

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

6.E(i)

NEW MEXICO BOARD OF BAR EXAMINERS

Management Recommendations

December 31, 2015

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
Albuquerque, New Mexico

In planning and performing our audit of the financial statements of the New Mexico Board of Bar Examiners (Board) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Board's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We want to make the Board aware of the following internal control issue that we don't consider a material weakness or significant deficiency:

General Segregation of Duties Issues for Entities with Few Employees

The Board has one full time employee, and one part-time bookkeeper. The full time employee opens all of the mail, is a check signer, has unlimited access to the accounting system, and prepares the bank reconciliation.

An employee with this much authority and access could commit fraud easily. Review of all reconciliations and transactions by the board is critical.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, the Supreme Court of New Mexico and is not intended to be, and should not be, used by anyone other than these specified parties.

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
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Perch & Associates LLC

Albuquerque, New Mexico
June 23, 2016

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

G.E (ii)

NEW MEXICO BOARD OF BAR EXAMINERS

Budget Forecast

For the year ending December 31, 2017 (forecast)
and
the years ended December 31, 2015 and 2014 (historical)

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Accountant's Report on Assembly – Budget Forecast

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
Albuquerque, New Mexico

I have assembled, from information provided by management, the accompanying Budget Forecast – Statement of Activities of the New Mexico Board of Bar Examiners (Board) as of December 31, 2017, and for the year then ended. This budget forecast omits the summary of significant accounting policies. I have not compiled or examined the budget forecast and express no assurance of any kind on it. Further, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In accordance with the terms of our engagement this report and the accompanying forecast are restricted to internal use and may not be shown to any third party for any purpose.

The historical information for the years ending December 31, 2015 and 2014 has been derived from the audited financial statements for those years, respectively. I have not applied any further procedures to the data and provide no assurance on their presentation in this budget forecast. Management has elected to omit substantially all of the disclosures, balance sheet, and statement of cash flows required by generally accepted accounting principles. If the omitted disclosures, balance sheet, and statement of cash flows were included with the historical information, they might influence the user's conclusions about the Board's historical results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Porch & Associates, LLC

Albuquerque, New Mexico
June 23, 2016

NEW MEXICO BOARD OF BAR EXAMINERS
 BUDGET FORECAST - STATEMENT OF ACTIVITIES
 For the year ending December 31, 2017 (forecast) and
 the years ended December 31, 2015 and 2014 (historical)

| | Notes | Forecast 2017 | Historical | |
|---|-------|-------------------|----------------|----------------|
| | | | 2015 | 2014 |
| Revenues | | | | |
| Examination fees | A | \$ 217,500 | 236,267 | 281,410 |
| Reinstatement fees | | 13,000 | 12,600 | 14,700 |
| Other income | | 12,500 | 18,848 | 8,083 |
| Judgment revenue | | 2,400 | - | - |
| Licensing revenue | | 2,200 | 2,200 | 4,358 |
| Admission on motion | | 350,000 | 351,300 | 12,500 |
| Interest income | | - | 38 | - |
| Total revenues | | 597,600 | 621,253 | 321,051 |
| Expenses | | | | |
| Examination: | | | | |
| Exam expenses | B | 34,500 | 33,324 | 42,463 |
| Grader/monitor | | 14,500 | 14,645 | 10,800 |
| Grader/monitor per diem/mileage | | 1,000 | 596 | 1,431 |
| Data Wizard | | - | 766 | 1,001 |
| Printing and photo | | 5,500 | 5,882 | 4,879 |
| Proctors | | - | 1,980 | 2,480 |
| Laptops | | (3,000) | (4,305) | (840) |
| Reporting and recording | | 1,000 | - | 897 |
| Total examination expenses | | 53,500 | 52,888 | 63,111 |
| Admission on motion expense | C | 101,500 | 91,659 | - |
| Administrative: | | | | |
| Executive Director compensation and taxes | G | 95,400 | 132,779 | 118,753 |
| Admissions Administrator compensation and taxes | H | 49,480 | - | - |
| ADA expense | | 3,500 | 2,918 | 2,640 |
| Audit | | 6,000 | 5,890 | 9,095 |
| Attorney fees | | - | - | 1,989 |
| Contract labor | | 5,400 | 5,372 | 3,375 |
| Bookkeeper and office help | | 7,000 | 7,051 | 4,995 |
| Postage | | 1,800 | 1,532 | 1,006 |
| Insurance | F | 1,200 | 1,200 | 2,476 |
| Medical services | | 1,000 | - | 1,050 |
| Miscellaneous | | 2,500 | 47 | (581) |
| Credit card fees | | 2,800 | 2,730 | 125 |
| Judgments bad debt | | - | 4,666 | - |
| Office supplies | | 3,500 | 3,054 | 1,544 |
| Professional services | | 3,000 | 1,880 | 4,058 |
| Rent and occupancy expense | D | 27,700 | 26,004 | 31,455 |
| Furniture and fixtures | | 1,090 | 535 | 107 |
| Travel, meals, and lodging | E | 29,000 | 32,695 | 32,395 |
| Total administrative expenses | | 240,370 | 228,353 | 214,482 |
| Total expenses | | 395,370 | 372,900 | 277,593 |
| Excess of revenues over expenses | | \$ 202,230 | 248,353 | 43,458 |

