



2005 LSBA Annual Report

Supplement to *Louisiana Bar Journal* April/May 2006

Board of Governors

Louisiana State Bar Association

We have audited the accompanying statement of financial position of the Louisiana State Bar Association as of June 30, 2005, and the related statement of activities and statement of cash flows for the year then ended. 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 audit. The financial statements of the Louisiana State Bar Association for the year ended June 30, 2004, were audited by other auditors whose report dated September 29, 2004, expressed an unqualified opinion on those statements.

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 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 audit provides 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, 2005, the changes in its net assets and its cash flows for the year then ended 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 States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2004, from which the summarized information was derived.



LaPorte, Sehrt, Romig & Hand
A Professional Accounting Corporation
January 30, 2006

LOUISIANA STATE BAR ASSOCIATION
Statement of Financial Position
June 30, 2005
(With Comparative Totals for June 30, 2004)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals 2005</u>	<u>Totals 2004</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,003,302	\$ 838,526	\$ 1,841,828	\$ 2,410,971
Investments	3,021,717	341,579	3,363,296	2,567,386
Receivables	26,079	-	26,079	89,052
Accrued Interest Receivable	22,880	-	22,880	33,711
Prepaid Expenses	<u>50,467</u>	<u>-</u>	<u>50,467</u>	<u>42,391</u>
Total Current Assets	<u>4,124,445</u>	<u>1,180,105</u>	<u>5,304,550</u>	<u>5,143,511</u>
Property and Equipment:				
Furniture and Equipment	974,334	4,063	978,397	958,247
Bar Center	<u>1,881,646</u>	<u>-</u>	<u>1,881,646</u>	<u>1,881,646</u>
	2,855,980	4,063	2,860,043	2,839,893
Less Accumulated Depreciation	<u>726,662</u>	<u>3,586</u>	<u>730,248</u>	<u>611,948</u>
Net Property and Equipment	<u>2,129,318</u>	<u>477</u>	<u>2,129,795</u>	<u>2,227,945</u>
	<u>\$ 6,253,763</u>	<u>\$ 1,180,582</u>	<u>\$ 7,434,345</u>	<u>\$ 7,371,456</u>
Liabilities and Net Assets				
Current Liabilities:				
Unearned Revenue	\$ 1,165,752	\$ -	\$ 1,165,752	\$ 1,033,322
Accounts Payable and Accrued Expenses	<u>184,341</u>	<u>-</u>	<u>184,341</u>	<u>453,758</u>
Total Current Liabilities	<u>1,350,093</u>	<u>-</u>	<u>1,350,093</u>	<u>1,487,080</u>
Other Liabilities:				
Deferred Rent	<u>182,892</u>	<u>-</u>	<u>182,892</u>	<u>193,564</u>
Total Liabilities	<u>1,532,985</u>	<u>-</u>	<u>1,532,985</u>	<u>1,680,644</u>
Net Assets:				
Unrestricted	4,720,778	-	4,720,778	4,569,617
Temporarily Restricted	<u>-</u>	<u>1,180,582</u>	<u>1,180,582</u>	<u>1,121,195</u>
Total Net Assets	<u>4,720,778</u>	<u>1,180,582</u>	<u>5,901,360</u>	<u>5,690,812</u>
	<u>\$ 6,253,763</u>	<u>\$ 1,180,582</u>	<u>\$ 7,434,345</u>	<u>\$ 7,371,456</u>

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

LOUISIANA STATE BAR ASSOCIATION
Schedule of Temporarily Restricted Net Assets
June 30, 2005
(With Comparative Totals for June 30, 2004)

