

OKLAHOMA BAR ASSOCIATION

Audited Financial Statements

December 31, 2023

Financial Statements

OKLAHOMA BAR ASSOCIATION

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Financial Statements

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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, 2023 and 2022, 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, 2023 and 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Oklahoma City, Oklahoma
September 30, 2024

Smith, Carney & Co. P.C.

STATEMENTS OF FINANCIAL POSITION

OKLAHOMA BAR ASSOCIATION

	December 31,	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 489,891	\$ 579,453
Investments	9,920,123	9,640,578
Membership dues receivable	1,731,927	1,570,906
Other receivables	241,539	167,041
Other assets	62,246	90,186
Due from donor restricted fund	116,086	147,302
Restricted:		
Cash and cash equivalents	25,345	69,185
Certificates of deposit	182,446	177,733
Due to unrestricted assets	(116,086)	(147,302)
Total Current Assets	<u>12,653,517</u>	<u>12,295,082</u>
<u>Property and Equipment, net</u>	<u>2,488,009</u>	<u>2,575,259</u>
<u>Investments (Restricted)</u>	<u>2,025,059</u>	<u>1,737,710</u>
<u>Right-of-use assets, operating leases</u>	<u>30,467</u>	<u>58,667</u>
	<u>\$17,197,052</u>	<u>\$16,666,718</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 394,372	\$ 184,724
Accrued expenses	197,012	163,106
Lease liabilities-operating lease, current	18,816	28,201
Deferred revenues	4,620,013	4,596,361
Restricted:		
Accounts payable	29,287	10,732
Total Current Liabilities	<u>5,259,500</u>	<u>4,983,124</u>
<u>Lease liabilities - operating leases, long-term</u>	<u>11,651</u>	<u>30,466</u>
<u>Net Assets Without Donor Restrictions</u>		
Board designated:		
Lawyers Helping Lawyers Fund	92,187	99,383
Solo/Small Firm Conference Fund	7,736	7,751
Bar Center Improvements	141,794	104,547
Communications Pamphlet Fund	54,252	51,252
Technology Fund	423,090	401,311
Diversity Conference Fund	-	8,513
Legislative Education Fund	82,188	79,056
Attorney General Mortgage Assistance Fund	33,721	38,874
Young Lawyers Division		
Kick It Forward Fund	13,691	11,288
Sections Fund	1,021,453	1,008,882
Undesignated	7,968,312	8,015,677
	<u>9,838,424</u>	<u>9,826,534</u>
<u>Net Assets With Donor Restrictions</u>		
Client Security Fund	2,087,477	1,826,594
	<u>11,925,901</u>	<u>11,653,128</u>
	<u>\$17,197,052</u>	<u>\$16,666,718</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,	
	<u>2023</u>	<u>2022</u>
<u>REVENUES</u>		
Membership dues and penalties	\$ 4,325,034	\$ 4,317,801
Interest income	460,812	79,711
Annual meeting	63,370	51,925
Other administrative revenues	89,937	83,488
Communications and public information	142,250	145,050
Continuing legal education	858,017	927,149
Disciplinary and general counsel	514,646	556,303
Mandatory continuing legal education	256,215	259,875
Management assistance programs	-	250
Committees and special projects	219,829	214,991
Sections	439,727	427,761
Total Revenues	<u>7,369,837</u>	<u>7,064,304</u>
<u>EXPENSES</u>		
<u>Management and General</u>		
Administration	2,117,493	2,168,693
	<u>2,117,493</u>	<u>2,168,693</u>
<u>Program</u>		
Communications and public information	715,791	621,661
Continuing legal education	840,241	895,872
Disciplinary and general counsel	1,733,970	1,658,952
Mandatory continuing legal education	346,549	329,914
Committees and special projects	484,049	507,443
Management assistance programs	517,698	488,545
Sections	427,156	402,656
	<u>5,065,454</u>	<u>4,905,043</u>
Total Expenses	<u>7,182,947</u>	<u>7,073,736</u>
Change In Net Assets Without Donor Restrictions	186,890	(9,432)
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>9,826,534</u>	<u>10,010,966</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT END OF YEAR</u>	<u>\$ 9,838,424</u>	<u>\$ 9,826,534</u>

