

State Bar of Montana

Financial Statements and Required Supplementary Information

**Years Ended March 31, 2025 (Unaudited)
and 2024 (Audited)**

**with Independent Accountant's Review Report – March 31, 2025
Financial Statements**

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

STATE BAR OF MONTANA

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

TABLE OF CONTENTS

Independent Accountant's Review Report – March 31, 2025 Financial Statements

Required Supplementary Information:

Management's Discussion and Analysis	i
--------------------------------------	---

Financial Statements:

Statements of Net Position	1
Statements of Revenues, Expenses, and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4

Independent Accountant's Review Report

Board of Trustees State Bar of Montana

We have reviewed the accompanying financial statements of the business-type activities of the State Bar of Montana (State Bar), as of and for the year ended March 31, 2025, and the related notes to the financial statements which collectively comprise the State Bar's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the State Bar and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Report on the Financial Statements as of, and for the year ended, March 31, 2024

The financial statements as of, and for the year ended, March 31, 2024 were audited by us and we expressed an unmodified opinion on them in our report dated September 20, 2024. We have not performed any auditing procedures since that date.

Maher Duessel

Pittsburgh, Pennsylvania
June 25, 2025

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

This Management's Discussion and Analysis (MD&A) of the State Bar of Montana's (State Bar) financial performance provides an overall review of the State Bar's financial activities for the fiscal years ended March 31, 2025 and 2024. The intent of this MD&A is to look at the State Bar's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the basic financial statements and the notes to the financial statements.

The MD&A is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in its Statement No. 34 issued in June 1999.

FINANCIAL HIGHLIGHTS

- The financial statements for the fiscal year ended March 31, 2025 were not audited but were subject to a review. The financial statements for the fiscal year ended March 31, 2024 were audited. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.
- The assets of the State Bar exceeded its liabilities at the close of the most recent fiscal year by \$7,296,650 (net position), which was an increase of \$962,795 from \$6,333,855, its net position as of March 31, 2024. The assets of the State Bar exceeded its liabilities at the close of March 31, 2024 by \$6,333,855 (net position), which was an increase of \$934,368 from \$5,399,487, its net position as of March 31, 2023.
- At the end of the current fiscal year, the unrestricted net position is \$5,832,574 to support the ongoing operations of the State Bar. At the end of March 31, 2024, the unrestricted net position was \$4,968,108 to support the ongoing operations of the State Bar.
- Total operating revenues exceeded operating expenses (excluding depreciation and amortization) by \$748,384 at March 31, 2025, largely due to successful CLE Institute classes, an increase in Mandatory Continuing Legal Education (MCLE) application fees, flat Salaries and Benefits; and Legal, Professional, and Consulting fees that were less than budget. Total operating revenue exceeded operating expenses (excluding depreciation and amortization) by \$561,007 at March 31, 2024, largely due to successful CLE Institute classes, an increase in Mandatory Continuing Legal Education (MCLE) transcript filing fees, increased quantities of other MCLE assessments, increased Admission on Motion applications and increased Pro Hac Vice applications.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the State Bar are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the liability is incurred. The financial statements offer short-term and long-term financial information about the State Bar's activities.

The Statement of Net Position summarizes the State Bar's assets and liabilities. The overall financial condition of the State Bar is reflected in this statement.

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues and expenses of the State Bar. This statement measures the success of the State Bar's operations over the past year and can be used to determine the health of the organization. Changes in net position can also be a useful indicator of whether the financial condition of the State Bar is improving or deteriorating.

The Statement of Cash Flows provides information about the State Bar's cash receipts and cash payments during the reporting period. The statement reports cash flows from operating activities, as well as net changes in cash during the reporting period.

