



# 2017

# LOUISIANA STATE BAR ASSOCIATION

# ANNUAL REPORT



Louisiana  
State Bar  
Association

*Serving the Public. Serving the Profession.*

Supplement to the Louisiana Bar Journal

# LSBA YEAR IN REVIEW / JUNE 2016 – JUNE 2017

# LSBA BY THE NUMBERS



June 2016 / Darrel J. Papillion is sworn in as the 76th LSBA president by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson during the 2016 Annual Meeting. Photo by Matthew Hinton Photography.

## June 2016

▶ Darrel J. Papillion, a partner in the Baton Rouge firm of Walters, Papillion, Thomas, Cullens, L.L.C., was installed as the 76th president of the Louisiana State Bar Association by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson.

# 76<sup>th</sup>

▶ Scotty E. Chabert, Jr., an assistant district attorney for the 18th Judicial District and a partner in the Baton Rouge firm of Saunders & Chabert, was installed as the 2016-17 Young Lawyers Division chair by 23rd Judicial District Court Judge Guy P. Holdridge.

▶ A total of 23 awards for service to the legal profession and the community were presented to LSBA members, a local Bar Association and a Baton Rouge chief executive officer at the Annual Meeting.

# 23

▶ The LSBA's House of Delegates approved eight resolutions at the Annual Meeting, including opposing any legislation and government rules or regulations which would permit non-lawyers to engage in the practice of law.

▶ The LSBA celebrated its 75th anniversary with a commemorative June-July 2016 *Louisiana Bar Journal*. The special issue was coordinated by the Leadership LSBA 2015-16 Class.

▶ The LSBA's Access to Justice Department began seeking Bar members' participation in the new American Bar Association effort to provide free, online legal advice for low-income citizens. Louisiana's website, LA.freelegalanswers.org, launched in August 2016.

▶ A total of 19 students completed the June 13-July 1 Suit Up for the Future High School Summer Legal Institute and Internship Program.

# 19

▶ By June 2 order, the Louisiana Supreme Court amended Louisiana Rule of Professional Conduct 7.2(c)(5), in part, as it relates to the use of the terms "specialist," "specialty," "specializes in," "certified" and "board certified."

▶ By June 21 order, the Louisiana Supreme Court enacted Louisiana Rule of Professional Conduct 1.17, which handles "Sale of a Law Practice." The court order also amended Rule 5.4(a)(4), "Professional Independence of a Lawyer."

▶ The Leadership LSBA 2016-17 Class included 18 members.

## July 2016

▶ The LSBA supported 10 bills and opposed 29 bills in the 2016 Louisiana legislative session. Among the bills supported (and passed) were SB 203 which provided for certain penalties regarding the unauthorized practice of law and SB 301 which creates the Juvenile Justice Accountability and Cost Effectiveness Act of 2016.

## August 2016

▶ The LSBA offered wide-reaching services to members in the aftermath of the devastating flooding that affected a large portion of the state. LSBA President Darrel J. Papillion reported that the LSBA's disaster response website was activated.

▶ The SOLACE Program coordinated donations for non-monetary needs for flooding victims, including gift cards, furniture, office space, temporary housing and food.

▶ 130+ attorneys and judges volunteered to participate in the LSBA Committee on the Profession's Professionalism Orientations for 1L students at the state's four law schools (in August and October).

# 130+

## September 2016

▶ In observance of Constitution Day on Sept. 17, the Louisiana Center for Law and Civic Education organized 68 in-school presentations statewide, reaching more than 2,600 students. The presentations were organized through the Lawyers/Judges in the Classroom Programs.

## October 2016

▶ The LSBA's Memorial Exercises to honor deceased members of the Bench and Bar followed the Red Mass in New Orleans. LSBA Board of Governors member Rachael D. Johnson delivered the general eulogy.

▶ The LSBA's Access to Justice Program hosted the 13th annual Louisiana Justice Community Conference, with the theme "100% Access to Advance a Continuum of Legal Services."

# 13<sup>th</sup>

▶ 100+ attorneys volunteered for events statewide, reaching more than 700 people, on the Oct. 27 "Lawyers in Libraries" Day of Service, sponsored by the LSBA and the Louisiana Library Association.

▶ A total of 370 new admittees were sworn into the practice of law in October.

# 370

# LSBA YEAR IN REVIEW / JUNE 2016 – JUNE 2017

## LSBA BY THE NUMBERS

### November 2016

▶ The Louisiana Supreme Court’s Mandatory Continuing Legal Education Committee approved a CLE hardship exemption for 2016 for attorneys who have had substantial flood damage to their homes and/or offices.

### December 2016

▶ The 20th annual Secret Santa Project, coordinated by the Community Action Committee, assisted 689 children represented by 16 social service agencies in five Louisiana parishes.

