



**Alabama State Bar
Selected Funds**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

September 30, 2022



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Carr, Riggs & Ingram, LLC
7550 Halcyon Summit Drive
Montgomery, AL 36117

334.271.6678
334.271.6697 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Bar Commissioners
Alabama State Bar

Opinion

We have audited the accompanying financial statements of selected funds of the Alabama State Bar ("the Bar"), which comprise the statement of assets, liabilities and net position – modified cash basis as of September 30, 2022, and the related statement of revenues, expenses and changes in net position – modified cash basis and cash flows – modified accrual basis for the year 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 assets, liabilities and net position of the selected funds of the Alabama State Bar as of September 30, 2022, and its revenues, expenses and changes in net position for the years then ended in accordance with the modified cash basis of accounting, as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Bar, 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the selected funds of the Bar are intended to present the financial position, and the changes in financial position of only that portion of the business-type activities that are attributable to the transactions of the selected funds of the Bar. They do not purport to and do not present fairly the financial position of the State of Alabama as of September 30, 2022, and the changes in its financial position for the year then ended in accordance with the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified accrual basis of accounting, 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.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Required Supplementary Information

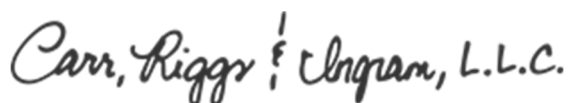
Management has omitted Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of assets, liabilities and net position by fund – modified cash basis, and revenues, expenses and changes in net position by fund – modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2023, on our consideration of the Bar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bar's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bar's internal control over financial reporting and compliance.



Montgomery, Alabama
August 24, 2023

**Alabama State Bar
Selected Funds
Statement of Assets, Liabilities, and Net Position
- Modified Cash Basis**

September 30, 2022

Assets

Cash and cash equivalents	\$ 5,281,412
Certificates of deposit	122,898
Investments	10,997,228

Total assets \$ 16,401,538

Liabilities and net position

Deferred revenues	\$ 577,963
Due to affiliates	18,370
Due to other funds	1,976,325

Total liabilities 2,572,658

Net position 13,828,880

Total liabilities and net position \$ 16,401,538

The accompanying notes are an integral part of these financial statements.

Alabama State Bar
Selected Funds
Statement of Revenues, Expenses, and Changes in Net Position
- Modified Cash Basis

For the year ended September 30, 2022

Operating revenues	
Member dues	\$ 679,025
Section dues	166,295
CSF assessments and recoupments	506,378
Annual meeting	170,230
Seminars	81,430
MCLE fees	139,880
Law student registration fees	146,000
Alabama State Bar allotment	115,500
Advertising	53,758
Lawyer referral service fees	24,638
Sponsorships	121,350
Royalties	9,499
Bar exam review fees	620
Specialization fees	8,275
Leadership forum dues	20,400
Miscellaneous	79,925
<hr/>	
Total operating revenues	2,323,203
Operating expenses	
Personnel costs	159,953
Personnel costs - LSA Grant	70,000
Employee benefits	66,267
Payroll taxes	11,909
Rentals and leases	60,826
Professional services	305,431
CSF claims	294,411
Printing	237,956
Postage	93,219
Advertising	20,226
Sponsorships	24,500
Travel - in state	55,187
Travel - out of state	24,395
Insurance	2,601
Office expense	39,654
Seminars	107,736
Training and education	9,477
Conferences	13,369
Utilities and communication	28,692

(continued)

The accompanying notes are an integral part of these financial statements.

Alabama State Bar
Selected Funds
Statement of Revenues, Expenses, and Changes in Net Position
- Modified Cash Basis (Continued)

For the year ended September 30, 2022

Taxes	52
Audio and video	28,408
Leadership forum	39,465
Food and beverage	186,516
Honorarium	13,875
Committee and board meetings	326
Staff expenses	25,337
Miscellaneous	121,689
Total operating expenses	2,041,477
Operating income (loss)	281,726
Nonoperating revenues (expenses)	
Investment return	(1,544,567)
Investment fees	(26,703)
Grants	189,025
Grants - Legal Services Alabama	70,000
Total nonoperating revenues (expenses)	(1,312,245)
Change in net position	(1,030,519)
Net position, beginning of year - as restated (Note 8)	14,255,399
Transfers in from other funds	604,000
Net position, end of year	\$ 13,828,880

The accompanying notes are an integral part of these financial statements.

