Consolidated Financial Statements
December 31, 2015 and 2014

State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona

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Independent Auditor's Report

To the Board of Governors and Trustees
State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona
Phoenix, Arizona

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona (collectively referred to as "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona as of December 31, 2015 and 2014, and the change in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Organization's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Phoenix, Arizona
April 13, 2016

	2015	2014
Assets		
Current Assets		
Cash	$ 3,561,465	$ 2,167,352
Cash restricted for benefit plan	-	328,060
Certificates of deposit	2,302,963	2,296,509
Accounts receivable, net of allowance of $14,054 and $12,061, respectively	30,984	69,203
Inventories	78,942	79,947
Prepaid expenses and other assets	402,078	413,384
Total current assets	6,376,432	5,354,455
Investments Restricted for Benefit Plan	368,212	-
Property and Equipment, Net	11,168,516	11,477,758
Total assets	$ 17,913,160	$ 16,832,213
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 156,699	$ 170,643
Property taxes payable	89,119	80,499
Accrued liabilities	1,169,646	1,324,625
Deferred rent	-	9,551
Dues and fees collected in advance	2,322,924	2,152,513
Total current liabilities	3,738,388	3,737,831
Long-Term Liabilities		
Other liabilities	384,047	345,545
Total liabilities	4,122,435	4,083,376
Net Assets		
Unrestricted, board designated	1,711,609	360,145
Unrestricted, statute designated	2,394,248	2,621,960
Unrestricted	9,684,868	9,766,732
Total net assets	13,790,725	12,748,837
Total liabilities and net assets	$ 17,913,160	$ 16,832,213

	2015	2014
Support and Revenue		
Dues		
Active	$ 8,932,321	$ 8,397,144
Inactive	906,805	901,260
Sections	337,880	335,665
Board of legal specialization	114,755	118,780
Assessments	211,445	207,435
Fees		
Continuing legal education	1,973,808	2,200,646
Convention	524,146	425,970
Lawyer regulations	158,188	135,389
Law office management assistance program	-	49,418
Board of legal specialization	48,900	39,145
Publication and advertising sales		
Arizona attorney magazine	816,281	750,981
Membership directory	80,775	88,779
Website	2,475	2,445
Mailing lists and labels	520	300
Economic survey	4,115	6,701
Rental income	314,483	267,056
Pro hac vice	442,002	434,023
Late fees mandatory continuing legal education	575,161	382,525
Sections - other	133,314	197,226
Special services	9,825	14,367
Contributions and sponsorships	152,125	136,502
Membership benefits	28,763	20,359
Interest and dividends	9,598	3,776
Other	135,033	242,541
Restitution receipts	100,554	30,114
Total support and revenue	16,013,272	15,388,547
Expenses		
Program services		
Discipline	7,059,149	6,660,548
Member services	5,714,886	5,521,351
Client protection fund claims	409,071	413,016
Total program services	13,183,106	12,594,915
Management and general	1,788,278	1,801,493
Total expenses	14,971,384	14,396,408
Change in Net Assets	1,041,888	992,139
Net Assets, Beginning of Year	12,748,837	11,756,698
Net Assets, End of Year	$ 13,790,725	$ 12,748,837

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 1,041,888	$ 992,139
Adjustments to reconcile net assets to net cash from operating activities		
Depreciation	852,869	830,089
Changes in assets and liabilities		
Accounts receivable	38,219	(40,710)
Inventories	1,005	(18,576)
Prepaid expenses and other assets	11,306	(111,532)
Accounts payable	(13,944)	22,043
Property taxes payable	8,620	5,454
Accrued liabilities	(154,979)	155,506
Deferred rent	(9,551)	9,551
Dues and fees collected in advance	170,411	379,898
Other liabilities	(329,710)	339,818
Net Cash from Operating Activities	1,616,134	2,563,680
Cash Flows for Investing Activities		
Purchases of property and equipment	(543,627)	(691,992)
Purchases of certificates of deposit	(3,458,519)	(10,216,446)
Redemptions of certificates of deposit	3,452,065	10,735,637
Net Cash used for Investing Activities	(550,081)	(172,801)
Cash Flows for Financing Activities		
Payments on line of credit	-	(600,000)
Net Cash used for Financing Activities	-	(600,000)
Net Change in Cash and Cash Equivalents	1,066,053	1,790,879
Cash and Cash Equivalents, Beginning of Year	2,495,412	704,533
Cash and Cash Equivalents, End of Year	$ 3,561,465	$ 2,495,412
Cash	$ 3,561,465	$ 2,167,352
Cash Restricted for Benefit Plan	-	328,060
	$ 3,561,465	$ 2,495,412
Supplemental Disclosure of Cash Flow Information		
Cash paid for taxes	$ -	$ 24,172
Cash paid for interest	$ -	$ 533

