State Bar of Montana

Financial Statements and
Required Supplementary Information

Years Ended March 31, 2026 (Audited)
and 2025 (Unaudited)
with Independent Auditor's Report

STATE BAR OF MONTANA

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

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Independent Auditor's Report

Board of Trustees
State Bar of Montana

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2026, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the State Bar, as of March 31, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State 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.

Other Matter - Prior Year Comparative Information Unaudited - Was Subject to a Review

The financial statements of the State Bar as of March 31, 2025 were reviewed by us, and our report dated June 25, 2025, stated that we were not aware of any material modifications that should be made to those statements in accordance with accounting principles generally accepted in the United States of America. However, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
September 11, 2026

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

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, 2026 and 2025. 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 financial statements.

The MD&A is an element of the reporting model adopted by the Governmental 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, 2026 were audited. The financial statements for the fiscal year ended March 31, 2025 were not audited but were subject to a review. 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 $8,297,753 (net position), which was an increase of $1,001,103 from its net position of $7,296,650 as of March 31, 2025. The assets of the State Bar exceeded its liabilities at the close of March 31, 2025 by $7,296,650 (net position), which was an increase of $962,795 from its net position of $6,333,855 as of March 31, 2024.

- At the end of the current fiscal year, the unrestricted net position is $6,558,308 to support the ongoing operations of the State Bar. At the end of March 31, 2025, the unrestricted net position was $5,832,574 to support the ongoing operations of the State Bar.

- Total operating revenues exceeded operating expenses (excluding depreciation and amortization) by $617,783 at March 31, 2026, primarily due to restitution payments to the Lawyers' Fund for Client Protection (LFCP), strong performance from CLE Institute classes, and consistently high Pro Hac Vice application activity. These favorable results were further supported by effective expense management, including lower LFCP claims, vacancy savings, and legislative expenses. Total operating revenues exceeded operating expenses (excluding depreciation and amortization) by $748,384 at March 31, 2025, largely due to expense control.

STATE BAR OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

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, 2026 (AUDITED) AND 2025 (UNAUDITED)

FINANCIAL ANALYSIS

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

Condensed Statements of Net Position

Table 1

	Fiscal Year 2026 (AUDITED)	Fiscal Year 2025 (UNAUDITED)	Dollar Change
Current assets	$ 1,862,450	$ 1,361,398	$ 501,052
Investments and capital assets	8,675,865	8,266,425	409,440
Total Assets	$ 10,538,315	$ 9,627,823	$ 910,492
Current liabilities	$ 2,240,562	$ 2,174,859	$ 65,703
Noncurrent liabilities	-	156,314	(156,314)
Total Liabilities	$ 2,240,562	$ 2,331,173	$ (90,611)
Net investment in capital assets	$ 19,241	$ 28,051	$ (8,810)
Restricted	1,720,204	1,436,025	284,179
Unrestricted	6,558,308	5,832,574	725,734
Total Net Position	$ 8,297,753	$ 7,296,650	$ 1,001,103

The summary above shows an increase in net position of $1,001,103, resulting in total net position of $8,297,753. Current assets increased by $501,052, primarily due to higher investment income on reserve funds as a result of larger reserve balances. Investments and capital assets increased by $409,440, largely attributable to favorable market performance during the year ended March 31, 2026. Total liabilities decreased by $90,611, due primarily to a decrease in the lease liability.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

Table 2

	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.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

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

Table 3

	Fiscal Year 2026 (AUDITED)	Fiscal Year 2025 (UNAUDITED)	Dollar Change
Operating revenues	$ 3,886,295	$ 3,786,204	$ 100,091
Nonoperating revenues	574,773	408,214	166,559
Total Revenues	4,461,068	4,194,418	266,650
Depreciation and amortization expense	191,453	193,803	(2,350)
Other operating expenses	3,268,512	3,037,820	230,692
Total Expenses	3,459,965	3,231,623	228,342
Change in net position	1,001,103	962,795	38,308
Net Position, Beginning of Year	7,296,650	6,333,855	962,795
Net Position, End of Year	$ 8,297,753	$ 7,296,650	$ 1,001,103

The summary above shows an increase in operating revenues of $100,091 that resulted from restitution payments to the LFCP, strong performance from CLE Institute classes, and consistently high Pro Hac Vice application activity. Additionally, there was an increase in nonoperating revenues of $166,559 that resulted from better market conditions and larger reserve balances during 2026. Operating expenses excluding depreciation and amortization expense increased by $230,692 due to investments in strategic planning, contracted services, and employee salaries and benefits.