Alabama State Bar
Selected Funds
Statement of Cash Flows
- Modified Cash Basis

For the year ended September 30, 2022

Cash flows from operating activities	
Fees and dues collected from members	\$ 1,921,289
Grants and sponsorships collected from donors	380,375
Cash generated from other operations	394,842
Salaries and benefits paid to personnel	(415,649)
Payments to contractors and vendors	(1,109,265)
Payments made for claims	(294,411)
Investment and other income received	208,973
Net cash provided by (used in) operating activities	1,086,154
Cash flows from investing activities	
Proceeds from maturities of investments	2,580,894
Purchases of investments	(4,047,100)
Net cash provided by (used in) investing activities	(1,466,206)
Cash flows from financing activities	
Transfers in from other funds	604,000
Net cash provided by (used in) financing activities	604,000
Net increase (decrease) in cash and cash equivalents	223,948
Cash and cash equivalents, beginning of year	5,057,464
Cash and cash equivalents, end of year	\$ 5,281,412
Reconciliation of change in net position to net cash provided by (used in) operating activities:	
Change in net position	\$ (1,030,519)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:	
Realized and unrealized (gains) losses	1,780,243
Change in operating assets and liabilities:	
Accounts receivable	174
Deferred revenues	114,278
Due to affiliates	(1,722)
Due to other funds	223,700
Net cash provided by (used in) operating activities	\$ 1,086,154

The accompanying notes are an integral part of these financial statements.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 1: NATURE OF OPERATIONS

In 1923, the Alabama legislature passed a bill integrating the Alabama State Bar (the Bar) with state government. The legislation established the Board of Bar Commissioners. Integration made membership in the traditionally voluntary association mandatory, thereby allowing the Alabama Supreme Court to better regulate the legal profession.

The Bar's enabling legislation appears in §34-3-1 through 88, *Code of Alabama* (1975). Under this chapter and rules of the Alabama Supreme Court, the Bar serves a dual role. First, the Bar is the licensing and regulatory agency for lawyers in Alabama. The Bar protects the public by ensuring that lawyers who are granted licenses are not only minimally competent to practice law but also abide by the profession's ethical standards. Second, the Bar serves as a professional association with responsibilities largely of a service nature including education, publications and improvement of the administration of justice. These activities benefit the legal profession as well as the general public.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Bar is presented to assist in understanding the Bar's financial statements. The financial statements and notes are representations of the Bar's management, who is responsible for their integrity and objectivity. These accounting policies conform to the modified cash basis of accounting and have been consistently applied in the preparation of the financial statements.

Reporting Entity

In the accompanying financial statements, only the accounts and activities of the selected funds of the Bar are presented. In addition to these selected funds, the Bar has a State Treasury Fund. The State Treasury Fund, is reported on separately from these financial statements. The funds of the State Treasury Fund are subject to certain legislative controls relating to the Bar's fiscal operations. This fund accounts for member receipts that are required to be deposited with the Treasury of the State of Alabama, to the credit of the Bar and constitute a separate fund (Emphasis added.) (§34-3-4.). The Bar considers this separate fund a trust fund that holds funds solely for the benefit of the Bar. These funds include license fees, exam fees, Pro Hac Vice fees, reciprocity fees, disciplinary fees and costs, and certain other receipts. These funds can only be disbursed by the Board of Bar Commissioners. The State Treasury Fund is not included in the accompanying financial statements.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the underlying obligation is incurred. The cash basis has been modified to record deferred revenues, amounts due to affiliates, amounts due to other funds, custodial accounts, and to recognize investments held at fair value.

All activities of the Bar are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Bar is determined by its measurement focus. The transactions of the Bar are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statements of assets, liabilities and net position – modified cash basis.

To ensure observance of limitations placed on the use of resources available to the Bar, the accounts are maintained in accordance with the principles of fund accounting. The accounts of the Bar are organized by funds and the operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, and revenues and expenses, as appropriate. Financial transactions have been recorded based on the following selected fund groups:

Alabama State Bar Association Fund – These funds are subject to certain legislative controls relating to the Bar’s fiscal operations. This fund accounts for certain member receipts that are not required to be deposited to the Treasury of the State of Alabama. These include special membership dues, MCLE fees, law student registration fees, lawyer referral fees, and certain other receipts.

