

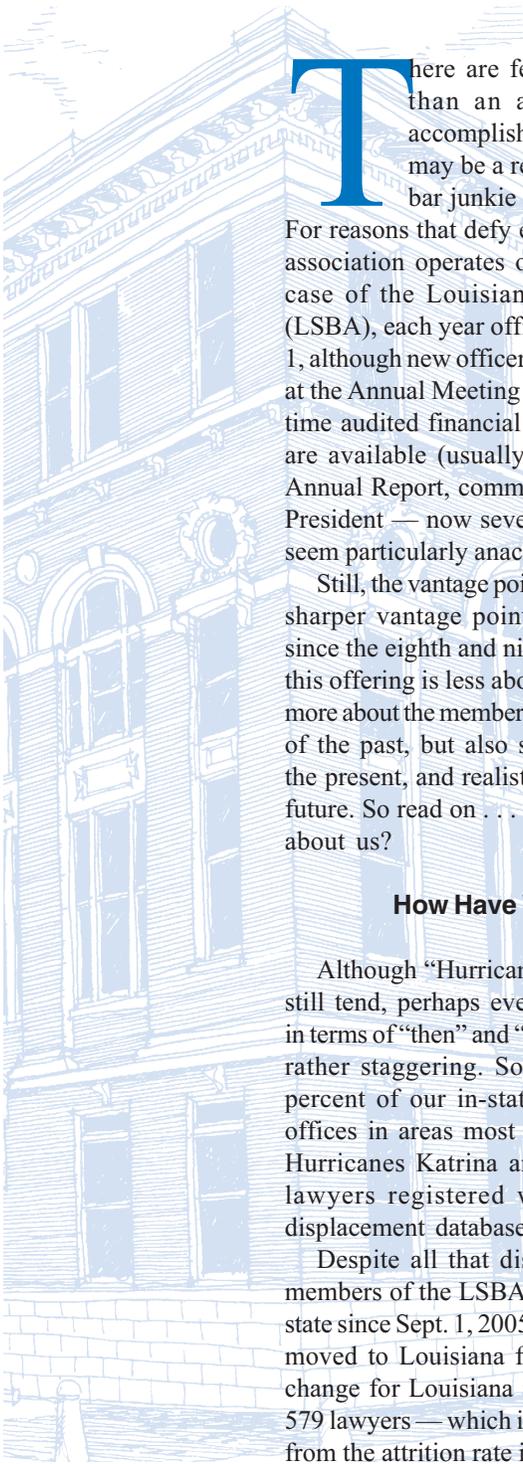
# 2007 LSBA Annual Report

Supplement to *Louisiana Bar Journal* February / March 2008

# Report from the President

By Marta-Ann Schnabel

2006-2007



**T**here are few things less interesting than an article about the many accomplishments of the author. One may be a retrospective on what we in bar junkie circles call the “bar year.” For reasons that defy explanation, almost no bar association operates on a calendar year. In the case of the Louisiana State Bar Association (LSBA), each year officially commences on July 1, although new officers are traditionally inducted at the Annual Meeting in early June. Thus, by the time audited financial reports of any given year are available (usually February) to provide an Annual Report, comments from the “Has Been” President — now seven months out of office — seem particularly anachronistic.

Still, the vantage point of 2008 provides an ever sharper vantage point for what has transpired since the eighth and ninth months of 2005. Thus, this offering is less about the President and much more about the members — partially contemplative of the past, but also some simple snapshots of the present, and realistic projections for the near future. So read on . . . who could resist an article about us?

## How Have We Changed?

Although “Hurricane Fatigue” is rampant, we still tend, perhaps even unconsciously, to think in terms of “then” and “now.” The statistics remain rather staggering. Some 9,000 (more than 50 percent of our in-state members) lawyers had offices in areas most significantly impacted by Hurricanes Katrina and Rita. A total of 4,000 lawyers registered with the LSBA’s online displacement database.

Despite all that disruption, only 704 active members of the LSBA have relocated to another state since Sept. 1, 2005. Indeed, 204 lawyers have moved to Louisiana from other states. The net change for Louisiana is a loss of approximately 579 lawyers — which is not significantly different from the attrition rate in any given year.

