

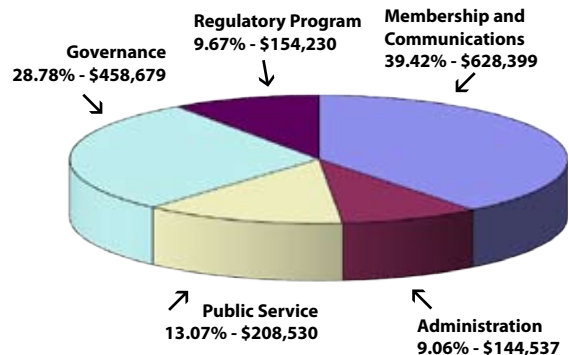
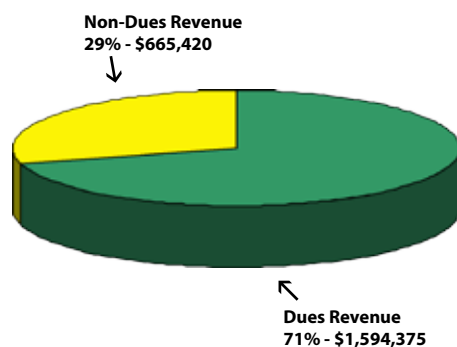


2010 BUDGET DISCLOSURE

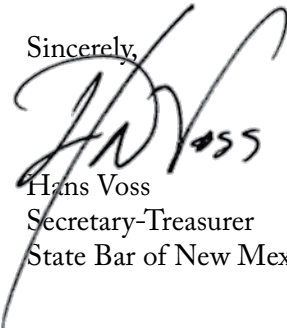
Dear Members:

The Board of Bar Commissioners has approved the following budget for calendar year 2010. The budget is available in its entirety on the State Bar website at www.nmbar.org in order to provide an opportunity for members to object to any proposed expenditure in the budget that is not related to the State Bar's purposes of regulating the profession or improving the quality of legal services. In addition, members wishing to receive a printed copy of the budget disclosure may do so by calling (505) 797-6035 or (800) 87nmbar (876-6227). Instructions for challenging expenditures believed to be non-germane are set forth on page two of the document. The first pages of the budget provide the total expenditures by categories, while the remaining pages provide explanations and further breakouts of the expenditures by category. The total expenditures for the State Bar in 2010 are budgeted to be \$2,259,795. Of this amount, approximately \$665,420 is expected to be supported by non-dues revenue, and approximately \$1,594,375 will be funded by dues (see chart below left). The chart on the right illustrates the total dues-supported budget broken into five main categories.

2010



There were no material non-budgeted items in the 2008 audit. The financial condition of the State Bar is sound, and the Board of Bar Commissioners is proud of the many programs and services the State Bar provides to the membership and the public.

Sincerely,

 Hans Voss
 Secretary-Treasurer
 State Bar of New Mexico

Your Dues for 2010

In *Popejoy, et al. vs. New Mexico Board of Bar Commissioners*, No. Civ. 92-1462 JB, Judge Burciaga of the United States District Court for the District of New Mexico ordered the State Bar to take the following steps on an ongoing basis:

1. Commencing with budget year 1991, annually provide to all State Bar members of New Mexico (State Bar) in accordance with the Court's findings and conclusions, an accounting of the major categories of State Bar's expenditures allocating the actual anticipated costs of its activities funded by the mandatory dues;
2. Categorize those expenditures and activities as chargeable or non-chargeable;
3. Present verification by an independent auditor that the charges attributable and allocated to each activity or category of expenditures are accurate;
4. Permit State Bar members the option of paying only such portions of the dues which are to be used for the permissible purpose of regulating the legal profession or improving the quality of legal services available to the people of the State of New Mexico, see *Keller v. State Bar of California*, 496 U.S. 1 (1989);
5. Provide a reasonable period of time for the State Bar members to challenge the assessment of chargeable dues or fees once having been provided with adequate information; and
6. Allow for an impartial decision-maker to address unaccepted objections, see *Chicago Teachers Union v. Hudson*, 475 U.S. 29 (1986).

The Board of Bar Commissioners has determined that all proposed expenditures for 2010 are necessarily or reasonably related to regulating the legal profession or improving the quality of legal services to the people of the State of New Mexico and, therefore, all dues-related expenditures are chargeable to fees for all members. A listing and description of the major categories of these chargeable and non-chargeable activities for 2010 are included with the Budgeted Statement of Chargeable and Non-Chargeable Expenses/Expenditures by Functional Category (hereinafter "statement"). In accordance with the *Popejoy* decision, the accounting firm of REDW, LLC has audited the statement and the explanatory notes (Summary of Significant Assumptions and Accounting Policies). A copy of the statement, the notes, and the independent accountants' report are included in the pages following this notice.

Members are given the opportunity to dispute the Board of Bar Commissioners' determination of the chargeable nature of the expenses described by category in the attached materials on grounds that a category is not reasonably related to the State Bar's purposes of regulating the profession or

improving the quality of legal services or that an error was made in calculating a non-chargeable expense. A member who wishes to make such a challenge is hereinafter referred to as "challenger." A challenger must state his or her challenge in writing. The written challenge must include the challenger's name, address, and phone number and should identify the challenge category. A challenger must sign the challenge and submit it to:

Madonna Vandeventer, Director
Finance and Human Resources
State Bar of New Mexico
PO Box 92860
Albuquerque, NM 87199

on or before 30 days from the date hereof. Thus, the challenge must be postmarked on or before December 9, 2009; delivered in person to 5121 Masthead NE, Albuquerque, NM; or sent by fax to the State Bar's office, (505) 797-6019, before 5 p.m. December 10, 2009. A form for which challenges may be used appears on the last page of this document.

Upon receipt of the properly and timely submitted challenge, the Board of Bar Commissioners shall decide at a special meeting whether to honor the challenge by eliminating the expenditure from the budget, refunding the challenged dues, or submitting the dispute to the impartial decisionmaker, who will be designated by the Supreme Court of New Mexico to hear challenges to the 2010 Budget. The challenge proceedings shall be informal in nature, and the State Bar shall have the burden to show that the disputed matters are within the scope of permissible activities for which mandatory fees may be used under the constitutional standard of *Keller* and related cases. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The decisionmaker will issue a written decision on whether or not a challenged expenditure is chargeable or non-chargeable to fees. If the proposed expenditure is found to be nonchargeable, the challenger shall either be entitled to a refund of the challenged dues or may deduct that amount from dues if the decision is rendered prior to the time dues are to be paid. In addition, the decisionmaker will decide the amount, if any, to be refunded or deducted. If the decision is not rendered before dues are to be paid, the Board of Bar Commissioners shall escrow the challenged portion of the challenger's dues into a separate interest bearing bank account until the decision is rendered.

A copy of the State Bar's Bylaws pertaining to challenges and the procedures for such challenges may be obtained by visiting our website at www.nmbar.org calling 797-6035 or by writing the State Bar office at 5121 Masthead NE, PO Box 92860 (87199), Albuquerque, NM 87109.