	2005	2004
Access to Justice Program Project Grants	\$ 21,633	\$ 43,638
Legal Malpractice Insurance Trust	261,331	256,461
Legal Specialization Fund	255,415	239,285
Young Lawyers Section - Grant Fund	200	200
Young Lawyers Section, Bridging the Gap	17,336	17,404
Sections:		
Administrative Law	2,613	1,611
Alternative Dispute Resolution	55,628	50,186
Antitrust and Trade Regulation Law	7,889	8,346
Art, Entertainment & Sports Law Section	293	-
Bench and Bar	5,167	3,585
Bill of Rights	1,786	1,453
Civil Law and Litigation	51,590	49,138
Consumer Protection and Bankruptcy Law	26,327	26,884
Corporate and Business Law	83,949	78,900
Criminal Law	16,209	14,486
Environmental Law	18,330	17,439
Family Law	33,320	27,866
Fidelity, Surety, and Construction Law	20,046	18,012
Francophone	243	898
Government and Public Law	40,293	35,960
Health Law	16,222	11,896
Insurance, Negligence, Compensation and Admiralty Law	22,502	21,156
Intellectual Property	18,943	16,092
International Law	4,446	3,412
Labor and Employment Law	13,168	10,756
Mineral Law	44,215	41,951
Minority Involvement	3,357	2,453
Public Utility	15,489	13,906
Solo and Small Firm	16,490	10,873
Taxation	37,276	33,202
Trusts, Estate, Probate and Immovable Property Law	68,876	63,746
	\$ 1,180,582	\$ 1,121,195

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

LOUISIANA STATE BAR ASSOCIATION
Statement of Activities
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Support, Revenue, Gains and Reclassifications				
Membership Dues	\$ 1,779,595	\$ 191,882	\$ 1,971,477	\$ 1,940,640
Penalties	18,150	4,428	22,578	21,400
Seminars, Conferences and Luncheons	857,389	57,291	914,680	809,585
Royalties	330,362	-	330,362	341,875
Contributions	-	165,756	165,756	278,866
MCLE Fees	295,638	-	295,638	256,284
Annual Meetings	265,425	-	265,425	217,058
Advertising	220,641	-	220,641	213,872
Web Site Advertising	16,065	-	16,065	13,757
Interest	100,947	16,429	117,376	124,929
Gain (Loss) on Investments, Net	(25,621)	-	(25,621)	(42,034)
Sublease Income	65,665	-	65,665	64,924
Fees and Administrative Services:				
Disciplinary Assessment Processing	66,147	-	66,147	55,643
Annual Meeting	-	-	-	-
Fee Arbitration Program	2,550	-	2,550	2,600
Prof & Quality Retreat Registration	2,220	-	2,220	-
Sales of Membership Labels	31,770	-	31,770	32,744
Practice Assistance	465	-	465	30,200
Examination, Accreditation and				
Reinstatement Fees	-	11,825	11,825	18,500
Loss on Disposal of Property and Equipment	-	-	-	(4,925)
Miscellaneous Income	17,829	22,144	39,973	22,420
Rent Credit Income	-	-	-	856,436
Net Assets Released from Restrictions	506,763	(506,763)	-	-
Reclassifications	<u>(96,395)</u>	<u>96,395</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, Gains and Reclassifications	<u>4,455,605</u>	<u>59,387</u>	<u>4,514,992</u>	<u>5,254,774</u>

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

LOUISIANA STATE BAR ASSOCIATION
Statement of Activities (Continued)
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Expenses				
For Officials, Sections, Committees, and Services:				
Annual Meetings	224,490	-	224,490	197,302
MCLE Expense	197,020	-	197,020	177,127
Travel and Per Diem	232,629	-	232,629	234,966
Seminars, Conferences and Luncheons	322,183	-	322,183	334,762
Supplies, Awards and Gifts	162,213	-	162,213	237,162
Telephone	17,538	-	17,538	21,365
Administering Exams	6,208	-	6,208	237
Publication Costs of Louisiana Bar Journal and Bar Briefs	188,202	-	188,202	197,620
Practice Assistance Program	484,532	-	484,532	505,484
Stationery, Printing and Postage	282,839	-	282,839	279,592
Professional Services	84,974	-	84,974	128,947
Computer Assisted Legal Program	96,011	-	96,011	-
Bar Admission	4,528	-	4,528	-
Scholarships	-	-	-	5,040
Contributions	15,616	-	15,616	-
Depreciation	955	-	955	955
Miscellaneous	44,198	-	44,198	29,550
	<u>2,364,136</u>	<u>-</u>	<u>2,364,136</u>	<u>2,350,109</u>
Total Officials, Sections, Committees, and Services				

