

OKLAHOMA BAR ASSOCIATION

Audited Financial Statements

December 31, 2019

Financial Statements

OKLAHOMA BAR ASSOCIATION

December 31, 2019

Financial Statements

Independent Auditors' Report.	1
Statements of Financial Position.	3
Statements of Activities Without Donor Restrictions	4
Statements of Activities With Donor Restrictions.	5
Statements of Functional Expenses	6
Statements of Cash Flows.	8
Notes to Financial Statements	9

SMITH, CARNEY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Edward W. Granger
Kent H. Graves
Rebecca A. Hembree
Kevin D. Howard
Matthew J. Major
Stacey L. Vascellaro

Of Counsel

Joseph E. Brueggen
Kenneth L. Carney
Joseph W. Hornick
H. Kirby Smith

5100 N. Brookline Ave., Suite 1000
Oklahoma City, OK 73112-3627
BUS: (405) 272-1040
FAX: (405) 235-6180
1-800-570-1040

5 S. Commerce, Suite 33
Ardmore, OK 73401-3924
BUS: (580) 226-1227
FAX: (580) 226-1229
1-866-570-1040

www.smithcarney.com

INDEPENDENT AUDITORS' REPORT

Board of Governors
Oklahoma Bar Association
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the Oklahoma Bar Association (the "Association"), which comprise the Statements of Financial Position as of December 31, 2019 and 2018, and the related Statements of Activities Without Donor Restrictions, Activities With Donor Restrictions, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Bar Association as of December 31, 2019 and 2018, and the changes in its net assets, its cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
June 24, 2020

STATEMENTS OF FINANCIAL POSITION

OKLAHOMA BAR ASSOCIATION

	December 31,	
	2019	2018
<u>ASSETS</u>		
<u>Current Assets</u>		
Without Donor Restrictions:		
Cash and cash equivalents	\$ 315,389	\$ 300
Certificates of deposit	8,897,654	8,700,838
Membership dues receivable	1,635,280	1,834,515
Other receivables	202,611	164,558
Other assets	82,872	110,977
Due from donor restricted fund	156,355	97,117
With Donor Restrictions:		
Cash and cash equivalents	5,508	20,251
Certificates of deposit	175,000	175,000
Due from donor restricted fund	(156,355)	(97,117)
Total Current Assets	<u>11,314,314</u>	<u>11,006,439</u>
<u>Property and Equipment</u>		
<u>Net (Without Donor Restrictions)</u>	<u>3,045,226</u>	<u>3,189,896</u>
<u>Investments (With Donor Restrictions)</u>	<u>1,577,995</u>	<u>1,391,394</u>
	<u>\$15,937,535</u>	<u>\$15,587,729</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Without Donor Restrictions:		
Accounts payable	\$ 228,667	\$ 191,556
Accrued expenses	134,141	132,894
Capital lease payable, current	5,305	-
Deferred revenues	4,450,417	4,399,767
With Donor Restrictions:		
Accounts payable	9,733	9,733
Total Current Liabilities	<u>4,828,263</u>	<u>4,733,950</u>
<u>Capital lease payable, long-term</u>	<u>9,360</u>	<u>-</u>
<u>Net Assets Without Donor Restrictions</u>		
Board designated:		
Women in Law Conference Fund	32,019	24,598
Lawyers Helping Lawyers Fund	-	1,968
Solo/Small Firm Conference Fund	41,386	42,602
Bar Center Improvements	94,419	86,746
Communications Pamphlet Fund	31,098	27,318
Technology Fund	326,811	372,817
Diversity Conference Fund	16,399	12,259
Legislative Education Fund	67,812	65,183
Attorney General Mortgage Assistance Fund	39,324	46,313
Young Lawyers Division		
Kick It Forward Fund	8,887	8,894
Sections Fund	809,994	780,434
Undesignated	8,039,348	7,904,853
	<u>9,507,497</u>	<u>9,373,985</u>
<u>Net Assets With Donor Restrictions</u>		
Client Security Fund	<u>1,592,415</u>	<u>1,479,794</u>
	<u>11,099,912</u>	<u>10,853,779</u>
	<u>\$15,937,535</u>	<u>\$15,587,729</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES WITHOUT DONOR RESTRICTIONS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31,	
	2019	2018
<u>REVENUES</u>		
Membership dues and penalties	\$ 4,206,363	\$ 4,154,178
Interest income	171,169	125,364
Annual meeting	32,992	39,796
Other administrative revenues	81,817	83,076
Communications and public information	170,114	210,931
Continuing legal education	1,019,356	1,082,646
Disciplinary and general counsel	438,799	438,497
Mandatory continuing legal education	228,755	216,505
Management assistance programs	1,684	2,011
Committees and special projects	247,233	263,098
Sections	380,383	420,931
Total Revenues	6,978,665	7,037,033
<u>EXPENSES</u>		
<u>Management and General</u>		
Administration	1,999,282	1,692,475
Total Management and General	1,999,282	1,692,475
<u>Program</u>		
Communications and public information	599,417	603,108
Law-related education	3,436	562
Continuing legal education	986,537	964,681
Disciplinary and general counsel	1,515,112	1,495,178
Mandatory continuing legal education	303,759	293,607
Committees and special projects	469,564	505,872
Management assistance programs	442,223	426,000
Sections	350,823	328,601
Total Program	4,670,871	4,617,609
Total Expenses	6,670,153	6,310,084
Change In Net Assets Without Donor Restrictions	308,512	726,949
Transfer To Net Assets With Donor Restrictions	(175,000)	(175,000)
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT BEGINNING OF YEAR</u>	9,373,985	8,822,036
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT END OF YEAR</u>	\$ 9,507,497	\$ 9,373,985