689

### January 2017

▶ The LSBA’s Access to Justice Program, Louisiana pro bono programs and the American Bar Association partnered to distribute a statewide survey this month to assess the state of pro bono in the legal profession, quantify and recognize the pro bono work done by attorneys, and understand the factors that encourage or discourage pro bono service.

▶ Nearly 200 LSBA members who reached half a century and beyond in their legal practices were honored at the 50-60-70-Year Member Reception during the Mid-year Meeting.

200

▶ The LSBA’s House of Delegates considered nine resolutions and other business items at the Jan. 21 meeting. The House approved several resolutions, including an Access to Justice Commission proposal to secure funding for the state’s Legal Services Corporations through an increase in the annual notarial license renewal fees required of non-attorney notaries and another resolution from the Louisiana Board of Legal Specialization to add Health Law as a new specialization area.

9

### February 2017

▶ Members of the Louisiana Justice Reinvestment Task Force, including Louisiana Supreme Court Chief Justice Bernette Joshua Johnson, hosted a meeting on Feb. 15 at Southern University in Baton Rouge. The Task Force sought public testimony on criminal justice reform matters.

▶ The LSBA LIFT Program (Legal Innovators for Tomorrow) began a collaborative project at the New Orleans Family Justice Center.

### March 2017

▶ The Louisiana Access to Justice Commission Modest Means Committee’s online survey examined the lack of legal services available to clients falling into the “justice gap.”

▶ The Louisiana Supreme Court reapproved and expanded the LSBA Committee on the Profession’s Transition into Practice (TIP) Program statewide.

▶ The Louisiana Supreme Court approved an amended LSBA Plan of Legal Specialization.

▶ The Louisiana Civil Justice Center began its second “Justice Tour” in March, planning to address the overwhelming legal needs in the poorest and most underserved rural parishes in Louisiana.

### April 2017

▶ Several members of the LSBA’s leadership participated in the American Bar Association’s annual lobbying efforts, “ABA Day in Washington, DC,” on April 25-27.

### May 2017

▶ A total of 139 new admittees were sworn into the practice of law in May.

139

▶ A total of 32 legal professionals and law students were recognized for exceptional pro bono work at the May 23 Pro Bono Awards Ceremony at the Louisiana Supreme Court.

32

▶ The Louisiana Center for Law and Civic Education organized 66 Law Day presentations throughout the state, reaching more than 3,400 students.

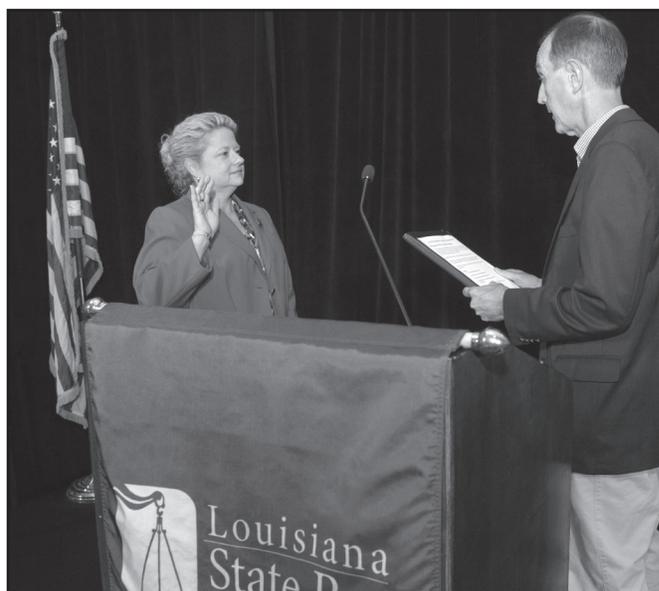
### June 2017

▶ Dona Kay Renegar, a member in the Lafayette law firm of Veazey, Felder & Renegar, L.L.C., was installed June 8 as the 77th president of the Louisiana State Bar Association by Louisiana Supreme Court Justice John L. Weimer.

77<sup>th</sup>

▶ Bradley J. Tate, tax manager for the firm Carr, Riggs & Ingram, L.L.C., was installed as the 2017-18 Young Lawyers Division chair by 1st Judicial District Court Judge Karelia R. Stewart.

▶ The Leadership LSBA 2017-18 Class included 16 members.



June 2017 / Dona Kay Renegar is sworn in as the 77th LSBA president by Louisiana Supreme Court Associate Justice John L. Weimer during the 2017 Annual Meeting. Photo by Matthew Hinton Photography.