Table 4

	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 an increase in 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 Lawyers' 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, 2026 (AUDITED) AND 2025 (UNAUDITED)

CAPITAL ASSETS

Table 5

	Balance at March 31, 2026 (AUDITED)	Balance at March 31, 2025 (UNAUDITED)	Balance at March 31, 2024 (AUDITED)
Furniture and equipment	$ 40,638	$ 48,667	$ 48,667
Vehicles	46,026	46,026	46,026
Computer equipment	73,960	102,520	97,187
Computer software	-	6,643	6,643
Right-of-use lease space	854,681	854,681	854,681
Total capital assets	1,015,305	1,058,537	1,053,204
Less: accumulated depreciation and amortization	(839,750)	(693,927)	(511,522)
	$ 175,555	$ 364,610	$ 541,682

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

LONG-TERM DEBT

The State Bar has no debt as of March 31, 2026, 2025, and 2024.

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, 2026 (AUDITED) AND 2025 (UNAUDITED)

	2026 (AUDITED)	2025 (UNAUDITED)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,719,182	$ 1,229,833
Accounts receivable	16,810	12,750
Prepaid expenses	126,458	118,815
Total current assets	1,862,450	1,361,398
Noncurrent assets:		
Investments	8,500,310	7,901,815
Capital assets, net of accumulated depreciation and amortization	175,555	364,610
Total noncurrent assets	8,675,865	8,266,425
Total Assets	$ 10,538,315	$ 9,627,823
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 95,937	$ 105,047
Accrued payroll liabilities	206,816	194,557
Unearned revenue	1,781,495	1,695,010
Lease liability, current portion	156,314	180,245
Total current liabilities	2,240,562	2,174,859
Noncurrent liabilities:		
Lease liability, long-term portion	-	156,314
Total noncurrent liabilities	-	156,314
Total Liabilities	2,240,562	2,331,173
Net Position:		
Net investment in capital assets	19,241	28,051
Restricted:		
Lawyers' Fund for Client Protection - expendable	1,720,204	1,436,025
Unrestricted	6,558,308	5,832,574
Total Net Position	8,297,753	7,296,650
Total Liabilities and Net Position	$ 10,538,315	$ 9,627,823

See accompanying notes to financial statements.

STATE BAR OF MONTANA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

	2026 (AUDITED)	2025 (UNAUDITED)
Operating Revenues:		
Dues and assessments	$ 3,106,112	$ 2,943,335
Publications	116,995	144,293
Administration fees	166,383	216,231
Annual meeting	50,573	43,216
CLE seminars and courses	329,151	331,656
Section dues revenue	34,820	33,760
Other	82,261	73,713
Total operating revenues	3,886,295	3,786,204
Operating Expenses:		
Salaries and benefits	1,860,953	1,650,147
Program expenses	222,305	207,305
Administrative fees	133,119	182,766
Publications	75,033	91,014
Section expenses	57,659	45,498
Seminars and courses	140,641	141,442
Training and travel	87,279	99,796
Dues and subscriptions	16,382	11,864
Occupancy	32,532	36,175
Office expenses	66,379	72,504
Information technology	208,197	196,580
Insurance	47,324	54,923
Consulting and contracting	211,105	187,932
Board expenses	85,642	41,044
Depreciation and amortization	191,453	193,803
Other expenses	23,962	18,830
Total operating expenses	3,459,965	3,231,623
Operating Income (Loss)	426,330	554,581
Nonoperating Revenues (Expenses):		
Investment gain (loss), net of fees	574,773	408,214
Total nonoperating revenues (expenses)	574,773	408,214
Change in Net Position	1,001,103	962,795
Net Position:		
Beginning of year	7,296,650	6,333,855
End of year	$ 8,297,753	$ 7,296,650

See accompanying notes to financial statements.