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES WITH DONOR RESTRICTIONS

OKLAHOMA BAR ASSOCIATION

	For the Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
<u>REVENUES</u>		
Investment Gain(Loss)	\$ 280,708	\$ (138,046)
Restitution	6,438	22,514
Total Revenues (Loss)	<u>287,146</u>	<u>(115,532)</u>
<u>EXPENSES</u>		
Claims	<u>349,525</u>	<u>120,350</u>
Change in Net Assets With Donor Restrictions	(62,379)	(235,882)
Transfer From Net Assets Without Donor Restrictions	175,000	175,000
<u>NET ASSETS WITH DONOR RESTRICTIONS</u> <u>AT BEGINNING OF YEAR</u>	<u>1,479,794</u>	<u>1,540,676</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u> <u>AT END OF YEAR</u>	<u>\$ 1,592,415</u>	<u>\$ 1,479,794</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	<u>For the Year Ended December 31, 2019</u>		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
Salaries and benefits	\$ 737,526	\$ 2,613,850	\$ 3,351,376
Payroll taxes	41,287	156,628	197,915
Utilities	57,304	61,561	118,865
Professional fees	214,604	277,462	492,066
Travel	1,550	30,883	32,433
Conferences and meetings	172,826	434,948	607,774
Printing	-	213,867	213,867
Office	74,999	62,675	137,674
Insurance	23,224	21,182	44,406
General and administrative Sections	378,502	446,992	825,494
Depreciation	297,460	-	297,460
Total expenses without donor restrictions	<u>1,999,282</u>	<u>4,670,871</u>	<u>6,670,153</u>
Client Security Fund Claims	-	349,525	349,525
Total expenses with donor restrictions	<u>-</u>	<u>349,525</u>	<u>349,525</u>
Total expenses	<u>\$ 1,999,282</u>	<u>\$ 5,020,396</u>	<u>\$ 7,019,678</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	<u>For the Year Ended December 31, 2018</u>		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
Salaries and benefits	\$ 705,510	\$ 2,575,441	\$ 3,280,951
Payroll taxes	40,079	152,692	192,771
Utilities	60,640	69,254	129,894
Professional fees	19,000	291,300	310,300
Travel	1,641	35,795	37,436
Conferences and meetings	166,510	431,196	597,706
Printing	-	206,039	206,039
Office	72,954	59,060	132,014
Insurance	22,547	20,592	43,139
General and administrative Sections	384,987	447,639	832,626
Depreciation	218,607	-	218,607
Total expenses without donor restrictions	<u>1,692,475</u>	<u>4,617,609</u>	<u>6,310,084</u>
Client Security Fund Claims	-	120,350	120,350
Total expenses with donor restrictions	<u>-</u>	<u>120,350</u>	<u>120,350</u>
Total expenses	<u>\$ 1,692,475</u>	<u>\$ 4,737,959</u>	<u>\$ 6,430,434</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31, 2019		For The Year Ended December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<u>CASH FLOWS FROM</u>				
<u>OPERATING ACTIVITIES</u>				
Change in net assets	\$ 308,512	\$ (62,379)	\$ 726,949	\$ (235,882)