Clearing Account Fund – This fund was established in 2014 to provide the ability for members to remit all amounts due to the Bar with a single payment option. The fund receives payments from members and then remits those payments to the proper Bar fund or affiliated organization.

Client Security Fund – This fund was created by the Supreme Court in 1987. The purpose of this fund is to provide for reimbursement of clients for their loss of money because of the dishonest conduct of a member attorney. The fund receives and disburses funds for this purpose.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Meetings and Events Fund – This fund accounts for receipts and disbursements associated with the Bar’s annual meeting and other programmatic events.

Volunteer Lawyers Fund – This fund accounts for the activities of The Volunteer Lawyers Program (VLP), a program of the Bar. The program’s purpose is to coordinate the provision of free legal services to low-income Alabamians in civil matters.

Alabama Lawyer Fund – This fund accounts for the receipts and disbursements associated with the Bar’s member publication – The Alabama Lawyer.

Sections Fund – This fund accounts for funds received and disbursed for certain Sections of the Bar. The Bar provides for a number of specialized membership groups which are referred to as Sections. For certain Sections, in connection with its collection of dues and fees, the Bar collects the Sections dues, holds those dues, and makes disbursements at the direction of the individual Sections.

Use of Estimates

The presentation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of presentation in the Bar’s statements of assets, liabilities and net position – modified cash basis, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

Certificates of Deposit

Certificates of deposit are valued at amortized cost.

Accounts Receivable

The Bar uses the allowance method for recording uncollectible accounts. The Bar considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk and concentration of credit risk. This pronouncement requires additional disclosure to be presented in the notes but has no impact on the net position of the Bar.

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, investments are reported at fair value in the statements of assets, liabilities, and net position, and unrealized gains and losses are reported in the statements of revenues, expenses, and changes in net position. The Bar's investment policy allows for the following types of investments:

Equities – no-load equity index funds comprised of stock issues listed on the New York, American, and NASDAQ stock exchanges which have annual operating expenses of less than 1%.

U.S. Government or U.S. Agency Bonds – maturity not to exceed ten years.

Corporate Bonds – Standard and Poor rating of at least "A" and/or Moody's rating of at least "A", and a maturity of not more than ten years. No more than 5% of an individual issue shall be purchased by the Bar nor shall more than 5% of the assets be invested in securities of any one issuer.

Fixed Investment Funds – no-load, fixed investment funds which have annual operating expenses of less than 1%. No more than 10% of the assets shall be invested in any single fund.

Mortgage-backed securities which are backed by the U.S. Treasury or another federal agency (GNMA, FNMA or FHLMC), cash management accounts, U.S. Treasury Bills, short-term U.S. Government or Agency notes, and certificates of deposit.

Deferred Revenues

Deferred revenues consists of dues and fees received from licensees for a future budget period.

Income Taxes

The Bar is exempt from income taxes as an organization created by the State of Alabama Legislature to perform a function of a public nature customarily performed by governmental instrumentalities and is an administrative arm of the Supreme Court of the State of Alabama.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net position. The Bar has only unrestricted net position.

Advertising

The Bar's policy is to expense advertising costs as the costs are incurred. Advertising costs for the year ended September 30, 2022 amounted to \$20,226.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 24, 2023 and determined there were no events that occurred that required disclosure.

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES, CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

September 30, 2022

Held in checking accounts	\$ 3,650,121
Held in money market accounts	1,631,291
	\$ 5,281,412

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES, CASH AND CASH EQUIVALENTS (Continued)

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and cost for investments by major security type consist of the following:

<i>September 30, 2022</i>	Cost	Unrealized Gains	Unrealized Losses	Fair Value	% of Total
Mutual funds - equities	\$ 2,320,055	\$ 1,999,766	\$ -	\$ 4,319,821	39.28%
Corporate bonds	1,744,161	-	(187,015)	1,557,146	14.16%
Mortgage backed securities and					
U.S. government agency securities	2,490,983	240	(287,227)	2,203,996	20.04%
U.S. government guaranteed securities	3,142,552	4,931	(231,218)	2,916,265	26.52%
Total investments	\$ 9,697,751	\$ 2,004,937	\$ (705,460)	\$ 10,997,228	100.00%

The following schedule summarizes the investment return included in the statement of revenues, expenses and changes in net position – modified cash basis for the year ended September 30, 2022, respectively.