STATE BAR OF MONTANA

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2026 (AUDITED) AND 2025 (UNAUDITED)

	2026 (AUDITED)	2025 (UNAUDITED)
Cash Flows From Operating Activities:		
Receipts from members, applicants, grants, and other professionals	$ 3,968,720	$ 3,752,152
Payments to suppliers, service providers, and other	(1,424,312)	(1,390,366)
Payments to employees	(1,848,694)	(1,686,490)
Net cash provided by (used in) operating activities	695,714	675,296
Cash Flows From Investing Activities:		
Purchase of investments	(875,136)	(1,386,938)
Proceeds from sale or maturity of investments	851,414	843,614
Net cash provided by (used in) investing activities	(23,722)	(543,324)
Cash Flows From Capital and Related Financing Activities:		
Purchases of capital assets	(2,398)	(16,731)
Payments on operating lease	(180,245)	(172,007)
Net cash provided by (used in) capital and related financing activities	(182,643)	(188,738)
Net Increase (Decrease) in Cash and Cash Equivalents	489,349	(56,766)
Cash and Cash Equivalents:		
Beginning of year	1,229,833	1,286,599
End of year	$ 1,719,182	$ 1,229,833
Reconciliation of Operating Income (Loss) to Cash Flows From Operating Activities:		
Operating income (loss)	$ 426,330	$ 554,581
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	191,453	193,803
Change in:		
Accounts receivable	(4,060)	6,195
Prepaid expenses	(7,643)	23,696
Accounts payable	(9,110)	(26,389)
Accrued payroll liabilities	12,259	(36,343)
Unearned revenue	86,485	(40,247)
Net cash provided by (used in) operating activities	$ 695,714	$ 675,296
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 3,898	$ 16,287

See accompanying notes to financial statements.

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 admitted 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 ODC's operations and results of operations are presented in these financial statements. The ODC's annual budget is set by the Chief Discipline Counsel and presented to the State Bar Board of Trustees for adoption into the State Bar's unified budget, without change, provided that anticipated ODC expenditures do not exceed funds available from anticipated ODC revenues and reserves. The Montana Supreme Court establishes the attorney discipline assessment paid by members.

The State Bar manages and facilitates various Court-created programs and administratively supports various Court Commissions to maintain the independent regulation of the profession. These include: administering and staffing the admissions process, including pro hac vice and admission on motion under the Commission on Character and Fitness and Board of Bar Examiners, as well as providing staff and administrative support for the Commission of Continuing Legal Education, Lawyers' Fund for Client Protection (LFCP), and Lawyer Assistance Program.

The State Bar also supports various other Court programs, committees, and voluntary sections including twenty-one State Bar practice-area sections, such as Business, Estates, Tax, Trust and Real Estate (BETTR), Bankruptcy, and Public Utilities Law, as well as a Paralegal Section.

All of the work in support of the Court commissions and programs above, as well as State Bar committees and sections, are supported by the members of the State Bar through mandatory and voluntary dues, fees and assessments on members as established and required by the Court and associated program revenue. The State Bar is a private organization, not funded by state appropriations and not a component of state government.

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.

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 investment 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 is 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.

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 was established pursuant to an order from the Supreme Court and assists the Court in overseeing continuing legal education for attorneys in the State of Montana and implementation of the Court's rules regarding the same. The State Bar administers the MCLE program. Revenue is generated mainly by affidavit fees, and proceeds are utilized to pay administrative expenses.

  - Section Funds: 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 State Bar members and Pro Hac Vice applicants pay a $125 annual fee to fund this office.

- Restricted Net Position: The restriction is 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 are $20. Proceeds are utilized to pay for administrative expenses for the fund and for claims meeting certain criteria established for this fund.

<u>Cash and Cash Equivalents</u>

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

<u>Investments</u>

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; and Level 3 inputs are significant unobservable inputs.

<u>Capital Assets</u>

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-of-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-of-use lease	5 years

Lease

The State Bar is a lessee for a noncancellable lease of office space. The State Bar recognizes a lease liability and an intangible right-of-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 statements of net position.

Unearned Revenue

Billing for Court-established assessments and dues for the period from April 1, 2026, to March 31, 2027, was mailed in January 2026, with payment due April 1, 2026. Amounts received as of March 31, 2026, comprise unearned revenue in the amount of $1,781,495.

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

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 Statement was adopted for the year ended March 31, 2026: Statement No. 102 (Certain Risk Disclosures). This statement had no significant impact on the State Bar's financial statements for the year ended March 31, 2026.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 103 (Financial Reporting Model Improvements), 104 (Disclosure of Certain Capital Assets), and 105 (Subsequent Events). 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, 2026 and 2025, $513,017 and $620,862, respectively, of the State Bar's $1,411,378 and $1,072,644, respectively, related bank balances were exposed to custodial credit risk. These deposits have a carrying value of $1,719,182 and $1,229,833 as of March 31, 2026 and 2025, respectively, all of which is reported as current assets in the statements of net position.

