long-term liabilities are not due and payable in the current period and therefore are not  
reported in the funds. These items include:

Capital Lease Payable	(175,596)
Deferred Rent	(220,908)
Compensated Absences	(1,605,679)

<b>Net position of governmental activities</b>	<b>\$ (63,968,346)</b>
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# State Bar of Texas

## Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds Year Ended May 31, 2020

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Membership dues	\$ 21,109,358	\$ 2,557,623	\$ 1,205,985	\$ 24,872,966
Accounting and management fees	650,351	-	-	650,351
Texas Bar Journal	632,032	-	-	632,032
MCLE fees	3,376,884	-	-	3,376,884
Professional development	13,628,029	599,360	-	14,227,389
Minority affairs	482,478	-	-	482,478
Investment income	939,126	49,873	438,945	1,427,944
Grant revenue	-	-	363,606	363,606
Member benefits	872,804	-	-	872,804
Website	586,256	-	-	586,256
Advertising review	329,300	-	-	329,300
CDC disciplinary fees	567,182	-	-	567,182
Other income	948,966	790,862	877,474	2,617,302
Total revenues	44,122,766	3,997,718	2,886,010	51,006,494
<b>EXPENDITURES</b>				
Executive	2,882,528	-	-	2,882,528
Member and public service	2,707,219	-	-	2,707,219
Professional development	9,312,703	-	-	9,312,703
Legal and attorney services	1,981,183	-	-	1,981,183
Access to justice commission	626,729	-	-	626,729
Member benefits and research	203,771	-	-	203,771
Attorney compliance	1,856,243	-	-	1,856,243
Operations and security division	1,263,683	-	72,011	1,335,694
Finance and information technology	5,063,957	-	540,402	5,604,359
Communications	2,360,465	-	-	2,360,465
Public protection	10,646,348	-	719,211	11,365,559
Special services	-	3,293,221	2,300,915	5,594,136
Expenditures related to Board commitments	748,590	-	-	748,590
Capital outlay	-	-	706,334	706,334
Debt service				
Principal	-	-	169,540	169,540
Interest	-	-	5,753	5,753
Total expenditures	39,653,419	3,293,221	4,514,166	47,460,806
Excess (deficiency) of revenues over (under) expenditures	4,469,347	704,497	(1,628,156)	3,545,688
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	163,983	163,983
Transfers in	-	-	1,738,800	1,738,800
Transfers out	(1,738,800)	-	-	(1,738,800)
Total other financing sources (uses)	(1,738,800)	-	1,902,783	163,983
Net change in fund balances	2,730,547	704,497	274,627	3,709,671
FUND BALANCES, beginning of year, as restated	17,659,750	8,230,902	10,101,075	35,991,727
FUND BALANCES, end of year	\$ 20,390,297	\$ 8,935,399	\$ 10,375,702	\$ 39,701,398

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, 2020

<b>Net change in fund balance - total governmental funds</b>	<b>\$ 3,709,671</b>
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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	849,504
Depreciation and amortization expense	(888,188)

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

Proceeds from capital leases	(163,983)
Repayment of capital leases	119,471

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	(14,731,469)
Change in OPEB liability and related deferred inflows and outflows	4,385,628
Change in deferred rent	(64,968)
Change in compensated absences	(84,187)

<b>Change in net position of governmental activities</b>	<b>\$ (6,868,521)</b>
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# State Bar of Texas

## Statement of Net Position – Proprietary Funds

May 31, 2020

	Texas Bar Books
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Accounts receivable, net of allowance for uncollectibles of \$93,101	\$ 761,902
Due from other funds	369,774
Inventories, net of obsolescence	402,646
Prepaid expenses	1,745
Total current assets	1,536,067
<b>NONCURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation of \$318,315	215,505
<b>TOTAL ASSETS</b>	1,751,572
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB related amounts	495,901
Pension related amounts	1,322,217
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	1,818,118
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued liabilities	97,550
OPEB Liability	60,615
Accrued compensated absences	46,811
Total current liabilities	204,976
<b>NONCURRENT LIABILITIES</b>	
Accrued compensated absences	54,705
OPEB Liability	2,529,345
Net pension liability	5,237,563
Total noncurrent liabilities	7,821,613
<b>TOTAL LIABILITIES</b>	8,026,589
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB related amounts	646,151
Pension related amounts	233,847
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	879,998
<b>NET POSITION (DEFICIT)</b>	
Investment in capital assets	215,505
Unrestricted (deficit)	(5,552,402)
<b>TOTAL NET POSITION (DEFICIT)</b>	\$ (5,336,897)

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, 2020

	<b>Texas Bar Books</b>
<b>OPERATING REVENUES</b>	
Charges for sale and services	
Book sales	\$ 2,341,355
Total operating revenues	<u>2,341,355</u>
<b>OPERATING EXPENSES</b>	
Costs of good sold	657,379
Salaries and benefits	2,470,462
Professional services	45,578
Administrative fee	542,548
Office, equipment, storage rentals	162,186
Postage and freight	144,971
Other administrative expenses	232,730
Total operating expenses	<u>4,255,854</u>
Operating loss	<u>(1,914,499)</u>
<b>NONOPERATING REVENUES</b>	
Investment income	9,366
Royalty revenue	1,227,197
Total nonoperating revenues	<u>1,236,563</u>
Change in net position	(677,936)
<b>NET POSITION (DEFICIT), beginning of year, as restated</b>	<u>(4,658,961)</u>
<b>NET POSITION (DEFICIT), end of year</b>	<u><u>\$ (5,336,897)</u></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, 2020

	<b>Texas Bar Books</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,980,946
Payments to suppliers for goods and services	(1,595,857)
Payments to employees	(1,805,996)
Net cash used in operating activities	(1,420,907)
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>	
Interfund transactions	371,259
Net cash provided by noncapital financing	371,259
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(180,183)
Net cash flows used in capital and related financing activities	(180,183)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	9,366
Royalties received	1,227,197
Net cash provided by investing activities	1,236,563
Net change in cash and cash equivalents	6,732
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	-
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 6,732
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,914,499)
Adjustments to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities	
Accounts receivable	(360,409)
Inventories, net of obsolescence	152,868
Prepaid expenses	(1,247)
Accrued liabilities	46,949
Unearned revenue	(9,035)
Accrued compensated absences	4,094
OPEB liability	(120,138)
Net pension liability	780,510
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	\$ (1,420,907)

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, 2020

	State Bar of Texas Insurance Trust Private-Purpose Trust Fund	
	Agency Funds	Trust Fund
<b>ASSETS</b>		
Cash in bank	\$ 150,663	\$ 652,612
Accounts receivable	-	4,775
Due from general fund	762,136	-
<b>TOTAL ASSETS</b>	<b>\$ 912,799</b>	<b>\$ 657,387</b>
<b>LIABILITIES</b>		
Due to general fund	\$ -	\$ 110,756
Due to other organizations	912,799	73,578
<b>TOTAL LIABILITIES</b>	<b>\$ 912,799</b>	<b>184,334</b>
<b>NET POSITION, held in trust for member group insurance benefits</b>		<b>\$ 473,053</b>

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

## State Bar of Texas

### Statement of Changes in Net Position – Fiduciary Funds Year Ended May 31, 2020

	State Bar of Texas Insurance Trust Private-Purpose Trust Fund
<b>ADDITIONS</b>	
Contributions of subscribers	\$ 7,123,277
Royalties	71,278
Service agreement revenue	750,000
Total additions	7,944,555
<b>DEDUCTIONS</b>	
Premiums to insurance carrier	7,123,277
Accounting fees	17,976
Insurance	454,417
Rent	12
Service agreement fee	250,000
Utilities	165
Total deductions	7,845,847
Income before income tax benefit	98,708
<b>INCOME TAX BENEFIT</b>	12,000
Change in net position	86,708
<b>NET POSITION, beginning of year</b>	386,345
<b>NET POSITION, end of year</b>	\$ 473,053

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-1 (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), the Texas Center for Legal Ethics' (the Center) and the Texas Legal Protection Plan, Inc.'s. (the Plan) 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, the Center or the Plan, and because no financial burden or benefit exists between the State Bar and the Foundation, the Center or the Plan, 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, which 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.

## State Bar of Texas

### Notes to the Financial Statements

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.

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.

## State Bar of Texas

### Notes to the Financial Statements

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.

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 agency 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:

**Agency Fund** – The agency fund is custodial in nature and is 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 25-26.

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 agency 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.

## State Bar of Texas

### Notes to the 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.

**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.

## **State Bar of Texas**

### **Notes to the Financial Statements**

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, 2020, the State Bar governmental activities and business-type activities reported an allowance of \$4,797 and \$93,101 respectively.

#### **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.

## State Bar of Texas

### Notes to the Financial Statements

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.

### Capital Lease

Capital lease obligations represent the liability for future lease payments under capital lease. Liabilities are reported separately as either current or noncurrent in 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 \$1,605,679 and \$101,516 was recorded as accrued compensated absences for governmental activities and business-type activities, respectively, for the year ended May 31, 2020.

### 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.

## **State Bar of Texas**

### **Notes to the Financial Statements**

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.

#### **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.

## **State Bar of Texas**

### **Notes to the Financial 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.

#### **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.



## State Bar of Texas

### Notes to the Financial Statements

The following table details fund balances between the various categories as of May 31, 2020:

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total
Fund balances				
Nonspendable				
Inventories	\$ 11,572	\$ -	\$ -	\$ 11,572
Prepaid items	802,933	74,018	306,490	1,183,441
Total nonspendable	814,505	74,018	306,490	1,195,013
Committed to				
Texas Law Center projects	-	-	4,493,150	4,493,150
Access to Justice (ATJ) student loan repayment program	515,000	-	-	515,000
Run-off Election Reserve	70,000	-	-	70,000
Law Related Education Program	6,179	-	-	6,179
Presidential initiatives	186,776	-	-	186,776
Statewide Pro Bono Recruitment Campaign	141,975	-	-	141,975
Ethics initiatives	11,495	-	-	11,495
Texas Opportunity and Justice Incubator Program	489,141	-	-	489,141
Referendum reserve	150,000	-	-	150,000
Archives Digitization Project	63,500	-	-	63,500
Client Security Fund	333,333	-	2,817,369	3,150,702
Sections	-	8,861,381	-	8,861,381
Information Technology	1,240,000	-	33,286	1,273,286
Future Board Commitments	866,667	-	-	866,667
Legal Counsel	100,000	-	-	100,000
Sheeran Crowley Trust	225,000	-	-	225,000
Southern Conference Bar President	75,000	-	-	75,000
Law Practice Management Project	200,000	-	-	200,000
Public Information Project	20,000	-	-	20,000
Special Revenue Funds	-	-	2,725,407	2,725,407
Total committed	4,694,066	8,861,381	10,069,212	23,624,659
Unassigned	14,881,726	-	-	14,881,726
<b>Total fund balances</b>	<b>\$ 20,390,297</b>	<b>\$ 8,935,399</b>	<b>\$ 10,375,702</b>	<b>\$ 39,701,398</b>

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, 2020, is approximately \$11.1 million of the unassigned fund balance. The target level is based on 3.0 months of budgeted operating expenditures.

## **State Bar of Texas**

### **Notes to the Financial Statements**

#### **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, 2020, was as follows:

	Beginning Balance	Additions	Deletions	CIP Transfers and Adjustments	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 154,074	\$ -	\$ -	\$ -	\$ 154,074
Construction in progress	200,534	404,017	-	-	604,551
Total capital assets not being depreciated	354,608	404,017	-	-	758,625
Capital assets being depreciated and amortized					
Buildings	6,489,602	-	-	-	6,489,602
Furniture, fixtures, computer equipment, software and other equipment	15,498,499	445,487	(248,886)	-	15,695,100
Total capital assets being depreciated and amortized	21,988,101	445,487	(248,886)	-	22,184,702
Less accumulated depreciation and amortization for					
Buildings	(5,665,574)	(10,844)	-	(32,257)	(5,708,675)
Furniture, fixtures, computer equipment, software and other equipment	(10,372,013)	(877,344)	248,886	32,257	(10,968,214)
Total accumulated depreciation and amortization	(16,037,587)	(888,188)	248,886	-	(16,676,889)
Total capital assets being depreciated and amortized, net	5,950,514	(442,701)	-	-	5,507,813
<b>Governmental activities capital assets, net</b>	<b>\$ 6,305,122</b>	<b>\$ (38,684)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,266,438</b>
Business-type activities					
Construction in progress	\$ -	\$ 180,183	\$ -	\$ -	\$ 180,183
Furniture, fixtures, computer equipment, software and other equipment	353,637	-	-	-	353,637
Accumulated depreciation and amortization	(318,315)	-	-	-	(318,315)
<b>Business-type activities capital assets, net</b>	<b>\$ 35,322</b>	<b>\$ 180,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,505</b>

Depreciation and amortization expense for the year ended May 31, 2020, was allocated in the following manner:

Governmental Activities	
General government	\$ 834,654
Member services	53,534
<b>Total depreciation expense - governmental activities</b>	<b>\$ 888,188</b>

There was no depreciation and amortization expense for business-type activities for the year ended May 31, 2020, because assets were fully depreciated. The remaining balance is considered salvage value.