For the year ended September 30, 2022

Interest and dividends	\$ 235,676
Realized gains, net	(108,583)
Unrealized gains, net	(1,671,660)
Less: Brokerage and other investment fees	(26,703)
Total investment return, net	\$ (1,571,270)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of the investment portfolio. As of September 30, 2022, the Bar had the following investments and maturities:

<i>September 30, 2022</i>	Fair Value	Investment maturities in Years			
		Less than 1	1-5	Less 6-10	More than 10
Corporate bonds	\$ 1,557,146	\$ 149,156	\$ 1,133,010	\$ 205,998	\$ 68,982
Mortgage backed securities and					
U.S. government agency securities	2,203,996	-	62,948	222,826	1,918,222
U.S. government guaranteed securities	2,916,265	331,222	1,315,944	1,269,099	-
Total maturities	6,677,407	\$ 480,378	\$ 2,511,902	\$ 1,697,923	\$ 1,987,204
Mutual funds - equities	4,319,821				
Total investments	\$ 10,997,228				

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES, CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Bar. As of September 30, 2022, the Bar's debt securities were rated Aaa to A3 by Moody's Investor Services, Standard and Poor's Rating Services, or Fitch Ratings, meeting the criteria of the Bar's investment policy. As of September 30, 2022, the Mutual Funds, Mortgage Backed Securities and U.S. Government Agency Securities were not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a custodial agent, the Bar may not be able to recover the value of investments or collateral securities that are in the possession of that outside party. All investments of the Bar are registered in the name of the Bar's designated trustee.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single type of security. As of September 30, 2022, the Bar was in compliance with the investment guidelines adopted by the Board of Bar Commissioners.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- 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; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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

The asset or liability's 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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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 September 30, 2022.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and asset backed securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government guaranteed securities: Valued based on changes in the market interest rates as of the reporting date compared to rates when the security was issued. Par value of government debt is reported by the U.S. Treasury Department and reflects interest rates at issuance.

Certificates of deposit: Valued based on rates currently offered for deposits of similar remaining maturities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Bar believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following tables provide information as of September 30, 2022, concerning fair value measurement:

<i>September 30, 2022</i>	Based on:		
	Level 1 inputs	Level 2 inputs	Level 3 inputs
Mutual funds - equities	\$ 4,319,821	\$ -	\$ -
Corporate bonds	1,557,146	-	-
Mortgage backed securities and U.S. government agency securities	-	2,203,996	-
U.S. government guaranteed securities	2,916,265	-	-
Total investments	\$ 8,793,232	\$ 2,203,996	\$ -

NOTE 5: RELATED PARTIES AND OPERATING LEASES

Alabama State Bar Foundation (Foundation)

The Bar and the Foundation's operations are conducted in common facilities and are related through common Board members. The Foundation was created for the purpose of constructing and maintaining a building and also acquiring and maintaining certain other furniture, fixtures, and office equipment. The State Treasury Fund of the Bar leases the building, furniture, fixtures, and office equipment from the Foundation under annual lease agreements. There were no financial transactions between the Bar and the Foundation during the year ended September 30, 2022.

Alabama Law Foundation (Law Foundation)

The Bar and the Law Foundation are related through common Board members. The Law Foundation was created to provide grants to organizations that provide free legal aid to the poor in civil cases, for projects that improve the administration of justice and for law-related education. A portion of certain fees collected by the Bar are remitted to the Law Foundation. As of September 30, 2022, the Bar had \$18,370 due to the Law Foundation. Additionally, the Bar's volunteer lawyer's fund received grant funds in the amount of \$138,525 from the Law Foundation for the year ended September 30, 2022.

Alabama Lawyers Assistance Foundation (Assistance Foundation)

The Bar and The Assistance Foundation's operations are conducted in common facilities and are related through common Board members. The Assistance Foundation was organized for 1) the establishment and maintenance of a program to identify and assist lawyers impaired by alcohol, substance abuse, addiction, and other mental health conditions; 2) the education of the public, judiciary, lawyers, and law students concerning the problems caused by alcohol, substance abuse, addiction, and other mental health conditions, 3) to increase awareness of the assistance available for those who are impaired and to provide encouragement and assistance to lawyers recovering from alcohol, substance abuse, addiction, and other mental health conditions. There were no financial transactions between the Bar and the Assistance Foundation during the year ended September 30, 2022.