Restricted to internal use. See summary of significant assumptions and accountant's report.

NEW MEXICO BOARD OF BAR EXAMINERS
 BUDGET FORECAST ASSUMPTIONS
 For the year ending December 31, 2017 (forecast) and
 the years ended December 31, 2015 and 2014 (historical)

| | Forecast | Historical | |
|---|-------------------|----------------|----------------|
| | 2017 | 2015 | 2014 |
| A. Examination and Reinstatement Fee Revenue | | | |
| February exam: | | | |
| 35 repeat @ \$100 | \$ 3,500 | | |
| 10 attorneys @ \$1,000 | 10,000 | | |
| 100 students @ \$500 | 50,000 | | |
| Estimated late fees | 10,000 | | |
| Total February exam | <u>73,500</u> | | |
| July exam: | | | |
| 40 repeat @ \$100 | 4,000 | | |
| 20 attorneys @ \$1,000 | 20,000 | | |
| 200 students @ \$500 | 100,000 | | |
| Estimated late fees | 20,000 | | |
| Total July exam | <u>144,000</u> | | |
| Total examination revenue | 217,500 | 236,267 | 281,410 |
| Reinstatement fees | 13,000 | 12,600 | 14,700 |
| Other income | 12,500 | 18,848 | 8,083 |
| Judgment revenue (12 months at \$200) | 2,400 | - | - |
| Licensing revenue (\$50 per published essay) | 2,200 | 2,200 | 4,358 |
| Admission on motion (140 @ \$2,500) | 350,000 | 351,300 | 12,500 |
| Total examination and reinstatement fee revenue | <u>\$ 597,600</u> | <u>621,215</u> | <u>321,051</u> |
| B. Exam Expenses | | | |
| MEE questions | \$ 2,500 | 2,139 | 8,320 |
| MPT questions | 2,000 | 2,046 | 8,840 |
| Multi-state bar exam | 25,000 | 24,748 | 20,600 |
| Exam grading and ceremony rooms | 5,000 | 4,391 | 4,703 |
| Total exam expenses | <u>\$ 34,500</u> | <u>33,324</u> | <u>42,463</u> |
| C. Admission on Motion Expenses | | | |
| Investigative reports for admission on motion (140 @ \$450) | \$ 63,000 | | |
| Course tuition for admission on motion (140 @ \$275) | 38,500 | | |
| Total admission on motion expenses | <u>\$ 101,500</u> | <u>91,659</u> | <u>-</u> |
| D. Rent and Occupancy Expenses | | | |
| Office rent (\$600 per month) | \$ 7,200 | 7,200 | 7,200 |
| Equipment rent | 12,000 | 11,208 | 13,092 |
| Total office and equipment rent | <u>19,200</u> | <u>18,408</u> | <u>20,292</u> |
| Storage | 3,400 | 3,388 | 2,648 |
| Utilities (\$120 per month) | 1,440 | 1,415 | 1,234 |
| Communications (\$305 per month) | 3,660 | 2,793 | 2,830 |
| Total rent and occupancy expenses | <u>\$ 27,700</u> | <u>26,004</u> | <u>27,004</u> |
| E. Travel, Meals, and Lodging | | | |
| Travel | \$ 5,000 | 3,875 | 5,346 |
| Board expenses | 24,000 | 28,820 | 20,825 |
| Total travel, meals, and lodging | <u>\$ 29,000</u> | <u>32,695</u> | <u>26,171</u> |
| F. Insurance | <u>\$ 1,200</u> | <u>1,200</u> | <u>2,589</u> |
| G. Executive Director Salary, Payroll Taxes, and Benefits | | | |
| Salary | \$ 80,000 | 108,158 | 93,213 |
| Payroll taxes | 7,400 | 9,833 | 4,753 |
| Retirement (10% of annual salary) | 8,000 | 14,788 | 20,942 |
| Total Executive Director salary, payroll taxes, and benefits | <u>\$ 95,400</u> | <u>132,779</u> | <u>118,908</u> |
| H. Admissions Administrator Salary, Payroll Taxes, and Benefits | | | |
| Salary | \$ 40,000 | - | - |
| Payroll taxes | 3,480 | - | - |
| Healthcare | 6,000 | - | - |
| Total Admissions Administrator salary, payroll taxes, and benefits | <u>\$ 49,480</u> | <u>-</u> | <u>-</u> |

