



# 2004 LSBA Annual Report

Supplement to *Louisiana Bar Journal* December 2004/January 2005

# Financial

## INDEPENDENT AUDITOR'S REPORT

### Board of Governors

### Louisiana State Bar Association

### New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Louisiana State Bar Association as of June 30, 2004 and 2003, the related statement of activities for the year ended June 30, 2004, and statements of cash flows for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Bar Association as of June 30, 2004 and 2003, the changes in its net assets for the year ended June 30, 2004, and its cash flows for the years ended June 30, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America.

The 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 State of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

*Bourgeois Bennett, L.L.C.*

**Bourgeois Bennett, L.L.C.**  
Certified Public Accountants  
New Orleans, Louisiana  
September 29, 2004

**STATEMENTS OF FINANCIAL POSITION****Louisiana State Bar Association**

June 30, 2004  
(with comparative totals for June 30, 2003)

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004 Totals</u>	<u>2003 Totals</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,507,265	\$ 903,706	\$ 2,410,971	\$ 1,755,126
Investments	2,377,380	190,006	2,567,386	4,015,934
Receivables	63,001	26,051	89,052	57,666
Accrued interest receivable	33,711	-	33,711	35,674
Prepaid expenses	42,391	-	42,391	51,185
Total current assets	<u>4,023,748</u>	<u>1,119,763</u>	<u>5,143,511</u>	<u>5,915,585</u>
<b>Property and Equipment</b>				
Furniture and equipment	954,184	4,063	958,247	923,702
Bar Center	1,881,646	-	1,881,646	-
	2,835,830	4,063	2,839,893	923,702
Less accumulated depreciation	<u>609,317</u>	<u>2,631</u>	<u>611,948</u>	<u>552,924</u>
Net property and equipment	<u>2,226,513</u>	<u>1,432</u>	<u>2,227,945</u>	<u>370,778</u>
Totals	<u>\$ 6,250,261</u>	<u>\$ 1,121,195</u>	<u>\$ 7,371,456</u>	<u>\$ 6,286,363</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Unearned revenue	\$ 1,033,322	\$ -	\$ 1,033,322	\$ 1,091,142
Accounts payable and accrued expenses	453,758	-	453,758	385,554
Total current liabilities	<u>1,487,080</u>	<u>-</u>	<u>1,487,080</u>	<u>1,476,696</u>
<b>Other Liabilities</b>				
Deferred rent	193,564	-	193,564	-
Total liabilities	<u>1,680,644</u>	<u>-</u>	<u>1,680,644</u>	<u>1,476,696</u>
<b>Net Assets</b>				
Unrestricted	4,569,617	-	4,569,617	3,712,550
Temporarily restricted	-	1,121,195	1,121,195	1,097,117
Total net assets	<u>4,569,617</u>	<u>1,121,195</u>	<u>5,690,812</u>	<u>4,809,667</u>
Totals	<u>\$ 6,250,261</u>	<u>\$ 1,121,195</u>	<u>\$ 7,371,456</u>	<u>\$ 6,286,363</u>

See accompanying notes to financial statements.

**SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS****Louisiana State Bar Association**

June 30, 2004

(with comparative totals for June 30, 2003)

	2004	2003
Access to Justice Program Project Grants	\$ 43,638	\$ 6,196
Access to Justice	-	-
ADA Accommodations Fund	-	21,379
Annual Meeting Fund	-	38,807
Exam Fee	-	15,089
Legal Malpractice Insurance Trust	256,461	250,151
Legal Specialization Fund	239,285	177,972
Tax Specialization Account	-	59,053
Young Lawyers Section - Grant Fund	200	309
Young Lawyers Section, Bridging the Gap	17,404	17,501
Sections:		
Administrative Law	1,611	893
Alternative Dispute Resolution	50,186	42,868
Antitrust and Trade Regulation Law	8,346	7,668
Bench and Bar	3,585	2,220
Bill of Rights	1,453	1,033
Civil Law and Litigation	49,138	49,872
Consumer Protection and Bankruptcy Law	26,884	25,937
Corporate and Business Law	78,900	73,859
Criminal Law	14,486	13,082
Environmental Law	17,439	16,085
Family Law	27,866	24,384
Fidelity, Surety, and Construction Law	18,012	16,277
Francophone	898	1,928
Government and Public Law	35,960	27,886
Health Law	11,896	9,821
Insurance, Negligence, Compensation and Admiralty Law	21,156	15,282
Intellectual Property	16,092	13,414
International Law	3,412	2,355
Labor and Employment Law	10,756	9,686
Mineral Law	41,951	40,066
Minority Involvement	2,453	4,545
Public Utility	13,906	6,971
Solo and Small Firm	10,873	10,471
Taxation	33,202	35,330
Trusts, Estate, Probate and Immovable Property Law	63,746	58,727
	<u>\$ 1,121,195</u>	<u>\$ 1,097,117</u>
Total temporarily restricted net assets	<u>\$ 1,121,195</u>	<u>\$ 1,097,117</u>

See accompanying notes to financial statements.