To the Board of Governors  
Louisiana State Bar Association  
New Orleans, LA

We have audited the accompanying consolidated financial statements of the Louisiana State Bar Association and affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Bar Association and affiliates as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Adjustments to Prior Period Financial Statements

The consolidated financial statements of the Louisiana State Bar Association and affiliates as of and for the year ended June 30, 2016 were audited by other auditors whose report dated June 29, 2017 expressed an unmodified opinion on those consolidated statements. As discussed in Note 16, the Louisiana State Bar Association and affiliates have restated the 2016 consolidated financial statements during the current year to correct a consolidation error which resulted in the overstatement of temporarily restricted net assets and an understatement of unrestricted net assets as of June 30, 2016. The other auditors reported on the 2016 consolidated financial statements before the restatement.

As part of our audit of the 2017 consolidated financial statements, we also audited adjustments described in Note 16 that were applied to restate the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 consolidated financial statements of Louisiana State Bar Association and affiliates other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements as a whole.

### Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited 2016 consolidated financial statements from which it has been derived.

New Orleans, Louisiana  
June 11, 2018

*Bourgeois Bennett, L.L.C.*  
Certified Public Accountants

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statement of Financial Position**

June 30, 2017  
(with comparative totals for 2016)

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 3,162,835	\$ 1,935,722	\$ 11,501	\$ 5,110,058	\$ 4,509,113
Receivables	73,516	19,500	-	93,016	40,579
Accrued interest receivable	20,961	-	-	20,961	21,793
Prepaid expenses	70,054	175	-	70,229	50,706
Total current assets	3,327,366	1,955,397	11,501	5,294,264	4,622,191
<b>Investments</b>	7,455,224	383,411	19,159	7,857,794	7,790,795
<b>Property and Equipment, net</b>	2,078,727	1,556	-	2,080,283	2,260,884
<b>Deposits</b>	2,250	-	-	2,250	2,250
<b>Totals</b>	<u>\$ 12,863,567</u>	<u>\$ 2,340,364</u>	<u>\$ 30,660</u>	<u>\$ 15,234,591</u>	<u>\$ 14,676,120</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>Current Liabilities</b>					
Unearned revenue	\$ 2,602,050	\$ -	\$ -	\$ 2,602,050	\$ 2,505,097
Accounts payable and accrued expenses	468,236	-	-	468,236	439,998
Total current liabilities	3,070,286	-	-	3,070,286	2,945,095
<b>Net Assets</b>					
Unrestricted:					
Board designated capital reserve	1,000,000	-	-	1,000,000	1,000,000
Undesignated	8,793,281	-	-	8,793,281	8,374,450
Temporarily restricted	-	2,340,364	-	2,340,364	2,329,255
Permanently restricted	-	-	30,660	30,660	27,320
Total net assets	9,793,281	2,340,364	30,660	12,164,305	11,731,025
<b>Totals</b>	<u>\$ 12,863,567</u>	<u>\$ 2,340,364</u>	<u>\$ 30,660</u>	<u>\$ 15,234,591</u>	<u>\$ 14,676,120</u>

See accompanying notes to consolidated financial statements.

LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES

Consolidated Statement of Activities

For the year ended June 30, 2017  
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
<b>Support, Revenue, Gains, and Reclassifications</b>					
Membership dues	\$ 4,072,623	\$ 101,238	\$ -	\$ 4,173,861	\$ 4,139,579
Seminars, conferences, programs, and luncheons	1,011,596	43,567	-	1,055,163	1,083,453
Royalties	500,319	-	-	500,319	315,372
Contributions and grants	222,539	216,490	-	439,029	663,095
Advertising	223,524	-	-	223,524	218,819
Annual meeting	432,436	-	-	432,436	456,145
Lawyer advertising filing fees	153,925	-	-	153,925	170,650
Disciplinary assessment processing	31,287	-	-	31,287	23,250
Gain on investments, net	430,183	-	-	430,183	296,802
Interest	185,638	30,794	3,340	219,772	190,865
Rental income	51,324	-	-	51,324	47,047
Sales of membership labels	15,985	-	-	15,985	11,869
Penalties	10,800	-	-	10,800	14,550
Sales of brochures and books	800	-	-	800	-
Miscellaneous income	71,284	72	-	71,356	79,062
Net assets released from restrictions	460,152	(460,152)	-	-	-
 Total support, revenue, gains, and reclassifications	 7,874,415	 (67,991)	 3,340	 7,809,764	 7,710,558