The Notes to Financial Statements provide required disclosures and other information essential to a full understanding of material data provided in the statements. The notes present information on the State Bar's accounting policies, the basis of accounting, capital assets and other significant activities.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

FINANCIAL ANALYSIS

The summary of the State Bar's Statements of Net Position are presented below:

Condensed Statements of Net Position

Table 1

	Fiscal Year 2025 (UNAUDITED)	Fiscal Year 2024 (AUDITED)	Dollar Change
Current assets	\$ 1,361,398	\$ 1,448,055	\$ (86,657)
Investments and capital assets	8,266,425	7,491,958	774,467
Total Assets	\$ 9,627,823	\$ 8,940,013	\$ 687,810
Current liabilities	\$ 2,174,859	\$ 2,269,598	\$ (94,739)
Noncurrent liabilities	156,314	336,560	(180,246)
Total Liabilities	\$ 2,331,173	\$ 2,606,158	\$ (274,985)
Net investment in capital assets	\$ 28,051	\$ 33,117	\$ (5,066)
Restricted	1,436,025	1,332,630	103,395
Unrestricted	5,832,574	4,968,108	864,466
Total Net Position	\$ 7,296,650	\$ 6,333,855	\$ 962,795

The summary above shows an increase in net position of \$962,795, resulting in total net position of \$7,296,650. Current assets decreased by \$86,657, which is a result of more cash kept within investments and fewer prepaids. Investments and capital assets increased by \$774,467, which is a result of less of a need for drawdowns for operating costs during the year ended March 31, 2025. Total liabilities decreased by \$274,985, due primarily to a decrease in the accrued time off balances, a decrease in deferred revenue, and a decrease in lease liability.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Table 2

	Fiscal Year 2024 (AUDITED)	Fiscal Year 2023 (UNAUDITED)	Dollar Change
Current assets	\$ 1,448,055	\$ 2,074,104	\$ (626,049)
Investments and capital assets	7,491,958	6,113,921	1,378,037
Total Assets	\$ 8,940,013	\$ 8,188,025	\$ 751,988
Current liabilities	\$ 2,269,598	\$ 2,279,973	\$ (10,375)
Noncurrent liabilities	336,560	508,565	(172,005)
Total Liabilities	\$ 2,606,158	\$ 2,788,538	\$ (182,380)
Net investment in capital assets	\$ 33,117	\$ 46,743	\$ (13,626)
Restricted	1,332,630	1,283,816	48,814
Unrestricted	4,968,108	4,068,928	899,180
Total Net Position	\$ 6,333,855	\$ 5,399,487	\$ 934,368

The summary above shows an increase in net position of \$934,368, resulting in total net position of \$6,333,855. Current assets decreased by \$626,049, which is a result of increased frequency of transfers of cash on hand into investments. Investments and capital assets increased by \$1,378,037, which is a result of better market conditions during the year ended March 31, 2024. Total liabilities decreased by \$182,380, primarily due to a decrease in the lease liability.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

With the Statements of Net Position giving the view of net changes, the Statements of Revenues, Expenses, and Changes in Net Position give the basis for these changes. A condensed version of the Statements of Revenues, Expenses, and Changes in Net Position is provided.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Table 3

	Fiscal Year 2025 (UNAUDITED)	Fiscal Year 2024 (AUDITED)	Dollar Change
Operating revenues	\$ 3,786,204	\$ 3,700,203	\$ 86,001
Nonoperating revenues	408,214	569,162	(160,948)
Total Revenues	4,194,418	4,269,365	(74,947)
Depreciation and amortization expense	193,803	195,801	(1,998)
Other operating expenses	3,037,820	3,139,196	(101,376)
Total Expenses	3,231,623	3,334,997	(103,374)
Change in net position	962,795	934,368	28,427
Net Position, Beginning of Year	6,333,855	5,399,487	934,368
Net Position, End of Year	\$ 7,296,650	\$ 6,333,855	\$ 962,795

The summary above shows an increase in operating revenues of \$86,001 that resulted from increased CLE seminar revenue, increased quantities of MCLE filing and accreditation fees, and an increase in current member dues and dues penalties. There was a decrease in nonoperating revenues of \$160,948 that resulted from market conditions underperforming compared to Fiscal Year 2024 and offset by higher interest earnings. Other operating expenses decreased by \$101,376 due to fewer Lawyer Fund for Client Protection (LFCP) claims and less investments in strategic planning in Fiscal Year 2024 compared to Fiscal Year 2025.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Table 4