**STATEMENT OF ACTIVITIES****Louisiana State Bar Association**

For the year ended June 30, 2004  
(with summarized information for the year ended June 30, 2003)

	Unrestricted	Temporarily Restricted	2004 Totals	2003 Totals
<b>Support, Revenue, Gains and Reclassifications</b>				
Membership dues	\$ 1,745,175	\$ 195,465	\$ 1,940,640	\$ 1,914,533
Penalties	20,050	1,350	21,400	24,050
Seminars, conferences and luncheons	747,679	61,906	809,585	867,141
Royalties	341,875		341,875	356,573
Contributions	-	278,866	278,866	227,398
MCLE fees	256,284		256,284	270,144
Annual meetings	217,058		217,058	229,244
Advertising	213,872		213,872	187,628
Web site advertising	13,757		13,757	6,240
Interest	112,341	12,588	124,929	145,350
Gain (loss) on investments, net	(42,034)		(42,034)	38,979
Sublease income	64,924		64,924	82,993
Fees and administrative services:				
Disciplinary assessment processing	55,643		55,643	53,384
Annual meeting	-		-	6,990
Fee arbitration program	2,600		2,600	2,509
Sales of membership labels	32,744		32,744	26,464
Practice assistance	30,200		30,200	-
Examination, accreditation and reinstatement fees	-	18,500	18,500	316,971
Loss on disposal of property and equipment	(4,925)		(4,925)	(4,050)
Miscellaneous Income	22,420		22,420	-
Rent credit income	856,436	-	856,436	-
Net assets released from restrictions	549,028	(549,028)	-	-
Reclassifications	(77,874)	77,874	-	-
	<u>5,157,253</u>	<u>97,521</u>	<u>5,254,774</u>	<u>4,752,541</u>
Total support, revenue, gains and reclassifications				

See accompanying notes to financial statements.

Exhibit B (continued on page 6)

**Exhibit B  
(Continued)**

	Unrestricted	Temporarily Restricted	2004 Totals	2003 Totals
<b>Expenses</b>				
For officials, sections, committees, and services:				
Annual meetings	197,302		197,302	200,418
MCLE expense	177,127		177,127	192,055
Travel and per diem	234,966		234,966	231,190
Seminars, conferences and luncheons	334,762		334,762	451,818
Supplies, awards and gifts	237,162		237,162	221,252
Telephone	21,365		21,365	26,329
Administering exams	237		237	109,396
Publication costs of Louisiana Bar Journal and Bar Briefs	197,620		197,620	201,780
Practice Assistance Program	505,484		505,484	423,515
Stationery, printing and postage	279,592		279,592	314,474
Louisiana Client Assistance Foundation	-		-	100,000
Professional services	128,947		128,947	82,343
Scholarships	5,040		5,040	4,990
Claims paid	-		-	61,224
Depreciation	955		955	777
Miscellaneous	29,550		29,550	73,810
	<u>2,350,109</u>	<u>-</u>	<u>2,350,109</u>	<u>2,695,371</u>
Total officials, sections, committees, and services				
General expense:				
Staff compensation	991,375		991,375	975,666
Accounting services	23,761		23,761	32,488
Retirement plans	55,984		55,984	46,698
Insurance	123,863		123,863	106,880
Equipment and computer rental and maintenance	106,101		106,101	103,269
Office supplies	27,454		27,454	32,509
Payroll taxes	57,039		57,039	60,521
Stationery, printing and postage	32,649		32,649	40,778
Rent and office maintenance	369,176		369,176	382,896
Telephone	51,162		51,162	49,810
Travel and per diem and meetings	17,617		17,617	15,230
Automobile allowance and parking	22,640		22,640	26,451
Depreciation	75,253		75,253	58,091
Royalties	803		803	-
Miscellaneous	34,007		34,007	15,439
	<u>1,988,884</u>	<u>-</u>	<u>1,988,884</u>	<u>1,946,726</u>
Total general expense				
Total expense	<u>4,338,993</u>	<u>-</u>	<u>4,338,993</u>	<u>4,642,097</u>
<b>Change in Net Assets</b>	818,260	97,521	915,781	110,444
<b>Net Assets</b>				
Beginning of year	3,712,550	1,097,117	4,809,667	4,929,223
Program distributions	38,807	(73,443)	(34,636)	(230,000)
End of year	<u>\$ 4,569,617</u>	<u>\$ 1,121,195</u>	<u>\$ 5,690,812</u>	<u>\$ 4,809,667</u>