Cash transfers	(175,000)	175,000	(175,000)	175,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Provision for depre- ciation and amorti- zation	297,460	-	218,607	-
Realized (gain)loss on investments	-	(33,164)	-	(40,335)
Unrealized (gain)loss on investments	-	(191,830)	-	251,907
(Increase) decrease in:				
Receivables	161,182	-	254,776	-
Other assets	28,105	-	8,257	-
Due from donor restricted fund	(59,238)	-	(62,818)	-
Increase (decrease) in:				
Accounts payable	37,111	-	18,787	-
Accrued expenses Due to donor restricted fund	1,247	-	(1,013)	-
Deferred revenue	50,650	59,238	47,911	62,818
Net Cash Provided (Used) By Opera- ting Activities	<u>650,029</u>	<u>(53,135)</u>	<u>1,036,456</u>	<u>213,508</u>
<u>CASH FLOWS FROM</u>				
<u>INVESTING ACTIVITIES</u>				
Purchase of equipment	(134,893)	-	(47,581)	-
Purchase of investments	-	(301,930)	-	(405,401)
Sale of investments	-	340,322	-	211,145
Purchase/maturities of cer- tificates of deposit, net	(196,816)	-	(1,371,031)	-
Net Cash Provided (Used) By Invest- ing Activities	<u>(331,709)</u>	<u>38,392</u>	<u>(1,418,612)</u>	<u>(194,256)</u>
<u>CASH FLOWS FROM</u>				
<u>FINANCING ACTIVITIES</u>				
Payments on capital lease payable	(3,231)	-	-	-
Net Cash Used By Fi- nancing Activities	<u>(3,231)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decre- ase) In Cash and Cash Equivalents	315,089	(14,743)	(382,156)	19,252
<u>CASH AND CASH EQUIVALENTS</u>				
<u>AT BEGINNING OF YEAR</u>	<u>300</u>	<u>20,251</u>	<u>382,456</u>	<u>999</u>
<u>CASH AND CASH EQUIVALENTS</u>				
<u>AT END OF YEAR</u>	<u>\$ 315,389</u>	<u>\$ 5,508</u>	<u>\$ 300</u>	<u>\$ 20,251</u>

See Independent Auditors' Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE A--NATURE OF ENTITY

The Oklahoma Bar Association (the "Association") was created by the Supreme Court of the State of Oklahoma (the "Supreme Court"). The Association is governed by a 17-member Board of Governors whose members are lawyers elected by members of the Association. The Supreme Court must approve the annual operating budget for the Association. Those individuals who practice law in the State of Oklahoma are required by the Supreme Court to be a member of the Association.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Association's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the general practices of not-for-profit organizations, as promulgated by the American Institute of Certified Public Accountants. Changes to the net assets for performing various program and other activities of the Association have been summarized on a functional basis in the Statements of Activities Without and With Donor Restrictions.