The Rogoff Firm

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS & FINANCIAL ADVISORS

Independent Accountants' Report

Board of Bar Commissioners
State Bar of New Mexico

We have examined the accompanying forecasted (budgeted) statement of chargeable and non-chargeable expenses/expenditures by functional category of the State Bar of New Mexico for the year ending December 31, 2010. State Bar of New Mexico's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

The accompanying statement was prepared for the purpose of presenting to the members of the State Bar of New Mexico the allocation of certain budgeted expenditures and expenses into chargeable and non-chargeable categories as described in Note 1 and is not intended to be a complete presentation of the State Bar of New Mexico's assets, liabilities, revenues and expenses in conformity with accounting principles generally accepted in the United States of America and, therefore, should not be used for any other purpose.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, 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. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

REDW LLC

November 3, 2009

STATE BAR OF NEW MEXICO
BUDGETED STATEMENT OF CHARGEABLE AND NONCHARGEABLE
EXPENSES/EXPENDITURES BY FUNCTIONAL CATEGORY
YEAR ENDING DECEMBER 31, 2010

	Total Expenses	Allocated	Non-Dues Funds	Net Amounts Funded	Percentage of Dues		
Chargeable							
I State Bar Governance, Administration and Organization							
A. Board of Bar Commissioners (page 7)	\$155,740	\$48,120		\$203,860	12.79%	28.78%	\$458,679
B. Capital Outlay (page 7)	177,570	54,865		232,435	14.58%		
C. Litigation							
1. General Litigation (page 7)	100	31		131	0.01%		
2. Popejoy/Keller Challenge Procedure (page 7)	17,000	5,253		22,253	1.40%		
II State Bar Organization							
A. Administration Department							
1. Administration (page 8)	533,410	(533,410)				9.06%	144,537
2. Accounting							
a. Credit Card Merchant Fees (page 9)	24,000	7,415		31,415	1.97%		
b. Dues & Licensing Form (page 9)	2,000	618		2,618	0.16%		
3. Human Resources (page 9)	1,710	528		2,238	0.14%		
4. Print Shop/Production (page 9)	50,335	(50,335)					
Outside Production (page 9)	26,470	19,175	\$26,000	19,645	1.23%		
5. State Bar Center							
Professional Development Center (Classrooms) (page 9)	148,910	46,009	125,150	69,769	4.38%		
6. Systems: Membership Lists (page 10)	0	0	5,900	-5,900	-0.37%		
7. World Wide Web Site (page 10)	26,480	8,182	9,910	24,752	1.55%		
B. Membership and Communications Department							
1. Administration (page 10)	129,935	(129,935)				39.42%	628,399
2. Committees (page 10)	33,790	18,489		52,279	3.28%		
3. Divisions							
a. Paralegal Division (page 11)							
b. Senior Lawyers Division (page 11)	11,900	6,512		18,412	1.15%		
c. Young Lawyers Division (page 11)	43,760	23,945		67,705	4.25%		
4. Membership Services Programs							
a. Member Benefits Program (page 12)	0	0	9,650	-9,650	-0.61%		
b. Annual Meeting (page 12)	25,000	13,680	35,000	3,680	0.23%		
c. Lawyers Assistance Program (page 12)	23,200	12,695		35,895	2.25%		
d. Leadership Training Institute (page 12)	8,000	4,378	8,000	4,378	0.27%		
e. Mentorship (page 12)	0	0	0	0	0.00%		
f. Online Legal Research (page 12)	50,500	27,633	1,100	77,033	4.83%		
5. Outreach							
a. ABA Day (page 12)	4,500	1,390		5,890	0.37%		
b. BBC Outreach (page 12)	6,000	1,854		7,854	0.49%		
c. Judicial Receptions (page 12)	500	274		774	0.05%		
d. Leadership Development (page 12)	2,500	772		3,272	0.21%		
e. Membership Outreach (page 13)	4,000	2,189		6,189	0.39%		
f. Minorities in the Profession (page 13)	10,000	5,472		15,472	0.97%		
g. New Attorney Orientation (page 13)	300	93		393	0.02%		
6. Publications							
a. Bar Bulletin (page 13)	277,350	200,914	236,310	241,954	15.20%		
b. Bench and Bar Directory (page 13)	62,500	45,274	120,350	-12,576	-0.79%		
c. New Mexico Lawyer (page 13)	5,480	3,969	5,800	3,649	0.23%		
d. Enews (page 13)			23,400	-23,400	-1.47%		

See Summary of Significant Assumptions and Accounting Policies and Independent Auditors Report.

STATE BAR OF NEW MEXICO
BUDGETED STATEMENT OF CHARGEABLE AND NONCHARGEABLE
EXPENSES/EXPENDITURES BY FUNCTIONAL CATEGORY
YEAR ENDING DECEMBER 31, 2010

	Total		Non-Dues	Net Amounts	Percentage		
	Expenses	Allocated	Funds	Funded	of Dues		
7. Sections (page 14)	121,540	66,506	58,850	129,196	8.10%		
C. Public and Legal Services Department							
1. Administration (page 14)	140,000	43,257		183,257	11.49%	13.07%	208,530
2. Other Public Service Initiatives (page 14)	1,800	985	0	2,785	0.17%		
3. Public Service Program: Mock Trial (page 14)	7,500	2,317		9,817	0.62%		
4. Young Lawyers Division	8,190	4,481		12,671	0.79%		
D. Regulatory Program—General Counsel							
Administration (page 14)	117,825	36,405		154,230	9.67%	9.67%	154,230
	<u>\$2,259,795</u>	<u>\$ 0</u>	<u>\$665,420</u>	<u>\$1,594,375</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$1,594,375</u>

III. Legislative Activity

- A. Lobby Approved by the Board of Bar Commissioners (page 15)
- B. Sections' Lobbying Activities (page 15)

IV. Non-Budgeted 2008 Expenditures (page 15)

V. Non-Budgeted 2009 Expenditures (page 15)

NonChargeable

2010 Active Dues (over three years)	\$225.75
Active Dues Young Lawyers (second year)	\$173.25
Active Dues Young Lawyers (first Year)	\$120.75

See Summary of Significant Assumptions and Accounting Policies and Independent Auditors Report.

SUMMARY OF SIGNIFICANT ASSUMPTION AND ACCOUNTING POLICIES YEAR ENDING DECEMBER 31, 2010

NATURE OF BUSINESS

The State Bar of New Mexico was incorporated under the laws of the State of New Mexico in 1978. Prior to 1978, the State Bar operated as an agency of the Supreme Court of the State of New Mexico, established by State statute, dated March 17, 1925. The purposes of the State Bar are to aid the courts in the administration of justice, to preserve the rule of law and to foster a high standard of integrity and competence within the legal profession. The State Bar's activities include collection of dues; publication of the *Bar Bulletin*, the *New Mexico Lawyer*, and the *Bench and Bar Directory*; and development and promotion of programs such as legal research, membership programs, legal services to the public, public education and information, client protection, and law practice management and technology.

NATURE OF PRESENTATION

This budget presents, to the best of management's knowledge and belief, the State Bar's expected statement of chargeable and non-chargeable expenses/expenditures by functional category. Accordingly, the budget presents management's judgment, as of November 3, 2009, the date of this budget, of the expected conditions and expected course of action. Management does not intend to update this budget. The assumptions disclosed herein are those that management believes are significant to the budget and may not be all-inclusive. There will usually be differences between budgeted and actual results because events and circumstances frequently do not occur as expected. Those differences may or may not be material.

The budget document has been designed to provide to all members of the State Bar the anticipated cost of its 2010 activities, by functional category, which will be funded by mandatory dues. Accordingly, this document may not be useful for other purposes.

DEFERRED REVENUES

Dues, subscriptions, and advertising are recognized as revenue in the period to which they relate. Amounts collected in advance are recorded as liabilities until earned.

PLEDGES AND CONTRIBUTIONS

In 1991, the State Bar formed a 501(c)(3) corporation, the State Bar of New Mexico Special Projects, Inc. (Special Projects), for the purpose of receiving grant awards from other 501(c)(3) entities for programs approved by the Board of Bar Commissioners and to accept contributions to construct a general office building (Bar Center). In 2003, the New Mexico State Bar Foundation was dissolved as a corporation and the State Bar of New Mexico Special Projects was renamed as the New Mexico State Bar

Foundation (Bar Foundation). The two corporations, the State Bar and the State Bar Foundation, have interlocking boards.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost for purchased items and fair market value at the date of contribution for donated items.

Bar Center expenses are split between the two corporations based on the projected portion of ownership of the building. Due to the potential uncertainty of collection, a donor pledge is considered revenue when restrictions, if any, have been met, and the pledge has been collected.

