

OKLAHOMA BAR ASSOCIATION

Audited Financial Statements

December 31, 2022

Financial Statements

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Financial Statements

Independent Auditor's 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	10



Smith Carney^{PC}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Oklahoma Bar Association
Oklahoma City, Oklahoma

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma Bar Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted

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auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
September 28, 2023

STATEMENTS OF FINANCIAL POSITION

OKLAHOMA BAR ASSOCIATION

	December 31,	
	2022	2021
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 579,453	\$ 616,934
Investments	9,640,578	9,609,192
Membership dues receivable	1,570,906	1,605,308
Other receivables	167,041	129,000
Other assets	90,186	82,958
Due from donor restricted fund	147,302	147,302
Restricted:		
Cash and cash equivalents	69,185	5,096
Certificates of deposit	177,733	175,000
Due to unrestricted assets	(147,302)	(147,302)
Total Current Assets	12,295,082	12,223,488
<u>Property and Equipment, net</u>	2,575,259	2,772,213
<u>Investments (Restricted)</u>	1,737,710	2,026,163
<u>Right-of-use assets, operating leases</u>	58,667	-
	<u>\$16,666,718</u>	<u>\$17,021,864</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 184,724	\$ 207,989
Accrued expenses	163,106	193,903
Lease liabilities-operating lease, current	28,201	-
Deferred revenues	4,596,361	4,550,049
Restricted:		
Accounts payable	10,732	9,733
Total Current Liabilities	4,983,124	4,961,674
<u>Lease liabilities - operating leases, long-term</u>	30,466	-
<u>Net Assets Without Donor Restrictions</u>		
Board designated:		
Lawyers Helping Lawyers Fund	99,383	102,142
Solo/Small Firm Conference Fund	7,751	41,386
Bar Center Improvements	104,547	124,859
Communications Pamphlet Fund	51,252	48,285
Technology Fund	401,311	359,141
Diversity Conference Fund	8,513	9,143
Legislative Education Fund	79,056	75,807
Attorney General Mortgage Assistance Fund	38,874	39,024
Young Lawyers Division		
Kick It Forward Fund	11,288	9,475
Sections Fund	1,008,882	983,777
Undesignated	8,015,677	8,217,927
	9,826,534	10,010,966
<u>Net Assets With Donor Restrictions</u>		
Client Security Fund	1,826,594	2,049,224
	11,653,128	12,060,190
	<u>\$16,666,718</u>	<u>\$17,021,864</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES WITHOUT DONOR RESTRICTIONS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31,	
	2022	2021
<u>REVENUES</u>		
Membership dues and penalties	\$ 4,317,801	\$ 4,265,896
Interest income	79,711	10,311
Annual meeting	51,925	29,882
Other administrative revenues	83,488	78,720
Communications and public information	145,050	129,938
Continuing legal education	927,149	1,047,577
Disciplinary and general counsel	556,303	590,211
Mandatory continuing legal education	259,875	262,735
Management assistance programs	250	-
Committees and special projects	214,991	154,075
Sections	427,761	360,094
Total Revenues	<u>7,064,304</u>	<u>6,929,439</u>
<u>EXPENSES</u>		
<u>Management and General</u>		
Administration	2,168,693	1,954,972
	<u>2,168,693</u>	<u>1,954,972</u>
<u>Program</u>		
Communications and public information	621,661	584,439
Continuing legal education	895,872	918,614
Disciplinary and general counsel	1,658,952	1,585,168
Mandatory continuing legal education	329,914	314,609
Committees and special projects	507,443	350,287
Management assistance programs	488,545	461,127
Sections	402,656	281,020
	<u>4,905,043</u>	<u>4,495,264</u>
Total Expenses	<u>7,073,736</u>	<u>6,450,236</u>
Change In Net Assets Without Donor Restrictions	(9,432)	479,203
Transfer To Net Assets With Donor Restrictions	(175,000)	(175,000)
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT BEGINNING OF YEAR</u>	<u>10,010,966</u>	<u>9,706,763</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT END OF YEAR</u>	<u>\$ 9,826,534</u>	<u>\$ 10,010,966</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES WITH DONOR RESTRICTIONS