Lawyers Render Service, Inc. (LRS, Inc.)

Lawyers Render Services, Inc. is a nonprofit organization organized for charitable and educational purposes. LRS, Inc. provides funding for creation, assistance and/or maintaining the Alabama Lawyers Assistance Program, wellness programs for members of the Bar, and other charitable or educational activities. The Bar and LRS, Inc. share common board members and facilities. There were no financial transactions between the Bar and LRS, Inc. during the year ended September 30, 2022.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 5: RELATED PARTIES AND OPERATING LEASES (Continued)

Alabama State Bar Association Health Plan and Trust (Trust)

The Bar established a health plan and trust for the sole purpose of providing health benefits to members of the Bar and beneficiaries. There were no financial transactions between the Bar and the Trust during the year ended September 30, 2022.

NOTE 6: CONCENTRATION OF CASH

The Bar maintains its cash balances and certificates of deposit in local banks and brokerage institutions. These institutions are FDIC insured up to \$250,000 and SIPC insured up to \$500,000. The Bar also participates in The Security for Alabama Funds Enhancement, or SAFE Program. The SAFE Program provides for participating banks to pledge eligible collateral to further protect deposits of public funds. As a result, the Bar did not have any uninsured balances as of September 30, 2022.

NOTE 7: RETIREMENT PLAN

The Bar participates in the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan. The ERS was established October 1, 1945, under the provisions of Act 515 of the Alabama Code and is administered by a separate Board of Control. The plan covers qualified persons employed by certain state-supported institutions. During the 2012 regular session of the Alabama Legislature, a new defined benefit plan tier (tier 2) was created for employees hired on or after January 1, 2013. For the year ended September 30, 2022, employee participation require contributions of earnable compensation of 7.50% and 6.00%, respectively for tier 1 and tier 2 employees. The Bar contributes an actuarially determined percentage which is set annually. The employer percentages for the year ended September 30, 2022 were 14.64% and 14.24%, respectively, for tier 1 and tier 2 employees. Benefits vest after 10 years of credited service. Participants retiring after attaining the age of 60 are entitled to the computed annual retirement benefit, payable monthly for life. Upon resignation, plan members receive accumulated contributions and proportional accumulated interest on those contributions. Employer contributions made to the plan on behalf of employees for the year ended September 30, 2022 were \$33,717.

**Alabama State Bar
Selected Funds
Notes to Financial Statements**

NOTE 8: RESTATEMENT

During the year ended September 30, 2022, the Bar determined that the net position of the Sections Fund as of September 30, 2021, should have been included in total net position. Accordingly, beginning net position has been restated as follows:

September 30, 2021

Net position, as previously stated	\$ 13,418,110
Sections Fund net position	837,289
<hr/>	
Net position, as restated	\$ 14,255,399

The adjustment had no impact on net position as of September 30, 2022, or the change in net position for the year ended September 30, 2022

NOTE 9: CONTINGENCIES

The Bar is involved in litigation as a part of its normal operations. The litigation is not expected to have a significant impact on the financial operations of the Bar.

Supplementary Information

**Alabama State Bar
Selected Funds
Schedule of Assets, Liabilities, and Net Position by Fund
- Modified Cash Basis**

September 30, 2022

	Alabama State Bar Association	Clearing Account	Client Security Fund	Meetings and Events Fund	Volunteer Lawyers Fund	Alabama Lawyer Fund	Sections Fund	Total
Assets								
Cash and cash equivalents	\$ 1,284,250	\$ 2,527,576	\$ 561,592	\$ 5,424	\$ 23,372	\$ 445	\$ 878,753	\$ 5,281,412
Certificates of deposit	-	-	-	-	-	122,898	-	122,898
Investments	7,531,853	-	3,465,375	-	-	-	-	10,997,228
Total assets	\$ 8,816,103	\$ 2,527,576	\$ 4,026,967	\$ 5,424	\$ 23,372	\$ 123,343	\$ 878,753	\$ 16,401,538
Liabilities and net position								
Deferred revenues	\$ 299,108	\$ -	\$ 200,825	\$ -	\$ -	\$ -	\$ 78,030	\$ 577,963
Due to affiliates	-	18,350	-	20	-	-	-	18,370
Due to (from) other funds	(253,509)	2,508,633	(200,775)	(698)	-	(201)	(77,125)	1,976,325
Total liabilities	45,599	2,526,983	50	(678)	-	(201)	905	2,572,658
Net position	8,770,504	593	4,026,917	6,102	23,372	123,544	877,848	13,828,880
Total liabilities and net position	\$ 8,816,103	\$ 2,527,576	\$ 4,026,967	\$ 5,424	\$ 23,372	\$ 123,343	\$ 878,753	\$ 16,401,538