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

The State Bar of Arizona is an Arizona non-profit corporation formed in 1933 and operated under the supervision of the Arizona Supreme Court. The Organization regulates approximately 18,400 active attorneys in Arizona and provides education and development programs for the legal profession and the public. The Bar and its members are committed to serving the public by making sure the voices of all people in Arizona are heard in our justice system.

The Organization maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting classifies various resources in accordance with activities or objectives as specified, in accordance with regulations, restrictions, or limitations imposed by sources outside of the Organization, or in accordance with directions issued by the governing board.

<u>State Bar of Arizona (SBA):</u> In Arizona, the State Bar is responsible for the regulation of attorneys. It receives this authority from Arizona Supreme Court Rule 32. The State Bar receives and investigates complaints and inquiries against attorneys which may lead to a formal hearing and discipline sanctions, if warranted.

In addition to regulation, Rule 32 gives the State Bar responsibility to provide a forum for the discussion of legal subjects, as well as research in the areas of substantive law, practice, and procedure. The ultimate goal is to maintain a level of honor and dignity in the legal profession that is effectively and efficiently carried out in the public interest. To that end, the State Bar is also involved in a number of programs that reach out and educate the public directly.

The State Bar also performs the role of a professional association for attorneys in Arizona. Beyond the desire to improve their knowledge of the law, it also provides programs and assistance that help attorneys in their daily work lives.

<u>The Client Protection Fund of the State Bar of Arizona</u> ("the CPF"): The CPF was established on January 7, 1961, by the Supreme Court of Arizona, pursuant to Arizona Revise Statutes Ct. 32(d)(8). The CPF is a trust that is an entity separate from the State Bar of Arizona, but exists as part of the State Bar's business structure. Authority to revoke or amend the Declaration of Trust, which established the CPF, is delegated to the Board of Governors of the State Bar of Arizona. The Declaration of Trust was amended and restated in its entirety on December 13, 2013 and further amended on November 21, 2014.

The purpose of the CPF is to promote the public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct of lawyers admitted and licensed to practice in Arizona, occurring in the course of the client-lawyer or fiduciary responsibility between the lawyer and the claimant.

Principles of Consolidation

The consolidated financial statements include the accounts of State Bar of Arizona ("SBA") and the CPF because SBA has both control and an economic interest in the CPF. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization."

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, highly liquid investments with a maturity of three months or less at date of purchase are considered to be cash equivalents. Restricted cash is limited in use to payment of costs of administering the CPF or approved claims of the CPF.

The Organization maintains cash balances at various financial institutions. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization has not experienced any loss in such accounts.

Accounts Receivable

Accounts receivable consist of program service fees, all of which are due in less than one year and, accordingly, are presented as current assets in the accompanying consolidated financial statements. The Organization is exposed to certain credit risk. The Organization manages its risk by regularly reviewing its accounts and by providing appropriate allowances for uncollectible accounts. The Organization deems accounts over 90 days old to be past due. The Organization does not charge interest on late accounts. Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to revenue and a credit to the allowance for uncollectible accounts based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable.

Inventories

Inventories, which consist primarily of periodicals, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Investments

The Organization reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair values of investments are based on quoted market prices. Investment income and gains and losses are recorded as increases or decreases in unrestricted net assets.

Property and Equipment

Property and equipment additions $5,000 and above for building and improvements, $10,000 or above for tenant leasehold improvements, and $2,500 and above for all other additions, are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2015 and 2014.