OKLAHOMA BAR ASSOCIATION

	For the Year Ended December 31,	
	2022	2021
<u>REVENUES</u>		
Investment Gain/(Loss)	\$ (285,719)	\$ 186,479
Restitution	3,989	4,984
Total Revenue	<u>(281,730)</u>	<u>191,463</u>
<u>EXPENSES</u>		
Claims	<u>115,900</u>	<u>176,509</u>
Change in Net Assets With Donor Restrictions	(397,630)	14,954
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>2,049,224</u>	<u>1,859,270</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u> <u>AT END OF YEAR</u>	<u>\$ 1,826,594</u>	<u>\$ 2,049,224</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	For the Year Ended December 31, 2022		
	Management and General	Program	Total
Salaries and benefits	\$ 779,038	\$ 2,826,540	\$ 3,605,578
Payroll taxes	47,469	171,766	219,235
Utilities	79,693	86,487	166,180
Professional fees	256,933	247,052	503,985
Travel	1,246	28,334	29,580
Conferences and meetings	230,869	418,280	649,149
Printing	-	180,089	180,089
Office	75,404	64,315	139,719
Insurance	29,038	26,484	55,522
General and administrative	396,732	453,040	849,772
Sections	-	402,656	402,656
Depreciation	272,271	-	272,271
Total expenses without donor restrictions	<u>2,168,693</u>	<u>4,905,043</u>	<u>7,073,736</u>
Client Security Fund Claims	-	115,900	115,900
Total expenses with donor restrictions	<u>-</u>	<u>115,900</u>	<u>115,900</u>
Total expenses	<u>\$ 2,168,693</u>	<u>\$ 5,020,943</u>	<u>\$ 7,189,636</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	For the Year Ended December 31, 2021		
	Management and General	Program	Total
Salaries and benefits	\$ 775,814	\$ 2,769,680	\$ 3,545,494
Payroll taxes	44,318	167,516	211,834
Utilities	65,443	72,496	137,939
Professional fees	184,429	289,322	473,751
Travel	810	6,627	7,437
Conferences and meetings	138,908	258,156	397,064
Printing	-	151,214	151,214
Office	68,620	59,096	127,716
Insurance	28,625	26,107	54,732
General and administrative	385,539	414,030	799,569
Sections	-	281,020	281,020
Depreciation	262,466	-	262,466
Total expenses without donor restrictions	<u>1,954,972</u>	<u>4,495,264</u>	<u>6,450,236</u>
Client Security Fund Claims	-	176,509	176,509
Total expenses with donor restrictions	<u>-</u>	<u>176,509</u>	<u>176,509</u>
Total expenses	<u>\$ 1,954,972</u>	<u>\$ 4,671,773</u>	<u>\$ 6,626,745</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31, 2022		For The Year Ended December 31, 2021	
	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	\$ (9,432)	\$ (397,630)	\$ 479,203	\$ 14,954
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	272,271	-	262,466	-
Realized (gain)loss on investments	-	(201,723)	-	(91,354)
Unrealized (gain)loss on investments	-	526,173	-	39,655
(Increase) decrease in:				
Receivables	(3,639)	-	249,451	-
Other assets	(7,228)	-	93,538	-
Due from donor restricted fund	-	-	(1,510)	-
Increase (decrease) in:				
Accounts payable	(23,265)	999	(99,727)	(100,934)
Accrued expenses	(30,797)	-	22,804	-
Due to donor restricted fund	-	-	-	1,510
Deferred revenue	46,312	-	62,639	-
Net Cash Provided (Used) By Opera- ting Activities	69,222	102,819	893,864	38,831
<u>CASH FLOWS FROM</u>				
<u>INVESTING ACTIVITIES</u>				
Purchase of equipment	(75,317)	-	(108,536)	-
Purchase of investments	-	(3,881,624)	(1,380,226)	(531,976)
Sale of investments	6,635,490	3,845,627	-	397,196
Purchase of investments	(6,666,876)	(2,733)	491,132	-
Net Cash Provided (Used) By Invest- ing Activities	(106,703)	(38,730)	(997,630)	(134,780)
<u>CASH FLOWS FROM</u>				
<u>FINANCING ACTIVITIES</u>				
Net Cash Provided (Used) By Finan- cing Activities	-	-	-	-
Net Increase (Decrease) In Cash and Cash Equivalents	(37,481)	64,089	(103,766)	(95,949)
<u>CASH AND CASH EQUIVALENTS</u>				
<u>AT BEGINNING OF YEAR</u>	616,934	5,096	720,700	101,045
<u>CASH AND CASH EQUIVALENTS</u>				
<u>AT END OF YEAR</u>	\$ 579,453	\$ 69,185	\$ 616,934	\$ 5,096