## State Bar of Texas

### Notes to the Financial Statements

#### Note 3. Deposits, Investments and Repurchase Agreements

##### Deposits of Cash in Bank

As of May 31, 2020, the carrying amount of deposits totaled \$20,819,707 as presented below:

	Carrying Amount	Bank Balance
Governmental, business-type and fiduciary activities		
Cash in bank - carrying amount	\$ 13,214,747	\$ 13,018,405
Money market mutual funds - carrying amount at net asset value	7,604,960	7,604,960
<b>Total cash in bank</b>	<b>\$ 20,819,707</b>	<b>\$ 20,623,365</b>

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

In the case of deposits, the risk is 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 pledge securities. There is no limit on the amount the State Bar may deposit in any one institution. As of May 31, 2020, the State Bar's deposits are not exposed to deposit custodial credit risk because they are collateralized with securities held by the Federal Reserve in the State Bar's name in the amount of approximately \$14.2 million. The State Bar does not have funds that are held in foreign currency.

##### 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.

## State Bar of Texas

### Notes to the Financial Statements

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.

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, 2020, the fair value of investments were as follows:

#### Governmental Activities

	Carrying Value	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost
Fixed income securities					
US Treasury securities	\$ 10,258,531	\$ 10,258,531	\$ -	\$ -	\$ -
US government agency obligations	16,359,355	-	16,359,355	-	-
Commercial paper	2,998,202	-	2,998,202	-	-
Certificates of deposit	1,057,020	-	-	-	1,057,020
<b>Total investments at fair value</b>	<b>\$ 30,673,108</b>	<b>\$ 10,258,531</b>	<b>\$ 19,357,557</b>	<b>\$ -</b>	<b>\$ 1,057,020</b>

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, 2020, 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, 2020, State Bar's credit quality distribution for securities was as follows:

Investment Type	Standard and Poor's Ratings			Total
	AAA	AA+	A-1	
US Treasury securities	\$ -	\$ 10,258,531	\$ -	\$ 10,258,531
US government agency obligations	-	16,252,706	-	16,252,706
Money market mutual funds	7,604,960	-	-	7,604,960
Commercial paper	-	-	2,998,202	2,998,202
	<u>\$ 7,604,960</u>	<u>\$ 26,511,237</u>	<u>\$ 2,998,202</u>	<u>37,114,399</u>
GNMA Pool - not applicable				106,649
Certificates of deposit - not rated				1,057,020
Less: cash and cash equivalents (money market mutual funds)				(7,604,960)
				<u>\$ 30,673,108</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, 2020, the State Bar's investments consist of the following:

Issuer	Fair Value	Percentage
US Treasury securities	\$ 10,258,531	33%
Federal Home Loan Mortgage Corp	2,833,166	9%
Fannie Mae	6,613,183	22%
Freddie Mac	6,806,357	22%
GNMA Pool	106,649	1%
Commercial paper	2,998,202	10%
Certificates of deposit	1,057,020	3%
<b>Total investments</b>	<b>\$ 30,673,108</b>	<b>100%</b>

*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, 2020, the State Bar's investments exposure to interest rate risk was as follows:

Description	Fair Value	Weighted-Average Maturity (In Days)
US Treasury securities	\$ 10,258,531	204
US government agency obligations	16,359,355	451
Commercial paper	2,998,202	9
Certificates of deposit	1,057,020	15
<b>Total investments</b>	<b>\$ 30,673,108</b>	

**Note 4. Short-Term Debt**

The State Bar has no short-term debt to report for the fiscal year ended May 31, 2020.

**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, 2020, is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities						
Capital lease obligations	\$ 37,984	\$ 307,152	\$ (169,540)	\$ 175,596	\$ 77,362	\$ 98,234
Deferred rent	-	220,908	-	220,908	-	220,908
Accrued compensated absences	1,521,492	662,308	(578,121)	1,605,679	630,981	974,698
Total OPEB liability	34,376,046	7,161,246	(961,247)	40,576,045	949,641	39,626,404
Net pension liability	54,916,885	29,050,242	(1,911,970)	82,055,157	-	82,055,157
<b>Total governmental activities</b>	<b>\$ 90,852,407</b>	<b>\$ 37,401,856</b>	<b>\$ (3,620,878)</b>	<b>\$ 124,633,385</b>	<b>\$ 1,657,984</b>	<b>\$ 122,975,401</b>
Business-type activities						
Accrued compensated absences	\$ 97,422	\$ 64,759	\$ (60,665)	\$ 101,516	\$ 46,811	\$ 54,705
Total OPEB liability	2,194,216	457,100	(61,356)	2,589,960	60,615	2,529,345
Net pension liability	3,505,333	1,854,271	(122,041)	5,237,563	-	5,237,563
<b>Total business-type activities</b>	<b>\$ 5,796,971</b>	<b>\$ 2,376,130</b>	<b>\$ (244,062)</b>	<b>\$ 7,929,039</b>	<b>\$ 107,426</b>	<b>\$ 7,821,613</b>

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, 2020.

**Note 7. Derivatives**

The State Bar has no derivatives to report for the fiscal year ended May 31, 2020.



# State Bar of Texas

## Notes to the Financial Statements

### Note 8. Leases

#### Capital Lease Obligations

The State Bar entered into long-term leases for financing the purchase of certain capital assets and are recorded at the present value of the future minimum lease payments at the inception of the lease.

A summary of original capitalized costs of all such property under lease in addition to the accumulated depreciation as of May 31, 2020, is presented below.

	Governmental Activities		
	Assets	Accumulated Depreciation	Total
Other equipment	\$ 307,153	\$ (81,565)	\$ 225,588
<b>Total</b>	<b>\$ 307,153</b>	<b>\$ (81,565)</b>	<b>\$ 225,588</b>

Future minimum lease payments under the capital leases, together with the net present value of all minimum lease payments as of May 31, 2020, were as follows:

	Governmental Activities		
	Principal	Interest	Total Future Minimum Lease Payments
Year ending May 31:			
2021	\$ 77,362	\$ 8,779	\$ 86,141
2022	31,161	4,912	36,073
2023	32,719	3,354	36,073
2024	34,354	1,718	36,072
<b>Total</b>	<b>\$ 175,596</b>	<b>\$ 18,763</b>	<b>\$ 194,359</b>

#### Operating Leases

Rent expense incurred under all third-party office space and equipment-operating leases for the year ended May 31, 2020, totaled \$564,643 for governmental activities.

At May 31, 2020, the State Bar was obligated under operating leases for the regional Chief Disciplinary Counsel Department's and the Texas Board of Legal Specialization's office space, expiring through 2027. In addition, the State Bar has some short-term leases during the year May 31, 2020.

## State Bar of Texas

### Notes to the Financial Statements

Future minimum lease payments on these operating leases are as follows:

Years Ending May 31,	Governmental Activities
2021	\$ 592,798
2022	577,292
2023	578,933
2024	476,061
2025	442,395
2026-2031	1,134,490
	<u>\$ 3,801,969</u>

## 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.

### 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 Sept. 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.

## State Bar of Texas

### Notes to the Financial Statements

**Contributions:** The contribution rates for the state and the members for the ERS plan for the measurement date of August 31, 2019, 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 2019 measurement period was \$2,074,658.

### Net Pension Liability

The State Bar's net pension liability was measured as of August 31, 2019, 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 methods and assumptions applied, except discount rate, in the actuarial valuation were based on an experience study covering the five-year period from September 1, 2011 through August 31, 2016.

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2019:

Actuarial Methods and Assumptions	
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	4.42%
Investment rate of return	7.50%
Inflation	2.50%
Salary increase	0.0 to 9.5%
Mortality:	
State agency members:	
Service retirees, survivors and other inactive members	2017 State Retirees of Texas Mortality table with mortality improvements based on full generational projection using Ultimate MP projections sale. Tables were developed based on the experience in the 2016 actuarial study.
Disabled retirees	RP-2014 Disabled Retiree mortality with Ultimate MP Projection Scale projected from the year 2014.
Active members	RP-2014 Employee Mortality tables for male and female with Ultimate MP projection scale projected from the year 2014.
Cost-of-living adjustments	None - Employee 2.75% - Elected

## State Bar of Texas

### Notes to the Financial Statements

#### 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	50.00%	3.91%
Global credit	11.00%	0.57%
Opportunistic credit	3.00%	0.20%
Intermediate treasuries	11.00%	0.29%
Real estate	12.00%	0.90%
Infrastructure	7.00%	0.49%
Hedge funds	5.00%	0.31%
Cash	1.00%	0.02%
<b>Total</b>	<b>100.00%</b>	<b>6.69%</b>
Inflation		2.50%
<b>Expected arithmetic nominal rate of return</b>		<b>9.19%</b>

#### Discount Rate

A single discount rate of 4.42% was applied to measure the total pension liability. The 4.42% discount rate incorporated a 7.5% long-term expected rate of return on pension plan investments and 2.63% 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 fiscal 2047 and the municipal bond rate was applied to all benefit payments thereafter.

## State Bar of Texas

### Notes to the Financial Statements

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 2019 funding levels.

### Sensitivity Analysis

The following presents the net pension liability of the State Bar, calculated using the discount rate of 4.42%, 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 (3.42%) or 1 percentage point higher (5.42%) than the current rate:

	1% Decrease	Rate	1% Increase
	3.42%	4.42%	5.42%
State Bar's proportionate share of net pension liability	\$ 111,772,050	\$ 87,292,720	\$ 67,347,365

### 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 Comprehensive Annual Financial Report (CAFR).

More detailed information on the plan's investment valuation, investment policy, assets and fiduciary net position may be obtained from ERS' fiscal 2019 CAFR:

Employees Retirement System of Texas  
P.O. Box 13207  
Austin, Texas 78711-3207  
[www.ers.texas.gov](http://www.ers.texas.gov)

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

At May 31, 2020, the State Bar reported a liability of \$87,292,720 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2019, 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.

## State Bar of Texas

### Notes to the Financial Statements

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 0.29111975% in fiscal year 2020, as compared to the 0.28934813% in the prior fiscal year.

For the fiscal year ended May 31, 2020, the State Bar recognized pension expense of \$6,255,587. At May 31, 2020, State Bar reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 136,839	\$ (1,185,240)
Changes of assumptions	17,821,648	(2,435,860)
Net difference between projected and actual investment return	1,416,104	-
Change in proportion and contribution differences	1,138,702	(276,349)
Contributions subsequent to the measurement date	1,523,646	-
<b>Total</b>	<b>\$ 22,036,939</b>	<b>\$ (3,897,449)</b>

Contributions made subsequent to the measurement date are eligible employer contributions made from September 1, 2019 through May 31, 2020, totaling \$1,523,646, which is reported as deferred outflows of resources and will be recognized as a reduction in the net pension liability for the year ending May 31, 2021.

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,	
2021	\$ 6,772,466
2022	6,087,661
2023	3,010,733
2024	744,984
	<b>\$ 16,615,844</b>

## Note 10. Deferred Compensation

The State Bar has no deferred compensation to report for the fiscal year ended May 31, 2020.

## State Bar of Texas

### Notes to the Financial Statements

#### 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 188,156, or 80.4%, or the employees covered by the SRHP. Participating entities are as follows:

State agencies	116
Universities	27
Junior and community colleges	50
Other entities	8
<b>Total participating entities</b>	<b>201</b>

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

Retiree only	625
Retiree and spouse	1,341
Retiree and children	1,104
Retiree and family	1,820

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 nonemployer contributing entity, the State of Texas pays part of the premiums for the junior and community college.

For the measurement period ending August 31, 2019, the amount of the State Bar's contributions recognized by SHRP was \$3,700,842. Fiscal year 2020 contributions were \$3,767,155.

The total OPEB liability is determined by an actuarial valuation. The methods and assumptions applied in the actuarial valuation were based on an experience study covering the five-year period from September 1, 2011 through August 31, 2016, for state agency members and for the period September 1, 2010 through August 31, 2014, for higher education members.