**Alabama State Bar
Selected Funds**

**Schedule of Revenues, Expenses, and Changes in Net Position by Fund
- Modified Cash Basis**

For the year ended September 30, 2022

	Alabama State Bar Association	Clearing Account	Client Security Fund	Meetings and Events Fund	Volunteer Lawyers Fund	Alabama Lawyer Fund	Sections Fund	Total
Operating Revenues								
Member dues	\$ 679,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,025
Section dues	-	-	-	-	-	-	166,295	166,295
CSF assessments and recoupments	-	-	506,378	-	-	-	-	506,378
Annual meeting	-	-	-	170,230	-	-	-	170,230
Seminars	-	-	-	-	-	-	81,430	81,430
MCLE fees	139,880	-	-	-	-	-	-	139,880
Law student registration fees	146,000	-	-	-	-	-	-	146,000
Alabama State Bar allotment	-	-	-	-	-	115,500	-	115,500
Advertising	-	-	-	-	-	53,758	-	53,758
Lawyer referral service fees	24,638	-	-	-	-	-	-	24,638
Sponsorships	-	-	-	106,950	-	-	14,400	121,350
Royalties	-	-	-	-	-	9,499	-	9,499
Bar exam review fees	620	-	-	-	-	-	-	620
Specialization fees	8,275	-	-	-	-	-	-	8,275
Leadership forum dues	-	-	-	20,400	-	-	-	20,400
Miscellaneous	22,728	-	10	25,475	-	142	31,570	79,925
Total operating revenues	1,021,166	-	506,388	323,055	-	178,899	293,695	2,323,203
Operating Expenses								
Personnel costs	-	-	60,882	-	99,071	-	-	159,953
Personnel costs - LSA Grant	-	-	-	-	70,000	-	-	70,000
Employee benefits	-	-	20,056	-	46,211	-	-	66,267
Payroll taxes	(5,020)	-	4,306	-	12,623	-	-	11,909
Rentals and leases	60,788	-	-	-	38	-	-	60,826
Professional services	259,611	-	-	43,170	420	1,330	900	305,431
CSF claims	-	-	294,411	-	-	-	-	294,411
Printing	15,310	-	-	16,124	1,147	204,126	1,249	237,956
Postage	88,199	-	-	128	-	4,331	561	93,219
Advertising	3,540	-	-	11,447	52	-	5,187	20,226
Sponsorships	-	-	-	-	-	-	24,500	24,500
Travel - in state	3,593	-	429	13,138	10,861	-	27,166	55,187

(Continued)

Alabama State Bar
Selected Funds
Schedule of Revenues, Expenses, and Changes in Net Position by Fund
- Modified Cash Basis (Continued)