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31, 2022		For The Year Ended December 31, 2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>				
Cash payments for				
operating leases	<u>\$ 26,291</u>	<u>\$ -</u>	<u>\$ 29,984</u>	<u>\$ -</u>
<u>NON-CASH INVESTING AND FINANCING TRANSACTIONS</u>				
Operating lease and				
right of use asset	<u>\$ 58,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA BAR ASSOCIATION

December 31, 2022

NOTE A--NATURE OF ENTITY

The Oklahoma Bar Association (the "Association") is a non-profit organization created by the Supreme Court of the State of Oklahoma (the "Supreme Court"). Although an arm of the Oklahoma Supreme Court, the Association does not receive any appropriations from the Oklahoma Legislature. The Association is governed by a 17-member Board of Governors whose members are lawyers elected by members of the Association. Its activities are wholly funded through membership dues, member gifts, grants, and self-generated revenue. 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 programs and other activities of the Association have been summarized on a functional basis in the Statements of Activities Without and With Donor Restrictions.

Revenue Recognition: Annual membership dues for 2022 and 2021 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 calendar 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. Other revenues consist of miscellaneous membership section dues, committees and special projects, and registration fees for out of state attorneys and grants which are also recognized as revenue in the year to which the dues and fees relate.

The Association is also a provider of continuing legal education for members. Revenue is recognized at a single point in time when the performance obligation related to providing the course is satisfied.

	2022	2021
Membership dues receivable:		
Beginning of year	\$1,605,308	\$1,733,553
End of year	\$1,570,906	\$1,605,308
Other receivables:		
Beginning of year	\$ 129,000	\$ 250,206
End of year	\$ 167,041	\$ 129,000
Deferred revenues:		
Beginning of year	\$4,550,049	\$4,487,410
End of year	\$4,596,361	\$4,550,049

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

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.

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.

Leases: For lease agreements where the Association is the lessee, a right-of-use ("ROU") asset and lease liability is recognized at lease commencement, which are initially measured at present value of the future lease payments discounted using the Association's risk-free discount rate. Subsequent amortization of the ROU asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. Operating lease ROU assets are assessed for impairment in accordance with the Association's long-lived asset impairment policy.

Finance leases are recognized within property, plant and equipment and depreciated on a straight-line basis over the life of the lease. The liability is included with other current and long-term debt.

The Association reassesses lease classifications and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate contract or upon certain other events that require reassessment.

The Association has elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Association will not apply the recognition requirements of Topic 842 and instead will recognize the lease payments as lease cost over the lease term. See Note G for short-term related party leases.

Maintenance, insurance, and property tax expenses are accounted for on an accrual basis as variable lease cost and expensed in the period incurred.

Additionally, the Association elected the practical expedient under ASU 2018-01, which allows an entity to not reassess whether any existing land easements are or contain leases.

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 (CSF) 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 CSF is funded by an annual allocation of \$175,000 from the Association's general assets by court order of the Oklahoma Supreme Court. The fund is accounted for as net assets with donor restrictions as it is a fund

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

restricted by the Oklahoma Supreme Court. Claims are administered by the Board and approved by the Court, annually.

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. Under Section 115, net income from an activity other than an essential government function can be subject to taxation. In management's opinion, the Association did not have any such net income during years ended December 31, 2022 and 2021.

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 Association'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.

NOTE C--CONCENTRATION OF DEPOSITS

At December 31, 2022, 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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

FDIC/SIPC insurance. Actual Balances, before outstanding and uncleared items, in excess of the insured limits totaled \$563,730 and \$1,237,710 with the bank and brokerage firm, respectively, at December 31, 2022.

NOTE D--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.

The assets 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, 2022.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

US Treasury Debt Securities--US Treasury Debt Securities consist of Treasury Bills and Notes. The fair value of the assets is from quoted market prices for inter-dealer brokers.

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, 2022 and 2021.