DEPRECIATION/AMORTIZATION

This statement has been prepared without regard to depreciation or amortization since the issues of chargeable and non-chargeable are considered in the year of purchase or, in the event of debt-financed acquisitions, the period in which the commitment to make principal payments has been made.

INCOME TAXES

The State Bar is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

BASIS OF PRESENTATION

To ensure observance of limitations and restrictions placed on the use of resources available to the State Bar, accounts are maintained in accordance with the principles of the Accounting Standards Codification Section, "Financial Statements of Not-for-Profit Organizations." Under these standards, the State Bar is required to report information regarding its financial position and accounting activities under three classes of net assets. In addition, the State Bar's accounts are maintained on a functional basis, which retains activity detail on a program-by-program basis.

PRESENTATION PURPOSE

The statement identifies the major functional categories of the State Bar and includes amounts for activities that are germane to advancing the State Bar's regulatory functions and improving legal services (chargeable), as well as that portion of the expenses considered not to be reasonably related to regulating the profession or improving the quality of legal services (nonchargeable).

BUILDING OCCUPANCY COSTS

In August 1996, the State Bar moved into the newly constructed Bar Center. As joint owner of the Bar Center with the Bar Foundation, the State Bar is responsible for its portion of the expenses incurred in operating and maintaining the building. (All of the State Bar's costs related to the Bar Center have been captured and presented for the members' review in Note 9).

CHARGEABLE

I. STATE BAR GOVERNANCE, ADMINISTRATION AND ORGANIZATION

A. BOARD OF BAR COMMISSIONERS

The Board of Bar Commissioners (the Board) is established by Supreme Court Rule 24-101C as the governing board of the State Bar. The Board is responsible for overseeing the executive director, sections, committees, commissions, divisions, and task forces and makes decisions to fulfill the mission of improving the quality of legal services to the citizens of New Mexico. The Board meets four to eight times a year; and in 2010, there will be six regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per diem allowances for travel in accordance with the State of New Mexico travel policies.

The expenses for Board meetings are based on the assumption that during 2010, four Board meetings will be held in Albuquerque, one will be held in Roswell, and one will be held in connection with the Annual Meeting in Ruidoso. Board committees also conduct business by teleconference throughout the year.

In-state travel expenses for the president will cover attendance of certain Board committee meetings and other State Bar business. Included within this item is travel for officers to attend various State Bar-related activities, conferences and training programs. The 2010 travel for the president and president-elect is based on the assumption that both will attend the National Conference of Bar Presidents in Orlando, Florida, (mid-year) and the annual meeting in San Francisco, California; the president and vice president will attend the Western States Bar Conference in San Antonio, Texas and the president-elect and secretary-treasurer will attend the Bar Leadership Institute in Chicago, Illinois. The president will also attend the Jack Rabbit Bar Conference in Fargo, North Dakota. In a continuing effort to prioritize the philosophical and programming decisions of the State Bar, the officers will hold a strategic planning session with the directors in the fall of 2010. At this meeting, the officers will evaluate the State Bar's progress in meeting its mission, goals and objectives, and will continue strategic planning for the State Bar's future priorities and programs.

Awards are presented to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar.

Board Expenses	
Direct Labor Allocation	\$86,490
Meetings.....	35,290
Travel.....	24,150
Directors and Officers Retreat.....	8,500
Bar Bulletin Insert.....	760
Teleconferences	<u>550</u>
	155,740
Allocated G & A.....	<u>48,120</u>
Total Expenses.....	<u>(\$203,860)</u>

B. CAPITAL OUTLAY

During 2010, the State Bar intends to make the following principal payments and asset acquisitions. All related interest has been treated as an annual expense and is included in Bar Center occupancy expense or G & A expense, respectively.

Expenditures

Bar Center Mortgage Principal	\$160,000
Capital Lease Principal Payments:	
Copier	14,850
Mailing Machine.....	<u>2,720</u>
	177,570
Allocated G & A.....	<u>54,865</u>
Total Expenditures	<u>(\$232,435)</u>

C. LITIGATION

1. General Litigation

The State Bar does not anticipate any litigation expenses in 2010 beyond what is covered under the State Bar's insurance policy. A minimal amount of \$100 is budgeted for any miscellaneous matters that may require direct staff labor charges.

Expenses

Direct Expenses.....	\$100
Allocated G & A.....	<u>31</u>
Total Expenses	<u>(\$131)</u>

2. Popejoy/Keller Challenge Procedure

In order to comply with the challenge procedures and time keeping requirements under *Keller v. State Bar of California*, 496 U.S. 1 (1989), and *Popejoy et. al. v. New Mexico Board of Bar Commissioners*, No. Civ. 92-1462 LH/LFG, the State Bar anticipates that the following expenses may be incurred:

Expenses

Accounting/Budget Audit.....	\$10,000
Direct Labor Allocation	
(Timekeeping).....	<u>7,000</u>
	17,000
Allocated G & A.....	<u>5,253</u>
Total Expenses	<u>(\$22,253)</u>

II. STATE BAR ORGANIZATION

A. ADMINISTRATION DEPARTMENT

General administration (G & A) expenses are incurred to provide staff and operational support for all programs and activities of the State Bar including personnel, data management, printing, purchasing, membership records and status inquiries, member billing and elections, building management, mail, and implementation of Board policies.

State Bar employees are required to keep time sheets reflecting their daily activity so that specific programs may be charged the actual labor costs of staff services. The 2010 allocations of direct labor costs are based primarily on 2009 time studies and outside billings through June 2009. These direct costs are reflected in the budget for each program. Some staff time cannot be assigned

directly to specific programs. For example, the Administration Department includes the accounting and data management functions. The costs of processing payroll checks and maintaining accounting records are not appropriate as a direct allocation to a specific program. To the extent general administration expenses cannot be billed directly to a program, the expenses are allocated on a pro rata cost basis to each program in the 2010 budget. This number is reflected under each program as "Allocated G & A." Administrative fee revenue represents amounts received by the State Bar for direct services provided. For instance, accounting and bookkeeping services are provided to the Paralegal Division. Additionally, Foundation programs (Center for Legal Education, Public and Legal Services programs and Bar Center/General) receive managerial support from the State Bar. Duplication revenue outlined below represents copy fees (approximately four cents a page) charged to non-State Bar entities for use of the State Bar's copy machines.

1. Administration

Administration consists of the executive office, accounting, human resources, the print shop, State Bar Center, systems and World Wide Web. Expenses for the Administration Department are outlined as follows.

The Administration Department G & A activity not charged directly to a specific program has been allocated on a pro rata basis to each State Bar program as Allocated G & A and is comprised of the following (see Note 2 for specific information regarding the distribution/allocation of direct salaries, taxes and benefits and Note 3 for the allocation of other G & A expenses):

Revenue

Administrative Fees:	
Dues Late Fees	\$61,100
CLE	29,820
Court Reporting Programs Rent & Computer Support	22,000
PLSD	16,130
Disciplinary Board	9,000
Client Protection	8,850
Duplication	6,500
PHV Fee for Collection & Administration	5,650
Video Conferencing	4,200
Admin. Fees for Dues Collection	3,350
Miscellaneous	1,000
Paralegal Division	920
Bar Foundation-General	780
Interest on Bank Accounts	700
Discounts Taken	500
NSF Fees	250
Equal Access to Justice	180
Total G & A Revenue	<u>170,930</u>

Expenses

Direct Labor Allocation (see Note 2 and 3)	423,425
Equipment Maintenance:	53,780
Video Conferencing	46,200

Bar Center Occupancy (see Note 9) ..	36,400
Insurance	32,850
Audit	26,200
Training & ED & Staff	19,450
Telephone	9,000
Bank Fees	8,000
Office/Duplicating Supplies	8,000
Postage	6,000
Advertising	5,800
Auto Lease	5,595
Taxes and Fees	5,200
Pension Plan Administration	5,000
Staff Morale/Retreat	4,000
Interest on Capital Leases	2,990
Dues & Subscriptions	2,200
Shred-It	1,000
Miscellaneous	1,000
Internet	750
Errands	600
Interest	500
Printing	400
Total Administration Expenses	<u>704,340</u>
Net Administration	<u>(533,410)</u>
Less Allocated G & A	<u>533,410</u>
Total, Net	<u>\$0</u>