See Independent Auditor's Report
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STATEMENTS OF ACTIVITIES WITH DONOR RESTRICTIONS

OKLAHOMA BAR ASSOCIATION

	For the Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
<u>REVENUES</u>		
Investment Gain/(Loss)	\$ 292,063	\$ (285,719)
Restitution	4,604	3,989
Total Revenue	<u>296,667</u>	<u>(281,730)</u>
<u>EXPENSES</u>		
Claims	<u>210,784</u>	<u>115,900</u>
Change in Net Assets With Donor Restrictions	85,883	(397,630)
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>1,826,594</u>	<u>2,049,224</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
<u>AT END OF YEAR</u>	<u>\$ 2,087,477</u>	<u>\$ 1,826,594</u>

See Independent Auditor's Report
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STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	<u>For the Year Ended December 31, 2023</u>		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
Salaries and benefits	\$ 854,788	\$ 2,935,954	\$ 3,790,742
Payroll taxes	48,867	181,704	230,571
Utilities	83,287	108,275	191,562
Professional fees	87,026	237,964	324,990
Travel	1,030	31,857	32,887
Conferences and meetings	237,004	416,246	653,250
Printing	-	211,918	211,918
Office	78,325	68,861	147,186
Insurance	29,402	26,644	56,046
General and administrative Sections	454,678	418,875	873,553
Depreciation	243,086	-	243,086
Total expenses without donor restrictions	<u>2,117,493</u>	<u>5,065,454</u>	<u>7,182,947</u>
Client Security Fund Claims	-	210,784	210,784
Total expenses with donor restrictions	<u>-</u>	<u>210,784</u>	<u>210,784</u>
Total expenses	<u>\$ 2,117,493</u>	<u>\$ 5,276,238</u>	<u>\$ 7,393,731</u>

See Independent Auditor's Report
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STATEMENT OF FUNCTIONAL EXPENSES

OKLAHOMA BAR ASSOCIATION

	<u>For the Year Ended December 31, 2022</u>		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
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 Sections	396,732	453,040	849,772
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
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STATEMENTS OF CASH FLOWS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31, 2023		For The Year Ended December 31, 2022	
	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	\$ 186,890	\$ 85,883	\$ (9,432)	\$ (397,630)
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	243,086	-	272,271	-
Realized (gain)loss on investments	-	(1,626)	-	(201,723)
Unrealized (gain)loss on investments	-	(239,833)	-	526,173
(Increase) decrease in:				
Receivables	(235,519)	-	(3,639)	-
Other assets	27,940	-	(7,228)	-
Due from donor restricted fund	31,216	-	-	-
Increase (decrease) in:				
Accounts payable	209,648	18,555	(23,265)	999
Accrued expenses	33,906	-	(30,797)	-
Due to donor restricted fund	-	(31,216)	-	-
Deferred revenue	23,652	-	46,312	-
Net Cash Provided (Used) By Opera- ting Activities	<u>345,819</u>	<u>6,763</u>	<u>69,222</u>	<u>102,819</u>
<u>CASH FLOWS FROM</u>				
<u>INVESTING ACTIVITIES</u>				
Purchase of equipment	(155,836)	-	(75,317)	-
Purchase of investments	(7,690,307)	(238,012)	(6,666,876)	(4,059,357)
Sale of investments	<u>7,410,762</u>	<u>187,409</u>	<u>6,635,490</u>	<u>4,020,627</u>
Net Cash Provided (Used) By Invest- ing Activities	<u>(435,381)</u>	<u>(50,603)</u>	<u>(106,703)</u>	<u>(38,730)</u>
<u>CASH FLOWS FROM</u>				
<u>FINANCING ACTIVITIES</u>				
Net Cash Provided (Used) By Finan- cing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decre- ase) In Cash and Cash Equivalents	(89,562)	(43,840)	(37,481)	64,089
<u>CASH AND CASH EQUIVALENTS</u>				
AT BEGINNING OF YEAR	<u>579,453</u>	<u>69,185</u>	<u>616,934</u>	<u>5,096</u>
<u>CASH AND CASH EQUIVALENTS</u>				
AT END OF YEAR	<u>\$ 489,891</u>	<u>\$ 25,345</u>	<u>\$ 579,453</u>	<u>\$ 69,185</u>