## 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, 2019:

Actuarial Methods and Assumptions	
ERS Plan	
Actuarial valuation date	August 31, 2019
Actuarial cost method	Entry age
Actuarial assumptions:	
Discount rate	2.97%
Inflation	2.50%
Salary increase	2.50% to 9.05%, including inflation
Annual health care trend rate	7.30% for FY2021, 7.40% for FY2022, 7.00% for FY2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY2028 and later years
Retirement age	Experience based tables of rates that are specific to employee class
Mortality:	
State agency members:	
Service retirees, survivors and other inactive members	2017 State Retirees of Texas Mortality table with a one year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disabled retirees	RP-2014 Disabled Retiree mortality with Ultimate MP Projection Scale projected from the year 2014
Active members	RP-2014 Active Member Mortality tables for male and female with Ultimate MP Projection Scale projected from the year 2014
Ad hoc postemployment benefit changes	None

The following benefit revision has been adopted effective January 1, 2019, since the prior valuation for retirees and dependents for whom Medicare is not the primary, an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for individuals and families in order to remain consistent with Internal Revenue Service maximums.

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 is the municipal bond rate of 2.97% for the measurement date ending August 31, 2019, as compared to a discount rate of 3.69% 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. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor'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
	1.97%	2.97%	3.97%
State Bar's proportionate share of net OPEB liability	\$ 51,510,470	\$ 43,166,005	\$ 36,745,242

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The sensitivity of the net OPEB liability to changes in the discount rate and health care trend rate is summarized below:

	1% Decrease (6.3%, Decreasing to 3.5%)	Current Health Care Cost Trend Rates Decreasing to 4.5%)	1% Increase (8.3%, Decreasing to 5.5%)
State Bar's proportionate share of the net OPEB liability	\$ 36,246,113	\$ 43,166,005	\$ 52,208,720

The SHRP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS' board of trustees adopted the amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

More detailed information on SHRP may be obtained from ERS' fiscal 2019 CAFR:

Employees Retirement System of Texas  
P.O. Box 13207  
Austin, Texas 78711-3207  
[www.ers.texas.gov](http://www.ers.texas.gov)

At May 31, 2020, the State Bar's recognized a total OPEB liability of \$43,166,005 for its proportionate share of the collective total OPEB liability. The State Bar's proportionate share of the total OPEB liability was 0.12489197% in fiscal year 2020, as compared to the 0.12339085% in the prior fiscal year, and was based on contributions to the OPEB plan relative to the contributions of all employers and the nonemployer contributing entity for the period.

## State Bar of Texas

### Notes to the Financial Statements

At August 31, 2019, 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	\$ -	\$ (1,123,218)
Change in proportionate share and contribution difference	2,341,445	-
Changes of assumptions	3,071,895	(9,645,965)
Net difference between projected and actual investment return	17,747	-
Contributions subsequent to the measurement date	2,833,929	-
<b>Total</b>	<b>\$ 8,265,016</b>	<b>\$ (10,769,183)</b>

Contributions made subsequent to the measurement date are eligible employer contributions made from September 1, 2019 through May 31, 2020, totaling \$2,833,929, which is reported as deferred outflows of resources and will be recognized as a reduction in the total OPEB liability for the year ending May 31, 2021.

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,	
2021	\$ (2,445,571)
2022	(2,445,571)
2023	(1,262,001)
2024	252,008
2025	563,039
	<b>\$ (5,338,096)</b>

## State Bar of Texas

### Notes to the Financial Statements

#### 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, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 917,035
General Fund	Sections and Division	198,828
General Fund	Fiduciary Fund - SBOTIT Private-Purpose Trust Fund	110,756
Sections and Divisions	General Fund	1,048,500
Nonmajor governmental funds	General Fund	97,803
Texas Bar Books	General Fund	369,774
Agency Fund	General Fund	762,136
<b>Total</b>		<b>\$ 3,504,832</b>

During the year, the General Fund transferred \$1,738,800 to nonmajor governmental funds to supplement operations 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. Adjustments to Net Position

During the fiscal year ended May 31, 2020, an error reported in OPEB related contributions made after the measurement date was identified in the previously issued May 31, 2019 audited financial statements, which caused an understatement of deferred outflows – OPEB related, for governmental and business-type activities. As a result, governmental and business-type activities beginning net positions increased by \$2,503,470 and \$159,796, respectively.

Additionally, there were other miscellaneous misstatements in the previously issued May 31, 2019 audited financial statements that were not previously recorded that are included in the restatement of beginning fund balances and net positions as well, as noted below.

	General Fund Balance (Deficit)	Sections and Divisions Fund Balance (Deficit)	Governmental Activities Net Position (Deficit)	Business-Type Activities Net Position (Deficit)
Beginning balance, as previously reported	\$ 17,749,877	\$ 8,224,349	\$ (59,270,681)	\$ (4,812,025)
Misstatement of deferred outflows - OPEB related amounts	-	-	2,503,470	159,796
Misstatement of accounts receivable	-	6,553	6,553	(6,732)
Misstatement of prepaid expenses	(54,625)	-	(54,625)	-
Misstatement of capital lease liabilities	-	-	(93,100)	-
Misstatement of deferred rent	-	-	(155,940)	-
Misstatement of deferred revenue	(35,502)	-	(35,502)	-
Total prior period adjustment	(90,127)	6,553	2,170,856	153,064
Beginning balance, as restated	\$ 17,659,750	\$ 8,230,902	\$ (57,099,825)	\$ (4,658,961)

#### Note 15. Contingencies and Commitments

The State Bar has no contingencies or commitments to report for the fiscal year ended May 31, 2020.

#### Note 16. Subsequent Events

Management evaluated the need for disclosures and/or adjustments resulting from subsequent events through November 20, 2020, 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, 2020, there were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage.

## **State Bar of Texas**

### **Notes to the Financial Statements**

#### **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 3-14 for MD&A.

#### **Note 19. The Financial Reporting Entity**

See pages 28-38.

#### **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, 2020.

#### **Note 23. Extraordinary and Special Items**

The State Bar has no extraordinary or special items to report for the fiscal year ended May 31, 2020.

## State Bar of Texas

### Notes to the Financial Statements

#### Note 24. Disaggregation of Receivable Balances

The State Bar had other accounts receivable at May 31, 2020, which consisted of the following:

General Fund	
Clerk of the Supreme Court	\$ 1,877,370
Refundable Deposits - WeWork	21,540
Texas Center for Legal Ethics	169,782
Texas Supreme Court Historical Society	45,904
Texas Bar Foundation	192
Other	313,703
	<hr/>
	2,428,491
	<hr/>
Sections and Divisions	
Family Law Royalties	89,824
Law Business Research	52,000
Other	98,378
	<hr/>
	240,202
	<hr/>
Nonmajor governmental funds	
Refundable deposits	6,943
Other	35
	<hr/>
	6,978
	<hr/>
Total	\$ 2,675,671
	<hr/>

#### Note 25. Termination Benefits

The State Bar has no termination benefits to report for the fiscal year ended May 31, 2020.

#### 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, and will continue monthly for a total of 72 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, 2020.

#### **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.

## **State Bar of Texas**

### **Notes to the Financial Statements**

#### **Contributions**

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

#### **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 \$2,270,990.

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, 2020.

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

See page 50 and 54.

#### **Note 29. Troubled Debt Restructuring**

The State Bar has no troubled debt restructurings to report for the fiscal year ended May 31, 2020.

#### **Note 30. Nonexchange Financial Guarantees**

The State Bar has no nonexchange financial guarantees to report for the fiscal year ended May 31, 2020.

#### **Note 31. Tax Abatements**

The State Bar has no tax abatements to report for the fiscal year ended May 31, 2020.

#### **Note 32. Governmental Fund Balances**

See page 37.



## **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, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Membership dues	\$ 20,783,246	\$ 20,783,246	\$ 21,109,358	\$ 326,112
Accounting and management fees	650,351	650,351	650,351	-
Texas bar journal	629,878	629,878	632,032	2,154
MCLE fees	3,257,183	3,257,183	3,376,884	119,701
Professional development	13,955,703	13,955,703	13,628,029	(327,674)
Minority affairs	350,000	350,000	482,478	132,478
Investment income	350,000	350,000	939,126	589,126
Member benefits	844,909	844,909	872,804	27,895
Website	405,000	405,000	586,256	181,256
Advertising review	380,000	380,000	329,300	(50,700)
CDC disciplinary fees	553,240	553,240	567,182	13,942
Other income	949,704	949,704	948,966	(738)
Total revenues	43,109,214	43,109,214	44,122,766	1,013,552
EXPENDITURES				
Executive				
Office of executive director	670,896	670,896	629,331	41,565
Associate executive director/legal counsel	661,868	661,868	593,964	67,904
Deputy executive director	226,500	226,500	213,874	12,626
Deputy Executive Director/External affairs	261,955	261,955	248,516	13,439
Special financial advisor	193,491	193,491	129,675	63,816
Officers and directors	850,117	850,117	721,404	128,713
Human resources	294,760	294,760	294,737	23
Training/Tuition	71,133	71,133	51,027	20,106
Total executive	3,230,720	3,230,720	2,882,528	348,192
Member and Public Services				
Member and public services division director	154,037	154,037	143,553	10,484
Center for legal history	512,851	512,851	488,232	24,619
Law related education	173,238	173,238	166,298	6,940
Governmental relations	1,010,999	1,010,999	792,420	218,579
Texas young lawyers association	98,672	98,672	89,304	9,368
Sections	335,660	335,660	334,339	1,321
Local bars	455,312	455,312	375,920	79,392
Special events	73,604	73,604	46,700	26,904
Law student department	20,266	20,266	10,556	9,710
SBOT volunteer committees	280,510	280,510	259,897	20,613
Total member and public services	3,115,149	3,115,149	2,707,219	407,930
Professional development				
TexasBarCLE	9,950,513	9,950,513	8,713,851	1,236,662
Minority affairs	498,601	498,601	598,852	(100,251)
Total professional development	\$ 10,449,114	\$ 10,449,114	\$ 9,312,703	\$ 1,136,411

## 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, 2020

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Legal and Attorney Services				
Legal and attorney services director	\$ 229,745	\$ 229,745	\$ 224,848	\$ 4,897
Texas lawyers assistance program	401,146	401,146	382,370	18,776
Legal access division	1,521,608	1,521,608	1,373,965	147,643
Total legal and attorney services	2,152,499	2,152,499	1,981,183	171,316
Access to justice commission	840,127	840,127	626,729	213,398
Total Access to Justice Commission	840,127	840,127	626,729	213,398
Member benefits and research analysis				
Member benefits	203,463	203,463	31,561	171,902
Research and analysis	179,700	179,700	172,210	7,490
Total member benefits and research analysis	383,163	383,163	203,771	179,392
Attorney compliance				
Office of attorney compliance director	181,703	181,703	181,284	419
Advertising review	183,126	183,126	143,217	39,909
Client attorney assistance program	545,835	545,835	542,598	3,237
Lawyer referral	361,847	361,847	369,200	(7,353)
MCLE	603,280	603,280	619,944	(16,664)
Total attorney compliance	1,875,791	1,875,791	1,856,243	19,548
Operations and security division				
Purchasing and facilities	1,258,803	1,258,803	1,263,683	(4,880)
Total operations and security division	1,258,803	1,258,803	1,263,683	(4,880)
Finance				
Accounting	946,709	946,709	980,665	(33,956)
Membership	706,016	706,016	670,867	35,149
Other administrative	1,836,698	1,836,698	1,951,084	(114,386)
Total finance	3,489,423	3,489,423	3,602,616	(113,193)
Information technology				
Information technology	1,317,699	1,317,699	1,068,381	249,318
Customer service	376,826	376,826	392,960	(16,134)
Total information technology	1,694,525	1,694,525	1,461,341	233,184
Communications				
Office of communications director	254,629	254,629	247,721	6,908
Texas bar journal	1,212,173	1,212,173	1,310,104	(97,931)
Public information/Printing and Graphics	455,610	455,610	435,926	19,684
Web management	412,484	412,484	366,714	45,770
Total communications	\$ 2,334,896	\$ 2,334,896	\$ 2,360,465	\$ (25,569)