Dues and Fees Collected in Advance

Membership dues are assessed in November for the following fiscal year. All such dues collected prior to the current year end are recorded as deferred revenue. Additionally, certain Continuing Learning Education ("CLE") seminar registrations are opened in advance of the seminar. All such registration fees collected in advance are recorded as deferred revenue. Deferred revenue is recognized as income in the year in which it is earned.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time. The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of December 31, 2015 and 2014.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

Revenue Recognition

The Organization's main sources of revenues are membership dues, service fees, and other self-generated revenue. Membership dues are generally collected at the beginning of the membership year and are recognized ratably over the year to which they pertain. Service fees and other self-generated revenue are recognized when assessed.

The CPF receives a $10 annual assessment from each active and inactive member of the Organization. This is not part of the member's bar dues, but a separate assessment established by the Arizona Supreme Court. Assessments are recognized in the year for which they are assessed.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values as of the date of donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills performed by people with those skills, and would otherwise be purchased. The Organization utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Organization with specific programs. The value of this contributed time is not reflected in these consolidated financial statements since the services did not require specialized skills and it was not susceptible to objective measurement.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2015 and 2014 was $34,774 and $11,098, respectively.

Functional Expense Allocation

Expenses are charged to program services and supporting services categories in the consolidated statement of activities based on direct expenditures incurred. Any expenditure, not directly chargeable to a functional expense category, is allocated based on personnel activity and other appropriate allocation methods.

Income and Certain Excise Taxes

SBA is organized as an Arizona nonprofit corporation. The Internal Revenue Service has determined that SBA is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(6). Management has determined the CPF is a grantor trust and as such it is disregarded entity treated as a division of SBA solely for income tax purposes. Accordingly, contributions to either organization do not qualify for the charitable contribution deduction under Section 170(b)(1)(A). The combined entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the combined entity is generally subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes and it files an Exempt Organization Business Income Tax Return (IRS Form 990-T) and the Arizona equivalent, Form 99-T to report its unrelated business taxable income.

SBA believes that it has appropriate support for any material income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated the financial statements. SBA would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The organization's federal Form 990-T and Arizona form 99-T are no longer subject to tax examination for years before 2012 and 2011, respectively.

Subsequent Events

The Organization has evaluated subsequent events through April 13, 2016, the date which the financial statements were available to be issued.

Note 2 - Certificates of Deposit

The CPF invests in the Certificate of Deposit Account Registry Service ("CDARS"). The CDARS program allows the Organization to purchase certificates of deposit, each within the applicable federal insurance limit, from participating U.S. banks.

Note 3 - Fair Value Measurements and Disclosures

The Organization's significant financial instruments include investments, and deferred compensation plan liabilities. For these financial instruments, carrying values approximate fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

All of the Organization's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

As of December 31, 2014, the Organization did not have any investments measured at fair value. The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2015.

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities for benefit plan	$ 368,212	$ 368,212	$ -	$ -

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Land	$ 1,753,943	$ 1,753,943
Land improvements	116,195	116,195
Buildings	7,739,696	7,739,696
Building improvements	3,738,962	3,399,515
Furniture and equipment	1,870,458	1,870,458
Computer hardware	988,692	891,407
Computer software	1,294,990	1,238,566
Construction in progress	155,134	104,663
Total cost or donated value	17,658,070	17,114,443
Accumulated depreciation and amortization	(6,489,554)	(5,636,685)
Net property and equipment	$ 11,168,516	$ 11,477,758

Depreciation expense for the years ended December 31, 2015 and 2014 was $852,869 and $830,089, respectively.

Note 5 - Line of Credit

SBA has a $4,000,000 revolving line of credit with a financial institution which expires in August 2019. The line of credit bears interest at LIBOR + 1.50%. This line of credit is collateralized by a first deed of trust, together with an assignment of rents and leases on real property and improvements. The total interest expense for 2015 and 2014 was $0 and $533, respectively. There were no amounts outstanding on the line of credit as of December 31, 2015 and 2014.