**Exhibit B  
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
<b>Expenses</b>					
Program services:					
Staff compensation and benefits and meetings	3,048,322	-	-	3,048,322	3,386,756
Travel and per diem	613,569	-	-	613,569	642,325
Annual meeting	355,406	-	-	355,406	328,248
Professional programs	327,817	-	-	327,817	332,104
Seminars, conferences, programs, Supplies, awards, and gifts	308,157	-	-	308,157	247,894
Louisiana Bar Journal, Bar Briefs, and LSBA.org	196,346	-	-	196,346	198,955
Stationery, printing, and postage	149,398	-	-	149,398	172,418
Computer assisted legal program	135,392	-	-	135,392	145,277
Miscellaneous	124,688	-	-	124,688	124,644
Contributions	82,269	-	-	82,269	113,712
Telephone	84,250	-	-	84,250	94,000
Rent	22,757	-	-	22,757	25,216
Bar admission ceremonies	20,251	-	-	20,251	22,950
	430	-	-	430	678
Total officials, sections, committees, and services	<u>5,469,052</u>	<u>-</u>	<u>-</u>	<u>5,469,052</u>	<u>5,835,177</u>
General expenses:					
Staff compensation and benefits	1,153,139	-	-	1,153,139	1,010,458
Depreciation	193,143	-	-	193,143	192,587
Property management	132,026	-	-	132,026	119,387
Professional services	112,108	-	-	112,108	158,426
Equipment and computer rental and maintenance	104,198	-	-	104,198	149,427
Office supplies	87,712	-	-	87,712	105,377
Insurance	59,567	-	-	59,567	64,989
Lobbying	48,000	-	-	48,000	51,000
Telephone	41,159	-	-	41,159	47,999
Travel and per diem and meetings	26,553	-	-	26,553	25,915
Advertising	11,937	-	-	11,937	13,323
Business income and proxy taxes	11,248	-	-	11,248	13,724
Rent	6,859	-	-	6,859	4,050
Miscellaneous	1,197	-	-	1,197	46,188
Repairs and maintenance	-	-	-	-	3,792
Educational materials	-	-	-	-	2,057
Stationery, printing, and postage	(2,314)	-	-	(2,314)	4,806
Total general expenses	<u>1,986,532</u>	<u>-</u>	<u>-</u>	<u>1,986,532</u>	<u>2,013,505</u>
Total expenses	<u>7,455,584</u>	<u>-</u>	<u>-</u>	<u>7,455,584</u>	<u>7,848,682</u>
<b>Change in Net Assets</b>	418,831	(67,991)	3,340	354,180	(138,124)
<b>Net Assets</b>					
Beginning of year, as restated (See Note 16)	9,374,450	2,329,255	27,320	11,731,025	11,869,149
Net transfer in from Louisiana Board of Legal Specialization	<u>-</u>	<u>79,100</u>	<u>-</u>	<u>79,100</u>	<u>-</u>
End of year	<u>\$ 9,793,281</u>	<u>\$ 2,340,364</u>	<u>\$ 30,660</u>	<u>\$ 12,164,305</u>	<u>\$ 11,731,025</u>

See accompanying notes to consolidated financial statements.

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statement of Cash Flows**

For the year ended June 30, 2017  
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
<b>Cash Flows From Operating Activities</b>					
Change in net assets	\$ 418,831	\$ (67,991)	\$ 3,340	\$ 354,180	\$ (138,124)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Contributions to LCLCE endowment	-	-	(3,340)	(3,340)	-
Depreciation	197,454	-	-	197,454	193,681
Gain on investments	(430,183)	-	-	(430,183)	(296,802)
Decrease (increase) in receivables	(32,937)	(19,500)	-	(52,437)	20,782
Decrease in accrued interest	832	-	-	832	5,485
(Increase) decrease in prepaid expenses	(19,788)	265	-	(19,523)	(9,207)
Increase (decrease) in unearned revenue	96,953	-	-	96,953	(115,453)
Increase in accounts payable and accrued expenses	28,238	-	-	28,238	24,964
Net cash provided by (used in) operating activities	259,400	(87,226)	-	172,174	(314,674)
<b>Cash Flows From Investing Activities</b>					
Purchase of investments	(3,743,101)	(11,094)	-	(3,754,195)	(3,309,621)
Proceeds from sale of investments	4,109,218	-	8,161	4,117,379	4,424,467
Purchases of property and equipment	(16,853)	-	-	(16,853)	(45,284)
Net cash provided by (used in) investing activities	349,264	(11,094)	8,161	346,331	1,069,562
<b>Cash Flows From Financing Activities</b>					
Net transfer in from Louisiana Board of Legal Specialization	-	79,100	-	79,100	-
Collections of contributions to LCLCE endowment	-	-	3,340	3,340	-
Net cash provided by financing activities	-	79,100	3,340	82,440	-
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	608,664	(19,220)	11,501	600,945	754,888
<b>Cash and Cash Equivalents</b>					
Beginning of year, as restated (See Note 16)	2,554,171	1,954,942	-	4,509,113	3,754,225
End of year	<u>\$ 3,162,835</u>	<u>\$ 1,935,722</u>	<u>\$ 11,501</u>	<u>\$ 5,110,058</u>	<u>\$ 4,509,113</u>
<b>Supplemental Disclosure of Cash Flow Information</b>					
Cash paid during the year for unrelated business income taxes	<u>\$ 11,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,248</u>	<u>\$ 13,724</u>

See accompanying notes to consolidated financial statements.