Orleans Parish has seen a net loss of 656 lawyers since just before Katrina hit. A total of 1,063 have left the parish, but 407 have moved to it. The change in Jefferson Parish is much less significant — 443 lawyers left, but 393 moved to Jefferson, for a total net loss of only 50. St. Tammany Parish has seen a net gain, but only of 112 lawyers. St. Bernard has lost 49, and Plaquemines has had a net gain of two.

Interestingly, that continues to mean that just under 50 percent of the total lawyer population in the state still practices in the New Orleans metropolitan area. Of that, 11 percent practice in Jefferson Parish and 5 percent practice in St. Tammany Parish. Redistribution of lawyer population from the New Orleans area to other parts of the state has not been statistically significant. A total of 15 percent of the total lawyer population in the state practices in the Baton Rouge area, with 5 percent in Lafayette and 4 percent in Shreveport.

## What Have We Learned About Ourselves This Year?

For a variety of reasons, the LSBA has been resistant to the idea of requiring demographic information from its members as a component of annual registration. As a result, we knew very little about the composition of our membership — and to the extent that we did have information, we extrapolated statistics about the ethnicity, gender and even the practice settings of our members from more general census information. In 2006, the advent of reasonably priced survey/polling options — primarily through e-mail — afforded us the opportunity to develop statistically valid information without imposing on the privacy of our members. The point of such surveys, of course, is to find out information which will assist us in developing services and programs which members will find useful. But in the process, we

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also get to know a little bit more about ourselves.

For example, we have always believed that our membership was comprised primarily of solo or small practitioners. The survey has proven us correct: 40 percent of our members practice in firms of fewer than five people, and 11 percent practice in firms of between six and 15 people. In short, 51 percent of our members essentially work in small firms. It also turns out that Louisiana's race and gender demographics do not differ significantly from the national average — 28 percent of our members are women; 9 percent are African-American (slightly higher than the national average) and under 2 percent are Hispanic (notably lower than the national average).

### **What Have We Been Doing?**

During the 2006-07 bar year, many of those demographically diverse lawyers devoted considerable amounts of time and energy to a number of efforts which have benefitted the profession and the public. For example, those who served on the Legislation Committee examined and evaluated hundreds of proposed bills so as to determine what matters fell within the purview of the LSBA's legislative mission. They then met for most of a day to pick the handful of proposals on which the LSBA would take a position in the interest of promoting the administration of justice. Their work, along with the efforts of the Right to Counsel Committee, resulted in a new, broader, more effective and better-funded indigent defense program for the state.

Likewise, the specially-constituted Erosion of the Attorney-Client Privilege Committee spent the year developing strategies for combating the growing number of problems associated with inroads into privilege.

The Access to Justice Committee continued its hard work augmenting the efforts of the various legal aid and pro bono programs throughout the state so as to assure the delivery of legal services to the poor. The LSBA provided additional support for the fledgling Louisiana Civil Justice Center and its legal assistance call center, moving the impact

of that project from "hurricane recovery" to the provision of more broadly based legal assistance. The Professionalism and Quality of Life Committee expanded its presence at Louisiana law schools by enlarging the scope of its Professionalism Program beyond first-year students to include those in their third year.

The Consumer Protection Committee continued to provide assistance to members of the public who are unwittingly the victims of the unauthorized practice of law. In 2006, the LSBA successfully sought a restraining order against a public adjuster about whom members of the public had complained.

2006 was also the year when the Rules of Professional Conduct Committee's long study of lawyer advertising issues culminated in the presentation of a comprehensive revision to Rule 7 of the Rules of Professional Conduct to the House of Delegates. The proposal was overwhelmingly approved and has been sent on to the Louisiana Supreme Court for consideration and possible implementation.

Also approved by the House of Delegates in 2006 was an increase in the LSBA dues structure. This is the first increase in more than 20 years and will allow the association to improve its services to members and expand its presence in all parts of the state.