	Fiscal Year 2024 (AUDITED)	Fiscal Year 2023 (UNAUDITED)	Dollar Change
Operating revenues	\$ 3,700,203	\$ 3,299,891	\$ 400,312
Nonoperating revenues	569,162	(341,235)	910,397
Total Revenues	4,269,365	2,958,656	1,310,709
Depreciation and amortization expense	195,801	217,185	(21,384)
Other operating expenses	3,139,196	2,810,010	329,186
Total Expenses	3,334,997	3,027,195	307,802
Change in net position	934,368	(68,539)	1,002,907
Net Position, Beginning of Year	5,399,487	5,468,026	(68,539)
Net Position, End of Year	\$ 6,333,855	\$ 5,399,487	\$ 934,368

The summary above shows an increase in operating revenues of \$400,312 that resulted from increased CLE seminar revenue, increased Admission on Motion and Pro Hac Vice applicants, and increased quantities of MCLE filing and accreditation fees. Additionally, there was an increase in nonoperating revenues of \$910,397 that resulted from higher interest rates and better market conditions during 2024. Other operating expenses increased by \$329,186 due to investments in strategic planning, like MCLE integration into the association management software (AMS) and increased personnel expenses.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

CAPITAL ASSETS

Table 5

	Balance at March 31, 2025 (UNAUDITED)	Balance at March 31, 2024 (AUDITED)	Balance at March 31, 2023 (UNAUDITED)
Furniture and equipment	\$ 48,667	\$ 48,667	\$ 48,667
Vehicles	46,026	46,026	46,026
Computer equipment	102,520	97,187	79,068
Computer software	6,643	6,643	6,643
Right of use lease space	854,681	854,681	854,681
Total capital assets	1,058,537	1,053,204	1,035,085
Less: accumulated depreciation and amortization	(693,927)	(511,522)	(315,721)
	<u>\$ 364,610</u>	<u>\$ 541,682</u>	<u>\$ 719,364</u>

More detailed information about the State Bar's capital assets is presented in the Notes to the Financial Statements, Note 4.

LONG-TERM DEBT

The State Bar has no debt as of March 31, 2025, 2024 and 2023.

CONTACTING THE STATE BAR OF MONTANA

Our financial report is designed to provide a general overview of the State Bar's finances. If you have any questions about this report or wish to request additional information, please contact John Mudd, Executive Director of the State Bar of Montana, PO Box 577, Helena, Montana 59624.

STATE BAR OF MONTANA

STATEMENTS OF NET POSITION

MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

	2025 (UNAUDITED)	2024 (AUDITED)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,229,833	\$ 1,286,599
Accounts receivable	12,750	18,945
Prepaid expenses	118,815	142,511
Total current assets	1,361,398	1,448,055
Noncurrent assets:		
Investments	7,901,815	6,950,276
Capital assets, net of accumulated depreciation and amortization	364,610	541,682
Total noncurrent assets	8,266,425	7,491,958
Total Assets	\$ 9,627,823	\$ 8,940,013
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 105,047	\$ 131,436
Accrued payroll liabilities	194,557	230,900
Unearned revenue	1,695,010	1,735,257
Lease liability, current portion	180,245	172,005
Total current liabilities	2,174,859	2,269,598
Noncurrent liabilities:		
Lease liability, long-term portion	156,314	336,560
Total noncurrent liabilities	156,314	336,560
Total Liabilities	2,331,173	2,606,158
Net Position:		
Net investments in capital assets	28,051	33,117
Restricted:		
Lawyers' Fund for client protection	1,436,025	1,332,630
Total restricted	1,436,025	1,332,630
Unrestricted	5,832,574	4,968,108
Total Net Position	7,296,650	6,333,855
Total Liabilities and Net Position	\$ 9,627,823	\$ 8,940,013

See accompanying notes and accountant's report.

STATE BAR OF MONTANA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

	2025 (UNAUDITED)	2024 (AUDITED)
Operating Revenues:		
Dues and assessments	\$ 2,943,335	\$ 2,918,078
Publications	144,293	140,061
Administration fees	216,231	169,687
Annual meeting	43,216	61,665
CLE seminars and courses	331,656	302,434
Section dues revenue	33,760	31,028
Other	73,713	77,250
Total operating revenues	3,786,204	3,700,203
Operating Expenses:		
Salaries and benefits	1,650,147	1,641,883
Program expenses	207,305	314,376
Administrative fees	182,766	140,356
Publications	91,014	75,827
Section expenses	45,498	75,690
Seminars and courses	141,442	169,122
Training and travel	99,796	64,578
Dues and subscriptions	11,864	10,578
Occupancy	36,175	42,808
Office expenses	72,504	72,867
Information technology	196,580	182,982
Insurance	54,923	46,458
Consulting and contracting	187,932	210,504
Board expenses	41,044	40,516
Depreciation and amortization	193,803	195,801
Other expenses	18,830	50,651
Total operating expenses	3,231,623	3,334,997
Operating Income (Loss)	554,581	365,206
Nonoperating Revenues (Expenses):		
Investment gain (loss), net of fees	408,214	569,162
Total nonoperating revenues (expenses)	408,214	569,162
Change in Net Position	962,795	934,368
Net Position:		
Beginning of year	6,333,855	5,399,487
End of year	\$ 7,296,650	\$ 6,333,855