# LOUISIANA STATE BAR ASSOCIATION AND AFFILIATE

## Notes to Consolidated Financial Statements June 30, 2017 and 2016

### Note 1 — ORGANIZATION AND NATURE OF ACTIVITIES

The Louisiana State Bar Association (“the Association” or LSBA) is a nonprofit corporation organized under the laws of the State of Louisiana (R.S.37:211). The objects and purposes of the Association are to regulate the practice of law, advance the science of jurisprudence, promote the administration of justice, uphold the honor of the Courts and the profession of law, encourage cordial intercourse among its members, and generally, to promote the welfare of the profession in the State of Louisiana. The Association is self-governing and its membership is comprised of all persons who are now, or may hereafter be, licensed to practice in the State of Louisiana.

### Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### b. Consolidation Policy

The consolidated financial statements as of and for the years ended June 30, 2017 and 2016 include the accounts of the Association, Judges and Lawyers Assistance Program, Inc. (JLAP), and Louisiana Center for Law and Civic Education, Inc. (LCLCE). Effective September 29, 2014, JLAP amended and restated its bylaws, making the Association its sole member. On June 7, 2010, the Association and LCLCE entered into an agreement through which the Association committed to provide funding to LCLCE and which gave the Association’s Board of Governors the power to appoint the Board of Directors of LCLCE. Both JLAP and LCLCE are consolidated due to the Association having both an economic interest in and control of the organizations. All material intra-entity transactions have been eliminated.

#### c. Financial Statement Presentation

The Association’s net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. The Association receives membership dues, conference fees, and other revenues which are to be expended and accounted for by the following specific accounts: Access to Justice Program - Project Grants; Access to Justice Program - Legal Services and Louisiana Bar Foundation Grants; Legal Malpractice Insurance Fund; Legal Specialization; Young Lawyers Section - Grant Fund; Young Lawyers Section - Bridging the Gap; and each of the other Section accounts created by the House of Delegates. LCLCE receives contributions and grants which may be restricted as to time or use.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations. The permanently restricted net assets as of June 30, 2017 and 2016 are held by LCLCE as a permanently restricted endowment.

#### d. Comparative Financial Information

The consolidated statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association’s consolidated financial statements as of and for the year ended June 30, 2016, from which the summarized information was derived.

**e. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**f. Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Association considers all highly liquid investments in money market funds to be cash equivalents.

**g. Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements.

Unrealized gains and losses on investments are included in the Consolidated Statements of Activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted. Investment income and realized and unrealized gains and losses from the investment accounts referred to as the Core Investments are unrestricted. Investment income on the Legal Malpractice Insurance Fund, Legal Specialization Fund, and other Section accounts is temporarily restricted. Interest income on LCLCE's permanently restricted accounts is permanently restricted.

**h. Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is recorded over the estimated useful lives of the respective assets using the straight-line method. The useful lives range from 3 to 10 years for furniture and equipment, from 10 to 15 years for building improvements, and is 39 years for the building. Additions and major improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

**i. Unearned Revenue**

Unearned revenue consists of dues received in advance for the following year and registration fees received as of year end for seminars to be held in the following year.

**j. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

**k. Donated Services**

A portion of the Association's functions, including educational activities and publications, is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying consolidated financial statements since the volunteers' time does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

**l. Reclassification**

Certain balances in the 2016 consolidated financial statements have been reclassified to conform to the 2017 consolidated financial statement presentation.

**m. Subsequent Events**

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through June 11, 2018, which is the date that the consolidated financial statements were available to be issued.

**n. Accounting Changes**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU decreases the number of net asset classes from three to two, requires both reporting of and an analysis of expenses by function and nature, enhances disclosure of underwater endowments, and requires the presentation of qualitative information on the management of liquid available resources and the risks to liquidity. The ASU is effective for fiscal years beginning after December 15, 2017, with early application permitted. The Association is currently considering the impact of this pronouncement on its financial statements.

**Note 3 — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted cash and cash equivalents:		
LSBA	\$ 2,782,364	\$ 2,252,341
LCLCE	115,844	71,816
JLAP	<u>264,627</u>	<u>230,014</u>
	<u>3,162,835</u>	<u>2,554,171</u>
Temporarily restricted cash and cash equivalents:		
LSBA Sections	1,907,144	1,917,558
LCLCE	28,578	37,384
JLAP	<u>-</u>	<u>-</u>
	<u>1,935,722</u>	<u>1,954,942</u>
Permanently restricted cash and cash equivalents:		
LSBA Sections	-	-
LCLCE	<u>11,501</u>	<u>-</u>
	<u>11,501</u>	<u>-</u>
Totals	<u>\$ 5,110,058</u>	<u>\$ 4,509,113</u>

**Note 4 — CONCENTRATION OF CREDIT RISK**

The Association periodically maintains cash and cash equivalents in bank accounts in excess of insured limits. The Association has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. As of June 30, 2017, the Association had cash and cash equivalents of approximately \$2.6 million in excess of insured limits.