Membership Dues Revenue Recognition: Annual membership dues for 2019 and 2018 were \$275 for "active" members licensed with the Association for more than three years and \$137.50 for "active" members licensed with the Association for three years or less. Dues are billed in October for the next succeeding year and are payable in full upon receipt. Such amounts are deferred and recognized as revenue in the year to which the dues relate. The Association does not record an allowance for uncollectible membership dues since an attorney must belong to the Association in order to practice law in Oklahoma. Unpaid dues are charged-off at the time an attorney is stricken from the membership roles for non-payment of dues.

	<u>2019</u>	<u>2018</u>
Membership dues receivable:		
Beginning of year	\$1,834,515	\$2,159,136
End of year	\$1,635,280	\$1,834,515
Deferred revenues:		
Beginning of year	\$4,399,767	\$4,351,856
End of year	\$4,450,417	\$4,399,767

Investments: The Association is authorized to invest in U.S. Treasury Securities, federal agencies, and federally supervised obligations, money market investments, mutual funds, certificates of deposit, mortgage-backed securities, and equity investments. Investments are carried at fair value as determined by quoted market prices.

Property and Equipment: Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life ranging from 3 to 40 years. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the operations of the period in which the asset is disposed. Maintenance and repairs are charged to expense as incurred and major additions and betterments are capitalized.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Board-Designated Net Assets Without Donor Restrictions: Net Assets designated for sections arise from annual voluntary membership dues, section seminars, and other miscellaneous revenue sources less costs incurred for section activities. All other board-designated net assets are the result of unexpended budgeted funds.

Net Assets With Donor Restrictions--Client Security Fund: The Client Security Fund was established by the Oklahoma Supreme Court for the purpose of reimbursing losses to clients injured by dishonest acts of persons practicing law in Oklahoma. The fund is accounted for as net assets with donor restrictions as it is a fund restricted by the Oklahoma Supreme Court.

Compensated Absences: Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. There are no accumulating sick leave benefits that vest for which any liability must be recognized.

Income Taxes: The Association has received a ruling from the Internal Revenue Service exempting its income from federal income tax as an official arm of the Supreme Court. The income which is derived from the exercise of its essential government functions is excluded under Internal Revenue Code Section 115.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Departmental Allocation of Expenses: Expenses that are specifically related to a department are charged to that department. General and administrative expenses that are not specifically related to a department are allocated to the various departments. The allocations are based on relative usage by each department as determined by the Association's Director of Administration.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, changes in net assets, and the statement of functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated to the program and supporting services benefited based on time devoted by the Organization's staff. These expenses require allocation on a reasonable basis that is consistently applied.

Advertising: All costs associated with advertising are expensed as incurred.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, the Association considers cash in bank to be cash and cash equivalents. Highly liquid investments that are set aside for investing purposes have been included in investments.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE C--ADOPTION OF ACCOUNTING PRINCIPLE

Effective January 1, 2019, the Association adopted Financial Accounting Standard Board's ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) as amended. The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Association adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the full retrospective transition method. The adoption of the new guidance for revenue recognition did not result in any material changes to the previous revenue recognition accounting policies.

NOTE D--CONCENTRATION OF DEPOSITS

At December 31, 2019, the Association had a concentration of credit risk with the brokerage firm in the form of cash deposits. The Association evaluates the financial stability of the institutions it does business with in evaluating credit risk. The Association's exposure to credit loss in the event of non-performance by the other parties to the financial instruments is represented by the contractual or notional amount of those instruments, less amounts covered by FDIC/SIPC insurance. Such amount totaled approximately \$472,533 and \$1,077,995 with the bank and brokerage firm, respectively, at December 31, 2019.

NOTE E--INVESTMENTS

As defined in accounting standards, fair value is the price that would be received to sell an asset or pay or transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Accounting standards provide a fair value hierarchy framework that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this framework are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or Liability for substantially the full term.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE E--INVESTMENTS--Continued

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement using techniques to maximize observable inputs and minimize unobservable inputs. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Certificates of Deposit (COD)--The fair value is the cost of the assets since it is the intent of the Association to hold the deposits to maturity. The maturities are greater than three months but not more than two years.