Activities charged to Administration G & A include:

- Accounting management
- Accounting/bookkeeping services performed for other entities
- Accounting research
- Accounts payable/check requests
- Archives maintenance
- Audit (year-end and annual budget)
- Communication with ABA, other national, state and local bars, and financial associations
- Computer assisted legal research
- Computer and network maintenance
- Correspondence and clerical
- Data entry and extraction
- Dues collection
- Equipment maintenance
- Equipment management
- Errands/deliveries
- File maintenance
- General research
- Inventory management
- Interdepartmental forms, supplies and projects
- Interdepartmental projects and production
- Leaves/holidays (paid time off)
- Mail pickup, preparation and delivery
- Maintenance of press and production equipment
- Maintenance of State Bar database
- Management of dues collection
- Management of centralized computer system, personal computers, printers and modems
- Meetings/training
- Month-end billings

- Month-end close/financial reporting
- Office insurance policies
- Office supplies and inventory management
- Ordering production materials and supplies
- Overall programs and policy planning management
- Production cost outs (billing and charges related to production labor and materials)
- Receipt of checks
- Review and approval of revenue, expenses (accounts payable)
- Room rental and service
- Software training for staff
- Staff meetings
- Systems management

2. Accounting

Accounting functions are performed for the State Bar as well as other law-related entities such as the Court Regulated Programs. The State Bar is reimbursed by these entities to prepare monthly financial statements, conduct annual audit and collect dues.

a. Credit Card Fees

In order to enable its members to pay State Bar fees and registrations with credit cards, the State Bar must incur a merchant fee between 2.75 and 3.75 percent of the credit card charges processed for VISA, MasterCard, American Express and Discover. Fees for 2010 are based on a reduction in merchant fees reflected in 2009.

Expenses	
Credit Card Fees	\$24,000
Allocated G & A.....	7,415
Total Expenses	<u>(\$31,415)</u>

b. Dues and Licensing Forms

In addition, accounting develops and mails the Dues and Licensing Forms to members for payment of dues, fees and contributions. Each new member also receives a permanent State Bar card from accounting.

Expenses	
Dues & Licensing Forms	\$2,000
Allocated G & A.....	618
Total Expenses	<u>(\$2,618)</u>

3. Human Resources

Human resources functions include personnel hiring, monitoring employee benefits, payroll production and staff trainings.

Expenses	
Staff Insert (<i>Bar Bulletin</i>)	\$790
Meetings.....	360
Dues and subscription	360
Directors Retreat	200
	1,710
Allocated G & A.....	528
Total Expenses	<u>(\$2,238)</u>

4. Print Shop Production

The State Bar has an in-house print shop that prints and mails the weekly *Bar Bulletin*, letterhead, brochures and a variety of publications for other law-related entities.

Expenses

Direct Labor Allocation (see Note 6)	\$17,285
Bar Center Occupancy (see Note 9)	17,900
Equipment Maintenance	13,000
Office Expenses.....	1,050
Training/Education	370
OSHA	200
Miscellaneous	200
Contract Labor	150
Telephone	150
Dues & Subscriptions	30
	50,335
Less Allocated G & A	<u>(50,335)</u>
Total Expenses	<u>\$0</u>

Outside Production

Outside production includes design/page composition, editing, printing, CD-DVD duplication and mailing services provided to law-related entities, Court Regulated Programs, Disciplinary Board, and the Bar Foundation. These projects include producing newsletters for sections and local/voluntary bars, CLE brochures, letterhead and other printed materials.

Revenue	\$26,000
Expenses	
Production Supplies	13,700
Production Labor/Benefits	5,950
Postage and Delivery	2,000
Direct Labor Allocation	4,820
	26,470
Allocated G & A.....	<u>19,175</u>
Total Expenses	45,645
Total, Net	<u>(\$19,645)</u>

5. State Bar Center: Professional Development Center

The Bar Center's Professional Development Center (consisting of three classrooms) is available for rent to interested parties (including government entities, Supreme Court committees, continuing legal education providers, and outside groups) to conduct courses and seminars. The Bar Center offers the rooms listed above as a service to members of the State Bar.

Revenue (see Note 4).....	\$125,150
Expenses	
Direct Labor Allocation (see Note 2)	41,140
Bar Center Occupancy (see Note 9)	43,500
Conference Rooms, Visiting	
Attorneys Offices, Computer	
Resources Room (see Note 9).....	39,800
Food and beverages	23,870
Telephone.....	500
Errands.....	50
Dues & Subscriptions	50
	148,910
Allocated G & A.....	<u>46,009</u>
Total Expenses	194,919
Total, Net	<u>\$(69,769)</u>

6. Systems

Systems maintains the State Bar database.

Membership Lists

The list is available for the purpose of mailings to the membership. Labels or an electronic format of the membership database are sold to the membership as well as to outside entities. A copy of the Board policy regarding the membership list is available upon request.

Revenue

Sales \$5,900

7. World Wide Website

The State Bar's website, located at www.nmbar.org, contains information for its members and the public. Expenses include allocated labor and administrative expenses related to development and maintenance of the site. In addition to expanding information and services provided by the website, non-dues revenue generated by the website are expected to decrease by 23 percent from 2009. Revenues include website advertising, the development and maintenance of subsites for other State Bar-related entities, and a products and services directory.

Revenue

Advertising\$3,960
Administration and Development,
Other Entities3,150
Products & Service Directory.....2,800
Total Revenues 9,910

Expenses

Direct Labor Allocation (see Note 2).19,260
Web Technical Contract.....6,250
Printing/Marketing700
Supplies/Software.....270
26,480
Allocated G & A.....8,182
Total Expenses 34,662
Total, Net (\$24,752)

B. MEMBERSHIP AND COMMUNICATIONS DEPARTMENT

Services provided by the Membership and Communications Department include assistance to sections, committees, and divisions; writing, editing and design of State Bar publications; dissemination of media releases and responding to media requests; administration of association agreements for discounts on products and services provided by third-party vendors; and management of State Bar membership programs.

1. Administration

The G & A activity for the Membership and Communications Department has been allocated on a pro rata basis to the aforementioned. The resulting total (direct expense and allocated Membership and Communications G & A) is then included as the base amount to perform the allocation of Administration G & A. This Allocated G & A is comprised of the following (see Note 2 for specific information regarding the distribution/allocation of direct salaries, taxes and benefits and Note 6 for the allocation of other G & A expenses):

Expenses

Direct Labor Allocation (see Note 6) \$83,565
Bar Center Occupancy (see Note 9)...17,500
Insurance9,180
Training/Education4,400
Telephones4,980
Marketing.....2,700
Supplies1,980
News Clippings1,800
Annual Meeting1,645
Internet.....750
Dues & Subscriptions650
Duplication385
Postage300
Miscellaneous100
Total Expenses129,935
Less Allocated G & A (129,935)
..... \$0

Activities charged to Membership and Communications G & A include:

- Communications with other state and local bars regarding publications and communication services
- Departmental clerical/mail
- Department management
- General clerical
- Interdepartmental projects
- Leaves/holidays (paid time off)
- Liaison to statewide local and voluntary bars
- Personnel management
- Professional memberships, meetings, training and education
- Research
- Staff meetings
- State Bar historical library (records, photographs, videos, etc.)