			Fair Value Measurements Using:		
			Quoted	Other	Unob-
			Prices In	Observ-	serv-
			Active	able	able
			Markets	Inputs	Inputs
			(Level 1)	(Level 2)	(Level 3)
			Carry-	Total	
			ing	Fair	
			Amount	Value	
<u>As of December 31, 2022</u>					
<u>Financial Assets</u>					
Without Donor Restrictions:					
Money market	\$2,229,834	\$2,229,834	\$2,229,834	\$ -	\$ -
US Treasury debt securities	6,433,330	6,433,330	-	6,433,330	-
Certificates of deposit	977,414	977,414	-	977,414	-
	<u>\$9,640,578</u>	<u>\$9,640,578</u>	<u>\$2,229,834</u>	<u>\$7,410,744</u>	<u>\$ -</u>
With Donor Restrictions:					
Certificates of deposit	\$ 177,733	\$ 177,733	\$ -	\$ 177,733	\$ -
Mutual funds,					
Equity funds	\$1,127,174	\$1,127,174	\$1,127,174	\$ -	\$ -
Fixed income	610,536	610,536	610,536	-	-
	<u>\$1,737,710</u>	<u>\$1,737,710</u>	<u>\$1,737,710</u>	<u>\$ -</u>	<u>\$ -</u>
			Fair Value Measurements Using:		
			Quoted	Other	Unob-
			Prices In	Observ-	serv-
			Active	able	able
			Markets	Inputs	Inputs
			(Level 1)	(Level 2)	(Level 3)
			Carry-	Total	
			ing	Fair	
			Amount	Value	
<u>As of December 31, 2021</u>					
<u>Financial Assets</u>					
Without Donor Restrictions:					
Money market	\$8,865,324	\$8,865,324	\$8,865,324	\$ -	\$ -
Certificates of deposit	743,868	743,868	-	743,868	-
	<u>\$9,609,192</u>	<u>\$9,609,192</u>	<u>\$8,865,324</u>	<u>\$ 743,868</u>	<u>\$ -</u>
With Donor Restrictions:					
Certificates of deposit	\$ 175,000	\$ 175,000	\$ -	\$ 175,000	\$ -
Mutual funds,					
Equity funds	\$1,295,518	\$1,295,518	\$1,295,518	\$ -	\$ -
Fixed income	730,645	730,645	730,645	-	-
	<u>\$2,026,163</u>	<u>\$2,026,163</u>	<u>\$2,026,163</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

The Association utilized Bank of Oklahoma and Morgan Stanley as its investment manager for restricted mutual funds for the years ending December 31, 2022 and 2021, respectively. The amortized cost and approximate fair values of investment securities at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2022</u>				
Money market:				
Without Donor Restrictions	<u>\$2,229,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,229,834</u>
US Treasury debt securities:				
Without Donor Restrictions	<u>\$6,433,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,433,330</u>
Certificates of deposit:				
Without Donor Restrictions	<u>\$ 977,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,414</u>
With Donor Restrictions	<u>\$ 177,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,733</u>
Mutual funds,				
With Donor Restrictions	<u>\$1,986,937</u>	<u>\$ -</u>	<u>\$ (249,227)</u>	<u>\$1,737,710</u>
<u>2021</u>				
Money market:				
Without Donor Restrictions	<u>\$8,865,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,865,324</u>
Certificates of deposit:				
Without Donor Restrictions	<u>\$ 743,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743,868</u>
With Donor Restrictions	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,000</u>
Mutual funds,				
With Donor Restrictions	<u>\$1,749,217</u>	<u>\$279,897</u>	<u>\$ (2,951)</u>	<u>\$2,026,163</u>

Investment gain(loss) included in the Statements of Activities With Donor Restrictions for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Interest, dividends, and capital gains received	\$ 44,951	\$ 146,272
Realized gain (loss) on sale of investments	201,723	91,354
Investment fees	(6,220)	(11,492)
Current year adjustment for unrealized gain (loss)	<u>(526,173)</u>	<u>(39,655)</u>
	<u>\$ (285,719)</u>	<u>\$ 186,479</u>

Interest income Without Donor Restrictions was \$79,711 and \$10,311 for 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

NOTE E--PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 19,629	\$ 19,629
Building	5,347,535	5,347,535
Equipment and furnishings	<u>1,863,988</u>	<u>1,788,671</u>
	7,231,152	7,155,835
Less: Accumulated depreciation	<u>(4,655,893)</u>	<u>(4,383,622)</u>
	<u>\$2,575,259</u>	<u>\$2,772,213</u>