## 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, 2020

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Public protection				
Chief disciplinary counsel	\$ 9,942,758	\$ 9,942,758	\$ 9,881,600	\$ 61,158
Grievance oversight committee	48,800	48,800	45,549	3,251
Unauthorized practice of law	170,000	170,000	112,588	57,412
Professional ethics commission	12,000	12,000	8,943	3,057
Board of disciplinary appeals	622,646	622,646	597,668	24,978
Total public protection	10,796,204	10,796,204	10,646,348	149,856
Expenditures related to Board commitments				
Texas student loan repayment assistance program	515,000	515,000	515,000	-
Texas opportunity and justice incubator program	571,088	81,948	81,948	-
Presidential initiatives	126,641	15,436	15,436	-
Statewide pro-bono recruitment campaign	148,161	6,186	6,186	-
LAD 2018 board commitments	44,251	44,251	44,251	-
Referendum reserve	100,000	-	-	-
Runoff election reserve	70,000	-	-	-
Professionalism and ethics initiatives	11,943	448	448	-
Archives digitization project	75,500	12,000	12,000	-
Law related education projects	79,500	73,321	73,321	-
Total expenditures related to Board commitments	1,742,084	748,590	748,590	-
Total expenditures	43,362,498	42,369,004	39,653,419	2,715,585
Excess (deficiency) of revenues over (under) expenditures	(253,284)	740,210	4,469,347	3,729,137
Other financing sources (uses)				
Transfers in (out) to:				
Building & Equipment Fund	(388,800)	(388,800)	(388,800)	-
Technology Fund	(650,000)	(650,000)	(650,000)	-
Client Security Fund	(700,000)	(700,000)	(700,000)	-
Total other financing sources (uses)	(1,738,800)	(1,738,800)	(1,738,800)	-
Net change in fund balances	(1,992,084)	(998,590)	2,730,547	3,729,137
FUND BALANCE, beginning of year, as restated	17,659,750	17,659,750	17,659,750	-
<b>FUND BALANCE, end of year</b>	<b>\$ 15,667,666</b>	<b>\$ 16,661,160</b>	<b>\$ 20,390,297</b>	<b>\$ 3,729,137</b>

## **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, 2020

### **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,					
	2020	2019	2018	2017	2016	2015
Measurement date	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	0.2911198%	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>\$ 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>\$ 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>431.59%</u>	<u>261.36%</u>	<u>292.88%</u>	<u>27023.00%</u>	<u>199.11%</u>	<u>224.01%</u>
Plan fiduciary net position as a percentage of total pension liability	<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
2020	\$ 2,040,744	\$ 2,040,744	-	\$ 20,727,003	9.85%
2019	2,027,891	2,027,891	-	21,023,817	9.65%
2018	2,482,803	2,482,803	-	20,638,696	12.03%
2017	2,371,089	2,371,089	-	19,794,416	11.98%
2016	2,293,610	2,293,610	-	19,507,265	11.76%
2015	1,845,751	1,845,751	-	19,427,203	9.50%
2014	1,665,702	1,665,702	-	19,032,960	8.75%
2013	1,376,433	1,376,433	-	18,584,172	7.41%
2012	1,341,923	1,341,923	-	17,763,494	7.55%
2011	1,373,078	1,373,078	-	16,932,249	8.11%

## State Bar of Texas

### Notes to Net Pension Liability

May 31, 2020

#### 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 years ended August 31, 2014 through 2019, there were no changes to the plan provisions.

#### Note 2. Changes of Assumptions – Pension Plan

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 Total OPEB Liability and Related Ratios

	August 31, 2020	August 31, 2019
Measurement date	August 31, 2019	August 31, 2018
State Bar's proportionate share of the OPEB liability	0.12489197%	0.12339085%
<b>State Bar's proportionate share of the total OPEB liability balance at August 31</b>	<u>\$ 43,166,005</u>	<u>\$ 36,570,262</u>
<b>State Bar's covered payroll*</b>	<u>\$ 15,386,726</u>	<u>\$ 14,865,101</u>
<b>State Bar's proportionate share of the total OPEB liability as a percentage of its covered payroll</b>	<u>280.54%</u>	<u>246.01%</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<u>0.17%</u>	<u>1.27%</u>

\* 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 total 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 – Total 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
2020	\$ 3,700,842	\$ 3,700,842	\$ -	\$ 20,727,003	17.86%
2019	1,016,477	1,016,477	-	21,023,817	4.83%
2018	976,371	976,371	-	20,638,696	4.73%
2017	895,157	895,157	-	19,794,416	4.52%
2016	763,559	763,559	-	19,507,265	3.91%
2015	636,780	636,780	-	19,427,203	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.

**Note 1. Changes of Benefit Terms – OPEB Plan**

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.

**Note 2. Changes of Assumptions – OPEB Plan**

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.

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.

## State Bar of Texas

### Notes to OPEB Liability

May 31, 2020

- 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.

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.

## State Bar of Texas

### Notes to OPEB Liability

May 31, 2020

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, 2020

	Texas Board of Legal Specialization Fund	Texas Bar College	Annual Meeting	Client Security Fund	Texas Law Center	Technology Fund	Project Grants Fund	Hatton W. Sumners Grants Fund	Law Focused Education	Department of Public Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>											
Current assets											
Cash and cash equivalents - cash in bank	\$ 2,435,034	\$ 426,419	\$ 514,630	\$ 32,572	\$ 116,547	\$ -	\$ -	\$ 345,831	\$ -	\$ -	\$ 3,871,033
Investments	-	-	-	3,169,812	4,405,797	-	-	-	-	-	7,575,609
Receivables											
Interest receivable	-	-	-	20,087	16,654	-	-	-	-	-	36,741
Other accounts receivable	6,943	35	-	-	-	-	-	-	-	-	6,978
Due from other governmental funds	-	-	-	-	-	33,286	54,517	-	10,000	-	97,803
Prepaid items	11,120	1,000	67,722	-	-	226,648	-	-	-	-	306,490
<b>TOTAL ASSETS</b>	<b>\$ 2,453,097</b>	<b>\$ 427,454</b>	<b>\$ 582,352</b>	<b>\$ 3,222,471</b>	<b>\$ 4,538,998</b>	<b>\$ 259,934</b>	<b>\$ 54,517</b>	<b>\$ 345,831</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 11,894,654</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Current liabilities											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	563	255	-	-	-	-	-	-	-	818
Due to other governmental funds	251,307	42,600	121,972	405,102	45,848	-	-	50,206	-	-	917,035
Unearned revenue	-	161,473	79,484	-	-	-	54,517	295,625	10,000	-	601,099
Total liabilities	251,307	204,636	201,711	405,102	45,848	-	54,517	345,831	10,000	-	1,518,952
Fund balances											
Nonspendable	11,120	1,000	67,722	-	-	226,648	-	-	-	-	306,490
Committed	2,190,670	221,818	312,919	2,817,369	4,493,150	33,286	-	-	-	-	10,069,212
Total fund balances	2,201,790	222,818	380,641	2,817,369	4,493,150	259,934	-	-	-	-	10,375,702
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,453,097</b>	<b>\$ 427,454</b>	<b>\$ 582,352</b>	<b>\$ 3,222,471</b>	<b>\$ 4,538,998</b>	<b>\$ 259,934</b>	<b>\$ 54,517</b>	<b>\$ 345,831</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 11,894,654</b>



## State Bar of Texas

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds Year Ended May 31, 2020

	Texas Board of Legal Specialization Fund	Texas Bar College	Annual Meeting	Client Security Fund	Texas Law Center	Technology Fund	Project Grants Fund	Halton W. Summers Grants Fund	Law Focused Education	Department of Public Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>											
Membership dues	\$ 1,205,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,205,985
Investment income	34,825	3,911	5,919	189,114	205,061	-	-	115	-	-	438,945
Grant revenue	-	-	-	-	-	-	55,000	276,106	32,500	-	363,606
Other income	29,850	273,639	534,566	38,919	500	-	-	-	-	-	877,474
Total revenues	1,270,660	277,550	540,485	228,033	205,561	-	55,000	276,221	32,500	-	2,886,010
<b>EXPENDITURES</b>											
Special services	1,183,727	247,112	505,008	-	-	-	55,000	277,568	32,500	-	2,300,915
Administration	-	-	-	-	72,011	-	-	-	-	-	72,011
Finance and information technology	-	-	-	-	-	540,402	-	-	-	-	540,402
Public Protection Division	-	-	-	719,211	-	-	-	-	-	-	719,211
Capital Outlay	-	-	-	-	78,668	627,666	-	-	-	-	706,334
Debt Service											
Principal	-	-	-	-	-	169,540	-	-	-	-	169,540
Interest	-	-	-	-	-	5,753	-	-	-	-	5,753
Total expenditures	1,183,727	247,112	505,008	719,211	150,679	1,343,361	55,000	277,568	32,500	-	4,514,166
Excess (deficiency) of revenues over (under) expenditures	86,933	30,438	35,477	(491,178)	54,882	(1,343,361)	-	(1,347)	-	-	(1,628,156)
<b>OTHER FINANCING SOURCES</b>											
Proceeds from capital leases	-	-	-	-	-	163,983	-	-	-	-	163,983
Transfers in	-	-	-	700,000	388,800	650,000	-	-	-	-	1,738,800
Total other financing sources	-	-	-	700,000	388,800	813,983	-	-	-	-	1,902,783
Net change in fund balances	86,933	30,438	35,477	208,822	443,682	(529,378)	-	(1,347)	-	-	274,627
FUND BALANCES, beginning of year	2,114,857	192,380	345,164	2,608,547	4,049,468	789,312	-	1,347	-	-	10,101,075
<b>FUND BALANCES, end of year</b>	<b>\$ 2,201,790</b>	<b>\$ 222,818</b>	<b>\$ 380,641</b>	<b>\$ 2,817,369</b>	<b>\$ 4,493,150</b>	<b>\$ 259,934</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,375,702</b>

# State Bar of Texas

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds Year Ended May 31, 2020

	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Membership dues	\$ 21,109,358	\$ 2,557,623	\$ 1,205,985	\$ 24,872,966
Accounting and management fees	650,351	-	-	650,351
Texas Bar Journal	632,032	-	-	632,032
MCLE fees	3,376,884	-	-	3,376,884
Professional development	13,628,029	599,360	-	14,227,389
Minority affairs	482,478	-	-	482,478
Investment income	939,126	49,873	438,945	1,427,944
Grant revenue	-	-	363,606	363,606
Member benefits	872,804	-	-	872,804
Website	586,256	-	-	586,256
Advertising review	329,300	-	-	329,300
CD disciplinary fees	567,182	-	-	567,182
Other income	948,966	790,862	877,474	2,617,302
Total revenues	44,122,766	3,997,718	2,886,010	51,006,494
<b>EXPENDITURES</b>				
Salaries	17,968,779	-	518,769	18,487,548
Benefits	6,332,857	-	190,402	6,523,259
Travel	1,445,184	315,081	148,825	1,909,090
Meetings and conferences	3,687,179	1,111,186	522,769	5,321,134
Professional services	2,848,603	652,343	322,605	3,823,551
Court fees	64,510	-	-	64,510
Publicity and advertising	544,899	9,697	99,924	654,520
Dues, subscriptions and licenses	627,006	866	26,501	654,373
Education and training	128,572	77,634	175	206,381
Supplies, awards, gifts and specialty items	455,816	22,972	154,648	633,436
Rentals - office, equipment and storage	1,163,754	2,396	120,658	1,286,808
Maintenance and repairs	494,913	-	534,295	1,029,208
Utilities	209,050	-	-	209,050
Postage and freight	711,747	26,957	20,428	759,132
Telephone	384,531	53,777	31,196	469,504
Insurance	584,800	173	-	584,973
Claims and adjustments	-	-	719,211	719,211
Administrative	855,107	724,053	149,720	1,728,880
Printing and copying	1,146,112	296,086	48,987	1,491,185
Capital outlay	-	-	722,386	722,386
Debt service:				
Principal	-	-	176,914	176,914
Interest	-	-	5,753	5,753
Total expenditures	39,653,419	3,293,221	4,514,166	47,460,806
Excess (deficiency) of revenues over (under) expenditures	4,469,347	704,497	(1,628,156)	3,545,688
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	163,983	163,983
Transfers in	-	-	1,738,800	1,738,800
Transfers out	(1,738,800)	-	-	(1,738,800)
Other financing sources (uses)	(1,738,800)	-	1,902,783	163,983
Net change in fund balances	2,730,547	704,497	274,627	3,709,671
FUND BALANCE, beginning of year, as restated	17,659,750	8,230,902	10,101,075	35,991,727
FUND BALANCE, end of year	\$ 20,390,297	\$ 8,935,399	\$ 10,375,702	\$ 39,701,398



**State Bar of Texas General Fund  
Financial Highlights  
For the Six Months Ended November 30, 2020**

**Total General Fund YTD results** – As of November 30, 2020, the General Fund had a net excess of revenues over expenditures and transfers of \$3,365,877 compared to a budgeted net increase of (\$313,361). This resulted in a positive overall variance of \$3,679,238.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Total Revenues	\$21,150,678	\$23,389,283	(\$2,238,605)	(10%)
Total Expenditures and Transfers	17,784,801	23,702,644	5,917,843	25%
<b>Net Excess</b>	<b>\$3,365,877</b>	<b>(\$313,361)</b>	<b>\$3,679,238</b>	

**Revenues**

For the period ending November 30, 2020, total revenues did not meet the budgeted revenues by (\$2,238,605) or (10%), thereby producing a negative actual to budget variance. An analysis of the revenues shows that the following departments had a negative revenue variance in excess of (\$100,000) or (\$10,000) and (10%) for the period ending November 30, 2020.