2. Committees

For 2010, the State Bar is funding the following committees whose primary purposes are to improve the quality of membership services and to provide information and assistance to the public. Each committee is required to submit an annual budget which is funded through a committee pool. The specific functions of these committees are shown as follows:

- Alternative Methods of Dispute Resolution Committee (ADR).** Promotes the use of dispute resolution processes and provides legal education and training in those methods.
- Board of Editors.** Serves as the editorial board for the *Bar Bulletin* and the *New Mexico Lawyer*.
- Commission on Professionalism.** Pursuant to the New Mexico Supreme Court Order that created a Commission on Professionalism in 2000, the Commission will serve as an advisory commission to the Center for Legal Education, one of many providers of annual professionalism courses and will be supported by the State Bar committee pool.
- Committee on Diversity in the Legal Profession.** Promotes opportunities for minorities in the legal profession and encourages participation by minorities in bar programs and activities.

- e. **Committee on Women and the Legal Profession.** Addresses issues affecting women as lawyers and judges and monitors substantive issues of women served by the legal system.
- f. **Committee for the Delivery of Legal Services to People with Disabilities.** Provides information and assistance to ensure access to counsel for people with disabilities.
- g. **Ethics Advisory Committee.** Assists attorneys with interpretation and application of the Rules of Professional Conduct. Advisory opinions are provided to requesting attorneys and are published in the *Bar Bulletin* and on the State Bar's website.
- h. **Fair Judicial Elections Committee.** Monitors campaign statements, advertising and conduct in elections for judicial office for compliance with the standards of the Code of Judicial Conduct.
- i. **Historical Committee.** Acquires, maintains and submits for publication historical information relating to the State Bar.
- j. **Law Practice Management Committee.** Develops and provides resources for attorneys, especially solo and small firm practitioners and young lawyers, to more effectively manage their law practices.
- k. **Lawyers Assistance Committee.** Provides confidential peer assistance to State Bar members in need of help because of substance abuse, mental illness or emotional distress.
- l. **Lawyers Professional Liability and Insurance Committee.** Advises the State Bar regarding risk management activities.
- m. **Legal Services and Programs Committee.** Facilitates cooperation and coordination of the legal services provided by various segments of the bar and increases public access to the civil justice system.
- n. **Medical-Legal Grievance Committee.** Attempts to resolve specific complaints between the two professions.
- o. **Medical-Legal Liaison Committee.** Addresses basic issues of mutual concern to the two professions: e.g., the Medical Malpractice Act.
- p. **Membership Services Committee.** Plans State Bar membership events that provide opportunities for members to network with each other and with those in other professions.
- q. **New Mexico Medical Review Commission.** Attorney and physician panel members screen medical malpractice claims.
- r. **Technology Committee.** Assists with the development and promotion of electronic technology applications for the legal profession.

Expenses

Direct Labor Allocation	\$17,790
Committee Pool	15,500
Committee Chair Orientation	500
	<u>33,790</u>
Allocated G & A.....	18,489
Total Expenses	<u>(\$52,279)</u>

3. Divisions

a. Paralegal Division

The Paralegal Division was created as a division of the State Bar although no funds are expended in support of the Division. The Paralegal Division is self-supporting through its member dues and programming.

b. Senior Lawyers Division

The Senior Lawyers Division was created to foster professional development and to utilize the knowledge and experience of its members to assist the State Bar and its programs and activities. Programs for 2010 include conducting oral histories of senior members.

Expenses

Oral History Project.....	\$4,000
Presentation Meetings.....	2,000
ABA Meeting.....	2,000
Director Labor	1,400
Administrative Express.....	1,200
Judicial Service Awards	1,000
Board Meetings.....	<u>300</u>
	11,900
Allocated G & A.....	<u>6,512</u>
Total Expenses	<u>(\$18,412)</u>

c. Young Lawyers Division (YLD)

The Young Lawyers Division conducts membership outreach by providing information and membership programs such as:

- ABA/YLD 2010 Fall Conference
- Bar Exam Support Programs
- Bench/Bar Activities
- Career Fair
- CLE
- Honors and Awards
- Law Day
- Law School Activities
- Leadership Training Institute
- Membership Communication (Brochures and Mailings)
- Publications
- Networking
- Summer Fellowship
- Swearing-in Receptions

Expenses

Direct Expenses.....	\$23,750
Direct Labor.....	<u>3,070</u>
	26,820
Allocated G & A.....	<u>14,675</u>
Total Expenses	<u>(\$41,495)</u>

Administration. YLD administration includes expenses for meetings, out of state travel, postage, supplies and duplicating.

Expenses

Direct Expenses.....	\$15,000
Direct Labor.....	<u>1,940</u>
	16,940
Allocated G & A.....	<u>9,270</u>
Total Expenses	<u>(\$26,210)</u>

4. Membership Services

a. Member Benefits Program

Vendors participating in the Member Benefits Program provide savings on products and services to members. Companies offer discounts on insurance, financial services, travel, office supplies, and more.

Revenues \$9,650

b. Annual Meeting

The 2010 Annual Meeting will be held in Ruidoso at the Inn of the Mountain Gods Resort. The State Bar and Continuing Legal Education will collaborate on producing the meeting. The State Bar will solicit donations; plan social events, such as the Past Presidents Dinner, and other receptions; and present awards to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar.

Revenue 35,000
Expenses
Receptions \$13,000
Past Presidents Dinner 8,500
Awards 3,500
25,000
Allocated G & A 13,680
Total Expenses 38,680
Total, Net (\$3,680)

c. Lawyers Assistance Hotline

The Lawyers Assistance Hotline provides professional and peer assistance to State Bar members in need of assistance for substance abuse, addictions, and depression. Direct costs are paid for counseling fees.

Expenses \$23,200
Allocated G & A 12,695
Total Expenses (\$35,895)

d. Leadership Training Institute

The Leadership Training Institute identifies and trains current and future leaders to meet the needs of the State Bar and the public by assuming leadership roles in the State Bar, voluntary and local bars, the judiciary, and civic organizations.

Revenue \$8,000
Expenses
Direct Expenses \$8,000
Allocated G & A 4,378
Total Expenses 12,378
Total, Net \$(4,378)

e. Mentorship

The Bill Kitts Network Program provides a directory of and a list serve for volunteer attorneys who can assist new attorneys or those who are new to particular practice areas.

f. Online Legal Research

The Board of Bar Commissioners has entered into a contract with Casemaker to provide free online legal research for State Bar members.

Revenue \$1,100

Expenses

Direct Expenses \$50,500
Allocated G & A 27,633
Total Expenses 78,133
Total, Net \$(77,033)

5. Outreach

The State Bar will conduct public and member outreach in 2010 to communicate State Bar programs and services and promote collaboration and support to voluntary and local bars. Specific outreach efforts have been identified for 2010 to include the following.

a. ABA Day

Two New Mexico representatives will attend the national American Bar Association's ABA Day in Washington to impress upon legislators the importance of attorneys and the legal community. This is an annual event.

Expenses \$4,500
Allocated G & A 1,390
Total Expenses (\$5,890)

b. BBC Outreach

State Bar officers and staff will travel to local bar meetings throughout the state in 2010 to discuss State Bar services and programs and hear issues of importance to members.

Expenses \$6,000
Allocated G & A 1,854
Total Expenses (\$7,854)

c. Judicial Receptions

The Board receives requests of monetary support from law-related groups to sponsor/cosponsor judicial receptions.

Expenses \$500
Allocated G & A 274
Total Expenses (\$774)

d. Leadership Development

The State Bar is asked on occasion to support law student and other law-related activities to benefit future leaders in the New Mexico. These activities have included event sponsorship for law student groups and conference attendance for members.

Expenses \$2,500
Allocated G & A 772
Total Expenses (\$3,272)

e. Membership Outreach

State Bar staff will travel to the new admittee swearing-in ceremony, conduct outreach to the law school, and travel to one meeting a year of section boards that meet in Santa Fe.

Expenses	\$4,000
Allocated G & A.....	<u>2,189</u>
Total Expenses	<u>(\$6,189)</u>

f. Minorities in the Profession Survey

A third study of Minorities in the Profession was completed by the State Bar's Diversity Committee in 2009. This study is similar to the studies previously done in 10-year increments and will be finalized and distributed in 2010.