NOTE F--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 \$366,000 and \$353,000 in 2022 and 2021, 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 G--RELATED PARTY TRANSACTIONS

The Association receives grants from the Oklahoma Bar Foundation (the "Foundation") to support Association-sponsored programs. The grants during 2022 and 2021 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 2022 and 2021, the expenses paid on the Foundation's behalf were approximately \$10,500 and \$10,300, respectively. Contributions received for the Foundation were approximately \$26,000 and \$21,000 for 2022 and 2021, respectively. After other payments from the Foundation, the net receivable/(payable) due to/from the Foundation as of December 31, 2022 and 2021 was approximately \$(16,000) and \$(14,000), respectively, which is included in Accounts Payable.

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, 2022

this lease totaled \$15,000 in both 2022 and 2021 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 \$17,900 and \$18,200 in 2022 and 2021, respectively. As of December 31, 2022 and 2021 the receivable due from BBE was approximately \$37,000 and \$17,000 respectively, and is included in Other Receivables.

NOTE H--LEASE COMMITMENTS

As of December 31, 2022, the Association leases office equipment from unrelated parties. Office equipment leases generally have an initial term of 5 years and most leases provide for fixed monthly payments. Many of these leases provide for renewal options. Most leases also obligate the Association to pay, as lessee, variable lease costs related to maintenance, insurance, and real estate taxes.

The Association transitioned to ASC 842 on January 1, 2022 on the alternative transition method, which means financial statements for prior periods presented were prepared under the guidance of the previous standard.

As of December 31, 2022, the operating leases had a weighted-average remaining lease term of 6 years and a weighted-average discount rate of 4.06%. The discount rate used was based on the 5 Year U.S. Treasury Bill Rate at the commencement date of the newest lease arrangement.

Future minimum lease commitments under operating leases as of December 31, 2022, were as follows:

2023	\$ 29,960
2024	19,515
2025	4,892
2026	4,892
2027	<u>2,447</u>
	61,706
Less imputed interest	<u>(3,039)</u>
Present value of operating lease liability	\$ 58,667
Less: current portion of lease liability	<u>(28,201)</u>
Long-term portion of lease liability	<u>\$ 30,466</u>

NOTE I--LIQUIDITY AND AVAILABILITY

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2022

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Cash and cash equivalent	\$ 579,453	\$ 616,934
Investments	9,640,578	9,609,192
Membership dues and other receivables	<u>1,737,947</u>	<u>1,734,308</u>
Financial assets available to meet		
cash needs for general expenditure		
within one year	<u>\$11,957,978</u>	<u>\$11,960,434</u>

NOTE J--CONTINGENCIES

The Association is subject to various suits and proceedings arising in the ordinary conduct of its affairs and has been named as a defendant in several lawsuits. Specifically, the Association's Executive Director and Board of Governors are defendants, in their official capacities, in a civil rights case that was appealed to the United States Supreme Court for a writ of certiorari which was denied, and the case has been remanded to the United States District Court for the Western District of Oklahoma. An Amended Complaint has recently been filed and the Association is in the process of filing an answer. None of the new claims make assertions different than the original and first amended complaint. Additionally, there are no new claims for monetary damages. The case arose from a plaintiff suit claiming that the Association's requirement that attorneys (1) join the bar and (2) pay dues as a condition of being licensed in the state each violate the First Amendment. The suit does not seek money damages but does seek actions that would change the state requirements of membership, and it asks for attorney fees and costs. The Association has not recorded a provision for this matter as management is actively defending its position and believes the payment of the plaintiff's legal fees and costs is not probable. Legal fees incurred by the Oklahoma Bar Association are included in management and general expenses as professional fees. Although, the ultimate outcome of this litigation cannot presently be determined, it is the opinion of the Office of the General Counsel, that all suits and actions now pending, or likely to be filed, will be resolved without material adverse effect on the financial position of the Association.

NOTE K--ADOPTION OF ACCOUNTING PRINCIPLE

Effective January 1, 2022, the Association adopted Financial Accounting Standard Board's ASU No. 2016-02, Leases (Topic 842) as amended. The new lease guidance requires the recognition of lease assets and lease liabilities on the Statement of Financial Position and disclosure of key information about leasing arrangements. The Association adopted the requirements of the new lease guidance as of January 1, 2022, utilizing the alternative transition method. See Note H for additional details.

NOTE L--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2023, 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.