Restricted to internal use. See summary of significant assumptions and accountant's report.

NEW MEXICO BOARD OF BAR EXAMINERS

Budget Forecast

For the year ending December 31, 2017 (forecast)
and
the years ended December 31, 2015 and 2014 (historical)

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Accountant's Report on Assembly – Budget Forecast

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
Albuquerque, New Mexico

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Porch & Associates, LLC

Albuquerque, New Mexico
June 23, 2016

NEW MEXICO BOARD OF BAR EXAMINERS
 BUDGET FORECAST - STATEMENT OF ACTIVITES
 For the year ending December 31, 2017 (forecast) and
 the years ended December 31, 2015 and 2014 (historical)

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| Other income | | 12,500 | 18,848 | 8,083 |
| Judgment revenue | | 2,400 | - | - |
| Licensing revenue | | 2,200 | 2,200 | 4,358 |
| Admission on motion | | 350,000 | 351,300 | 12,500 |
| Interest income | | - | 38 | - |
| Total revenues | | 597,600 | 621,253 | 321,051 |
| Expenses | | | | |
| Examination: | | | | |
| Exam expenses | B | 34,500 | 33,324 | 42,463 |
| Grader/monitor | | 14,500 | 14,645 | 10,800 |
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| Proctors | | - | 1,980 | 2,480 |
| Laptops | | (3,000) | (4,305) | (840) |
| Reporting and recording | | 1,000 | - | 897 |
| Total examination expenses | | 53,500 | 52,888 | 63,111 |
| Admission on motion expense | C | 101,500 | 91,659 | - |
| Administrative: | | | | |
| Executive Director compensation and taxes | G | 95,400 | 132,779 | 118,753 |
| Admissions Administrator compensation and taxes | H | 56,780 | - | - |
| ADA expense | | 3,500 | 2,918 | 2,640 |
| Audit | | 6,000 | 5,890 | 9,095 |
| Attorney fees | | - | - | 1,989 |
| Contract labor | | 5,400 | 5,372 | 3,375 |
| Bookkeeper and office help | | 7,000 | 7,051 | 4,995 |
| Postage | | 1,800 | 1,532 | 1,006 |
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| Medical services | | 1,000 | - | 1,050 |
| Miscellaneous | | 2,500 | 47 | (581) |
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| Rent and occupancy expense | D | 27,700 | 26,004 | 31,455 |
| Furniture and fixtures | | 1,090 | 535 | 107 |
| Travel, meals, and lodging | E | 29,000 | 32,695 | 32,395 |
| Total administrative expenses | | 247,670 | 228,353 | 214,482 |
| Total expenses | | 402,670 | 372,900 | 277,593 |
| Excess of revenues over expenses | | \$ 194,930 | 248,353 | 43,458 |

Restricted to internal use. See summary of significant assumptions and accountant's report.

NEW MEXICO BOARD OF BAR EXAMINERS
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 For the year ending December 31, 2017 (forecast) and
 the years ended December 31, 2015 and 2014 (historical)