Investments

As of March 31, 2026, the State Bar held the following investments:

		Investment Maturities (In Years) from March 31, 2026			
Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
Certificates of Deposit	$ 883,669	$ 210,378	$ 673,291	$ -	$ -
Corporate Bonds	3,288,786	224,644	1,659,142	1,405,000	-
Total debt securities	4,172,455	$ 435,022	$2,332,433	$1,405,000	$ -
Bond mutual funds	249,937				
Bond ETFs	1,076,322				
Equity mutual funds	2,357,496				
Equity ETFs	644,100				
Total investments	$ 8,500,310				

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

		Investment Maturities (In Years) from March 31, 2025			
Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
Certificates of Deposit	$ 1,404,947	$ 535,099	$ 869,848	$ -	$ -
Corporate Bonds	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 ETFs	539,889				
Equity mutual funds	1,543,449				
Equity ETFs	1,027,548				
Total investments	$ 7,901,815				

The State Bar categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The investment funds have the following recurring fair value measurements at March 31, 2026 and 2025:

			Fair Value Measurements March 31, 2026		
Investments by Fair Value Level	Cost	Total Fair Value	Level 1	Level 2	Level 3
Fixed income:					
Bond mutual funds	$ 250,669	$ 249,937	$ 249,937	$ -	$ -
Bond ETFs	1,080,885	1,076,322	1,076,322	-	-
Certificates of Deposit	906,198	883,669	-	883,669	-
Corporate Bonds	3,286,230	3,288,786	-	3,288,786	-
Total fixed income	5,523,982	5,498,714	1,326,259	4,172,455	-
Equity mutual funds:					
Foreign large growth	277,451	321,362	321,362	-	-
Large growth	675,552	833,076	833,076	-	-
Large value	346,077	664,820	664,820	-	-
Mid-cap growth	334,444	300,092	300,092	-	-
Small growth	88,944	122,856	122,856	-	-
Small value	81,619	115,290	115,290	-	-
Total equity mutual funds	1,804,087	2,357,496	2,357,496	-	-
Equity ETFs	605,460	644,100	644,100	-	-
Total investments	$ 7,933,529	$ 8,500,310	$ 4,327,855	$ 4,172,455	$ -

			Fair Value Measurements March 31, 2025		
Investments by Fair Value Level	Cost	Total Fair Value	Level 1	Level 2	Level 3
Fixed income:					
Bond mutual funds	$ 267,069	$ 264,549	$ 264,549	$ -	$ -
Bond ETFs	537,079	539,889	539,889	-	-
Certificates of Deposit	1,441,361	1,404,947	-	1,404,947	-
Corporate Bonds	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 ETFs	958,123	1,027,548	1,027,548	-	-
Total investments	$ 7,487,271	$ 7,901,815	$ 3,375,435	$ 4,526,380	$ -

Bond and equity mutual funds and ETFs are valued using prices quoted in active markets for those securities (Level 1 inputs). Certificates of deposit 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.

As of March 31, 2026 and 2025, 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, 2026	Percentage of Total Fixed Income Investments with Credit Exposure
AA+	$ 1,085,983	33%
A+	22,604	1%
A	174,229	5%
A-	50,853	2%
AA-	98,865	3%
BBB+	449,714	14%
BBB	825,126	25%
BBB-	507,673	15%
BB+	73,739	2%
Subtotal	3,288,786	100%
Not rated	2,209,928	
Total fixed income investments	$ 5,498,714	

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	

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's investment policy includes limits on the amount they may invest in any one user which states no more than 5% of the market value of the portfolio's assets should be held in the fixed income or equity security of any single issuer, exclusive of U.S. Government securities, Back Certificates of Deposit, and Federal agency securities. There were no investments that constituted more than five percent of net position at March 31, 2026 or 2025.