See accompanying notes and accountant's report.

STATE BAR OF MONTANA

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

	2025 (UNAUDITED)	2024 (AUDITED)
Cash Flows From Operating Activities:		
Receipts from members, applicants, grants, and other professionals	\$ 3,752,152	\$ 3,618,247
Payments to suppliers, service providers, and other	(1,390,366)	(1,538,618)
Payments to employees	(1,686,490)	(1,641,231)
Net cash provided by (used in) operating activities	675,296	438,398
Cash Flows From Investing Activities:		
Purchase of investments	(1,386,938)	(1,726,957)
Proceeds from sale or maturity of investments	843,614	740,400
Net cash provided by (used in) investing activities	(543,324)	(986,557)
Cash Flows From Capital and Related Financing Activities:		
Purchases of capital assets	(16,731)	(18,119)
Payments on operating lease	(172,007)	(164,056)
Net cash provided by (used in) capital and related financing activities	(188,738)	(182,175)
Net Increase (Decrease) in Cash, Cash Equivalents, and Designated Cash	(56,766)	(730,334)
Cash, Cash Equivalents, and Designated Cash:		
Beginning of year	1,286,599	2,016,933
End of year	<u>\$ 1,229,833</u>	<u>\$ 1,286,599</u>
Reconciliation of Operating Income (Loss) to Cash Flows From Operating Activities:		
Operating income (loss)	\$ 554,581	\$ 365,206
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	193,803	195,801
Change in:		
Accounts receivable	6,195	(7,423)
Prepaid expenses	23,696	(96,862)
Accounts payable	(26,389)	55,557
Accrued payroll liabilities	(36,343)	652
Unearned revenue	(40,247)	(74,533)
Net cash provided by (used in) operating activities	<u>\$ 675,296</u>	<u>\$ 438,398</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 16,287</u>	<u>\$ 9,512</u>

See accompanying notes and accountant's report.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

1. Organization

The State Bar of Montana (State Bar) was created on January 29, 1974, by the Montana Supreme Court to aid the courts in improving the quality of the legal profession in Montana and to ensure that the responsibilities of the legal profession to the public are more effectively administered. All persons permitted to practice law in the State are members of the State Bar.

The Office of Disciplinary Counsel (ODC) was created in 2001 by order of the Montana Supreme Court to be responsible for certain functions regarding the discipline of attorneys practicing in Montana. The operations and results of operations are presented in these financial statements. The ODC's annual budget, assessments, etc. are set by a governing body separate from the State Bar.

2. Summary of Significant Accounting Policies

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The State Bar functions as a business-type activity, as defined by GASB. Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the State Bar. Operating revenues consist primarily of membership dues. Nonoperating revenues and expenses consist of those revenues and expenses that are related to other financing types of activities.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Classification of Net Position

Accounting standards require the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

Investment in Capital Assets, Net of Related Debt: Net investments in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Two categories are used to further describe restricted net position:

- Expendable – can be expended in compliance with the external restrictions
- Nonexpendable – net position that is required to be retained in perpetuity

Unrestricted: This component of net position consists of any remaining net position that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the State Bar's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

To ensure observance of limitations and restrictions placed on the use of resources available to the State Bar, separate revenue and expense accounts are maintained for each activity. Separate net position accounts are also maintained so that net changes in position and liabilities for each activity can be properly reported.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

The State Bar's net position is composed of the following components:

- Unrestricted – Undesignated: This fund is an accumulation of court established assessments and dues and payment of expenses for general and administrative activities of the State Bar.
- Unrestricted – Designated: The Board of Trustees (Board) has designated portions of its unrestricted net position for certain activities as follows:
 - Haswell Fund: This fund originated from a donation of \$5,000 from former Chief Justice Haswell's remaining campaign election funds. The money was not restricted by Haswell, but was designated by the Board to be placed in an interest-bearing account with the annual interest earned being paid to the author of the best article appearing in the Montana Lawyer Magazine.
 - Commission on Legal Education: The Commission on Legal Education committee was established pursuant to an order from the Supreme Court of Montana on July 1, 1982. The special committee is required to administer the rules and regulations for continuing legal education for attorneys in the State of Montana. Revenue is generated mainly by affidavit fees, and proceeds are utilized to pay administrative expenses.
 - Section Fund: Members of the State Bar may voluntarily become members of sections dedicated to specific fields of law. Additional dues are assessed for each section with proceeds utilized to cover expenses of the respective sections.
 - Office of Disciplinary Counsel: The ODC was established in December 2001 to receive complaints and to discipline lawyers who break professional and ethical rules. Active Association members and pro hac vice applicants pay a \$125 annual fee.
- Restricted Net Position: Restrictions are comprised of the following:
 - Expendable Net Position - Lawyers' Fund for Client Protection: The Lawyers' Fund for Client Protection was established to provide financial reimbursement to members' clients as a result of dishonest conduct by members which results in a loss to the client. Annual assessments to members and pro hac vice applicants

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

are \$20. Proceeds are utilized to pay for administrative expenses for the fund and for claims meeting certain criterion established for this fund.

- Expendable Net Position - Local Pro Bono Donations: Donations from members in Gallatin and Yellowstone counties to be used for legal aid projects in those counties. All funds were utilized during the year ended March 31, 2024.

Cash and Cash Equivalents

The State Bar considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

Investments for the State Bar are stated at fair value based on current market prices.

The State Bar categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets

All acquisitions and improvements of capital assets of \$1,000 or more are capitalized, while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased capital assets are carried at cost (except for the intangible right-to-use lease, the measurement of which is discussed in leases below). Donated capital assets are carried at the approximate fair value at the date of donation. Depreciation/amortization is computed using the straight-line method over the estimated lives of the assets as follows:

Furniture and equipment	5-10 years
Vehicles	4 years
Computer equipment	5-10 years
Computer software	5-10 years
Right-to-use lease	5 years

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Leases

The State Bar is a lessee for a noncancellable lease of office space. The State Bar recognizes a lease liability and an intangible right-to-use asset (lease asset).

At the commencement of a lease, the State Bar initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

The State Bar uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the State Bar generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the State Bar is reasonably certain to exercise.

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

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

Unearned Revenue

Billing for court-established assessments and dues for the period from April 1, 2025, to March 31, 2026, were mailed in January 2025, with payment due April 1, 2025. Amounts received as of March 31, 2025, comprise unearned dues revenue in the amount of \$1,695,010.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Billing for court-established assessments and dues for the period from April 1, 2024, to March 31, 2025, were mailed in January 2024, with payment due April 1, 2024. Amounts received as of March 31, 2024, comprise unearned dues revenue in the amount of \$1,735,257.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended March 31, 2025: Statement Nos. 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). These statements had no significant impact on the State Bar's financial statements for the year ended March 31, 2025.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

3. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the State Bar's deposits may not be returned to it. As of March 31, 2025 and 2024, \$620,862 and \$542,864, respectively, of the State Bar's \$1,072,644 and \$1,074,263, related bank balance was exposed to custodial credit risk. These deposits have a carrying value of

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

\$1,229,833 and \$1,286,599 as of March 31, 2025 and 2024, respectively, all of which is reported as current assets in the statements of net position.