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| | 2017 | 2015 | 2014 |
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| 35 repeat @ \$100 | \$ 3,500 | | |
| 10 attorneys @ \$1,000 | 10,000 | | |
| 100 students @ \$500 | 50,000 | | |
| Estimated late fees | 10,000 | | |
| Total February exam | 73,500 | | |
| July exam: | | | |
| 40 repeat @ \$100 | 4,000 | | |
| 20 attorneys @ \$1,000 | 20,000 | | |
| 200 students @ \$500 | 100,000 | | |
| Estimated late fees | 20,000 | | |
| Total July exam | 144,000 | | |
| Total examination revenue | 217,500 | 236,267 | 281,410 |
| Reinstatement fees | 13,000 | 12,600 | 14,700 |
| Other income | 12,500 | 18,848 | 8,083 |
| Judgment revenue (12 months at \$200) | 2,400 | - | - |
| Licensing revenue (\$50 per published essay) | 2,200 | 2,200 | 4,358 |
| Admission on motion (140 @ \$2,500) | 350,000 | 351,300 | 12,500 |
| Total examination and reinstatement fee revenue | \$ 597,600 | 621,215 | 321,051 |
| B. Exam Expenses | | | |
| MEE questions | \$ 2,500 | 2,139 | 8,320 |
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| Multi-state bar exam | 25,000 | 24,748 | 20,600 |
| Exam grading and ceremony rooms | 5,000 | 4,391 | 4,703 |
| Total exam expenses | \$ 34,500 | 33,324 | 42,463 |
| C. Admission on Motion Expenses | | | |
| Investigative reports for admission on motion (140 @ \$450) | \$ 63,000 | | |
| Course tuition for admission on motion (140 @ \$275) | 38,500 | | |
| Total admission on motion expenses | \$ 101,500 | 91,659 | - |
| D. Rent and Occupancy Expenses | | | |
| Office rent (\$600 per month) | \$ 7,200 | 7,200 | 7,200 |
| Equipment rent | 12,000 | 11,208 | 13,092 |
| Total office and equipment rent | 19,200 | 18,408 | 20,292 |
| Storage | 3,400 | 3,388 | 2,648 |
| Utilities (\$120 per month) | 1,440 | 1,415 | 1,234 |
| Communications (\$305 per month) | 3,660 | 2,793 | 2,830 |
| Total rent and occupancy expenses | \$ 27,700 | 26,004 | 27,004 |
| E. Travel, Meals, and Lodging | | | |
| Travel | \$ 5,000 | 3,875 | 5,346 |
| Board expenses | 24,000 | 28,820 | 20,825 |
| Total travel, meals, and lodging | \$ 29,000 | 32,695 | 26,171 |
| F. Insurance | \$ 1,200 | 1,200 | 2,589 |
| G. Executive Director Salary, Payroll Taxes, and Benefits | | | |
| Salary | \$ 80,000 | 108,158 | 93,213 |
| Payroll taxes | 7,400 | 9,833 | 4,753 |
| Retirement (10% of annual salary) | 8,000 | 14,788 | 20,942 |
| Total Executive Director salary, payroll taxes, and benefits | \$ 95,400 | 132,779 | 118,908 |
| H. Admissions Administrator Salary, Payroll Taxes, and Benefits | | | |
| Salary | \$ 43,000 | - | - |
| Payroll taxes | 3,480 | - | - |
| Retirement (10% of annual salary) | 4,300 | - | - |
| Healthcare | 6,000 | - | - |
| Total Admissions Administrator salary, payroll taxes, and benefits | \$ 56,780 | - | - |

Restricted to internal use. See summary of significant assumptions and accountant's report.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

6. E(ii)

NEW MEXICO BOARD OF BAR EXAMINERS

Financial Statements
and
Independent Auditor's Report

December 31, 2015 and 2014

NEW MEXICO BOARD OF BAR EXAMINERS

INDEPENDENT AUDITOR'S REPORT1

FINANCIAL STATEMENTS

 Statements of Financial Position3

 Statements of Activities and Changes in Net Assets4

 Statements of Cash Flows5

 Notes to Financial Statements6

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico Board of Bar Examiners (Board) (a quasi-governmental non-profit entity) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
Albuquerque, New Mexico

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Board of Bar Examiners as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Porch & Associates, LLC

Albuquerque, New Mexico
June 23, 2016

**NEW MEXICO BOARD OF BAR EXAMINERS
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014**

| | 2015 | 2014 |
|---|-------------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 435,417 | 190,190 |
| Accounts and judgments receivable | 35,498 | 5,016 |
| Other assets | 7,644 | 6,233 |
| Total current assets | <u>478,559</u> | <u>201,439</u> |
| Fixed assets, net | <u>343</u> | <u>687</u> |
| Total assets | <u>\$ 478,902</u> | <u>202,126</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,891 | 1,237 |
| Payroll liabilities | 3,470 | 330 |
| Compensated absences | 2,515 | 19,484 |
| Deferred revenue | 73,500 | 70,400 |
| Total current liabilities | <u>84,376</u> | <u>91,451</u> |
| Net Assets | | |
| Unrestricted | <u>394,526</u> | <u>110,675</u> |
| Total liabilities and net assets | <u>\$ 478,902</u> | <u>202,126</u> |