### **What Does the Future Hold?**

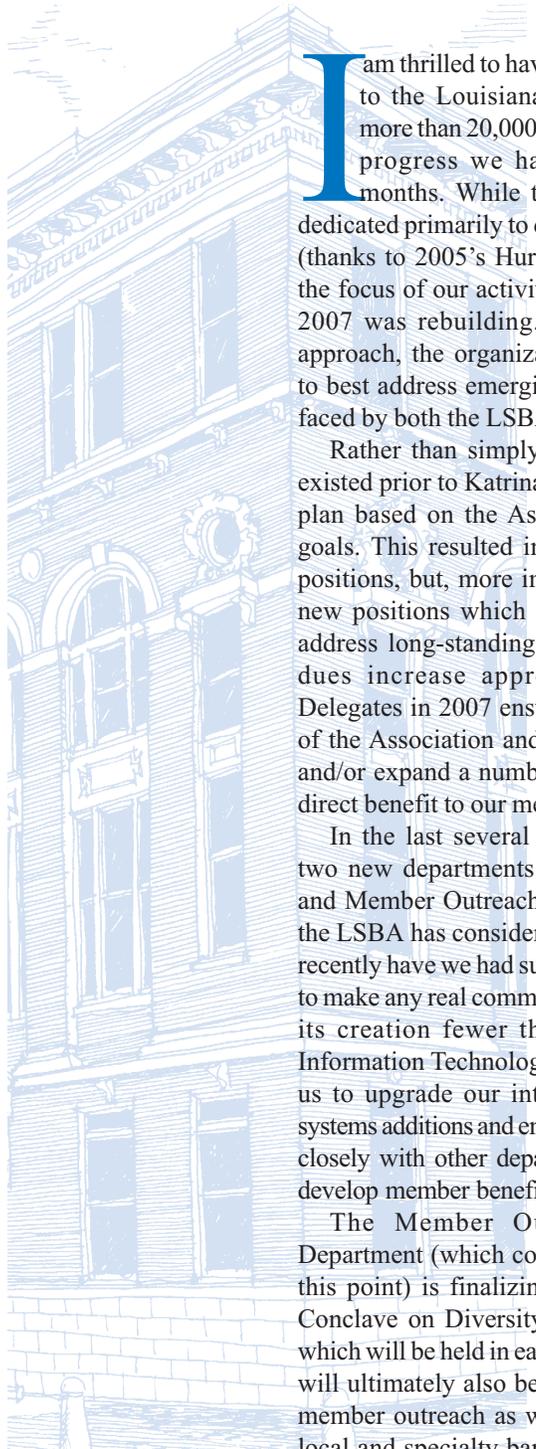
President Guy deLaup, President-Elect Beth Foote and (this is my favorite title) President-Elect-Designee Kim Boyle have ambitious plans for the next three years. Having just completed an internal organizational review, developed a strategic plan, and re-worked our approach to communications, the leadership is poised for implementation of a variety of new initiatives aimed at improving the profession as a whole and the lives of lawyers individually. I've no doubt that the 2009 Annual Report will be a page-turner.

— **Marta-Ann Schnabel**  
**LSBA President, 2006-07**

# Report from the LSBA Executive Director

By Loretta Larsen

2006-2007 and Beyond



I am thrilled to have this opportunity to report to the Louisiana State Bar Association's more than 20,000 members on the significant progress we have made in the last 18 months. While the first half of 2006 was dedicated primarily to disaster recovery and relief (thanks to 2005's Hurricanes Katrina and Rita), the focus of our activities in late 2006 and all of 2007 was rebuilding. By utilizing a strategic approach, the organization has positioned itself to best address emerging challenges likely to be faced by both the LSBA and its members.

Rather than simply filling the positions that existed prior to Katrina, I developed a re-staffing plan based on the Association's strategies and goals. This resulted in the elimination of some positions, but, more importantly, the creation of new positions which enable the Association to address long-standing priorities. Of course, the dues increase approved by the House of Delegates in 2007 ensured the financial stability of the Association and enabled us to implement and/or expand a number of programs to provide direct benefit to our members.

In the last several months, we have created two new departments: Information Technology and Member Outreach and Diversity. For years, the LSBA has considered both priorities but only recently have we had sufficient financial resources to make any real commitment in these areas. Since its creation fewer than six months ago, the Information Technology Department has enabled us to upgrade our internal operations through systems additions and enhancements, and is working closely with other departments and employees to develop member benefits and resources.

The Member Outreach and Diversity Department (which consists of only a director at this point) is finalizing plans for our first-ever Conclave on Diversity in the Legal Profession, which will be held in early March. This department will ultimately also be responsible for statewide member outreach as well as liaison efforts with local and specialty bar associations.