**Note 5 — INVESTMENTS**

Investments held as of June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>		<u>2016</u>	
	Cost	Fair Value	Cost	Fair Value
LSBA:				
Unrestricted:				
Common stock	\$ 2,609,399	\$ 4,410,409	\$ 2,917,845	\$ 4,630,624
Corporate bonds	3,075,753	3,044,815	2,659,081	2,655,684
Municipal bond	-	-		
Temporarily restricted:				
Variable annuity contract	<u>383,411</u>	<u>383,411</u>	<u>100,600</u>	<u>100,591</u>
Total - LSBA	<u>6,068,563</u>	<u>7,838,635</u>	<u>6,049,770</u>	<u>7,759,143</u>
LCLCE:				
Unrestricted:				
Bank certificate of deposit	-	-	4,259	4,259
Temporarily restricted:				
Cash and certificate of deposit	-	-	73	73
Permanently restricted:				
Cash	-	-	12,200	12,200
Bank certificate of deposit	<u>19,159</u>	<u>19,159</u>	<u>15,120</u>	<u>15,120</u>
Total - LCLCE	<u>19,159</u>	<u>19,159</u>	<u>31,652</u>	<u>31,652</u>
Totals	<u>\$ 6,087,722</u>	<u>\$ 7,857,794</u>	<u>\$ 6,081,422</u>	<u>\$ 7,790,795</u>

**Note 5 — INVESTMENTS (Continued)**

Presented below is a summary of realized and unrealized gains and losses on investments for the years ended June 30, 2017 and 2016:

	2017		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balances as of June 30, 2017	\$ 6,087,722	\$ 7,857,794	\$ 1,770,072
Balances as of June 30, 2016	<u>\$ 6,081,422</u>	<u>\$ 7,790,795</u>	1,709,373
Unrealized gain on investments			60,699
Realized gain for the year			<u>369,484</u>
Gain on investments, net			<u>\$ 430,183</u>
	2016		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balances as of June 30, 2016	\$ 6,081,422	\$ 7,790,795	\$ 1,709,373
Balances as of June 30, 2015	<u>\$ 7,131,661</u>	<u>\$ 8,608,392</u>	1,476,731
Unrealized gain on investments			232,642
Realized gain for the year			<u>64,160</u>
Gain on investments, net			<u>\$ 296,802</u>

Interest earned on investments for the years ended June 30, 2017 and 2016 of \$219,772 and \$190,865, respectively, is presented net of investment expense of \$38,460 and \$15,408, respectively.

## Note 6 — ASSETS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- ▶ Quoted prices for similar assets or liabilities in active markets;
- ▶ Quoted prices for identical or similar assets or liabilities in inactive markets;
- ▶ Inputs other than quoted prices that are observable for the asset or liability;
- ▶ Inputs that are derived principally from or corroborated by observable market data by correlation of other means.

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

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

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2017 and 2016.

- ▶ *Common stocks*. Valued at the closing price reported on the active market on which the individual securities are traded.
- ▶ *Corporate bonds*. Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value of yields currently available on comparable securities of issuers with similar credit ratings.
- ▶ *Municipal bond*. Valued using pricing models maximizing the use of observable inputs for similar securities.
- ▶ *Money market funds*. Valued at the daily closing price as reported by the fund. Money market funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.
- ▶ *Variable annuity contract*. Valued at cash redemption value as reported to the Association by MassMutual Financial Group.
- ▶ *Certificate of deposit*. Valued at carrying amount, which approximates fair value due to the short maturity for the instrument.

These methodologies may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes these valuation methodologies are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 6 — ASSETS MEASURED AT FAIR VALUE (Continued)**

The following tables set forth by level within the fair value hierarchy, the Association's assets at fair value as of June 30, 2017 and 2016:

Description June 30, 2017	Total Assets Measured At Fair Value	Based on:		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Common stock:				
Information technology	\$ 1,008,919	\$ 1,008,919	\$ -	\$ -
Health care	559,014	559,014	-	-
Consumer staples	502,417	502,417	-	-
Financials	591,850	591,850	-	-
Energy	411,755	411,755	-	-
Industrials	586,703	586,703	-	-
Consumer discretionary	485,676	485,676	-	-
Materials	170,289	170,289	-	-
Telecommunication	93,786	93,786	-	-
Corporate bonds:				
Credit rating:				
A-	723,408	-	723,408	-
AA-	203,639	-	203,639	-
BBB+	1,113,535	-	1,113,535	-
BBB	1,004,233	-	1,004,233	-
Variable annuity contract	383,411	-	383,411	-
Certificate of deposit	19,159	19,159	-	-
Totals - investments	7,857,794	4,429,568	3,428,226	-
Money market accounts included in cash and cash equivalents				
	1,212,660	1,212,660	-	-
Totals	<u>\$ 9,070,454</u>	<u>\$ 5,642,228</u>	<u>\$ 3,428,226</u>	<u>\$ -</u>