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

**NEW MEXICO BOARD OF BAR EXAMINERS
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years Ended December 31, 2015 and 2014**

| | 2015 | 2014 |
|--|-------------------|----------------|
| Revenues and Other Support | | |
| Revenues: | | |
| Bar application fees | \$ 236,267 | 281,410 |
| Reinstatement fees | 12,600 | 14,700 |
| Admission on motion | 351,300 | 12,500 |
| Licensing fees | 2,200 | 4,358 |
| Other income | 18,848 | 8,083 |
| Total revenues | <u>621,215</u> | <u>321,051</u> |
| Other Support: | | |
| Interest income | 38 | - |
| Total revenues and other support | <u>621,253</u> | <u>321,051</u> |
| Expenses: | | |
| Examination expenses | 52,888 | 63,111 |
| Admission on motion expense | 91,659 | - |
| General and administrative | 228,010 | 214,139 |
| Depreciation | 343 | 343 |
| Total expenses | <u>372,900</u> | <u>277,593</u> |
| Change in net assets | <u>248,353</u> | <u>43,458</u> |
| Net assets, beginning of year | 110,675 | 67,217 |
| Restatement | 35,498 | - |
| Net assets, beginning of year, as restated | <u>146,173</u> | <u>67,217</u> |
| Net assets, end of year | <u>\$ 394,526</u> | <u>110,675</u> |

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

**NEW MEXICO BOARD OF BAR EXAMINERS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014**

| | 2015 | 2014 |
|--|-------------------|----------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 248,353 | 43,458 |
| Adjustments to reconcile the change in net assets to net cash flows provided by operating activities | | |
| Depreciation | 343 | 343 |
| Changes in assets and liabilities | | |
| Accounts and judgments receivable | 5,016 | - |
| Other assets | (1,411) | (289) |
| Accounts payable | 3,654 | (760) |
| Payroll liabilities: | 3,140 | (2,457) |
| Compensated absences | (16,968) | 7,908 |
| Deferred revenue | 3,100 | (9,630) |
| | <hr/> | <hr/> |
| Net cash flows provided by operating activities | 245,227 | 38,573 |
| | <hr/> | <hr/> |
| Net change in cash and cash equivalents | 245,227 | 38,573 |
| Cash and cash equivalents, beginning of year | 190,190 | 151,617 |
| | <hr/> | <hr/> |
| Cash and cash equivalents, end of year | \$ 435,417 | 190,190 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

**NEW MEXICO BOARD OF BAR EXAMINERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 1. ORGANIZATION

The New Mexico Board of Bar Examiners (Board) is composed of twelve members of the State Bar of New Mexico and are appointed by the New Mexico Supreme Court. The Board is charged with the administration of the bar exam and investigating the professional qualifications and good moral character of applicants for admission to the State Bar of New Mexico. When lawyers have gone inactive or withdrawn from the State Bar of New Mexico the Board makes recommendations to the Supreme Court with respect to reinstatement or readmission for returning lawyers to practice. The Board prepares and makes arrangements for administering examinations for admission to the State Bar of New Mexico.

The Board is an agency administered by the Supreme Court of New Mexico. As such, the Board is considered a quasi-governmental entity. All funds received by the Board are non-reverting to the State of New Mexico. The fiscal services of the State of New Mexico, Department of Finance and Administration, are not utilized by the Board.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Board is presented to assist in the understanding of the Board's financial statements. The financial statements and notes are the representations of the Board's management who is responsible for their integrity and objectivity.

Basis of Presentation. The Board's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 958-205, the Board is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily or permanently restricted assets were held during the year; accordingly, these financial statements do not reflect any activity related to these classes of net assets.

Basis of Accounting. The financial statements of the Board are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash Flow Information. For the purposes of the statement of cash flows all demand deposit and certificates of deposits are considered to be cash and cash equivalents.

NEW MEXICO BOARD OF BAR EXAMINERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Concentrations of Risk. The Board maintains cash and cash equivalents with financial institutions. At times such amounts may exceed FDIC limits. The Board limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash.