These exciting changes came after a months-long assessment which included a member survey, focus groups, an operational survey and strategic planning. In the spring of 2007, we invited a team from the ABA Division for Bar Services to review the LSBA's operational and governing components to assess our policies and operations relative to those of comparably sized and positioned bar associations. Via this process, the ABA team made a number of general observations and comments, a representative sample of which appears below:

- ▶ The LSBA has a solid operational and administrative infrastructure;
  - ▶ The LSBA is a prospering organization thanks to the purposeful and insightful leadership of elected volunteer leaders and the staff;
  - ▶ The LSBA benefits from dedicated and committed staff leadership at both the managerial and administrative levels of the organization;
  - ▶ An array of programs exists to ensure the professional competency of the state's practitioners, to build public trust and confidence in the legal system, and to work toward improving access to justice;
  - ▶ The range of services provided by the LSBA is impressive in light of its relatively small staff; and
  - ▶ The LSBA is attentive to best practices in staff management and policy administration.
- Likewise, the report included a number of suggestions which the Board is considering or will consider in the next several months:
- ▶ Streamline financial administration to reduce redundancies while maintaining appropriate fiduciary oversight standards;
  - ▶ Assess impact of existing programs and services on LSBA members; and
  - ▶ Add resources to program areas to enrich, complement and extend the reach of existing initiatives.

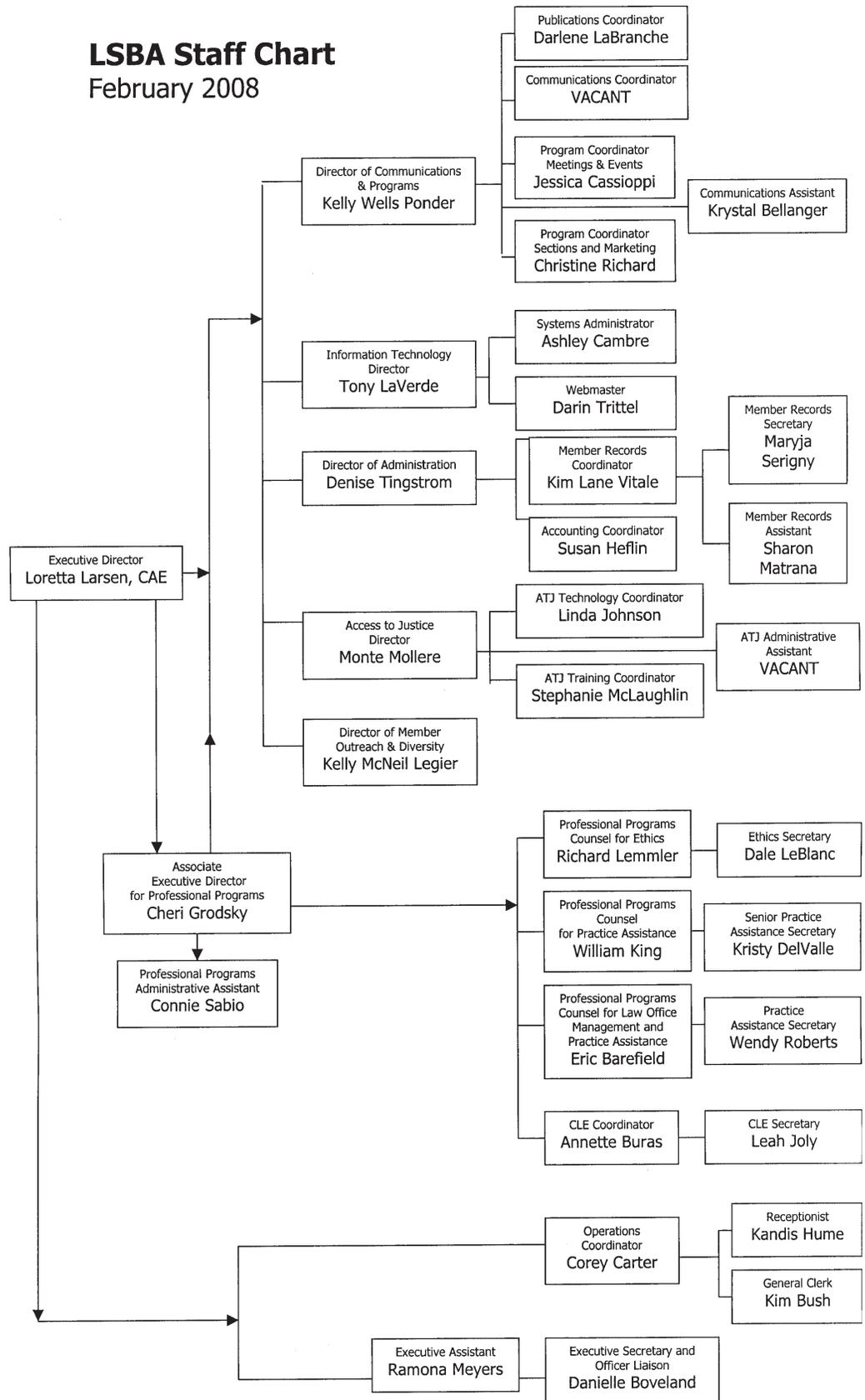
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## LSBA Staff Chart February 2008