Expenses	\$10,000
Allocated G & A.....	<u>5,472</u>
Total Expenses	<u>(\$15,472)</u>

g. New Attorney Orientation

The New Attorney Orientation provides newly admitted lawyers an introduction to the State Bar and the services provided to members.

Expenses	\$300
Allocated G & A.....	<u>93</u>
Total Expenses	<u>(\$393)</u>

6. Publications

The Membership and Communications Department and the Print Shop produce numerous publications for the State Bar and its members as well as for sections, committees and divisions. The direct and indirect costs are identified below and under the categories and descriptions of State Bar G & A, Sections, Committees and Divisions (see Note 6).

a. Bar Bulletin

The *Bar Bulletin* is a weekly publication containing advance opinions of the New Mexico Supreme Court and the Court of Appeals as well as rules, notices, announcements, and classified advertisements.

Revenue	
Advertising (see Note 6).....	\$228,075
Inserts.....	11,625
Subscriptions	10,610
Contra Tax Account-Gross Receipts	<u>(14,000)</u>
Total Revenues	236,310
Expenses	
Printing	92,420
Postage and Delivery	72,900
Production Labor and Benefits.....	81,920
Direct Labor Allocation	<u>30,110</u>
	277,350
Allocated G & A.....	<u>200,914</u>
Total Expenses	478,264
Total, Net	<u>(\$241,954)</u>

b. Bench and Bar Directory

The *Bench and Bar Directory* is a complete listing of the membership of the State Bar with addresses, telephone and fax numbers, e-mail addresses and employer/firm names. The *Directory* also includes a listing of State Bar-related entities; rules relevant to the practice of law; a listing of State Bar sections, committees, and divisions; the judiciary; the Board; other State Bar-related information; government offices; and tribal courts. The publication also contains advertisements. Revenue related to advertising and sales are anticipated to remain the same.

Revenue

Subscriptions	\$87,500
Advertising.....	40,150
Contra Tax Account-Gross Receipts	<u>(7,300)</u>
Total Revenues	120,350

Expenses

Printing	44,060
Postage and Delivery	9,400
Production Labor and Benefits.....	3,870
Direct Labor Allocation	<u>5,170</u>
	62,500
Allocated G & A.....	<u>45,274</u>
Total Expenses	<u>107,774</u>
Total, Net	<u>\$12,576</u>

c. New Mexico Lawyer

The *New Mexico Lawyer* is a special insert, produced by groups within the State Bar and edited by the Board of Editors, which appears quarterly in the *Bar Bulletin*. The goal of each issue is to present articles and essays which explore a current topic that is of interest to a broad segment of the legal community.

Revenue

Advertising.....	\$6,200
Contra Tax Account-Gross Receipts...	<u>(400)</u>
Total Revenues	5,800

Expenses

Production Labor and Benefits.....	2,090
Printing	1,770
Postage and Delivery	1,360
Direct Labor Allocation	<u>260</u>
	5,480
Allocated G & A.....	<u>3,969</u>
Total Expenses	<u>9,449</u>
Total, Net	<u>(\$3,649)</u>

d. ENews

ENews is a weekly electronic newsletter that is distributed to all active members of the State Bar who have an e-mail address on file. ENews gives members timely information about State Bar events, programs, or news related to the State Bar, the Bar Foundation, General Counsel, Membership and Communications, Operations, Public and Legal Services, and the Finance Department.

Revenues	\$23,400
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7. Sections Administration

The State Bar has 19 sections relating to areas of law or types of practice. The sections are funded with voluntary dues paid by their members. Total fees collected in 2010 are expected to increase by 19 percent over 2009. The State Bar provides administrative support to each section. Administrative time is spent to process dues payments; maintain records; advise members on State Bar/section policies and procedures; administer elections; facilitate submission of annual budgets to the executive director and provide members with monthly financial statements; facilitate submission of annual reports and agenda items to the Board of Bar Commissioners; take care of logistical aspects of meeting planning; assist with surveys of members; aid in communication among members and to the public through e-blasts, postings to the State Bar website, publication of newsletters, publication of announcements in the ENews and the *Bar Bulletin*, and mailings; and the preparation and distribution of news releases to the media. Sections are permitted to lobby the State Legislature on law-related subjects provided such lobbying complies with Article XI of the State Bar Bylaws and is not identified as being sponsored by the State Bar.

Revenue (see Note 5).....	\$58,850
Expenses	
Direct Labor Allocation	62,190
Section Expenses.....	58,850
Section Chair Orientation.....	500
	121,540
Allocated G & A.....	66,506
Total Expenses	188,046
Total, Net	<u>(\$129,196)</u>

C. PUBLIC AND LEGAL SERVICES DEPARTMENT

1. Administration

The Public and Legal Services Department provides programs, activities and opportunities for both members of the bar and the public. The department manages the public and legal service programs of the State Bar and the Bar Foundation. Programs include (see Note 7):

- Lawyer Referral for the Elderly Program (LREP), which has a legal helpline, outreach and referral program.
- Outreach/Referral and Education Services which includes information, referrals, public education and outreach programs of the State Bar and the Bar Foundation.

Direct expenses were estimated using historical results.

Expenses	
Direct Expenses.....	\$140,000
Allocated G & A.....	43,257
Total Expenses	<u>(183,257)</u>

2. Other Public Service Initiatives

From time to time, PLSD assists with special initiatives for the public that include programs to address issues such as cancer and HIV/AIDS. Also, the State Bar supports the Law Day activities.

Expenses	
Direct Expenses.....	\$1,800
Allocated G & A.....	985
Total Expenses	<u>(2,785)</u>

3. Public Service Programs

Public Service Programs secure and coordinate volunteers, provide administrative support, and work with schools across the state on law related education projects such as Constitution Day, the Student Essay Contest, Mock Trial, Dialogue on Freedom, Classroom Law Project, and others. Membership support includes direct contributions to Mock Trial as approved by the Board.

Mock Trial Expenses

Direct Expenses.....	\$7,500
Allocated G & A.....	2,317
Total Expenses	<u>(\$9,817)</u>

4. Young Lawyers Division Public Service Programs

The Young Lawyers Division provides opportunities for new lawyers to engage in public service. YLD plans to continue the following public legal service projects already in place:

- FEMA
- Call-In Programs
- Junior Judges
- Legal Clinic
- NMHBA/UNM Law Camp
- Voices Against Violence
- Wills for Heroes

Expenses

Direct Expenses.....	\$7,250
Direct Labor.....	940
	8,190
Allocated G & A.....	4,481
Total Expenses	<u>(\$12,671)</u>

D. REGULATORY PROGRAM—GENERAL COUNSEL

1. Administrative

The Office of General Counsel is a professional office established to assist the State Bar and the Bar Foundation with policy and regulatory functions of an integrated bar. Specifically, its functions are to protect the legal and policy interests of the State Bar; assist in governance and regulatory functions; provide a professional legal resource for leadership, volunteers and staff; assist with outreach to the judiciary; and to advise in the areas of legislative, executive and judicial processes. In addition to the internal support provided to the State Bar as noted above, the Office of General Counsel advises, provides legal support, and administers the following programs.

- Attorney Helpline (member and non-admitted) provides members of the State Bar and non-admitted attorneys information and referrals in areas of attorney regulation, registrations, rules and practice.
- Client Assistance Information provides members of the public information pamphlets concerning their relationship with their attorney, including advising on issues such as communication, billing, client files and fee disputes.
- Client Protection Fund administers the Client Protection Fund Commission which investigates claims against lawyers on issues regarding reimbursable losses caused by a lawyer's misappropriation of client funds or other dishonest conduct.