Note 6 - Net Assets

Each of the Organization's 28 sections charges separate dues and may only spend out of their current year income or their cumulative surplus, if any. The remaining balances are designated by the Organization's Board of Governors for that specific section. The section carry over totaled $420,667 and $360,145 for the years ended December 31, 2015 and 2014, respectively.

The Board of Directors adopted a cash reserve policy during the year ended December 31, 2015. Under this new policy $1,290,942 has been designated and allocated 50/50 between Dues Revenue and Capital Projects Reserves.

Additionally, the net assets of the CPF are designated by Arizona State Statue to only be used for the purposes of the CPF as set forth in the trust agreement and per statute mandate.

Note 7 - Leasing Activities

The Organization leases 7,226 square feet of office space to the Arizona Foundation for Legal Services & Education (the "Foundation") under an operating lease agreement that ends in May 2021. The Foundation has the option to terminate the lease effective any time after May 31, 2015 by providing the Organization six months prior written notice and paying compensation for lost rents as defined in the agreement. Included in this lease agreement is a $60,000 in-kind reduction of rent from the Organization to the Foundation. Minimum future rental payments to be received under this lease excluding the $60,000 in-kind at December 31, 2015 are as follows:

Years ending December 31,	
2016	$ 129,149
2017	145,438
2018	157,073
2019	157,073
2020	157,073
Thereafter	65,447
Total minimum lease receipts	$ 811,253

The Organization also leases office space to unrelated third parties. The lease terms call for monthly payments of approximately $15,600. Minimum future rental payments to be received on these non-cancelable leases at December 31, 2015 are as follows:

Years ending December 31,		
2016	$	201,517
2017		221,154
2018		178,346
2019		181,151
2020		75,609
Thereafter		27,866
Total minimum lease receipts	$	885,643

Note 8 - Operating Leases

The Organization leases offsite storage and convention and meeting facilities with varying minimum annual payments under non-cancelable lease agreements. Lease expense under these agreements was $53,878 and $59,318 during the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments under operating leases as of December 31, 2015 are $13,517 for the year ending December 31, 2016.

Note 9 - Retirement Plans

Defined Contribution Plan
SBA sponsors a defined contribution plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees who meet specified age and years of service requirements. SBA may make discretionary contributions on behalf of participants. This plan was restated as of January 1, 2015. The entry date was changed from the January 1 and July 1 following when the employee had satisfied the eligibility requirements, to the first day of the month following the date the employee satisfies eligibility requirements. The plan now includes an automatic deferral feature and also adopted a safe harbor plan. Under the safe harbor election SBA is required to make safe harbor matching contributions equal to 100% of the salary deferrals that do not exceed 1% of the employee's compensation plus 50% of the employee's salary deferrals between 1% and 6% of compensation. The safe harbor matching contribution is subject to a different vesting schedule from the employer discretionary non-elective contributions to the plan. The vesting schedule for the employer qualified safe harbor contributions is 0% for one year of service or less and 100% for two years of service or more.

Deferred Compensation Plan
The Organization sponsors a non-qualified deferred compensation plan (the Non-Qualified 457b Plan) for top management employees. This plan allows for deferral of employee salary, as well as discretionary contributions from SBA. Participant contributions are fully vested upon funding. Discretionary employer contributions are made in the first quarter of each fiscal year and fully vest on June 30 of the same year. As of December 31, 2015 and 2014, all contributions to this plan are fully vested. This plan was restated as of January 1, 2015, and maintains all qualities and characteristics with the exception employees are divided between two tiers with only the top tier eligible to benefit from discretionary employer contributions, and that vesting is achieved over the employee's period of service.

Total expense related to these two retirement plans was $513,754 and $449,844 for the years ended December 31, 2015 and 2014, respectively.