The team's report also included a number of specific administrative and governance recommendations which were presented to the Board in the fall of 2007, along with an implementation plan. Some of the recommendations were immediately addressed while others will be fully considered in the next several months.

As is generally true for professional associations, our staff members are our greatest resource and our success is tied directly to the staff's ability to meet the needs of our constituencies. With 34 full-time positions and one part-time position, our staff size is relatively small considering the members we serve and the programs we administer. Fortunately, we have assembled a talented, dedicated team of professionals who each possess a range of skills which enable them to meet the myriad demands of the organization and its members. I am proud of each and every staff member and the contributions they make every day.

— **Loretta Larsen, CAE**  
Executive Director,  
Louisiana State  
Bar Association



# Financial

## INDEPENDENT AUDITOR'S REPORT

### Independent Auditor's Report

To the Board of Governors  
Louisiana State Bar Association

We have audited the accompanying statements of financial position of the Louisiana State Bar Association (the Association) as of June 30, 2007 and 2006, and the related statements of activities for the year ended June 30, 2007, and the statements of cash flows for the years ended June 30, 2007 and 2006. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 2007 and 2006, the changes in its net assets and its cash flows for the years 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, 2007, from which the summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



A Professional Accounting Corporation

November 20, 2007

LOUISIANA STATE BAR ASSOCIATION  
 Statements of Financial Position  
 June 30, 2007  
 (With Comparative Totals for June 30, 2006)

	Unrestricted	Restricted	Totals 2007	Totals 2006
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 296,743	\$ 926,693	\$ 1,223,436	\$ 1,565,025
Investments	3,083,938	351,413	3,435,351	3,339,518
Receivables	82,152	-	82,152	87,600
Accrued Interest Receivable	11,994	-	11,994	17,668
Prepaid Expenses	50,902	-	50,902	41,691
<b>Total Current Assets</b>	<b>3,525,729</b>	<b>1,278,106</b>	<b>4,803,835</b>	<b>5,051,502</b>
<b>Property and Equipment</b>				
Furniture and Equipment	973,331	4,063	977,394	966,296
Bar Center	1,881,646	-	1,881,646	1,881,646
	2,854,977	4,063	2,859,040	2,847,942
<b>Less: Accumulated Depreciation</b>	<b>891,762</b>	<b>4,063</b>	<b>895,825</b>	<b>790,139</b>
<b>Net Property and Equipment</b>	<b>1,963,215</b>	<b>-</b>	<b>1,963,215</b>	<b>2,057,803</b>
	<b>\$ 5,488,944</b>	<b>\$ 1,278,106</b>	<b>\$ 6,767,050</b>	<b>\$ 7,109,305</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Unearned Revenue	\$ 355,404	\$ -	\$ 355,404	\$ 789,820
Accounts Payable and Accrued Expenses	191,187	-	191,187	184,078
<b>Total Current Liabilities</b>	<b>546,591</b>	<b>-</b>	<b>546,591</b>	<b>973,898</b>
<b>Other Liabilities</b>				
Deferred Rent	157,317	-	157,317	170,867
<b>Total Liabilities</b>	<b>703,908</b>	<b>-</b>	<b>703,908</b>	<b>1,144,765</b>
<b>Net Assets</b>				
Unrestricted	4,785,036	-	4,785,036	4,728,473
Temporarily Restricted	-	1,278,106	1,278,106	1,236,067
<b>Total Net Assets</b>	<b>4,785,036</b>	<b>1,278,106</b>	<b>6,063,142</b>	<b>5,964,540</b>
	<b>\$ 5,488,944</b>	<b>\$ 1,278,106</b>	<b>\$ 6,767,050</b>	<b>\$ 7,109,305</b>