Investments

As of March 31, 2025, the State Bar held the following investments:

Investment Type	Fair Value	Investment Maturities (In Years) from March 31, 2025			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
Certificate of Deposit	\$ 1,404,947	\$ 535,099	\$ 869,848	\$ -	\$ -
Corporate Bond	3,121,433	323,859	2,178,111	569,619	49,844
Total debt securities	4,526,380	\$ 858,958	\$3,047,959	\$ 569,619	\$ 49,844
Bond mutual funds	264,549				
Bond EFT	539,889				
Equity mutual funds	1,543,449				
Equity EFT	1,027,548				
Total investments	\$ 7,901,815				

As of March 31, 2024, the State Bar held the following investments:

Investment Type	Fair Value	Investment Maturities (In Years) from March 31, 2024			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
Certificate of Deposit	\$ 1,644,334	\$ 498,296	\$1,104,313	\$ 41,725	\$ -
Corporate Bond	2,143,614	49,990	1,543,899	549,725	-
Total debt securities	3,787,948	\$ 548,286	\$2,648,212	\$ 591,450	\$ -
Bond mutual funds	709,118				
Bond EFT	217,190				
Equity mutual funds	1,571,714				
Equity EFT	664,306				
Total investments	\$ 6,950,276				

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

The State Bar categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The investment funds have the following recurring fair value measurements at March 31, 2025 and 2024:

Investments by Fair Value Level	Cost	Total Fair Value	Fair Value Measurements March 31, 2025		
			Level 1	Level 2	Level 3
Fixed income:					
Bond mutual fund	\$ 267,069	\$ 264,549	\$ 264,549	\$ -	\$ -
Bond EFT	537,079	539,889	539,889	-	-
Certificate of Deposit	1,441,361	1,404,947	-	1,404,947	-
Corporate Bond	3,114,542	3,121,433	-	3,121,433	-
Total fixed income	5,360,051	5,330,818	804,438	4,526,380	-
Equity mutual funds:					
Foreign large growth	169,071	180,706	180,706	-	-
Large growth	317,072	417,977	417,977	-	-
Large value	280,716	384,117	384,117	-	-
Mid-cap growth	231,143	349,911	349,911	-	-
Small growth	91,018	104,495	104,495	-	-
Small value	80,077	106,243	106,243	-	-
Total equity mutual funds	1,169,097	1,543,449	1,543,449	-	-
Equity EFT	958,123	1,027,548	1,027,548	-	-
Total investments	\$ 7,487,271	\$ 7,901,815	\$ 3,375,435	\$ 4,526,380	\$ -

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Investments by Fair Value Level	Cost	Total Fair Value	Fair Value Measurements March 31, 2024		
			Level 1	Level 2	Level 3
Fixed income:					
Bond mutual fund	\$ 775,226	\$ 709,118	\$ 709,118	\$ -	\$ -
Bond EFT	216,914	217,190	217,190	-	-
Certificate of Deposit	1,717,521	1,644,334	-	1,644,334	-
Corporate Bond	2,189,793	2,143,614	-	2,143,614	-
Total fixed income	4,899,454	4,714,256	926,308	3,787,948	-
Equity mutual funds:					
Foreign large growth	162,071	185,683	185,683	-	-
Large growth	307,072	421,909	421,909	-	-
Large value	280,716	423,642	423,642	-	-
Mid-cap growth	216,143	319,787	319,787	-	-
Small growth	84,018	106,578	106,578	-	-
Small value	75,077	114,115	114,115	-	-
Total equity mutual funds	1,125,097	1,571,714	1,571,714	-	-
Equity EFT	636,378	664,306	664,306	-	-
Total investments	\$ 6,660,929	\$ 6,950,276	\$ 3,162,328	\$ 3,787,948	\$ -

Bond and equity mutual funds and EFTs are valued using prices quoted in active markets for those securities (Level 1 inputs). Certificates of deposits and corporate bonds are priced by third-party pricing services using observable market data (Level 2 inputs).

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The State Bar has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

As of March 31, 2025 and 2024, the State Bar's investments have received the following rating from Standard & Poor's and had the following credit quality distribution for fixed income investments with credit exposure:

Rating	Fair Value at March 31, 2025	Percentage of Total Fixed Income Investments with Credit Exposure
AA+	\$ 1,311,329	42%
A+	22,147	1%
A	123,739	4%
A-	50,434	1%
BBB+	645,930	21%
BBB	509,869	16%
BBB-	457,985	15%
Subtotal	3,121,433	100%
Not rated	2,209,385	
Total fixed income investments	\$ 5,330,818	

Rating	Fair Value at March 31, 2024	Percentage of Total Fixed Income Investments with Credit Exposure
AA+	\$ 781,026	36%
A+	20,534	1%
A-	70,896	3%
BBB+	560,589	26%
BBB	360,067	17%
BBB-	350,502	17%
Subtotal	2,143,614	100%
Not rated	2,570,642	
Total fixed income investments	\$ 4,714,256	

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the State Bar will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The State Bar does not have a formal investment policy for custodial credit risk. The State Bar’s investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The State Bar places no limit on the amount the State Bar may invest in any one issuer. There were no investments that constituted more than five percent of net position at March 31, 2025 or 2024.