Fixed Assets. The Board capitalizes expenditures over \$5,000 with a useful life greater than one year. Fixed assets are recorded at cost if purchased or fair value if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from five to ten years

Compensated Absences. The Board allows employees to accrue vacation leave up to a maximum of 240 hours. Accrued and unused vacation is paid to employees who separate from the Board's service.

Deferred Revenue. The Bar Exam is given in February and July of each year. Exam application fees received before year-end for the subsequent year's February exam are recorded as deferred revenue.

Net Assets. Net assets are composed of the following:

Unrestricted Net Assets – net assets that are not subject to restrictions.

Temporarily Restricted Net Assets – net assets that are subject to restrictions imposed by donors, grantors or contract provision that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Board had no temporarily restricted net assets at year-end.

Permanently Restricted Net Assets – net assets that are permanently restricted by the donor, grantor, or contract provision. The Board had no permanently restricted net assets at year-end.

Revenue Recognition. The Board recognizes income from exam application fees when the applicant takes the exam. Reinstatement fees and interest income are recognized as income when received.

**NEW MEXICO BOARD OF BAR EXAMINERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Income Taxes. The Board is an agency of the Supreme Court of New Mexico. The Board has received a legal opinion stating the Board is a quasi-governmental agency and is exempt from federal and state income taxes.

Risk Management. The Board is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Board has obtained insurance coverage through the State of New Mexico's General Services Department to protect itself against such losses.

NOTE 3. ACCOUNTS AND JUDGMENTS RECEIVABLE

Accounts and judgments receivable consists of amounts reimbursable to the Board for litigation costs incurred. Management feels that accounts receivable are fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary.

NOTE 4. FIXED ASSETS, NET

Fixed assets consisted of the following at December 31:

| | 2015 | 2014 |
|--------------------------------|-----------------|-----------------|
| Office equipment and furniture | \$ 18,958 | 18,958 |
| Less accumulated depreciation | <u>(18,615)</u> | <u>(18,271)</u> |
| | <u>\$ 343</u> | <u>687</u> |

Depreciation expense was \$343 for the years ended December 31, 2015 and 2014, respectively.

**NEW MEXICO BOARD OF BAR EXAMINERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 5. OPERATING LEASE COMMITMENTS

The Board leases office space under a non-cancelable operating lease. The lease begins April 1, 2014 and terminates March 31, 2016. Lease payments are \$600 per month for the life of the lease. The lease converts to a month to month lease for months after March 2016.

Future minimum rental payments due under the lease are as follows:

Year ending December 31:

| | |
|------|-----------------|
| 2016 | \$ <u>1.800</u> |
|------|-----------------|

In addition to office rent, the Board rents space and equipment to host the Bar Exam. Rent expense for the years ended December 31, 2015 and 2014 was \$22,799 and \$24,995, respectively.

NOTE 6. CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK

Geographical Concentration. The Board's operations are limited to the State of New Mexico.

Revenue Concentration. The Board received 39% and 88% of its revenue from bar exam application fees in the years ended December 31, 2015 and 2014, respectively. The Board received 57% and 4% of its revenue from admission of motion fees in the years ended December 31, 2015 and 2014, respectively.

NOTE 7. POST RETIREMENT BENEFIT PLAN

The Board facilitates a retirement plan qualified under the internal revenue code. The Board contributes a percentage of qualified employee salaries based on time of employment up to 10% of employee salaries.

Plan contributions were \$14,788 and \$20,942 for the years ended December 31, 2015 and 2014, respectively.

**NEW MEXICO BOARD OF BAR EXAMINERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8. RESTATEMENT

Management researched judgments receivable during the 2015 year and found \$35,498 in judgments receivable which had not been recorded in the financial statements when the judgments were levied. The receivable has been added in the current year. The addition increases both receivable and equity. Income is not impacted.

NOTE 9. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Board recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Board's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

The Board has evaluated subsequent events through June 23, 2016, which is the date the financial statements are available to be issued and had not identified any material subsequent events.

June 23, 2016

To the Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners

We have audited the financial statements of the New Mexico Board of Bar Examiners (Board) for the year ended December 31, 2015, and have issued our report thereon dated June 23, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 4, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

The audit was planned and performed in the communicated timeframe.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates in Association's financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors and Management
and the Supreme Court of New Mexico
New Mexico Board of Bar Examiners
June 23, 2016
Page 2

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors, management, and the Supreme Court of New Mexico and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Porch & Associates LLC".

Porch & Associates, LLC
Thad E. Porch CPA