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

LOUISIANA STATE BAR ASSOCIATION
Statement of Activities (Continued)
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Expenses				
General Expense:				
Staff Compensation	1,010,710	-	1,010,710	991,375
Accounting Services	31,048	-	31,048	23,761
Retirement Plans	84,528	-	84,528	55,984
Insurance	71,250	-	71,250	123,863
Equipment and Computer Rental and Maintenance	122,225	-	122,225	106,101
Office Supplies	28,769	-	28,769	27,454
Payroll Taxes	57,956	-	57,956	57,039
Stationery, Printing and Postage	43,899	-	43,899	32,649
Rent and Office Maintenance	182,248	-	182,248	369,176
Telephone	37,940	-	37,940	51,162
Travel and Per Diem and Meetings	16,734	-	16,734	17,617
Automobile Allowance and Parking	22,533	-	22,533	22,640
Depreciation	117,345	-	117,345	75,253
In-kind Rent Contribution	22,653	-	22,653	-
Business Income Tax	21,584	-	21,584	-
Royalties	4,088	-	4,088	803
Miscellaneous	64,798	-	64,798	34,007
Total General Expense	<u>1,940,308</u>	<u>-</u>	<u>1,940,308</u>	<u>1,988,884</u>
Total Expenses	<u>4,304,444</u>	<u>-</u>	<u>4,304,444</u>	<u>4,338,993</u>
Change in Net Assets	151,161	59,387	210,548	915,781
Net Assets				
Beginning of Year	4,569,617	1,121,195	5,690,812	4,809,667
Program Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,636)</u>
End of Year	<u>\$ 4,720,778</u>	<u>\$ 1,180,582</u>	<u>\$ 5,901,360</u>	<u>\$ 5,690,812</u>

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

LOUISIANA STATE BAR ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Cash Flows from Operating Activities:				
Change in Net Assets	\$ 151,161	\$ 59,387	\$ 210,548	\$ 915,781
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Rent Credit Income	-	-	-	(856,436)
Depreciation	117,345	955	118,300	76,208
Loss on Investments	25,621	-	25,621	42,034
Loss on Disposal of Property and Equipment	-	-	-	4,925
Decrease (Increase) in Receivables	36,922	26,051	62,973	(31,386)
Decrease in Accrued Interest	10,831	-	10,831	1,963
(Increase) Decrease in Prepaid Expenses	(8,076)	-	(8,076)	8,794
Increase (Decrease) in Unearned Revenue	132,430	-	132,430	(57,820)
Decrease in Deferred Rent	(10,672)	-	(10,672)	-
(Decrease) Increase in Accounts Payable and Accrued Expenses	(269,418)	-	(269,418)	68,204
Net Cash Provided by Operating Activities	<u>186,144</u>	<u>86,393</u>	<u>272,537</u>	<u>172,267</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(669,958)	(161,573)	(831,531)	(2,484,561)
Proceeds from Sale of Investments	-	10,000	10,000	3,891,075
Purchases of Property and Equipment	(20,149)	-	(20,149)	(888,300)
Net Cash (Used in) Provided by Investing Activities	<u>(690,107)</u>	<u>(151,573)</u>	<u>(841,680)</u>	<u>518,214</u>
Cash Flows from Financing Activities:				
Program Distributions	-	-	-	(34,636)
Net (Decrease) Increase in Cash and Cash Equivalents	(503,963)	(65,180)	(569,143)	655,845
Cash and Cash Equivalents:				
Beginning of Year	<u>1,507,265</u>	<u>903,706</u>	<u>2,410,971</u>	<u>1,755,126</u>
End of Year	<u>\$ 1,003,302</u>	<u>\$ 838,526</u>	<u>\$ 1,841,828</u>	<u>\$ 2,410,971</u>
Supplemental Disclosure of Noncash				
Investing Activities:				
Rent Credit Income	\$ -	\$ -	\$ -	\$ 856,436
Deferred Rent Liability	-	-	-	193,564
Investment in Bar Center	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>
Rental Income	\$ 33,325	-	\$ 33,325	-
In-kind Contribution	<u>(22,653)</u>	<u>-</u>	<u>(22,653)</u>	<u>-</u>
Reduction in Deferred Rent Liability	<u>\$ 10,672</u>	<u>\$ -</u>	<u>\$ 10,672</u>	<u>\$ -</u>