- **Member Dues** – Total Negative Revenue Variance: (\$495,828) or (5%) - This negative variance results primarily from a delay in members' payment of dues compared to the budgeted timing of collection. The September 1<sup>st</sup> dues suspension deadline was extended to November 1<sup>st</sup> to allow additional time for lawyers to pay dues.
- **MCLE** – Total Negative Revenue Variance: (\$135,717) or (8%) – This negative variance results primarily from a 60-day delay in non-compliance fees.
- **Texas Bar Journal** – Total Negative Revenue Variance: (\$59,908) or (20%) - This negative variance results primarily from a decrease in advertising revenue compared to budgeted advertising revenue.
- **Investments** – Total Negative Revenue Variance: (\$116,947) or (58%) - This negative variance is due the drop in investment return rates on fixed income securities as a result of the pandemic.
- **Lawyer Referral** – Total Negative Revenue Variance: (\$13,997) or (16%) – This negative variance is due a decrease in referral fees.
- **Minority Affairs** – Total Negative Revenue Variance: (\$312,725) or (84%) – This negative variance is due to a reduction in fees and contributions due to holding the Texas Minority Counsel Program virtually. This decrease will be offset with savings in expenditures.

- Website – Total Negative Revenue Variance: (\$41,730) or (15%) - This negative variance is due to a decrease in the career center referral fees received from employer job postings.
- Purchasing & Facilities– Total Negative Revenue Variance: (\$11,699) or (89%) - This negative variance is due to a decrease in supply orders and copies needed.
- Advertising Review – Total Negative Revenue Variance: (\$33,028) or (20%) – This negative revenue variance is due to lower than anticipated advertising review submissions.
- Miscellaneous Revenue – Total Negative Revenue Variance: (\$32,663) or (84%) - This negative variance is due to a decrease in the hotel occupancy tax refunds received.

An analysis of the revenues shows that the following departments had positive revenue variances in excess of \$10,000 and 10% for the period ending November 30, 2020.

- Chief Disciplinary Counsel – Total Positive Revenue Variance: \$33,637 or 14% - This positive variance is primarily due to an increase in Austin and San Antonio attorney fees.
- Legal Access Division – Total Positive Revenue Variance: \$49,400 or 412% - This positive variance is due to an increase in the number of legal aid providers who attended the Poverty Law conference.
- TYLA – Total Positive Revenue Variance: \$21,257 or 32% - This positive variance is due to higher than anticipated fees collected for the National Trial Competition.

## **Expenditures**

For the period ending November 30, 2020, total expenditures were under the allocated budget by \$5,917,843 or 27%, which resulted in a positive actual to budget variance.

An analysis of the expenditures shows that six departments, Center for Legal History (Archives), Governmental Relations, Research & Analysis, Accounting, Information Technology and Graphics had large positive expenditure variances in excess of \$10,000 and 10% in salaries and benefits due to open positions or staff turnover.

An analysis of the expenditures shows that the following departments had positive expense variances in excess of \$10,000 and 10% for the period ending November 30, 2020 primarily resulting from cancellation of, and/or change to, virtual meetings and associated travel to prevent the spread of COVID-19 and other descriptions provided below:

- Office of Executive Director – Total Positive Expenditure Variance: \$51,930 or 15% - Positive variances are in benefits and travel. The positive variances are partially off-set by a large negative variance in insurance expense.

- Associate Executive Director/Legal Counsel – Total Positive Expenditure Variance: \$36,355 or 10% - Variances are primarily in benefits, travel and maintenance/repair.
- Deputy Executive Director – Total Positive Expenditure Variance: \$13,467 or 11% - Variances are primarily in benefits, travel and maintenance/repair.
- Deputy Executive Director/External Affairs – Total Positive Expenditure Variance: \$17,393 or 13% - Variances are in benefits and travel.
- Officers & Directors – Total Positive Expenditure Variance: \$233,076 or 46% - Variances are in travel and meetings & conferences.
- Training & Tuition – Total Positive Expenditure Variance: \$13,520 or 82% - Variance is in education and training.
- Law Related Education – Total Positive Expenditure Variance: \$54,070 or 18% - Variances are in travel and meetings & conference.
- TYLA– Total Positive Expenditure Variance: \$242,203 or 55% - Variances are primarily in travel and meetings & conferences.
- SBOT Leadership Academy– Total Positive Expenditure Variance: \$60,884 or 95% - Variances are primarily in travel and meetings & conferences.
- Local Bars – Total Positive Expenditure Variance: \$189,113 or 65% - Variances are primarily in salaries, benefits, travel and meetings & conferences.
- Special Events – Total Positive Expenditure Variance: \$21,351 or 100% - Variances are primarily in travel and meetings & conferences.
- SBOT Volunteer Committees – Total Positive Expenditure Variance: \$141,778 or 89% - Variances are primarily in salaries, benefits, travel and meetings & conferences.
- Texas Lawyers Assistance Program – Total Positive Expenditure Variance: \$51,424 or 21% - Variances are primarily in salaries, benefits and travel.
- Legal Access Division – Total Positive Expenditure Variance: \$191,367 or 21% - Variances are primarily in salaries, benefits, travel and meetings & conferences.
- Access to Justice Commission – Total Positive Expenditure Variance: \$172,445 or 44% - Variances are primarily in salaries, benefits, travel, professional services and meetings & conferences.
- Member Benefits – Total Positive Expenditure Variance: \$34,530 or 91% - Variance is primarily due to an accounting change to advertising expense.
- Minority Affairs – Total Positive Expenditure Variance: \$198,858 or 55% - Variances are primarily in travel, meetings & conferences, professional services, publicity and supplies. All connected with canceled and/or rescheduled events.

- Purchasing & Facilities – Total Positive Expenditure Variance: \$65,605 or 10% - Variances are primarily in supplies, maintenance & repair and utilities.
- Office of Communications Division Director – Total Positive Expenditure Variance: \$29,434 or 21% - Variances are primarily in travel and publicity advertising unspent due to the cancellation of in-person events.
- Printing – Total Positive Expenditure Variance: \$13,195 or 22% - Variances are primarily in salaries travel.
- Public Information – Total Positive Expenditure Variance: \$17,200 or 19% - Variances are primarily in travel, meetings & conferences and printing. The printing variance is due to a decrease in requests for educational pamphlets due to COVID-19.
- Website – Total Positive Expenditure Variance: \$22,233 or 12% - Variances are primarily in travel and meetings & conferences.
- Chief Disciplinary Counsel – Total Positive Expenditure Variance: \$515,019 or 10% - Variances are primarily in salaries, benefits, travel, meetings & conferences and professional services.
- Grievance Oversight Committee – Total Positive Expenditure Variance: \$16,761 or 69% - Variances are primarily in travel and meetings & conferences.
- Unauthorized Practice of Law – Total Positive Expenditure Variance: \$60,295 or 71% - Variances are primarily in travel, meetings & conferences and professional services.
- Board of Disciplinary Appeals – Total Positive Expenditure Variance: \$89,289 or 28% - Variances are primarily in salaries, benefits and travel.

## **TexasBarCLE (TBCLE)**

For the period ending November 30, 2020, TexasBarCLE's net revenues over expenditures amount exceeded its budget target by \$1,915,437, thereby producing a positive actual to budget variance.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
TBCLE Revenues	\$7,453,936	\$8,566,418	(\$1,112,482)	(13%)
TBCLE Expenditures	2,890,950	5,918,869	3,027,919	51%
<b>Net TBCLE Income</b>	<b>\$4,562,986</b>	<b>\$2,647,549</b>	<b>\$1,915,437</b>	

Due to the pandemic, all originally scheduled live courses beginning in mid-March 2020 were held as a webcast through the rest of calendar year 2020, or some have been cancelled. These changes have affected TBCLE's live course revenue, as some members requested a refund and registrations have decreased significantly, despite the course transition to webcast. Live courses are budgeted to receive \$6,197,183 in revenue and \$6,221,233 in expenses. Of the budgeted live course expenses, \$4 million is budgeted for travel, meetings and conferences, rentals and other expenses. It is expected that the decrease in expenditures, specifically in the travel, meetings and conferences, and rental categories, due to the cancellation of live courses during FY2021 will offset the decrease in revenues budgeted for live courses.

In comparing TBCLE's performance to previous years, it is appropriate to make two comparisons: (1) compare the current fiscal year 20-21 to the previous fiscal year 19-20; and (2) compare the current fiscal year 20-21 to fiscal year 18-19. Fiscal years ending in odd numbers are considered to be "non-legislative years", in other words, they do not follow a legislative session. Fiscal years ending in even numbers are considered to be "legislative years" because they do follow a legislative session and TBCLE generally sees a surge in revenues following a legislative year (even numbered fiscal years). The surge in revenue generally results from legal issues arising during the legislative process; thereby creating a need for new or revised CLE programs. Fiscal year 20-21 is a "non-legislative" year.

In comparing actual revenues and expenditure amounts for the period ending November 30, 2020 to the prior period ending November 30, 2019, we see a decrease in revenues of (\$1,270,135) or (15%), and a decrease in expenditures of \$2,638,728 or 48% for an overall increase in net revenues of \$1,368,593 or 43%. This is showing the difference between financial performances based on a comparison of a "non-legislative year" to a "legislative year".

In comparing actual revenues and expenditure amounts for the current period ending November 30, 2020, to the period ending November 30, 2018, we see a decrease in revenue of (\$1,097,989)



or (13%) and a decrease in expenditures of 2,612,455 or 47% for an overall increase in net revenues of \$1,514,466 or 50%. This is showing the difference between financial performances based on a comparison of two “non-legislative years.”

### **Salaries and Benefits**

For FY 2020-2021, the salaries and benefits budget totals \$25,220,012 or 56.8% of the overall \$44,391,552 General Fund budget before budgeted board commitments. The \$25,220,012 includes a 4% vacancy rate. The actual vacancy factor for the period ending November 30, 2020 was 7.2%. The actual salary and benefit expenditures had a \$845,653 positive variance to budget at the end of November 2020.

Budget	\$ 12,517,013
Actual	<u>11,671,360</u>
Variance	<u>\$ 845,653</u>

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Six Months Ending November 30, 2020**