Mutual Funds--The fair value of the assets is from quoted market prices for mutual fund securities that are actively traded.

The following table sets forth by level within the fair value hierarchy the Association's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2019 and 2018.

	Carry- ing Amount	Total Fair Value	Fair Value Measurements Using:		
			Quoted Prices In Active Markets (Level 1)	Other Observ- able Inputs (Level 2)	Unob- serv- able Inputs (Level 3)
<u>As of December 31, 2019</u>					
<u>Financial Assets</u>					
Without Donor Restrictions:					
Certificates of deposit,	\$8,897,654	\$8,897,654	\$ -	\$8,897,654	\$ -
With Donor Restrictions:					
Certificates of deposit,	\$ 175,000	\$ 175,000	\$ -	\$ 175,000	\$ -
Mutual funds,					
Equity funds	\$1,049,474	\$1,049,474	\$1,049,474	\$ -	\$ -
Fixed income	528,521	528,521	528,521	-	-
	<u>\$1,577,995</u>	<u>\$1,577,995</u>	<u>\$1,577,995</u>	<u>\$ -</u>	<u>\$ -</u>
<u>As of December 31, 2018</u>					
<u>Financial Assets</u>					
Without Donor Restrictions:					
Certificates of deposit,	\$8,700,838	\$8,700,838	\$ -	\$8,700,838	\$ -
With Donor Restrictions:					
Certificates of deposit,	\$ 175,000	\$ 175,000	\$ -	\$ 175,000	\$ -
Mutual funds,					
Equity funds	\$ 987,985	\$ 987,985	\$ 987,985	\$ -	\$ -
Fixed income	403,409	403,409	403,409	-	-
	<u>\$1,391,394</u>	<u>\$1,391,394</u>	<u>\$1,391,394</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE E--INVESTMENTS--Continued

The Association utilizes Morgan Stanley as its investment manager for restricted mutual funds. The amortized cost and approximate fair values of investment securities at December 31 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2019</u>				
Certificates of deposit:				
Without Donor Restrictions	<u>\$8,897,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,897,654</u>
With Donor Restrictions	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,000</u>
Mutual funds,				
With Donor Restrictions	<u>\$1,481,410</u>	<u>\$103,373</u>	<u>\$ (6,788)</u>	<u>\$1,577,995</u>
<u>2018</u>				
Certificates of deposit				
Without Donor Restrictions	<u>\$8,700,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,700,838</u>
With Donor Restrictions	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,000</u>
Mutual funds,				
With Donor Restrictions	<u>\$1,484,446</u>	<u>\$ -</u>	<u>\$ (93,052)</u>	<u>\$1,391,394</u>

Investment gain(loss) included in the Statements of Activities With Donor Restrictions for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Interest, dividends, and capital gains received	\$ 65,360	\$ 82,818
Realized gain (loss) on sale of investments	33,164	40,335
Investment fees	(9,646)	(9,292)
Current year adjustment for unrealized gain (loss)	<u>191,830</u>	<u>(251,907)</u>
	<u>\$ 280,708</u>	<u>\$ (138,046)</u>

Interest income Without Donor Restrictions from the certificates of deposit was \$171,169 and \$125,364 for 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE F--PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 19,629	\$ 19,629
Building	5,347,535	5,347,535
Equipment and furnishings	<u>1,797,175</u>	<u>1,644,386</u>
	7,164,339	7,011,550
Less: Accumulated depreciation	<u>(4,119,113)</u>	<u>(3,821,654)</u>
	<u>\$3,045,226</u>	<u>\$3,189,896</u>

NOTE G--RETIREMENT

The Association provides retirement benefits to its employees through a multi-employer defined contribution pension plan. The Association participates in the American Bar Association Members Retirement Plan (the "Plan"), which is sponsored by the American Bar Association. Employees who have met the minimum employment requirements of 1 year and 1,000 hours of service may participate. The Association contributes 14% of the annual basic compensation of eligible employees to the Plan (participants make no contributions). The participants vest 25% after the first year and an additional 25% annually until fully vested after the fourth year of participation.