Note 10 - Related Parties

SBA appoints six of the 25 members of the Board of Directors for the Foundation. Transactions with the Foundation include the following for the years ended December 31:

	2015	2014
In-kind expense (see Note 7)	$ 56,645	$ 64,510
Advertising revenue	(1,685)	-
Accounts payable	11,379	34,977
	$ 66,339	$ 99,487
Rental income (see Note 7)	$ 109,078	$ 111,308

Note 11 - Contingencies

From time to time, the Organization may become involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

Note 12 - Commitments

As of December 31, 2015, SBA had signed various contracts with convention locations for future years. These contracts include minimum revenue guarantees and are subject to a cancellation fee if terminated early. The following is a summary of approximate future minimum guaranteed payments under these contracts:

Years ending December 31,	
2016	$ 417,866
2017	514,229
Total minimum lease payments	$ 932,095

Supplementary Information
December 31, 2015 and 2014

State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona

State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona

Consolidating Statement of Financial Position

December 31, 2015

	SBA	CPF	Eliminations	Total
Assets				
Current Assets				
Cash	$ 3,400,168	$ 161,297	$ -	$ 3,561,465
Certificates of deposit	-	2,302,963	-	2,302,963
Accounts receivable, net	69,723	43,145	(81,884)	30,984
Inventories	78,942	-	-	78,942
Prepaid expenses and other assets	402,078	-	-	402,078
Total current assets	3,950,911	2,507,405	(81,884)	6,376,432
Investments Restricted for Benefit Plan	368,212	-	-	368,212
Property and Equipment, Net	11,168,516	-	-	11,168,516
Total assets	$ 15,487,639	$ 2,507,405	$ (81,884)	$ 17,913,160
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 156,699	$ -	$ -	$ 156,699
Property taxes payable	89,119	-	-	89,119
Accrued liabilities	1,179,633	71,897	(81,884)	1,169,646
Dues and fees collected in advance	2,281,664	41,260	-	2,322,924
Total current liabilities	3,707,115	113,157	(81,884)	3,738,388
Long-Term Liabilities				
Other liabilities	384,047	-	-	384,047
Total liabilities	4,091,162	113,157	(81,884)	4,122,435
Net Assets				
Unrestricted, board designated	1,711,609	-	-	1,711,609
Unrestricted, statute designated	-	2,394,248	-	2,394,248
Unrestricted	9,684,868	-	-	9,684,868
Total net assets	11,396,477	2,394,248	-	13,790,725
Total liabilities and net assets	$ 15,487,639	$ 2,507,405	$ (81,884)	$ 17,913,160

State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona
Consolidating Statement of Financial Position
December 31, 2014

	SBA	Trust	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 1,806,695	$ 360,657	$ -	$ 2,167,352
Cash restricted for benefit plan	328,060	-	-	328,060
Certificates of deposit	-	2,296,509	-	2,296,509
Accounts receivable, net	106,694	43,015	(80,506)	69,203
Inventories	79,947	-	-	79,947
Prepaid expenses and other assets	413,384	-	-	413,384
Total current assets	2,734,780	2,700,181	(80,506)	5,354,455
Property and Equipment, Net	11,477,758	-	-	11,477,758
Total assets	$ 14,212,538	$ 2,700,181	$ (80,506)	$ 16,832,213
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 170,643	$ -	$ -	$ 170,643
Property taxes payable	80,499	-	-	80,499
Accrued liabilities	1,367,640	37,491	(80,506)	1,324,625
Line of credit payable	-	-	-	-
Deferred rent	9,551	-	-	9,551
Dues and fees collected in advance	2,111,783	40,730	-	2,152,513
Total current liabilities	3,740,116	78,221	(80,506)	3,737,831
Long-Term Liabilities				
Other liabilities	345,545	-	-	345,545
Total liabilities	4,085,661	78,221	(80,506)	4,083,376
Net Assets				
Unrestricted, board designated	360,145	-	-	360,145
Unrestricted, statute designated	-	2,621,960	-	2,621,960
Unrestricted	9,766,732	-	-	9,766,732
Total net assets	10,126,877	2,621,960	-	12,748,837
Total liabilities and net assets	$ 14,212,538	$ 2,700,181	$ (80,506)	$ 16,832,213