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

Notes to Financial Statements

Louisiana State Bar Association Years Ended June 20, 2005 and 2004

Note A Nature of Activities

The objects and purposes of Louisiana State Bar Association (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 B Summary of Significant Accounting Policies

Organization and Income Taxes

The 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.

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.

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.

Investments

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

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.

Unearned Revenue

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

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.

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Note B Summary of Significant Accounting Policies (continued)

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 under accounting principles generally accepted in the United States of America.

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; 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.

Note C 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, 2005, uninsured balances totaled approximately \$1,800,000.

Note D Investments

Investments are summarized as follows:

	June 30, 2005		June 30, 2004	
	Cost	Market	Cost	Market
Federal Mortgage Obligations	\$ 1,099,528	\$ 1,111,486	\$ 1,178,030	\$1,195,021
United States Treasury Notes	95,000	95,386	134,611	142,942
United States Treasury Bonds	-	-	-	-
Certificates of Deposit	280,009	280,009	490,015	490,015
Common stock	871,694	901,206	520,585	538,620
Corporate Bonds	629,407	612,216	203,516	200,788
Municipal Bonds	205,459	201,420	-	-
Fixed Annuity	161,573	161,573	-	-
Totals	<u>\$ 3,342,670</u>	<u>\$ 3,363,296</u>	<u>\$ 2,526,757</u>	<u>\$2,567,386</u>

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Note D Investments (continued)

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2005	\$ 3,342,670	\$ 3,363,296	\$ 20,626
Balance at June 30, 2004	\$ 2,526,757	\$ 2,567,386	40,629
Unrealized loss on investments			(20,003)
Realized loss for the year			<u>(5,618)</u>
Net loss for the year			\$ <u>(25,621)</u>

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2004	\$ 2,526,757	\$ 2,567,386	\$ 40,629
Balance at June 30, 2003	\$ 3,915,468	\$ 4,015,934	100,466
Unrealized loss on investments			(59,837)
Realized gain for the year			<u>17,803</u>
Net loss for the year			\$ <u>(42,034)</u>

Note E Louisiana Bar Center

On June 23, 2004, the Association purchased the Bar Center from the Louisiana Bar Foundation. As part of the sale transaction, the Association entered into a lease agreement with the Foundation that provides the Foundation's rent-free use of a portion of the third floor office space for a 10-year period ending June 22, 2014. As a result of this transaction, the Association recognized a deferred rent liability in the amount of \$193,564. This rent will be recognized using a discount rate of 12% over the life of the lease. During the year ended June 30, 2005, the Association realized rental income of \$33,325, offset by an in-kind contribution of \$22,653 to the Foundation and a reduction of the deferral of \$10,672. The remaining liability at June 30, 2005 is \$182,892.

Office space not used by the Association was leased to the Judiciary Commission of Louisiana at \$2,650 per month through June 30, 2005. Rental income from the Judiciary Commission totaled \$32,340 for the years ended June 30, 2005 and 2004.

Note F Retirement Plans

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, 2005 and 2004 totaled \$84,528 and \$55,984, respectively.

Note G Subsequent Event

On August 29, 2005, Hurricane Katrina made landfall on the Louisiana-Mississippi Gulf Coast. The storm severely impacted the southeast Louisiana region. The financial impact of Hurricane Katrina on the Association cannot be determined at this time.



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