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
<b>REVENUES:</b>									
Membership Dues	\$21,348,853	\$10,092,463	\$9,596,635	(\$495,828)	(5%)	\$9,822,665	\$10,234,578	\$411,913	4%
Accounting/Management Fees	658,255	329,130	323,676	(5,454)	(2%)	325,676	325,676		
Texas Bar Journal	632,545	296,534	236,626	(59,908)	(20%)	292,633	299,859	7,226	2%
Leadership SBOT	5,000	5,000		(5,000)	(100%)	4,998	7,000	2,002	40%
MCLE Fees	3,460,950	1,706,329	1,570,612	(135,717)	(8%)	1,586,247	1,816,299	230,052	15%
TexasBar CLE	14,251,844	8,566,418	7,453,936	(1,112,482)	(13%)	8,352,299	8,724,072	371,773	4%
Investment Income	400,000	202,000	85,053	(116,947)	(58%)	350,000	422,075	72,075	21%
Lawyer Referral	180,000	89,000	75,003	(13,997)	(16%)	75,000	73,721	(1,279)	(2%)
Member Benefits	911,309	471,592	482,748	11,156	2%	433,392	445,933	12,541	3%
CDC Disciplinary Fees	564,853	241,500	275,137	33,637	14%	265,816	293,164	27,348	10%
Membership	10,900	5,454	8,519	3,065	56%	7,200	7,406	206	3%
Local Bars	12,600	12,600	6,200	(6,400)	(51%)	12,600	6,700	(5,900)	(47%)
Minority Affairs	381,815	372,975	60,250	(312,725)	(84%)	341,500	454,388	112,888	33%
Information Technology Dept.	1,200	600	500	(100)	(17%)	600	600		
Website	445,000	280,250	238,520	(41,730)	(15%)	313,250	328,993	15,743	5%
Legal Access Division	12,000	12,000	61,400	49,400	412%	23,000	17,275	(5,725)	(25%)
Law Related Education	9,256	250	1,450	1,200	480%	4,250	4,700	450	11%
TYLA	65,000	65,800	87,057	21,257	32%	55,500	89,340	33,840	61%
Law Student Division	6,000	3,900	6,255	2,355	60%	3,900	5,235	1,335	34%
Purchasing & Facilities	46,500	13,175	1,476	(11,699)	(89%)	22,430	20,232	(2,198)	(10%)
Advertising Review	368,000	167,978	134,950	(33,028)	(20%)	186,342	193,750	7,408	4%
Miscellaneous, Sales Tax Discounts, Etc.	82,000	39,000	6,337	(32,663)	(84%)	37,798	34,286	(3,512)	(9%)
Credit Card Processing Fees	365,000	329,000	354,710	25,710	8%	330,000	344,215	14,215	4%
Rent	172,673	86,335	83,628	(2,707)	(3%)	86,336	86,336		
<b>TOTAL REVENUES</b>	<b>44,391,553</b>	<b>23,389,283</b>	<b>21,150,678</b>	<b>(2,238,605)</b>	<b>(10%)</b>	<b>22,933,432</b>	<b>24,235,833</b>	<b>1,302,401</b>	<b>6%</b>
<b>EXPENDITURES</b>									
<b>Executive Division</b>									
Executive Director	684,300	335,311	283,381	51,930	15%	338,247	325,301	12,946	4%
Associate Executive Director/Legal Counsel	700,889	348,985	312,630	36,355	10%	301,955	283,106	18,849	6%
Deputy Executive Director	236,649	118,772	105,305	13,467	11%	113,698	106,060	7,638	7%
Deputy Executive Director/External Affairs	265,280	133,242	115,849	17,393	13%	130,928	123,496	7,432	6%
Special Financial Advisor						89,120	97,477	(8,357)	(9%)
Officers & Directors	970,817	503,730	270,654	233,076	46%	396,067	422,162	(26,095)	(7%)
Human Resources	308,161	151,512	146,711	4,801	3%	145,706	144,099	1,607	1%
Training/Tuition	71,133	16,500	2,980	13,520	82%	23,000	27,690	(4,690)	(20%)
Total Executive Division	3,237,229	1,608,052	1,237,510	370,542	23%	1,538,721	1,529,391	9,330	1%
<b>Member &amp; Public Services Division</b>									
Center for Legal History	160,623	83,269	43,334	39,935	48%	77,440	78,792	(1,352)	(2%)
Law Related Education	523,895	295,590	241,520	54,070	18%	282,067	270,129	11,938	4%
Governmental Relations	311,496	137,414	80,042	57,372	42%	84,385	79,473	4,912	6%
Texas Young Lawyers Association	1,022,902	442,769	200,566	242,203	55%	413,390	418,522	(5,132)	(1%)
LeadershipSBOT	98,672	64,211	3,327	60,884	95%	60,610	53,882	6,728	11%
Sections	343,782	173,355	157,375	15,980	9%	169,294	160,801	8,493	5%
Local Bars	459,225	290,570	101,457	189,113	65%	289,938	259,015	30,923	11%
Special Events	73,604	21,396	45	21,351	100%	21,396	28,529	(7,133)	(33%)
Law Student Department	20,266	11,833	2,739	9,094	77%	9,206	5,133	4,073	44%
SBOT Volunteer Committees	317,812	159,994	18,216	141,778	89%	142,882	167,000	(24,118)	(17%)
Total Member & Public Services Division	3,332,277	1,680,401	848,621	831,780	49%	1,550,608	1,521,276	29,332	2%

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
Legal & Attorney Services Division									
Legal & Attorney Services Division Director	237,184	118,412	109,390	9,022	8%	115,703	111,402	4,301	4%
Texas Lawyers Assistance Program	496,731	249,389	197,965	51,424	21%	201,102	198,942	2,160	1%
Legal Access Division	1,539,040	897,468	706,101	191,367	21%	817,220	844,685	(27,465)	(3%)
Total Legal & Attorney Services Division	<u>2,272,955</u>	<u>1,265,269</u>	<u>1,013,456</u>	<u>251,813</u>	<u>20%</u>	<u>1,134,025</u>	<u>1,155,029</u>	<u>(21,004)</u>	<u>(2%)</u>
Access to Justice Commission	<u>752,981</u>	<u>394,577</u>	<u>222,132</u>	<u>172,445</u>	<u>44%</u>	<u>414,937</u>	<u>353,085</u>	<u>61,852</u>	<u>15%</u>
Member Benefits	172,585	38,057	3,527	34,530	91%	19,969	27,090	(7,121)	(36%)
Research & Analysis	239,952	113,060	83,247	29,813	26%	82,934	91,754	(8,820)	(11%)
Law Practice Management	182,184	90,194	81,162	9,032	10%				
Professional Development Division									
Texas Bar CLE	10,101,605	5,918,869	2,890,950	3,027,919	51%	5,810,354	5,529,678	280,676	5%
Minority Affairs	523,115	364,405	165,547	198,858	55%	363,565	459,608	(96,043)	(26%)
Total Professional Development	<u>10,624,720</u>	<u>6,283,274</u>	<u>3,056,497</u>	<u>3,226,777</u>	<u>51%</u>	<u>6,173,919</u>	<u>5,989,286</u>	<u>184,633</u>	<u>3%</u>
Attorney Compliance Division									
Office of Attorney Compliance Director	190,181	94,901	87,475	7,426	8%	90,662	93,347	(2,685)	(3%)
Advertising Review	151,275	76,095	70,800	5,295	7%	92,021	72,265	19,756	21%
Client Attorney Assistance Program	545,713	271,852	268,269	3,583	1%	271,913	273,458	(1,545)	(1%)
Lawyer Referral	376,086	182,426	170,331	12,095	7%	175,096	180,904	(5,808)	(3%)
MCLE	588,539	277,188	278,923	(1,735)	(1%)	307,639	317,493	(9,854)	(3%)
Total Attorney Compliance Division	<u>1,851,794</u>	<u>902,462</u>	<u>875,798</u>	<u>26,664</u>	<u>3%</u>	<u>937,331</u>	<u>937,467</u>	<u>(136)</u>	<u>(0%)</u>
Operations/Security Division									
Purchasing & Facilities	1,294,796	644,696	579,091	65,605	10%	626,910	641,345	(14,435)	(2%)
Total Operations/Security Division	<u>1,294,796</u>	<u>644,696</u>	<u>579,091</u>	<u>65,605</u>	<u>10%</u>	<u>626,910</u>	<u>641,345</u>	<u>(14,435)</u>	<u>(2%)</u>
Finance Division									
Accounting	1,049,448	528,532	474,544	53,988	10%	475,565	515,809	(40,244)	(8%)
Membership	612,834	275,957	277,207	(1,250)	(0%)	280,498	259,096	21,402	8%
Other Administrative	2,042,188	1,010,171	1,098,891	(88,720)	(9%)	984,053	1,063,372	(79,319)	(8%)
Total Finance Division	<u>3,704,470</u>	<u>1,814,660</u>	<u>1,850,642</u>	<u>(35,982)</u>	<u>(2%)</u>	<u>1,740,116</u>	<u>1,838,277</u>	<u>(98,161)</u>	<u>(6%)</u>
Information Technology Division									
Information Technology	1,252,657	582,331	485,048	97,283	17%	599,851	538,487	61,364	10%
Customer Service	404,132	181,380	166,484	14,896	8%	191,485	197,415	(5,930)	(3%)
Total Information Technology Division	<u>1,656,789</u>	<u>763,711</u>	<u>651,532</u>	<u>112,179</u>	<u>15%</u>	<u>791,336</u>	<u>735,902</u>	<u>55,434</u>	<u>7%</u>
Communications Division									
Office of Communications Director	265,364	138,269	108,835	29,434	21%	135,502	134,665	837	1%
Bar Journal	1,298,114	634,964	611,480	23,484	4%	658,462	633,457	25,005	4%
Printing	119,072	60,864	47,669	13,195	22%	70,026	61,491	8,535	12%
Graphics	227,649	114,027	85,952	28,075	25%	80,591	85,220	(4,629)	(6%)
Public Information	171,568	88,434	71,234	17,200	19%	81,818	80,649	1,169	1%
Web Management	421,753	188,162	165,929	22,233	12%	205,442	202,502	2,940	1%
Total Communications Division	<u>2,503,520</u>	<u>1,224,720</u>	<u>1,091,099</u>	<u>133,621</u>	<u>11%</u>	<u>1,231,841</u>	<u>1,197,984</u>	<u>33,857</u>	<u>3%</u>

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
Public Protection Division									
Chief Disciplinary Counsel	10,076,552	4,911,024	4,396,005	515,019	10%	4,900,129	5,008,675	(108,546)	(2%)
Ombudsman	87,932	44,926	41,917	3,009	7%	40,509	41,960	(1,451)	(4%)
Cmte on Disc Rules/Referendum	9,000	4,500	281	4,219	94%				
Grievance Oversight Committee	48,800	24,295	7,534	16,761	69%	24,295	27,324	(3,029)	(12%)
Unauthorized Practice of Law	170,000	85,211	24,916	60,295	71%	54,175	45,736	8,439	16%
Professional Ethics Commission	12,000	4,198	3,766	432	10%	4,198	8,881	(4,683)	(112%)
Board of Disciplinary Appeals	632,418	316,557	227,268	89,289	28%	311,570	298,030	13,540	4%
Total Public Protection Division	11,036,702	5,390,711	4,701,687	689,024	13%	5,334,876	5,430,606	(95,730)	(2%)
<b>TOTAL EXPENDITURES</b>	<b>42,862,954</b>	<b>22,213,844</b>	<b>16,296,001</b>	<b>5,917,843</b>	<b>27%</b>	<b>21,577,523</b>	<b>21,448,492</b>	<b>129,031</b>	<b>1%</b>
Transfers to:									
Bldg & Equip Fund	288,800	288,800	288,800			288,800	288,800		
Technology Fund	500,000	500,000	500,000			500,000	500,000		
Client Security Fund	700,000	700,000	700,000			700,000	700,000		
<b>TOTAL TRANSFERS</b>	<b>1,488,800</b>	<b>1,488,800</b>	<b>1,488,800</b>			<b>1,488,800</b>	<b>1,488,800</b>		
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>44,351,754</b>	<b>23,702,644</b>	<b>17,784,801</b>	<b>5,917,843</b>	<b>25%</b>	<b>23,066,323</b>	<b>22,937,292</b>	<b>129,031</b>	<b>1%</b>
Excess (Deficit) of Revenues Over Expenditures & Transfers	<u>39,799</u>	<u>(313,361)</u>	<u>3,365,877</u>	<u>3,679,238</u>	<u>1174%</u>	<u>(132,891)</u>	<u>1,298,541</u>	<u>1,431,432</u>	<u>1077%</u>
<b>BOARD COMMITMENTS</b>									
Board Commitment - SLRAP	515,000	515,000	515,000			515,000	515,000		
Board Commitment - Sheeran-Crowley Memorial Trust	225,000	225,000	225,000						
Board Commitment - Client Security Fund	333,333	333,333	333,333						
Board Commitment - Technology Fund	1,240,000	1,240,000	1,240,000			150,000	150,000		
Board Commitment - Texas Opportunity & Justice Incubator Program	489,141	21,736	21,736			62,466	62,466		
Board Commitment - Presidential Initiatives		3,067	3,067			8,753	8,753		
Board Commitment - Statewide Pro Bono Campaign	141,975					1,186	1,186		
Board Commitment - LAD 2018 Board Commitments						15,638	15,638		
Board Commitment - Communications Projects	31,495	160	160			136	136		
Board Commitment - Archives Digitization Project	63,500	12,000	12,000			12,000	12,000		
Board Commitment - LRE Projects	6,179	6,000	6,000			50,245	50,245		
Board Commitment -Contingency for Southern Conference of Bar Presidents	75,000								
Board Commitment -Law Practice Management and TBB Website	200,000	200,000	200,000						
Board Commitment - Texas Law Center Renovations						100,000	100,000		
Board Commitment - Reserve for Rules Vote	150,000								
Board Commitment - Reserve for Run-Off Election	70,000								
Board Commitment - Reserve for Legal	100,000								
Board Commitment - Reserve for Commitment	866,667								
<b>TOTAL BOARD COMMITMENTS</b>	<b>4,507,290</b>	<b>2,556,296</b>	<b>2,556,296</b>			<b>915,424</b>	<b>915,424</b>		
<b>TOTAL YTD INCREASE (REDUCTION) IN FUND BALANCE</b>	<b>(4,467,491)</b>	<b>(2,869,657)</b>	<b>809,581</b>	<b>3,679,238</b>	<b>128%</b>	<b>(1,048,315)</b>	<b>383,117</b>	<b>1,431,432</b>	<b>137%</b>