- Ethics Assistance for Attorneys includes the following.
 - Advisory Helpline provides quick ethics answers to questions posed to the ethics helpline at 1-800-326-8155.
 - Ethics Advisory Opinions are archived and searchable by date of issue or by topical index on the State Bar's website at www.nmbar.org.
 - Ethics Advisory Committee assists lawyers with questions regarding one's own conduct in relation to the New Mexico Rules of Professional Conduct. The committee provides written formal and informal responses to inquires from the membership.
- Fair Judicial Elections Committee educates candidates for judicial office on the existence and content of rules applicable to judicial election campaigns, assists candidates in understanding and complying with those rules, monitors and investigates campaign statements and advertisement for rule compliance.
- Fee Arbitration Program provides fee arbitration to resolve fee disputes between attorneys and their clients or disputes between attorneys. This free program is designed to provide an efficient and confidential alternative to litigation.
- Lawyers Assistance Program assists lawyers with mental illness, emotional distress and substance abuse with the support they need. The free confidential 24-hour helpline is (800) 860-4914 or (505) 228-1948.
- Lawyers Professional Liability and Insurance Committee advises the State Bar regarding risk management activities and provides information on professional malpractice insurance for members.
- Pro Hac Vice manages registrations for non-admitted lawyers wishing to appear before a New Mexico court in a civil matter. The general counsel's office receives and tracks all registration certificates and provides information. Fees collected under the Pro Hac Vice rule are used to support the delivery of civil legal services to the poor in New Mexico.

Expenses

Direct Labor Allocation	
(see Notes 2 and 3)	89,170
Bar Center Occupancy (see Note 9)	7,500
Training/Education	6,500
Risk Management	5,100
Telephone	2,500
Insurance	2,400
Dues & Subscriptions	1,675
Printing/Marketing	1,000
Duplicating/Printing	700
Postage	500
Supplies	380
Audit	300
Miscellaneous	100
	<u>117,825</u>
Allocated G & A	36,405
Total Expenses	<u>(\$154,230)</u>

III. LEGISLATIVE ACTIVITY

A. Lobbying Approved by the Board of Bar Commissioners

The Board has determined that it may undertake necessary lobbying activities with the State Legislature in 2010; however, specific efforts will be reported to the membership if and when lobbying activities are approved by the Board, consistent with Bylaws, Article XI. No mandatory dues have been allocated for lobbying activities in 2010. In the event that lobbying activities are approved and subsequently reported to the membership in 2010, lobbying efforts will be conducted by volunteers or will be paid from voluntary contributions received in prior years and previously set aside for lobbying. As in the past, the Board may also write to the Congressional delegation in support of legal services funding. A copy of the Bylaws regarding lobbying is available on request.

B. Sections Lobbying Activities

Sections are funded by voluntary dues. Sections may engage in lobbying activities within the area of legal expertise of the section. The activity may include content-neutral assistance or lobbying for or against legislation. State Bar Bylaw, Article XI, 11.7(b) requires that prior to lobbying, the section must obtain a two-thirds vote of the section's board of directors after giving reasonable notice to the section membership and the Board of Bar Commissioners. The Board can disapprove requests for section lobbying only if the section did not follow the procedures for giving notice to the section members and voting by the section directors. When a section lobbies, its views are not represented as those of the State Bar, and the representatives are required to identify their position as those of the section and not of the State Bar. The only staff support given to section lobbying is to ensure that the procedures are followed. Because the Board does not consider this staff activity to be lobbying, neither staff time nor overhead associated with these activities are identified in the budget.

IV. 2008 NON-BUDGETED EXPENDITURES

There were no material non-budget expenditures incurred in 2008.

V. 2009 NON-BUDGETED EXPENDITURES

Any material 2009 non-budgeted expenditures approved by the Board of Bar Commissioners will be reported in the 2011 Budget Disclosure document. At that time, any such expenditures will have been audited as part of the 2009 annual audit of financials.

NONCHARGEABLE

The Board of Bar Commissioners has determined that all of the proposed expenditures for 2010 are necessary or reasonably related to the legal profession or improving the quality of legal services to the people of the state of New Mexico and, therefore, all dues-related expenditures are chargeable to fees for all members.

Note 2. Distribution/Allocation of Direct Salaries, Taxes and Benefits

Direct labor distributions and allocations were based on daily time sheets designed to track State Bar staff time by specific State Bar programs. Unassigned staff time was valued and reflected as a component of general and administration (G & A). Departmental G & A was then allocated to activities of that department in a manner consistent with Judge Burciaga’s “Second Order” (see Note 8). Administration time that can be identified with related matters such as personnel, accounting, etc., is allocated as follows:

- Allocation of labor costs related to personnel matters is allocated based on the ratio of departmental employees to total employees. This ratio is set based on the full-time equivalent employees as of June 30, 2009.
- Allocation of State Bar labor costs related to the preparation for and participation in the year-end annual audit of State Bar and related entities is based on the relationship of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relationship to the whole.
- Allocation of State Bar labor costs related to the collection of the annual dues is based on the ratio of members in each entity in relationship to the total for all entities.
- Allocation of direct State Bar labor costs related to the month-end close of the general ledgers of each of the State Bar activities-related entities is based on the relationship of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relationship to the whole.

Note 3. General Administration Labor & Benefits Expense Distribution

Gross salary and benefits related to the Executive Offices, Systems Office and Accounting Office have been accounted for and/or charged in the following manner:

Gross Salary and Benefits.....	\$514,920
Less Amounts Charged Directly to State Bar-Interdepartmental Direct Labor.....	(91,495)
Amount to General Administration, Administration Office	<u>\$423,425</u>

Note 4. State Bar Center Professional Development Center

Professional Development Center

The Bar Center space owned by State Bar provides three classrooms, a boardroom, and six conference rooms. The classrooms are rented as three individual rooms or as one double room and one single room. During 2009 these classrooms were rented by CLE and numerous third-party entities including an annual contract with the University of New Mexico. Management believes that UNM will renew the contract. “Food and beverage” itemized below includes direct costs for food and beverages (page 9) for inventory and food and beverages ordered from third party entities. Rental revenues will increase by 4 percent in 2010. Projected revenues for 2010 are as follows:

CLE and Third-Party Utilization	\$83,000
Food and Beverage Sales	30,500
UNM Estimated Utilization	5,000
Equipment Rental	8,000
Labor Charged Out.....	2,000
Telephone Charged Out.....	450
Contra Tax Account-Gross Receipts (3,800)	
.....	<u>\$125,150</u>

Bar Center

Expenses of the the Bar Center consist of occupancy, contract and direct labor, and an allocated portion of indirect costs. Bar Center occupancy is allocated based on total square footage used (see Note 9).

Note 5. Membership Services

Committees, Divisions and Sections

Direct expenses are charged to the following programs: Senior Lawyers Division, Young Lawyers Division, sections, State Bar G & A, and committees. Direct expenses prior to direct labor allocations have been forecasted based on individual budgets generated by the respective committees and divisions. The total budget for committees does not exceed the gross budget approved by the Board. The direct expenses of sections have been projected to equal forecasted revenues.

Annual Meeting

The 2010 Annual Meeting will be held in Ruidoso at the Inn of the Mountain Gods Resort. The State Bar and Continuing Legal Education will collaborate on producing the meeting. The State Bar will solicit donations; plan social events such as the Past Presidents Dinner and other receptions; and present awards to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar.

Commission on Professionalism

Pursuant to the New Mexico Supreme Court Order that created a Commission on Professionalism in 2000, the commission will serve as an advisory commission to the Center for Legal Education, one of many providers of annual professionalism courses and will be supported by the State Bar committee pool.

Sections

The State Bar encourages attorneys to become actively involved in programs that explore substantive issues related to specific practice areas. Members may join sections specifically devoted to these issues. Separate accounts are maintained for the operations of each section. All funds are raised by State Bar members' section dues. Section revenue is derived from voluntary fees paid by members requesting to join particular sections. The 2010 section membership revenue is based on the 2009 activity.