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 revenues, expenses, and changes in net position:

	March 31, 2026				
	Interest/ Dividend Income	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Money Manager Fee	Investment Income (Loss) - Net
Designated:					
Haswell	$ 471	$ 936	$ 81	$ (87)	$ 1,401
Commission on Legal Education	24,545	8,334	(1,962)	(1,930)	28,987
Disciplinary Counsel	48,462	37,217	17,609	(6,095)	97,193
Total Designated	73,478	46,487	15,728	(8,112)	127,581
Undesignated	270,047	49,218	41,500	(21,155)	339,610
Restricted:					
Client Protection	54,815	36,212	23,345	(6,790)	107,582
Total	$ 398,340	$ 131,917	$ 80,573	$ (36,057)	$ 574,773

	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

4. Capital Assets

Capital asset activity for the years ended March 31, 2026 and 2025 is as follows:

	April 1, 2025	Increases	Decreases	March 31, 2026
Capital assets:				
Furniture and equipment	$ 48,667	$ -	$ (8,029)	$ 40,638
Vehicles	46,026	-	-	46,026
Computer equipment	102,520	2,398	(30,958)	73,960
Computer software	6,643	-	(6,643)	-
Right-of-use lease space	854,681	-	-	854,681
	1,058,537	2,398	(45,630)	1,015,305
Less: accumulated depreciation	(693,927)	(191,453)	45,630	(839,750)
Capital Assets, Net	$ 364,610	$ (189,055)	$ -	$ 175,555

	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

Depreciation and amortization expense (displayed on the accumulated depreciation line in the tables above) for the years ended March 31, 2026 and 2025 was $191,453 and $193,803, respectively.

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, 2026 and 2025, the value of the lease liability was $156,314 and $336,559, 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-of-use asset as of March 31, 2026 and 2025 was $854,681 and $854,681, respectively, and had accumulated amortization of $707,269 and $533,125, respectively.

The future principal and interest lease payments as of March 31, 2026, were as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2027	$ 156,314	$ 957	$ 157,271

6. Employee Benefit Plan

The State Bar has a 401(a) 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 employees' compensation. Vested benefits are defined by the assets of the plan, and thus there are no unfunded liabilities. During the years ended March 31, 2026 and 2025, pension expense amounted to $90,745 and $75,318, respectively.

Additionally, employees of the State Bar may participate in a deferred compensation 457(b) option. Under the 457(b) 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 457(b) plan.

7. Net Position Unrestricted - Designated

Board designated net position balances at the beginning and end of fiscal years 2026 and 2025 were as follows:

	Designated Net Position April 1, 2025	Designated Resources	Designated Expenditures	Designated Net Position March 31, 2026
Haswell Fund	$ 18,803	$ 1,488	$ (287)	$ 20,004
Commission on Legal Education	398,531	440,723	(284,311)	554,943
Section Funds	417,703	108,670	(115,269)	411,104
Office of Disciplinary Counsel	275,111	699,165	(704,444)	269,832
Total designated net position	$ 1,110,148	$ 1,250,046	$ (1,104,311)	$ 1,255,883

	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	$ 1,023,966	$ 1,205,532	$ (1,119,350)	$ 1,110,148

Section Funds consisted of the following fund balances:

	2026	2025
Animal Law	$ 1,864	$ 1,603
Bankruptcy	48,311	44,852
BETTR Law	69,774	80,081
Construction Law	21,942	21,651
Criminal Defense	19,201	18,783
Dispute Resolution	926	545
Natural Resources	34,916	36,633
Family Law	56,651	57,128
Federal Practice	27,458	26,819
Health Care	21,071	21,362
Indian Law	6,437	7,729
Intellectual Property	2,874	3,214
New Lawyers	4,137	3,876
Non-profit Section	10,522	10,032
Paralegal	27,506	33,961
Public Law	5,954	5,802
School Law	2,219	1,928
Public Utilities	11,996	5,071
Veteran's Law	4,105	3,773
Water Law	13,804	12,067
Women's Law	19,436	20,793
Total section balances	$ 411,104	$ 417,703

8. Restricted Net Position

Restricted net position balances at the beginning and end of fiscal years 2026 and 2025 were as follows:

	Restricted Net Position April 1, 2025	Restricted Resources	Satisfaction of Restrictions	Restricted Net Position March 31, 2026
Lawyers' Fund for Client Protection	$ 1,436,025	$ 327,738	$ (43,559)	$ 1,720,204
Total	$ 1,436,025	$ 327,738	$ (43,559)	$ 1,720,204

	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
Total	$ 1,332,630	$ 181,584	$ (78,189)	$ 1,436,025

9. Commitments and Contingencies

The State Bar is substantially dependent on member dues and assessments to support operations. The amount of such dues and assessments is subject to approval by the Montana Supreme Court, and the State Bar cannot unilaterally increase dues to respond to rising costs or other financial needs. Accordingly, the State Bar's financial position and operations may be affected by changes in membership levels, operating costs, and the timing or outcome of requests for dues increases.