	SBA	CPF	Eliminations	Total
Support and Revenue				
Dues				
Active	$ 8,932,321	$ -	$ -	$ 8,932,321
Inactive	906,805	-	-	906,805
Sections	337,880	-	-	337,880
Board of legal specialization	114,755	-	-	114,755
Assessments - CPF	-	211,445	-	211,445
Fees				
Continuing legal education	1,973,808	-	-	1,973,808
Convention	524,146	-	-	524,146
Lawyer regulations	158,188	-	-	158,188
Board of legal specialization	48,900	-	-	48,900
Publication and advertising sales				
Arizona attorney magazine	816,281	-	-	816,281
Membership directory	80,775	-	-	80,775
Website	2,475	-	-	2,475
Mailing lists and labels	520	-	-	520
Economic survey	4,115	-	-	4,115
Rental income	314,483	-	-	314,483
Pro hac vice	442,002	-	-	442,002
Late fees mandatory continuing legal education	575,161	-	-	575,161
Sections - other	133,314	-	-	133,314
Special services	149,371	-	(139,546)	9,825
Contributions and sponsorships	152,125	-	-	152,125
Membership benefits	28,763	-	-	28,763
Interest and dividends	661	8,937	-	9,598
Other	135,033	-	-	135,033
Restitution receipts	-	100,554	-	100,554
Total support and revenue	15,831,882	320,936	(139,546)	16,013,272
Expenses				
Program services				
Discipline	7,059,149	-	-	7,059,149
Member services	5,714,886	-	-	5,714,886
Client protection fund claims	-	409,071	-	409,071
Total program services	12,774,035	409,071	-	13,183,106
Management and general	1,788,247	139,577	(139,546)	1,788,278
Total expenses	14,562,282	548,648	(139,546)	14,971,384
Change in Net Assets	1,269,600	(227,712)	-	1,041,888
Net Assets, Beginning of Year	10,126,877	2,621,960	-	12,748,837
Net Assets, End of Year	$ 11,396,477	$ 2,394,248	$ -	$ 13,790,725

State Bar of Arizona and the Client Protection Fund of the State Bar of Arizona

Consolidating Statement of Activities

Year Ended December 31, 2014

	SBA	CPF	Eliminations	Total
Support and Revenue				
Dues				
Active	$ 8,397,144	$ -	$ -	$ 8,397,144
Inactive	901,260	-	-	901,260
Sections	335,665	-	-	335,665
Board of legal specialization	118,780	-	-	118,780
Assessments - CPF	-	207,435	-	207,435
Fees				
Continuing legal education	2,200,646	-	-	2,200,646
Convention	425,970	-	-	425,970
Lawyer regulations	135,389	-	-	135,389
Law office management assistance program	49,418	-	-	49,418
Board of legal specialization	39,145	-	-	39,145
Publication and advertising sales				
Arizona attorney magazine	750,981	-	-	750,981
Membership directory	88,779	-	-	88,779
Website	2,445	-	-	2,445
Mailing lists and labels	300	-	-	300
Economic survey	6,701	-	-	6,701
Rental income	267,056	-	-	267,056
Pro hac vice	434,023	-	-	434,023
Late fees mandatory continuing legal education	382,525	-	-	382,525
Sections - other	197,226	-	-	197,226
Special services	137,803	-	(123,436)	14,367
Contributions and sponsorships	136,502	-	-	136,502
Membership benefits	20,359	-	-	20,359
Interest and dividends	1	3,775	-	3,776
Other	242,541	-	-	242,541
Restitution receipts	-	30,114	-	30,114
Total support and revenue	15,270,659	241,324	(123,436)	15,388,547
Expenses				
Program services				
Discipline	6,660,548	-	-	6,660,548
Member services	5,521,351	-	-	5,521,351
Client protection fund claims	-	413,016	-	413,016
Total program services	12,181,899	413,016	-	12,594,915
Management and general	1,798,448	126,481	(123,436)	1,801,493
Total expenses	13,980,347	539,497	(123,436)	14,396,408
Change in Net Assets	1,290,312	(298,173)	-	992,139
Net Assets, Beginning of Year	8,836,565	2,920,133	-	11,756,698
Net Assets, End of Year	$ 10,126,877	$ 2,621,960	$ -	$ 12,748,837