**State Bar of Texas  
General Fund  
Balance Sheet  
As of November 30, 2020**

	<u>YTD</u>	<u>Prior YTD</u>
<b>Assets</b>		
Cash & Money Market Funds	\$ 10,411,433	\$ 9,028,506
Investments	24,425,592	20,300,854
Adjust Investments to Market	270,177	79,929
Total Cash and Investments at FMV	<u>35,107,202</u>	<u>29,409,288</u>
Accounts Receivable:		
Net Accounts Receivable - Sales	58,524	66,456
Accrued Interest	89,185	79,929
Interfund	1,169,325	1,723,618
Other	177,455	149,946
Inventory	12,048	11,313
Prepaid Expenditures	<u>606,770</u>	<u>592,796</u>
<b>Total Assets</b>	<b><u>\$ 37,220,509</u></b>	<b><u>\$ 32,033,347</u></b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts Payable:		
Cash - A/P		
Trade	\$ 625,392	\$ 730,776
Interfund	4,791,572	2,079,472
Accrued Liabilities	290,901	299,925
Deferred Revenue -		
Membership Dues	9,865,696	10,393,015
Other	353,876	349,036
Other Liabilities	<u>93,191</u>	<u>48,130</u>
<b>Total Liabilities</b>	<b><u>\$ 16,020,629</u></b>	<b><u>\$ 13,900,354</u></b>

**State Bar of Texas  
General Fund  
Balance Sheet  
As of November 30, 2020**

	<u>YTD</u>	<u>Prior YTD</u>
<b>Liabilities and Fund Equity Continued</b>		
<b>Fund Balances</b>		
Nonspendable - Prepaids at May 31, 2020	\$ 802,933	
Nonspendable - Inventory at May 31, 2020	11,572	
Nonspendable - Investments FMV Adjustment at May 31, 2020	374,972	
Board Committed - Minimum Reserve January 2020	11,140,350	
Board Committed - Technology Fund	1,240,000	
Board Committed - Texas Opportunity and Justice Incubator Program	489,141	
Board Committed - Legal Reserve Account	100,000	
Board Committed - Client Security Fund	333,333	
Board Committed - Reserve for Future Board Commitments	866,667	
Board Committed - Sheeran Crowley Memorial Trust	225,000	
Board Committed - Presidential Initiatives	186,776	
Board Committed - Law Practice Resource Management Website	200,000	
Board Committed - Statewide Pro Bono Campaign	141,975	
Board Committed - Ethics Initiatives	11,495	
Board Committed - Contingency for SCBP	75,000	
Board Committed - Public Information Campaign	20,000	
Board Committed - Archives Digitization Project	63,500	
Board Committed - Law Focused Education Programs	6,179	
Board Committed - Student Loan Repayment Assistance Program	515,000	
Board Committed - Run-off Election Reserve	70,000	
Board Committed - Referendum Reserve	150,000	
Amount Available for Board Commitment: FY 2019-2020	3,366,405	
Total Fund Balance at May 31, 2020	<u>\$ 20,390,298</u>	<u>\$ 17,749,873</u>
Current Year Operations		
Nonspendable - Prepaids at November 30, 2020	(196,163)	
Nonspendable - Inventory at November 30, 2020	476	
Nonspendable - Investments FMV Adjustment at November 30, 2020	(104,795)	
Board Committed Expenditures - Student Loan Repayment Assistance Program	(515,000)	
Board Committed Expenditures - Sheeran-Crowley Memorial Trust	(225,000)	
Board Committed Expenditures - Client Security Fund	(333,333)	
Board Committed Expenditures - Technology Fund	(1,240,000)	
Board Committed Expenditures - Texas Opportunity & Justice Incubator Program	(21,736)	
Board Committed Expenditures - Presidential Initiatives	(3,067)	
Board Committed Expenditures - Communications Projects	(160)	
Board Committed Expenditures - Archives Digitization Project	(12,000)	
Board Committed Expenditures - Law Focused Education Programs	(6,000)	
Board Committed Expenditures - Law Practice Management and TBB Website	(200,000)	
Amount Available for Board Commitment from Current Year Operations	<u>3,666,361</u>	
Total Current Year Increase (Reduction) in Fund Balance	<u>809,583</u>	<u>383,120</u>
<b>Total Fund Balance</b>	<u>21,199,881</u>	<u>18,132,993</u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 37,220,509</b></u>	<u><b>\$ 32,033,347</b></u>

State Bar of Texas  
Texas Bar Books  
Statement of Revenues and Expenses  
For the Six Months Ending November 30, 2020

	Y-T-D Budget	Y-T-D Actual	Budget %	2020-2021 Budget
<b>Revenues:</b>				
Book Sales Net of Estimated Returns	\$792,845	\$306,006	61%	\$1,986,903
Online Sales	244,164	314,428	(29%)	488,334
Total Sales	1,037,009	620,434	40%	2,475,237
Fees	9,100	10,312	(13%)	55,000
Interest	4,500	159	96%	9,000
Royalty	635,500	636,233	(0%)	1,281,000
Other Revenue	24,460	24,456	0%	48,922
<b>Total Revenues</b>	<b>1,710,569</b>	<b>1,291,594</b>	<b>24%</b>	<b>3,869,159</b>
<b>Cost of Goods Sold:</b>				
Finished Products	162,533	44,593	73%	407,315
Royalties	57,304	30,173	47%	113,358
Other	0	26,051	0%	100,000
<b>Total Cost of Goods Sold</b>	<b>219,837</b>	<b>100,817</b>	<b>54%</b>	<b>620,673</b>
<b>Operating Expenses:</b>				
Salaries	646,665	627,325	3%	1,293,330
Benefits	226,584	199,804	12%	453,168
Travel	37,500	93	100%	46,950
Meetings & Conferences	600	0	100%	1,800
Professional Services	142,094	53,303	62%	212,189
Publicity/Advertising	10,000	2,034	80%	15,000
Publicity/Advertising for Specific Titles	42,000	1,823	96%	66,000
Dues/Subscriptions/Licenses	58,670	25,592	56%	119,200
Education/Training	10,935	3,750	66%	12,435
Supplies/Awards/Gifts/Spec. Items	19,730	16,343	17%	30,500
Rentals - Office, Equipment, Storage	82,188	80,553	2%	164,376
Maintenance/Repair	15,300	15,300	0%	30,600
Postage and Freight	67,306	37,940	44%	167,913
Telephone	1,950	952	51%	3,900
Insurance	3,300	3,055	7%	6,600
Administrative Fee	275,226	271,274	1%	550,456
Bad Debts	19,823	9,480	52%	49,673
Capital Lease Expense	12,000	9,680	19%	12,000
Printing	0	(2,391)	0%	0
Copying	270	1	100%	540
<b>Total Operating Expenses</b>	<b>1,672,141</b>	<b>1,355,911</b>	<b>19%</b>	<b>3,236,630</b>
<b>Total Expenses</b>	<b>1,891,978</b>	<b>1,456,728</b>	<b>23%</b>	<b>3,857,303</b>
<b>Net Income/(Loss) Before Operating Transfer</b>	<b>(181,409)</b>	<b>(165,134)</b>	<b>9%</b>	<b>11,856</b>
Operating Transfer From General Fund	0	200,000	0%	0
<b>Net Income/(Loss)</b>	<b>\$ (181,409)</b>	<b>\$ 34,866</b>	<b>119%</b>	<b>\$ 11,856</b>

State Bar of Texas  
Texas Bar Books  
Statement of Net Position  
As of November 30, 2020

	<u>YTD</u>	<u>Prior YTD</u>
<b>Assets</b>		
Net Accounts Receivable - Sales	\$220,576	\$238,780
Interfund Receivable - General Fund	763,046	699,756
Inventory		
Inventory - Finished Goods	420,000	554,155
Inventory - Work in Process	106,873	160,471
Less Inventory - Reserve	<u>(121,557)</u>	<u>(132,602)</u>
Total Inventory Less Reserves	405,316	582,024
Fixed Assets:		
Equipment/Software	533,820	353,637
Less Accumulated Depreciation	<u>(229,752)</u>	<u>(318,315)</u>
Net Fixed Assets	<u>304,068</u>	<u>35,322</u>
<b>Total Assets</b>	<b><u>\$ 1,693,006</u></b>	<b><u>\$ 1,555,882</u></b>
<b>Liabilities and Net Position</b>		
Liabilities		
Payables	6,508	9,407
Deferred Revenue	(2,391)	
Compensable Leave	<u>101,516</u>	<u>97,422</u>
Total Liabilities	<u>105,633</u>	<u>106,829</u>
Net Position		
Net Position at May 31, 2020	1,552,507	1,576,802
Current Year Revenues	1,291,595	1,432,664
Current Year Expenditures	(1,256,729)	(1,560,413)
Current Year Operations	<u>34,866</u>	<u>(127,749)</u>
Total Net Position at November 30, 2020	<u>1,587,373</u>	<u>1,449,053</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,693,006</u></b>	<b><u>\$ 1,555,882</u></b>



State Bar of Texas  
Client Security Fund  
Statement of Revenues & Expenditures  
For the Six Months Ending November 30, 2020

Revenues:

Interest	\$24,353
Restitution/Other Income	40
Total Revenues	<u>24,393</u>

Expenditures:

Claims	212,095
Banking Fees	30
Total Expenditures	<u>212,125</u>

Excess (Deficit) of Revenue Over Expenditures	<u>(187,732)</u>
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General Fund Operating Transfer In	700,000
General Fund Committed Funds Transfer In	333,333
Total Transfers In from General Fund	<u>1,033,333</u>

Net Increase (Decrease) in the Fair Value of Investments	(9,558)
Net after Operating Transfer & Unrealized Net Gain (Loss)	<u>836,043</u>

State Bar of Texas  
Client Security Fund  
Balance Sheet  
As of November 30, 2020

	<u>YTD</u>	<u>Prior YTD</u>
Assets		
Cash & Money Market Accts.	\$57,568	\$1,213,965
Investments	3,033,332	1,836,844
Adjust Investments to Market	126,273	3,809
Interest Receivable	<u>20,062</u>	<u>12,756</u>
<b>Total Assets</b>	<b><u><u>\$3,237,235</u></u></b>	<b><u><u>\$ 3,067,374</u></u></b>
Liabilities and Fund Balance		
Due To (From) General Fund	<u>(416,177)</u>	<u>(110,136)</u>
Total Liabilities	(416,177)	(110,136)
Fund Balance		
Beginning Fund Balance	2,817,369	2,608,546
Current Year Activity	<u>836,043</u>	<u>568,965</u>
Total Fund Balance	<u>3,653,412</u>	<u>3,177,511</u>
<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$3,237,235</u></u></b>	<b><u><u>\$ 3,067,375</u></u></b>

State Bar of Texas  
Combining Statement of Revenue & Expenditures  
And Changes in Fund Balance  
All Special Revenue Funds  
For the Six Months Ending November 30, 2020