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS****Louisiana State Bar Association**

For the year ended June 30, 2004  
(with comparative totals for the year ended June 30, 2003)

	Unrestricted	Temporarily Restricted	2004 Totals	2003 Totals
<b>Cash Flows From Operating Activities</b>				
Change in net assets	\$ 818,260	\$ 97,521	\$ 915,781	\$ 110,444
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Rent credit income	(856,436)	-	(856,436)	-
Depreciation	75,253	955	76,208	58,868
Loss (gain) on investments	42,034		42,034	(38,979)
Loss on disposal of property and equipment	4,925		4,925	4,050
Decrease (increase) in receivables	(24,880)	(6,506)	(31,386)	67,624
Decrease (increase) in accrued interest	1,963		1,963	(332)
Decrease (increase) in prepaid expenses	8,794		8,794	(4,285)
Increase (decrease) in unearned revenue	(57,820)		(57,820)	88,414
Increase (decrease) in accounts payable and accrued expenses	214,403	(146,199)	68,204	(115,530)
Net cash provided by (used in) operating activities	226,496	(54,229)	172,267	170,274
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	(2,394,558)	(90,003)	(2,484,561)	(2,510,378)
Proceeds from sale of investments	3,741,072	150,003	3,891,075	2,059,967
Purchases of property and equipment	(888,300)	-	(888,300)	(241,972)
Net cash provided by (used in) investing activities	458,214	60,000	518,214	(692,383)
<b>Cash Flows From Financing Activities</b>				
Program distributions	38,807	(73,443)	(34,636)	(230,000)
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	723,517	(67,672)	655,845	(752,109)
<b>Cash and Cash Equivalents</b>				
Beginning of year	783,748	971,378	1,755,126	2,507,235
End of year	\$ 1,507,265	\$ 903,706	\$ 2,410,971	\$ 1,755,126
<b>Supplemental Noncash Investing Activities</b>				
Rent credit income	\$ 856,436	\$ -	\$ 856,436	\$ -
Deferred rent liability	193,564	-	193,564	-
Investment in Bar Center	\$ 1,050,000	\$ -	\$ 1,050,000	\$ -

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

Louisiana State Bar Association  
June 30, 2004 and 2003

**Note 1 Nature of Activities**

The objects and purposes of Louisiana State Bar Association (the Association) is 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. 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) Organization and Income Taxes**

Louisiana State Bar Association is a nonprofit corporation organized under the laws of the State of Louisiana (R.S.37:211). The Association is exempt from Federal income tax 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 code. Net operating profits from unrelated business income are subject to Federal income tax.

**b) Basis of Accounting**

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

**c) 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.

**d) Investments**

Investments are carried at fair market value, based on quoted market prices.

**e) Property and Equipment**

The Association records all property and equipment acquisitions at cost. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives.

**f) Unearned Revenue**

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



## Note 2 Summary of Significant Accounting Policies (continued)

### g) Cash and Cash Equivalents

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

### h) 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 financial statements since the volunteers' time does not meet the criteria for recognition.

### i) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Association maintains its accounting records using separate funds to account for specific assets, liabilities, and transactions as follows:

**Unrestricted Net Assets** - Receives membership dues and other revenues and expends funds for the general operation of the Association. This fund accounts for all activities other than those specifically authorized to be conducted from the various temporarily restricted funds.

**Temporarily Restricted Net Assets** - 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, ADA Accommodations, Annual Meeting (see Note 2j), Clients' Protection, Exam Fee, Legal Malpractice Insurance Trust, Legal Specialization, Tax 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.

The Association does not have any permanently restricted net assets.

### j) Reclassifications

Certain reclassifications were made to the 2003 financial statement presentation in order to conform to the 2004 financial statement presentation. Also, beginning with the year ended June 30, 2004, revenues and expenses related to the "Annual Meeting" are accounted for as unrestricted.

## Note 3 Concentration of Credit Risk

The Association maintains its cash balances and certificates of deposits at several financial institutions located in New Orleans, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2004, uninsured balances totaled approximately \$1,290,000.