Interest Rate Risk – The State Bar does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following schedule summarizes the investment return and its classification in the statements of activities:

	March 31, 2025				
	Interest/ Dividend Income	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Money Manager Fee	Investment Income (Loss) - Net
Designated:					
Haswell	\$ 401	\$ 747	\$ (254)	\$ -	\$ 894
Commission on Legal Education	9,278	6,418	501	(1,405)	14,792
Disciplinary Counsel	43,453	28,493	11,713	(5,860)	77,799
Total Designated	53,132	35,658	11,960	(7,265)	93,485
Undesignated	177,101	31,192	54,034	(18,589)	243,738
Restricted:					
Client Protection	43,580	31,312	1,839	(5,740)	70,991
Total	\$ 273,813	\$ 98,162	\$ 67,833	\$ (31,594)	\$ 408,214

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

March 31, 2024					
	Interest/ Dividend Income	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Money Manager Fee	Investment Income (Loss) - Net
Designated:					
Haswell	\$ 328	\$ 360	\$ 1,995	\$ -	\$ 2,683
Commission on Legal Education	4,789	3,391	22,524	(963)	29,741
Disciplinary Counsel	40,005	9,653	104,998	(6,031)	148,625
Total Designated	45,122	13,404	129,517	(6,994)	181,049
Undesignated	117,256	1,436	145,021	(15,890)	247,823
Restricted:					
Client Protection	37,882	11,607	96,643	(5,842)	140,290
Total	\$ 200,260	\$ 26,447	\$ 371,181	\$ (28,726)	\$ 569,162

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

4. Capital Assets

Capital asset activity for the years ended March 31, 2025 and 2024 are as follows:

	April 1, 2024	Increases	Decreases	March 31, 2025
Capital assets:				
Furniture and equipment	\$ 48,667	\$ -	\$ -	\$ 48,667
Vehicles	46,026	-	-	46,026
Computer equipment	97,187	16,731	(11,398)	102,520
Computer software	6,643	-	-	6,643
Right of use lease space	854,681	-	-	854,681
	1,053,204	16,731	(11,398)	1,058,537
Less: accumulated depreciation	(511,522)	(193,803)	11,398	(693,927)
Capital Assets, Net	\$ 541,682	\$ (177,072)	\$ -	\$ 364,610
	April 1, 2023	Increases	Decreases	March 31, 2024
Capital assets:				
Furniture and equipment	\$ 48,667	\$ -	\$ -	\$ 48,667
Vehicles	46,026	-	-	46,026
Computer equipment	79,068	18,119	-	97,187
Computer software	6,643	-	-	6,643
Right of use lease space	854,681	-	-	854,681
	1,035,085	18,119	-	1,053,204
Less: accumulated depreciation	(315,721)	(195,801)	-	(511,522)
Capital Assets, Net	\$ 719,364	\$ (177,682)	\$ -	\$ 541,682

Depreciation and amortization expense (displayed on the accumulated depreciation line in the tables above) for the years ended March 31, 2025 and 2024 was \$193,803 and \$195,801, respectively.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

5. Lease

The State Bar leases offices in Aspen Court in Helena, Montana for use in operations under an operating lease agreement. The State Bar entered into the lease effective February 1, 2022. An initial lease liability was recorded in the amount of \$854,681 during 2023. As of March 31, 2025 and 2024, the value of the lease liability was \$336,559 and \$508,565, respectively. The State Bar is required to make initial base monthly payments of \$13,972. The base monthly payments are increased on February 1 of each year by 3% of the previous base monthly payment. The lease has an interest rate of 0.14%, as estimated by management. The value of the right to use asset as of March 31, 2025 and 2024 was \$854,681 and \$854,681, respectively, and had accumulated amortization of \$533,125 and \$361,855, respectively.