Projected 12/31/09	
Section Membership	3606
Average Fee per Section	<u>\$16.32</u>
Projected 2010 Section	
Membership Revenue (rounded).....	<u>\$58,850</u>

Note 6. Publications

A. Revenue

Bar Bulletin (Weekly)

As discussed in Note 1, in 2010, membership publications will include a weekly publication, the *Bar Bulletin*. Advertising revenue resulting from this publication has been budgeted based on the following assumptions:

Advertising

Weekly <i>Bar Bulletin</i> :	Full Page	Forecasted
	Equivalent Advertising	Revenue
Display Ads	6.5	\$143,315
Classified Ads	2.5	84,760
Inserts		<u>11,625</u>
Advertising		239,700

Subscriptions:

<i>Bar Bulletin</i>	<u>10,610</u>
	250,310
Less Related Gross Receipts Tax	<u>(14,000)</u>
Total Revenue.....	<u>\$236,310</u>

2010 *Bar Bulletin* advertising revenue is projected to decrease by one percent from the forecasted 2009 revenue amounts. Twelve inserts are expected be sold at \$750 and three insets are expected at \$775 per insert in 2010.

Bench and Bar Directory

Revenue related to advertising and sales is projected to remain the same in 2010. Publication sales are projected to increase by 19 percent from the forecasted 2009 revenue amounts due to an increase in the price per directory.

Revenue

Forecasted 2010 Advertising	\$40,150
Forecasted Directory Sales	<u>87,500</u>
2010 Forecasted <i>Bench and Bar Directory</i>	127,650
Less Related Forecasted Gross Receipts Tax	<u>(7,300)</u>
2010 Forecasted Bench and Bar	
Directory Revenue, Net	<u>\$120,350</u>

B. Expenses

Expenses for publications are categorized as follows:

- Direct material expense.
- Direct labor expense.
- Office overhead represents expenses that are not directly attributable to a particular production project. Publication expenses were adjusted to reflect a marginal two percent rate of inflation.

Publication

Labor and Benefits Expense Distribution

Administration, Membership and Communications and the Print Shop departments charge direct labor and related benefits to projects based on the actual hours captured by internal job sheets. Labor and benefits for publications have been calculated at a rate of 49 percent from the Membership and Communications Department and 43 percent from Administration and Print Shop production. The percentages were estimated from the production jobs completed in 2009. Any remaining uncharged amounts are charged to appropriate line items or the department's G & A. (See Note 2 regarding the distribution/allocation of direct salaries and benefits.) The above method of accounting resulted in the following:

Account	Administration Production	Membership & Communication	Total Amount
Distribution			
Gross Salary and Benefits	\$60,540	\$228,225	\$288,765
Less:			
<i>Bar Bulletin</i>			
Labor Expense	43,580	38,340	81,920
<i>Bench and Bar Directory</i>			
Labor Expense	380	3,490	3,870
<i>New Mexico Lawyer</i>			
Labor Expense	710	1,380	2,090
Outside Production,			
Labor Expense	<u>2,880</u>	<u>3,070</u>	<u>5,950</u>
	47,550	46,280	93,830
Amounts Charged Directly from State Bar-Interdepartmental			
Direct Labor	<u>(4,295)</u>	<u>98,380</u>	<u>94,085</u>
Amount to G & A (rounded)	<u>\$17,285</u>	<u>\$83,565</u>	<u>\$100,850</u>

Print Shop/Production Department G & A is allocated to divisional activities based on a percentage of total production expenses to all projects generated by the division, such as the *Bar Bulletin* and *Bench and Bar Directory*. Allocated G & A forecast to be charged to each project in 2010 represents approximately 71 percent of a project's direct labor cost.

Note 7. Public and Legal Services Department

The Public and Legal Services Department manages the following programs: Bridge to Justice Legal Assistance Programs, Lawyer Referral for the Elderly Program, Public Service Programs, and the Young Lawyers Division. Other Public Service Initiatives and Administration represents the State Bar's financial commitment, as approved by the Board, for the purpose of managing the programs.

Note 8. Second Order

On January 25, 1994, Judge Burciaga, in *Popejoy v. New Mexico Board of Bar Commissioners*, entered a second order ("Second Order") requiring the State Bar to further allocate the functional category "General Administration" (G & A) to specific State Bar programs. Pursuant to the Second Order, G & A has been allocated based on a pro rata relationship of gross program expenses/expenditures and deferrals, net of depreciation, to the State Bar total expenditures. G & A represents the indirect expenses associated with the Production, Membership and Public Resources, Administration and Referral and Public Service. To the extent components of G & A were associated with a specific function, that component of G & A was specifically allocated to activities of that function. For example, Production represents salaries and other expenses devoted exclusively to administration of the State Bar publications. All G & A expenses for Production were allocated on a pro rata cost basis solely to Production. In the event a particular Production challenge is honored, that individual activity will be allocated its respective pro rata share of the indirect G & A.

Note 9. Land, Ownership, Bar Center

The State Bar and the Bar Foundation hold ownership in the Bar Center as tenants-in-common. Foundation funding for its share of the Bar Center is provided through cash donations received specifically for the Bar Center. As remaining outstanding pledges are collected by the Foundation, the Foundation will continue to acquire ownership interest in the Bar Center from the State Bar. It is expected that the Foundation will own 36 percent of the Bar Center. The State Bar's ownership percentage has been provided through its contribution of approximately 2.2 acres of land for the Bar Center site and the assumption of approximately \$1,589,000 in mortgage debt. Payment of this debt is anticipated to be liquidated through the sale of building interest to the Foundation, building space rental receipts, and the collection of \$25 active members' dues and \$10 young lawyer members' dues as authorized in 1989 by the New Mexico Supreme Court. During 1996, Continuing Legal Education of New Mexico, Inc. (CLE)

merged into Special Projects (now the New Mexico State Bar Foundation). In 1997, the Lawyers Care Referral Program was transferred from the State Bar to what is now the Bar Foundation. For the purposes of identification and designation of the Bar Center floor space for 2009, Bar Foundation activities include CLE, and Public and Legal Services Programs, as well as rental of the auditorium. This program allocation is consistent with 2008 allocations. During 1998, the State Bar completed construction of approximately 2,000 square feet of previously unfinished building space. The Bar Center building now provides 23,865 square feet of usable space. The State Bar has fiscal responsibility for 15,477 square feet of that office space based on projected 2008 ownership percentages. In 2002, the State Bar closed on the refinance of its Bar Center. The current mortgage loan provides for a seven year amortization at a fixed rate of six and one-half percent. Previously, the Bar Center mortgage was amortized over a 15-year period at eight and one-quarter percent interest. Late in 2009, the State Bar refinanced the mortgage for \$800,000 for an eight-year mortgage at a variable rate of five percent. Based on the projected building ownership percentages for 2005, the State Bar will be responsible for approximately 64 percent of building utilities, maintenance and personnel. With the refinance, principal and interest due to the bank in 2010 are estimated to be approximately \$160,000 and \$40,000 respectively. Since the entire outstanding loan was used to finance the State Bar's ownership percentage in the Bar Center, 100 percent of the related interest and principal obligations are the responsibility of the State Bar.

Expenses/Expenditures, net of allocation to Bar Foundation

Utilities	\$39,370
Building Interest	40,000
Repairs and Maintenance	31,950
Janitorial and Supplies	24,810
Real Estate Taxes.....	13,600
Landscape Maintenance.....	7,320
Direct Labor.....	5,800
Property Insurance	3,850
Total State Bar Building Occupancy Cost	<u>\$166,700</u>

Less Departmental Occupancy Allocations:

	Square Feet	
Professional Development Center	3,980	(\$43,500)
Conf. Rooms, Visiting Atty. Offices	3,646	(39,800)
Administration	3,363	(36,400)
Print Shop/Production	1,650	(17,900)
Member and Communications Department	1,606	(17,500)
General Counsel.....	681	(7,500)
EAJ.....	<u>374</u>	<u>(4,100)</u>
Total, Net	<u>15,300</u>	<u>(\$166,700)</u>