See Independent Auditor's Report
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STATEMENTS OF CASH FLOWS

OKLAHOMA BAR ASSOCIATION

	For The Year Ended December 31, 2023		For The Year Ended December 31, 2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for				
operating leases	\$ 29,960	\$ -	\$ 26,291	\$ -

NON-CASH INVESTING AND FINANCING TRANSACTIONS

Operating lease and				
right of use asset	\$ -	\$ -	\$ 58,667	\$ -

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

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA BAR ASSOCIATION

December 31, 2023

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 2023 and 2022 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 credit losses for 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.

	<u>2023</u>	<u>2022</u>
Membership dues receivable:		
Beginning of year	\$1,570,906	\$1,605,308
End of year	\$1,731,927	\$1,570,906
Other receivables:		
Beginning of year	\$ 167,041	\$ 129,000
End of year	\$ 241,539	\$ 167,041
Deferred revenues:		
Beginning of year	\$4,596,361	\$4,550,049
End of year	\$4,620,013	\$4,596,361

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2023

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, 2023

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, 2023 and 2022.

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, 2023, the Association had a concentration of credit risk with a bank and the brokerage firm in the form of cash deposits and money market funds. 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

NOTES TO FINANCIAL STATEMENTS--Continued

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instruments, less amounts covered by FDIC/SIPC insurance. Actual Balances, before outstanding and uncleared items, in excess of the insured limits totaled \$401,373 with the bank and brokerage firm at December 31, 2023.

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, 2023.

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

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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.

Money Market Funds--The fair value of the assets is from quoted market prices for money market fund securities that are actively traded. These money market funds are considered government money market funds that invest in cash, U.S. Government Securities and/or repurchase agreements that are collateralized fully by the cash or U.S. Government Securities.

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, 2023 and 2022.

	Carry- ing Amount	Total Fair Value	Fair Value Measurements Using:		
			Quoted Prices In Active Markets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unob- serv- able Inputs (Level 3)
<u>As of December 31, 2023</u>					
<u>Financial Assets</u>					
Without Donor Restrictions:					
Money market	\$3,045,228	\$3,045,228	\$3,045,228	\$ -	\$ -
US Treasury debt securities	1,041,082	1,041,082	-	1,041,082	-
Certificates of deposit	<u>5,833,813</u>	<u>5,833,813</u>	<u>-</u>	<u>5,833,813</u>	<u>-</u>
	<u>\$9,920,123</u>	<u>\$9,920,123</u>	<u>\$3,045,228</u>	<u>\$6,874,895</u>	<u>\$ -</u>
With Donor Restrictions:					
Certificates of deposit	<u>\$ 182,446</u>	<u>\$ 182,446</u>	<u>\$ -</u>	<u>\$ 182,446</u>	<u>\$ -</u>
Mutual funds:					
Equity funds	\$1,319,798	\$1,319,798	\$1,319,798	\$ -	\$ -
Fixed income	657,735	657,735	657,735	-	-
Money market	47,526	47,526	47,526	-	-
	<u>\$2,025,059</u>	<u>\$2,025,059</u>	<u>\$2,025,059</u>	<u>\$ -</u>	<u>\$ -</u>
<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	<u>977,414</u>	<u>977,414</u>	<u>-</u>	<u>977,414</u>	<u>-</u>
	<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	<u>\$ 177,733</u>	<u>\$ 177,733</u>	<u>\$ -</u>	<u>\$ 177,733</u>	<u>\$ -</u>
Mutual funds:					
Equity funds	\$1,074,084	\$1,074,084	\$1,074,084	\$ -	\$ -
Fixed income	610,536	610,536	610,536	-	-
Money market	53,090	53,090	53,090	-	-
	<u>\$1,737,710</u>	<u>\$1,737,710</u>	<u>\$1,737,710</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2023