The future principal and interest lease payments as of March 31, 2025, were as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2026	\$ 180,245	\$ 3,898	\$ 184,143
2027	156,314	957	157,271
Totals	<u>\$ 336,559</u>	<u>\$ 4,855</u>	<u>\$ 341,414</u>

6. Employee Benefit Plan

The State Bar has a 401A noncontributory defined contribution pension plan (plan) covering all eligible employees. Annual contributions are made to the plan based on a rate of 7% of eligible employee's compensation. Vested benefits are defined by the assets of the plan, and thus there are no unfunded liabilities. During the years ended March 31, 2025 and 2024, pension expense amounted to \$75,318 and \$76,978, respectively.

Additionally, employees of the State Bar may participate in a deferred compensation 457(b) option. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The State Bar does not contribute to this plan.

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

7. Net Position Unrestricted - Designated

Board designated net position balances at the beginning and end of fiscal years 2025 and 2024 were as follows:

	Designated Net Position April 1, 2024	Designated Resources	Designated Expenditures	Designated Net Position March 31, 2025
Haswell Fund	\$ 18,192	\$ 894	\$ (283)	\$ 18,803
Commission on Legal Education	295,768	429,687	(326,924)	398,531
Section Funds	386,643	116,675	(85,615)	417,703
Office of Disciplinary Counsel	323,363	658,276	(706,528)	275,111
Total designated net position	<u>\$ 1,023,966</u>	<u>\$ 1,205,532</u>	<u>\$ (1,119,350)</u>	<u>\$ 1,110,148</u>
	Designated Net Position April 1, 2023	Designated Resources	Designated Expenditures	Designated Net Position March 31, 2024
Haswell Fund	\$ 10,121	\$ 8,350	\$ (279)	\$ 18,192
Commission on Legal Education	154,095	422,869	(281,196)	295,768
Section Funds	402,139	132,273	(147,769)	386,643
Office of Disciplinary Counsel	257,250	728,821	(662,708)	323,363
Total designated net position	<u>\$ 823,605</u>	<u>\$ 1,292,313</u>	<u>\$ (1,091,952)</u>	<u>\$ 1,023,966</u>

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

Section funds consisted of the following fund balances:

	2025	2024
Animal Law	\$ 1,603	\$ 1,352
Bankruptcy	44,852	30,186
BETTR Law	80,081	73,518
Construction Law	21,651	21,379
Criminal Defense	18,783	18,343
Dispute Resolution	545	132
Family Law	57,128	57,542
Federal Practice	26,819	26,997
Health Care	21,362	21,552
Indian Law	7,729	6,752
Intellectual Property	3,214	3,836
Natural Resources	36,633	31,214
New Lawyers'	3,876	3,366
Nonprofit Section	10,032	9,662
Paralegal	33,961	38,375
Public Law	5,802	5,380
Public Utilities	5,071	2,563
School Law	1,928	1,689
Veterans Law	3,773	3,450
Water Law	12,067	9,980
Women's Law	20,793	19,375
Total section balances	<u>\$ 417,703</u>	<u>\$ 386,643</u>

STATE BAR OF MONTANA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 (UNAUDITED) AND 2024 (AUDITED)

8. Restricted Net Position

Restricted net position balances at the beginning and end of fiscal years 2025 and 2024 was as follows:

	Restricted Net Position April 1, 2024	Restricted Resources	Satisfaction of Restrictions	Restricted Net Position March 31, 2025
Lawyers' Fund for Client Protection	\$ 1,332,630	\$ 181,584	\$ (78,189)	\$ 1,436,025
Local Pro Bono Donations	-	-	-	-
Total	<u>\$ 1,332,630</u>	<u>\$ 181,584</u>	<u>\$ (78,189)</u>	<u>\$ 1,436,025</u>
	Restricted Net Position April 1, 2023	Restricted Resources	Satisfaction of Restrictions	Restricted Net Position March 31, 2024
Lawyers' Fund for Client Protection	\$ 1,253,127	\$ 239,908	\$ (160,405)	\$ 1,332,630
Local Pro Bono Donations	30,689	-	(30,689)	-
Total	<u>\$ 1,283,816</u>	<u>\$ 239,908</u>	<u>\$ (191,094)</u>	<u>\$ 1,332,630</u>