**Note 6 - ASSETS MEASURED AT FAIR VALUE (Continued)**

Description June 30, 2016	Total Assets Measured At Fair Value	Based on:		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Investments:</b>				
Common stock:				
Information technology	\$ 951,373	\$ 951,373	\$ -	\$ -
Health care	614,687	614,687	-	-
Consumer staples	1,038,720	1,038,720	-	-
Financials	645,870	645,870	-	-
Industrials	154,252	154,252	-	-
Services	722,646	722,646	-	-
Materials	503,076	503,076	-	-
Corporate bonds:				
Credit rating:				
A	401,294	-	401,294	-
A-	204,952	-	204,952	-
BBB+	1,138,296	-	1,138,296	-
BBB	609,792	-	609,792	-
BBB-	301,350	-	301,350	-
Municipal bonds:				
Credit rating:				
A	100,591	-	100,591	-
Variable annuity contract	372,244	-	372,244	-
Other - LCLCE investments	31,652	31,652	-	-
Totals - investments	7,790,795	4,662,276	3,128,519	-
Money market accounts included in cash and cash equivalents				
	1,499,367	1,499,367		
Totals	<u>\$ 9,290,162</u>	<u>\$ 6,161,643</u>	<u>\$ 3,128,519</u>	<u>\$ -</u>

**Note 7 — RISKS AND UNCERTAINTIES**

The Association invests in various investments including stocks and fixed income obligations. Investment securities, in general, are subject to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the consolidated financial statements.

**Note 8 — PROPERTY AND EQUIPMENT**

Major classes of property and equipment as of June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
LSBA		
Louisiana Bar Center		
Building	\$ 1,881,646	\$ 1,881,646
Construction in progress	-	17,472
Improvements	1,694,770	1,663,567
Furniture and equipment	<u>975,584</u>	<u>972,462</u>
	4,552,000	4,535,147
Less accumulated depreciation	<u>(2,482,082)</u>	<u>(2,290,660)</u>
	<u>2,069,918</u>	<u>2,244,487</u>
LCLCE		
Library	30,133	30,133
Furniture and equipment	<u>2,199</u>	<u>2,199</u>
	32,332	32,332
Less accumulated depreciation	<u>(32,097)</u>	<u>(31,813)</u>
	<u>235</u>	<u>519</u>
JLAP		
Furniture and equipment	32,532	36,076
Less accumulated depreciation	<u>(22,402)</u>	<u>(20,198)</u>
	<u>10,130</u>	<u>15,878</u>
Property and equipment, net	<u><u>\$ 2,080,283</u></u>	<u><u>\$ 2,260,884</u></u>

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$197,454 and \$193,681, respectively.

Note 9 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Access to Justice Program - Project Grants	\$ 36,802	\$ 35,824
Legal Malpractice Insurance Trust	1,032,431	1,032,431
Legal Specialization Fund	468,351	375,335
Young Lawyers Section - Grant Fund	47	47
Young Lawyers Section - Bridging the Gap	16,353	16,353
Sections:		
Administrative Law	9,560	9,260
Alternative Dispute Resolution	53,048	59,923
Animal Law	5,214	7,138
Antitrust and Trade Regulation Law	4,585	5,974
Appellate Section	9,108	10,478
Art, Entertainment, and Sports Law Section	5,798	7,050
Bankruptcy Law	23,123	22,336
Bench and Bar	7,798	10,444
Bill of Rights	-	2,590
Civil Law and Litigation	60,200	68,065
Class Action, Mass Tort, and Complex Litigation Law	8,138	10,257
Consumer Protection Law	7,435	7,925
Corporate and Business Law	85,774	102,187
Criminal Law	6,165	3,765
Environmental Law	2,865	11,230
Family Law	30,975	34,739
Fidelity, Surety, and Construction Law	34,780	35,981
Francophone	6,417	7,056
Government and Public Law	15,176	27,899
Health Law	21,605	27,035
Immigration Law	646	622
Insurance, Tort, Workers' Compensation, and Admiralty Law	8,361	17,588
Intellectual Property	19,579	21,329
International Law	6,561	10,794
Labor and Employment Law	18,218	19,037
Mineral Law	56,913	58,361
Minority Involvement	11,879	12,108
Public Utility	20,484	23,939
Solo and Small Firm	22,423	21,745
Taxation	62,979	62,108
Trusts, Estate, Probate, and Immovable Property Law	112,495	112,845
Total temporarily restricted net assets - LSBA	2,292,286	2,291,798
Temporarily restricted net assets - LCLCE	48,078	37,457
Total temporarily restricted net assets	<u>\$ 2,340,364</u>	<u>\$ 2,329,255</u>

#### Note 10 — RENTAL INCOME

A portion of the Louisiana Bar Center building not currently needed for the Association's operations is rented to the Judiciary Commission of Louisiana under a month-to-month lease which commenced on July 1, 2016. Rental income for the years ended June 30, 2017 and 2016 totaled \$51,324 and \$47,047, respectively.