Contributions to the Plan totaled approximately \$341,000 and \$308,000 in 2019 and 2018, respectively. Benefits to be received under the Plan are based on amounts accumulated by the trustee for the participants. The Association reserves the right to terminate its participation in the Plan at any time. Upon termination of the Plan, each participant becomes fully vested in the balance of their account.

NOTE H--RELATED PARTY TRANSACTIONS

The Association receives grants from the Oklahoma Bar Foundation (the "Foundation") to support Association-sponsored programs. The grants during 2019 and 2018 were approximately \$50,000 each year.

The Association processes and pays certain office and employee related expenses for the Foundation, as well as collects contributions made to the Foundation with payment of member annual dues. Periodically, the Foundation reimburses the Association for the net receivable. During 2019 and 2018, the expenses paid on the Foundation's behalf were approximately \$3,300 and \$2,700, respectively. Contributions received for the Foundation were approximately \$22,000 and \$20,000 for 2019 and 2018, respectively. After other payments from the Foundation, the net receivable/(payable) due to/from the Foundation as of December 31, 2019 and 2018 was \$(14,000) and \$(13,000), respectively, which is included in Accounts Payable and Other Receivables, respectively.

The Association leases a portion of its building to the Board of Bar Examiners ("BBE") of the State of Oklahoma on a monthly basis. Annual rental income from

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE H--RELATED PARTY TRANSACTIONS--Continued

this lease totaled \$15,000 in both 2019 and 2018 and is included in other administrative revenues in the Statements of Unrestricted Activities. The Association also processes and pays the BBE payroll, related payroll items, and other operating expenses which are periodically reimbursed by the BBE. The monthly payroll and operating expenses processed on behalf of the BBE was approximately \$16,800 and \$16,600 in 2019 and 2018, respectively. As of December 31, 2019 and 2018 the receivable due from BBE was \$17,459 and \$48,660, respectively, and is included in Other Receivables.

NOTE I--LEASE COMMITMENTS

Operating Leases: The Association entered into non-cancellable operating leases for certain office equipment. These leases expire in various years through September, 2024. Future minimum lease payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2019 are as follows:

2020	\$ 29,984
2021	29,984
2021	28,755
2023	25,068
2024	<u>14,623</u>
	<u>\$128,414</u>

Capital Leases: The Association entered into a capital lease agreement in August 2019, which is scheduled to expire in 2022, to lease a set of servers and related parts. Depreciation expense for this group of assets was \$1,988 for the year ending December 31, 2019 and is included in depreciation expense in the statement of activities. These assets have a capitalized cost of \$17,896 and accumulated depreciation of \$1,988 as of December 31, 2019 and are included in furniture and equipment in the statement of financial position. The capital lease calls for monthly payments of \$491. The related capital lease obligation is \$14,665 as of December 31, 2019 with an imputed interest rate of 4.75%.

The minimum future lease payments under this capital lease at December 31, 2019 are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 582	\$ 5,305	\$ 5,887
2021	325	5,563	5,888
2022	128	3,797	3,925
	<u>\$1,035</u>	<u>\$ 14,665</u>	<u>\$ 15,700</u>

NOTE J--LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the statement of financial position date that are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2019

NOTE J--LIQUIDITY AND AVAILABILITY--Continued

of the statement of financial position date. The membership dues and other receivables are expected to be collected within one year. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end:		
Cash and cash equivalent	\$ 315,389	\$ 300
Certificates of deposit	8,897,654	8,700,838
Membership dues and other receivables	<u>1,837,891</u>	<u>1,999,073</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$11,050,934</u>	<u>\$10,700,211</u>

The Board also maintains other Board designated cash accounts and investments that could be made available, if necessary, to meet its obligations. These amounts total \$1,758,503 and \$1,586,645 at December 31, 2019 and 2018, respectively.

NOTE K--SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2020, the date which the financial statements were available for issue. No material subsequent events occurred through that date that would have an impact on these financial statements.