	Law Focused Grants	TBLS	Convention Fund	Texas Law Center	Texas Bar College	Technology Fund	Misc Grant Fund	Total
<b>Revenues:</b>								
Fees		\$234,820	\$130		\$223,297			\$458,247
Sales					725			725
Investments	57	1,234	78	29,088	148			30,605
Grants	305,625						167,900	473,525
Contributions			(7,000)		18,400		3,117	14,517
<b>Total Revenues</b>	<b>305,682</b>	<b>236,054</b>	<b>(6,792)</b>	<b>29,088</b>	<b>242,570</b>		<b>171,017</b>	<b>977,619</b>
<b>Expenditures:</b>								
Salaries		226,935			32,350			259,285
Benefits		80,480			11,660			92,140
Travel			440					440
Meetings & Conferences			8,910		3,448			12,358
Professional Services	183,730	41,426	1,402	16,750	5,977		20,000	269,285
Publicity/Advertising		33,600	31,000		500			65,100
Dues/Subscriptions/Licenses	3,921	1,021			856			5,798
Education/Training	340				75			415
Supplies/Awards/Gifts/Spec. Items	6,126	665	9,052		11,475			27,318
Rentals - Office, Equipment, Storage		70,058			846			70,904
Maintenance/Repair				12,355		386,419		398,774
Postage and Freight	624	797	4,658		6,708			12,787
Telephone		10,001			214			10,215
Administrative	2,220	38,339	6,109		13,790			60,458
Fixed Assets						286,832		286,832
Printing and Copying	2,829		3,985		2,958			9,772
<b>Total Expenditures</b>	<b>199,790</b>	<b>503,322</b>	<b>65,556</b>	<b>29,105</b>	<b>90,857</b>	<b>673,251</b>	<b>20,000</b>	<b>1,581,881</b>
<b>Transfer (In) / Out</b>				<b>(288,800)</b>		<b>(1,740,000)</b>		<b>(2,028,800)</b>
<b>Total Expenditures &amp; Transfers</b>	<b>199,790</b>	<b>503,322</b>	<b>65,556</b>	<b>(259,695)</b>	<b>90,857</b>	<b>(1,066,749)</b>	<b>20,000</b>	<b>(446,919)</b>
<b>Net Increase (Decrease) in the Fair Value of Investments</b>				<b>(14,879)</b>				<b>(14,879)</b>
<b>Total Revenues less Expenditures</b>	<b>105,892</b>	<b>(267,268)</b>	<b>(72,348)</b>	<b>273,904</b>	<b>151,713</b>	<b>1,066,749</b>	<b>151,017</b>	<b>1,409,659</b>
<b>Beginning Fund Balance at 6/1/20</b>		<b>2,201,790</b>	<b>380,641</b>	<b>4,493,150</b>	<b>153,136</b>	<b>259,934</b>		<b>7,488,651</b>
<b>Ending Fund Balance at 11/30/20</b>	<b>\$105,892</b>	<b>\$1,934,522</b>	<b>\$308,293</b>	<b>\$4,767,054</b>	<b>\$304,849</b>	<b>\$1,326,683</b>	<b>\$151,017</b>	<b>\$8,898,310</b>



# STATE BAR OF TEXAS - FINANCE DIVISION



## Dashboard of Key Financial Trends

### General Fund Operating Results for the Six Months-Ended November 30, 2020

Chart A contains the State Bar's General Fund Budget to Actual Variance for the financial period. This indicates the overall earnings incurred from current year operations.

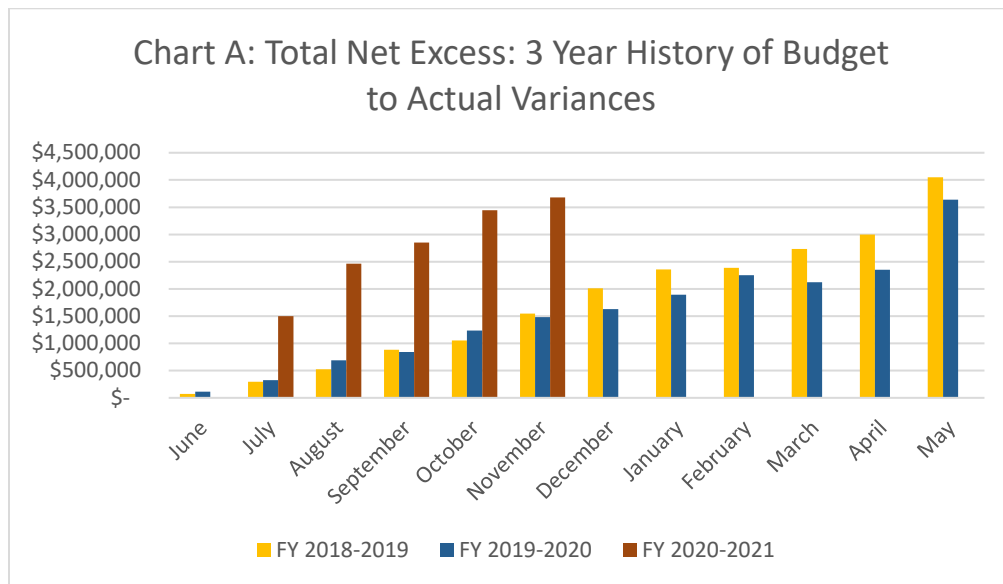


Table 1 contains details of data presented in Chart A above:

### **Operations of General Fund: Budget to Actual Variances (cumulative)**

	FY 2018-2019	FY 2019-2020	FY 2020-2021
June	\$ 70,915	\$ 111,071	\$ 14,557
July	\$ 295,712	\$ 322,750	\$ 1,499,501
August	\$ 524,480	\$ 689,283	\$ 2,460,535
September	\$ 885,337	\$ 841,894	\$ 2,849,399
October	\$ 1,056,344	\$ 1,233,358	\$ 3,444,517
November	\$ 1,546,381	\$ 1,485,161	\$ 3,679,238
December	\$ 2,010,521	\$ 1,628,363	
January	\$ 2,359,057	\$ 1,895,262	
February	\$ 2,387,072	\$ 2,251,386	
March	\$ 2,733,334	\$ 2,122,472	
April	\$ 2,999,300	\$ 2,351,385	
May	\$ 4,048,722	\$ 3,637,312	

**Chart B presents the total Revenues and Expenditures of the State Bar’s General Fund over the previous three years.**

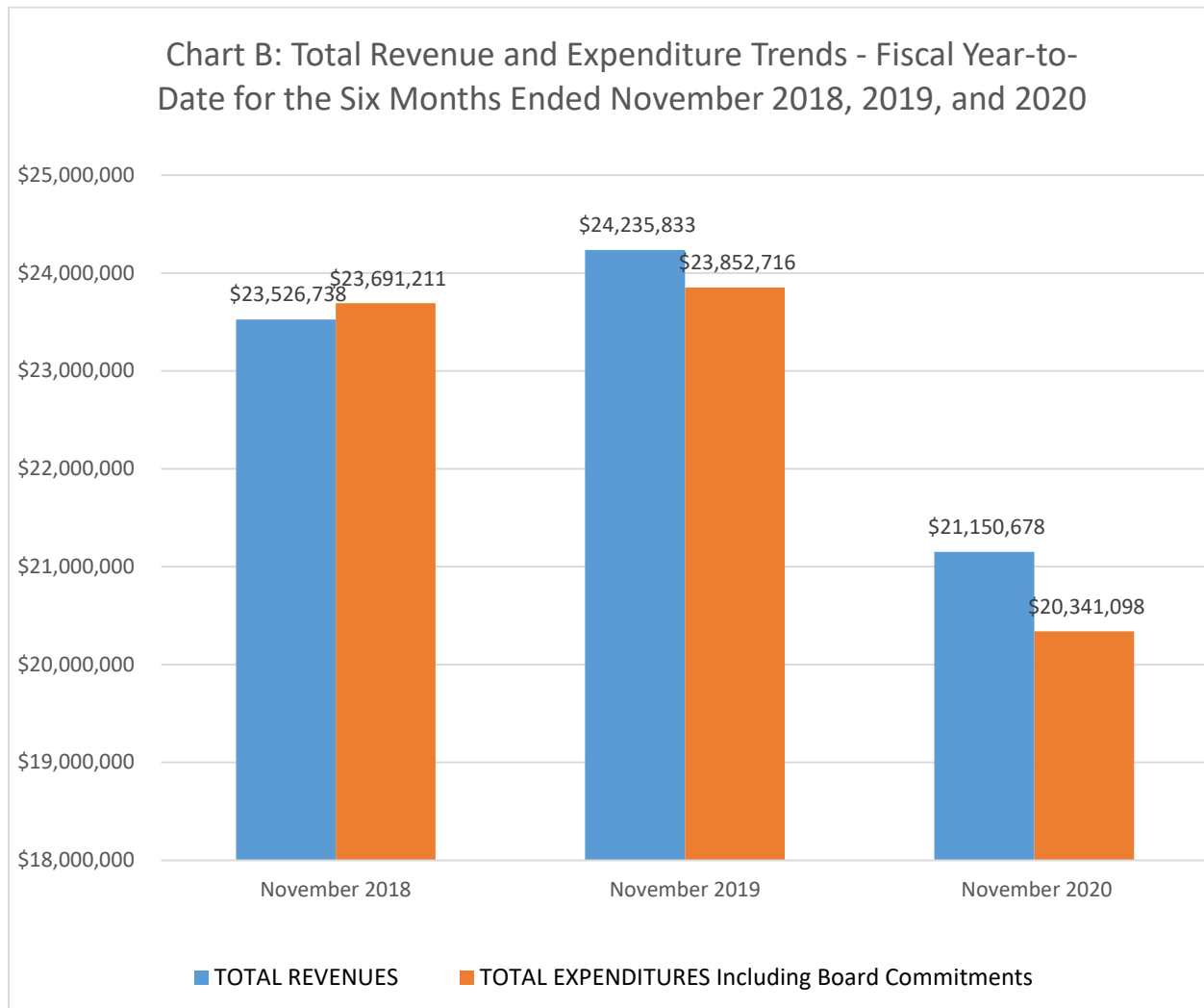


Chart C presents the total revenues by department of the State Bar's General Fund over the previous three years.

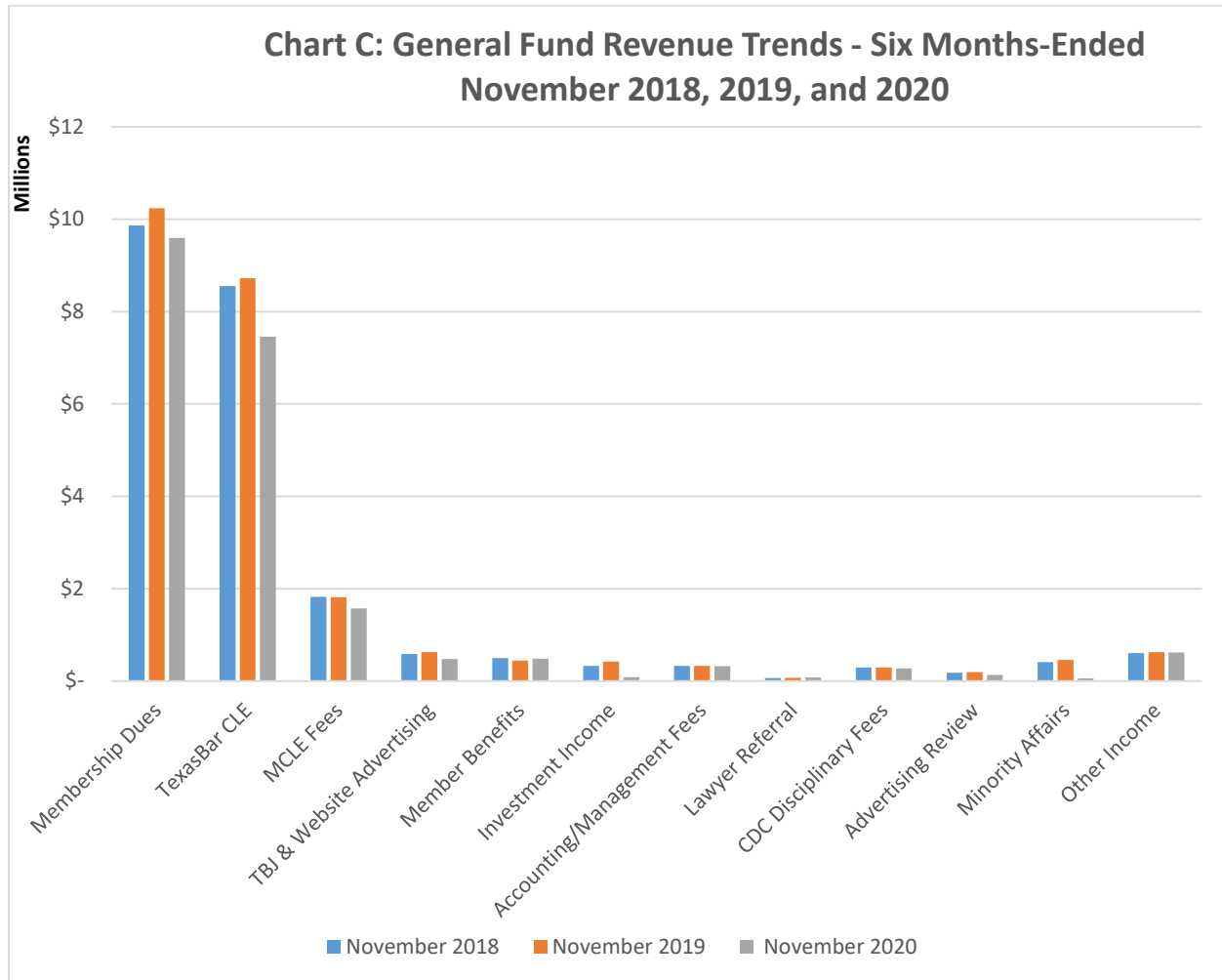


Chart D presents the total expenditures by department of the State Bar's General Fund over the previous three years.