For the year ended September 30, 2022

	Alabama State Bar Association	Clearing Account	Client Security Fund	Meetings and Events Fund	Volunteer Lawyers Fund	Alabama Lawyer Fund	Sections Fund	Total
Travel - out of state	23,737	-	-	-	658	-	-	24,395
Insurance	-	-	-	-	2,601	-	-	2,601
Office expense	32,175	-	-	2,279	1,888	-	3,312	39,654
Seminars	-	-	-	-	-	-	107,736	107,736
Training and education	8,377	-	-	-	1,100	-	-	9,477
Conferences	-	-	-	-	-	-	13,369	13,369
Utilities and communication	28,692	-	-	-	-	-	-	28,692
Taxes	49	-	3	-	-	-	-	52
Audio and video	1,750	-	-	26,478	-	-	180	28,408
Leadership forum	-	-	-	39,465	-	-	-	39,465
Food and beverage	13,862	-	-	160,237	128	-	12,289	186,516
Honorarium	-	-	-	13,375	-	-	500	13,875
Committee and board meetings	-	-	191	135	-	-	-	326
Staff expenses	-	-	-	16,030	-	-	9,307	25,337
Miscellaneous	23,753	(60)	49	48,332	1,333	1,402	46,880	121,689
Total operating expenses	558,416	(60)	380,327	390,338	248,131	211,189	253,136	2,041,477
Operating income (deficit)	462,750	60	126,061	(67,283)	(248,131)	(32,290)	40,559	281,726
Nonoperating revenues (expenses)								
Investment return	(1,054,876)	-	(489,691)	-	-	-	-	(1,544,567)
Investment fees	(18,068)	-	(8,635)	-	-	-	-	(26,703)
Grants	-	-	-	-	189,025	-	-	189,025
Grants - Legal Services Alabama	-	-	-	-	70,000	-	-	70,000
Total nonoperating revenue (expenses)	(1,072,944)	-	(498,326)	-	259,025	-	-	(1,312,245)
Change in net position	(610,194)	60	(372,265)	(67,283)	10,894	(32,290)	40,559	(1,030,519)
Net position, beginning of year - as restated (Note 8)	8,776,698	533	4,399,182	73,385	12,478	155,834	837,289	14,255,399
Transfers in from other funds	604,000	-	-	-	-	-	-	604,000
Net position, end of year	\$ 8,770,504	\$ 593	\$ 4,026,917	\$ 6,102	\$ 23,372	\$ 123,544	\$ 877,848	\$ 13,828,880

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Bar Commissioners
Alabama State Bar
Selected Funds

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the selected funds of the Alabama State Bar (“the Bar”), a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the selected funds of the Bar’s basic financial statements, and have issued our report thereon dated August 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the selected funds of the Bar’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the selected funds of the Bar’s internal control. Accordingly, we do not express an opinion on the effectiveness of the selected funds of the Bar’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described here:

Finding 2022-1

Criteria: The Alabama State Bar is required to comply with the Code of Alabama 1975 Competitive Bid Law (Code §§ 41-16-1) and the Alabama Public Works Bid Law (Code §§ 39-21-1).

Condition: The Alabama State Bar did not comply with the Code of Alabama 1975 Competitive Bid Law (Code §§ 41-16-1) for two (2) purchases of goods and services that we tested for compliance.

Cause: The Alabama State Bar did not have processes in place to identify expenditures that are subject to the competitive bid requirement.

Effect: The Alabama State Bar failed to comply with the competitive bid requirement for certain expenditures.

Recommendation: The Alabama State Bar should establish effective internal controls to ensure compliance with the Code of Alabama 1975 Competitive Bid Law (Code §§ 41-16-1) and the Alabama Public Works Bid Law (Code §§ 39-21-1).

Alabama State Bar's Response: The Alabama State Bar is in the process of transitioning to the Judicial Branch for operational efficiency under current state law. The Chief Procurement Officer of the State of Alabama has granted Procurement Delegation Authority to the Alabama State Bar until September 30, 2023 during this transition period.

Finding 2022-2

Criteria: he Code of Alabama 1975, Section 29-2-41.2(b) states, "Notwithstanding any other provisions of this article, all contracts for employment of an attorney to provide legal services, including contracts involving an attorney providing legal services under an agreement with the Attorney General, shall be reviewed by the Contract Review Permanent Legislative Oversight Committee."

Condition: The Alabama State Bar did not comply with the Code of Alabama 1975, Section 29-2-41.2(b) for one (1) contract for employment of an attorney to provide legal services that we tested for compliance.

Cause: The Alabama State Bar did not have processes in place to identify contracts for legal services that are subject to the contract review requirement.

Effect: The Alabama State Bar failed to comply with the contract review requirement for a legal services contract.

Recommendation: The Alabama State Bar should establish effective internal controls to ensure compliance with the Code of Alabama 1975, Section 29-2-41.2(b).

Alabama State Bar's Response: The Alabama State Bar is in the process of transitioning to the Judicial Branch for operational efficiency under current state law, including submission of all legal services contracts for review by the Contract Review Permanent Legislative Oversight Committee.

Alabama State Bar's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Alabama State Bar's response to the findings identified in our audit and described previously. Alabama State Bar's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Montgomery, Alabama

August 24, 2023