#### Note 11 — RETIREMENT PLAN

The Association has a defined contribution plan covering substantially all employees who meet certain eligibility requirements. The plan is a profit-sharing plan with a cash or deferred arrangement. The contributions during the years ended June 30, 2017 and 2016 totaled \$268,718 and \$247,515, respectively.

#### Note 12 — CONSOLIDATED AFFILIATE

As discussed in Note 2b, effective June 7, 2010, the Association entered into an agreement with LCLCE which gave it an economic interest in and control of LCLCE. The Association committed to provide annual funding to LCLCE in the amount of \$50,000 annually for an initial term of five years. Thereafter, the agreement automatically renews in one-year increments unless either party elects to terminate the agreement. Net assets of the consolidated affiliate totaling \$189,242 and \$148,380 have been included in the Consolidated Statements of Financial Position as of June 30, 2017 and 2016, respectively.

As discussed in Note 2b, effective September 29, 2014, JLAP amended and restated its bylaws, making LSBA its sole member. The Association has committed to providing annual funding to JLAP in an amount to be determined annually. Net assets of JLAP totaling \$289,967 and \$280,110 have been included in the Consolidated Statements of Financial Position as of June 30, 2017 and 2016, respectively.

#### Note 13 — RELATED PARTY

The Association and the Louisiana Civil Justice Center (LCJC) are separate functioning organizations sharing a common mission. Effective August 2009, the Association's Board of Governors appoints the LCJC Board of Governors. Amounts totaling \$10,000 and \$37,500 were provided by LSBA to LCJC during the years ended June 30, 2017 and 2016, respectively. Currently, the LCJC occupies space on the third floor of the Bar Center building rent free. A formal agreement had not been finalized as of June 30, 2017.

The Association and the Louisiana Client Assistance Foundation (LCAF) are separately functioning organizations sharing a common mission. The Association's Board of Governors appoints the LCAF Board of Governors. No financial support was provided by the Association to LCAF during the years ended June 30, 2017 and 2016.

#### Note 14 — INCOME TAXES

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. It is exempt from state income taxes under Section 121(6) of Title 47 of the Louisiana Revised Statutes of 1950. Net operating profits from unrelated business income, if any, are subject to federal income tax. The Association had taxable unrelated business income for the years ended June 30, 2017 and 2016 of approximately \$67,000 and \$55,000, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other taxing authorities. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Note 15 — COMMITMENT**

In 2005, the Association entered into an agreement with Fastcase.com, Inc. ("Fastcase"), to provide members of the Association with unlimited access to the Fastcase legal research system. Effective in June 2010, this agreement was amended. The amended agreement had a term of five years and now automatically renews until such time either party elects to terminate the agreement. Fees under this agreement totaled \$124,644 and \$180,966 for the years ended June 30, 2017 and 2016, respectively.

**Note 16 — PRIOR PERIOD ADJUSTMENT**

An error was made in the consolidation of the LCLCE's statement of financial position as of June 30, 2016, resulting in an understatement of unrestricted net assets and an overstatement of temporarily restricted net assets as of June 30, 2016.

A prior period adjustment was made to correctly present net assets as of June 30, 2016, as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Net Assets:</b>				
Net assets,				
as previously reported	\$ 9,324,450	\$ 2,379,255	\$ 27,320	\$ 11,731,025
Reclassification	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Net assets, as restated	<u>\$ 9,374,450</u>	<u>\$ 2,329,255</u>	<u>\$ 27,320</u>	<u>\$ 11,731,025</u>
<b>Cash and Cash Equivalents:</b>				
Beginning of year,				
as previously reported	\$ 2,504,171	\$ 2,004,942	\$ -	\$ 4,509,113
Reclassification	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Beginning of year, restated	<u>\$ 2,554,171</u>	<u>\$ 1,954,942</u>	<u>\$ -</u>	<u>\$ 4,509,113</u>



**Louisiana**  
**State Bar**  
Association

*Serving the Public. Serving the Profession.*

**Louisiana State Bar Association**

601 St. Charles Ave.  
New Orleans, LA 70130-3404  
(800)421-5722, (504)566-1600  
[www.lsba.org](http://www.lsba.org)