The Association utilized Bank of Oklahoma as its investment manager for restricted mutual funds for the years ending December 31, 2023 and 2022, 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>2023</u>				
Money market:				
Without Donor Restrictions	<u>\$3,045,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,045,228</u>
With Donor Restrictions	<u>\$ 47,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,526</u>
US Treasury debt securities:				
Without Donor Restrictions	<u>\$1,041,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,041,082</u>
Certificates of deposit:				
Without Donor Restrictions	<u>\$5,833,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,833,813</u>
With Donor Restrictions	<u>\$ 182,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,446</u>
Mutual funds:				
With Donor Restrictions	<u>\$1,986,927</u>	<u>\$ -</u>	<u>\$ (9,394)</u>	<u>\$1,977,533</u>
<u>2022</u>				
Money market:				
Without Donor Restrictions	<u>\$2,229,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,229,834</u>
With Donor Restrictions	<u>\$ 53,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,090</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>\$1,933,847</u>	<u>\$ -</u>	<u>\$ (249,227)</u>	<u>\$1,684,620</u>

Investment gain(loss) included in the Statements of Activities With Donor Restrictions for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Interest, dividends, and capital gains received	\$ 58,802	\$ 44,951
Realized gain (loss) on sale of investments	1,626	201,723
Investment fees	(8,198)	(6,220)
Current year adjustment for unrealized gain (loss)	<u>239,833</u>	<u>(526,173)</u>
	<u>\$ 292,063</u>	<u>\$ (285,719)</u>

Interest income Without Donor Restrictions was \$460,812 and \$79,711 for 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2023

NOTE E--PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 19,629	\$ 19,629
Building	5,347,535	5,347,535
Equipment and furnishings	<u>2,019,824</u>	<u>1,863,988</u>
	7,386,988	7,231,152
Less: Accumulated depreciation	<u>(4,898,979)</u>	<u>(4,655,893)</u>
	<u>\$2,488,009</u>	<u>\$2,575,259</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 \$363,000 and \$366,000 in 2023 and 2022, 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 2023 and 2022 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 2023 and 2022, the expenses paid on the Foundation's behalf were approximately \$9,100 and \$10,500, respectively. Contributions received for the Foundation were approximately \$22,000 and \$26,000 for 2023 and 2022, respectively. After other payments from the Foundation, the net receivable/(payable) due to/from the Foundation as of December 31, 2023 and 2022 was approximately \$(38,000) and \$(16,000), 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 month-to-month basis. Annual rental income from this lease totaled \$15,000 in both 2023 and 2022 and is included in other

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2023

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 \$17,800 and \$17,900 in 2023 and 2022, respectively. As of December 31, 2023 and 2022 the receivable due from BBE was approximately \$61,000 and \$37,000 respectively, and is included in Other Receivables.

NOTE H--LEASE COMMITMENTS

As of December 31, 2023, 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.

As of December 31, 2023 and 2022, the operating leases had a weighted-average remaining lease term of 2 and 3 years, respectively, and a weighted-average discount rate of 4.06%. The discount rates used are based on the 5 Year U.S. Treasury Bill Rate at the commencement date.

Future minimum lease commitments under operating leases as of December 31, 2023, were as follows:

2024	\$ 19,515
2025	4,892
2026	4,892
2027	<u>2,447</u>
	31,746
Less imputed interest	<u>(1,279)</u>
Present value of operating lease liability	\$ 30,467
Less: current portion of lease liability	<u>(18,816)</u>
Long-term portion of lease liability	<u>\$ 11,651</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.

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 489,891	\$ 579,453
Investments	9,920,123	9,640,578
Membership dues and other receivables	<u>1,973,466</u>	<u>1,737,947</u>
Financial assets available to meet		
cash needs for general expenditure		
within one year	<u>\$12,383,480</u>	<u>\$11,957,978</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA BAR ASSOCIATION

December 31, 2023

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 First Amendment 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. 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, 2023, the Association adopted Financial Accounting Standard Board's ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326). Under ASU No. 2016-13, the Association is required to determine expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable forecasts. The adoption did not have a significant impact on the Association's financial statements.

NOTE L--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2024, 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.