#### Note 4 Investments

Investments are summarized as follows:

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Federal Mortgage Obligations	\$1,178,030	\$1,195,021	\$1,352,636	\$1,415,847
United States Treasury Notes	134,611	142,942	199,291	214,773
United States Treasury Bonds	-	-	99,946	121,719
Certificates of Deposit	490,015	490,015	1,450,030	1,450,030
Common stock	520,585	538,620	-	-
Corporate Bonds	203,516	200,788	-	-
Fixed Annuity	-	-	813,565	813,565
Totals	<u>\$2,526,757</u>	<u>\$2,567,386</u>	<u>\$3,915,468</u>	<u>\$4,015,934</u>
		<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2004		<u>\$2,526,757</u>	<u>\$2,567,386</u>	\$ 40,629
Balance at June 30, 2003		<u>\$3,915,468</u>	<u>\$4,015,934</u>	100,466
Unrealized loss on investments				(59,837)
Realized gain for the year				17,803
Net loss for the year				<u>\$ (42,034)</u>
		<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2003		<u>\$3,915,468</u>	<u>\$4,015,934</u>	\$100,466
Balance at June 30, 2002		<u>\$3,466,217</u>	<u>\$3,526,544</u>	60,327
Unrealized gain on investments				40,139
Realized loss for the year				(1,160)
Net gain for the year				<u>\$ 38,979</u>

## Note 5 Louisiana Bar Center

The Association, as lessee, had a noncancelable operating lease agreement with the Louisiana Bar Foundation for office facilities known as the "Louisiana Bar Center." This lease agreement was recorded on the books of the Association as an operating lease. As amended, the "Bar Center" lease provided for a primary term which was to expire on December 31, 2005 and successive five-year renewal options for a maximum lease term of 99 years.

On June 23, 2004, the lease was terminated and the Association purchased the Bar Center from the Louisiana Bar Foundation. Through this date, the Association paid the Foundation \$17,642 per month plus operating expenses as rent for this facility. Further, under the terms of the lease dated September 7, 1987, the First Amendment to Lease dated March 30, 1990, the Second Amendment to Lease dated December 19, 1990 and the Interim Letter of Agreement dated October 1, 1994, any rent in excess of fair market value paid by the Association to the Foundation is considered to be prepaid rent. After repayment of building-related debt by the Foundation, this prepaid rent was to be used to reduce the rental payments by the Association to the Foundation.

As of June 30, 2003, prepaid rent totaled \$1,005,067. Also as of this date, management of the Association had concluded that this amount should not be recorded as an asset of the Association because of the uncertainty of when the benefit would be realized. However, during the year ended June 30, 2004, a significant part of this benefit was realized and recorded as other income and was part of the consideration of the Bar Center purchase as follows:

Rent credits previously disclosed	\$1,005,067
Less amount not realized	<u>(148,631)</u>
Rent credits realized	856,436
Cash paid	800,000
Present value of Foundation's rent-free occupancy	<u>193,564</u>
Fair value - Bar Center	1,850,000
Other acquisition costs	<u>31,646</u>
Total - Bar Center	<u>\$1,881,646</u>

Office space not used by the Association was subleased to the Louisiana Bar Foundation and the Judiciary Commission of Louisiana. The New Orleans Pro Bono Project sublease was considered a month-to-month rental, but was cancelled in December 2002. The Judiciary Commission of Louisiana lease expires June 30, 2005. Rental payments under this lease were \$2,625 per month, but due to added space the lease payments increased to \$2,650 per month in November 2002. Prior to the Bar Center purchase, the Louisiana Bar Foundation had not executed a sublease agreement and was considered a month-to-month rental. Rental payments under this sublease were \$2,777 per month. Sublease rental income totaled \$64,924 and \$82,993 for the years ended June 30, 2004 and 2003, respectively. Included in the total for the year ended June 30, 2003 is \$10,000 received for granting of servitudes to a neighboring building.

Also, effective June 23, 2004, the Association entered into a lease agreement with the Foundation as part of the sale transaction previously described. The lease provides for the Foundation's rent-free use of a portion of the building's third floor office space for a 10-year period ending June 22, 2014.

## Note 6 Retirement Plans

The Association had a money purchase plan which covered all full-time employees who met certain eligibility requirements. The Association's funding policy was to make annual contributions to the plan equal to 10% of the basic salary of each eligible employee. The Association contributed \$26,357 for the six-month period ended December 31, 2002.

Effective January 1, 1998, the Association adopted a new 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. Effective December 31, 2002, the Association merged the money purchase pension plan into the profit sharing plan. The actual transfer of the assets took place on January 24, 2003. The contribution to this plan for the six-months ended June 30, 2003 and the year ended June 30, 2004 was \$29,600 and \$55,984, respectively.



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