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

**Louisiana State Bar Association**  
**Supplementary Schedule of Temporarily Restricted Net Assets**  
**June 30, 2007**  
**(With Comparative Totals for June 30, 2006)**

**Schedule I**

	2007	2006
Access to Justice Program Project Grants	\$ 18,339	\$ 21,633
Legal Malpractice Insurance Trust	283,720	268,360
Legal Specialization Fund	250,088	261,950
Young Lawyers Section - Grant Fund	200	200
Young Lawyers Section - Bridging the Gap	17,188	17,262
Sections:		
Administrative Law	4,170	3,278
Alternative Dispute Resolution	39,480	55,960
Antitrust and Trade Regulation Law	8,221	8,486
Appellate	1,037	340
Art, Entertainment & Sports Law Section	1,390	1,593
Bench and Bar	6,633	6,352
Bill of Rights	2,088	1,991
Civil Law and Litigation	63,054	57,784
Consumer Protection and Bankruptcy Law	24,815	28,061
Corporate and Business Law	95,094	88,034
Criminal Law	18,160	17,282
Environmental Law	23,959	19,667
Family Law	45,051	39,464
Fidelity, Surety, and Construction Law	23,727	22,051
Francophone	14,458	2,292
Government and Public Law	53,372	42,737
Health Law	21,378	18,586
Insurance, Negligence, Compensation and Admiralty Law	23,960	24,746
Intellectual Property	22,567	21,919
International Law	6,062	5,138
Labor and Employment Law	15,224	14,608
Mineral Law	46,454	44,390
Minority Involvement	4,948	3,937
Public Utility	18,471	16,946
Solo and Small Firm	10,487	14,381
Taxation	35,337	32,625
Trusts, Estate, Probate and Immovable Property Law	78,974	74,014
	<b>\$ 1,278,106</b>	<b>\$ 1,236,067</b>

See independent auditor's report on supplementary information.

**LOUISIANA STATE BAR ASSOCIATION**  
**Statements of Activities**  
**For the Year Ended June 30, 2007**  
**(With Comparative Totals for the Year Ended June 30, 2006)**

	Unrestricted	Temporarily Restricted	2007 Totals	2006 Totals
<b>Support, Revenue, Gains and Reclassifications</b>				
Membership Dues	\$ 1,838,665	\$ 194,688	\$ 2,033,353	\$ 1,977,592
Penalties	26,250	1,350	27,600	16,072
Seminars, Conferences and Luncheons	899,591	47,918	947,509	366,514
Royalties	364,933	-	364,933	446,668
Contributions	-	108,319	108,319	80,033
MCLE Fees	-	-	-	33,686
Annual Meetings	174,246	-	174,246	171,263
Advertising	177,491	-	177,491	187,564
Interest	125,436	43,404	168,840	154,318
Gain (Loss) on Investments, Net	251,005	-	251,005	(38,968)
Sublease Income	75,409	-	75,409	66,771
Disciplinary Assessment Processing	62,509	-	62,509	66,313
Sales of Membership Labels	34,074	-	34,074	18,298
Sales of Brochures and Books	14,473	-	14,473	-
Examination, Accreditation and Reinstatement Fees	-	8,350	8,350	5,500
Loss on Disposal of Property and Equipment	-	-	-	(1,751)
Miscellaneous Income	39,925	39,353	79,278	51,014
Net Assets Released from Restrictions	560,915	(560,915)	-	-
Reclassifications	(159,572)	159,572	-	-
<b>Total Support, Revenue, Gains and Reclassifications</b>	<b>4,485,350</b>	<b>42,039</b>	<b>4,527,389</b>	<b>3,600,887</b>
<b>Expenses</b>				
<b>For Officials, Sections, Committees, and Services</b>				
Professional Programs	686,998	-	686,998	535,391
Seminars, Conferences and Luncheons	390,620	-	390,620	202,994
Travel and Per Diem	249,967	-	249,967	183,670
Annual Meetings	183,586	-	183,586	178,654
Stationery, Printing and Postage	269,809	-	269,809	142,961
Louisiana Bar Journal, Bar Briefs and LSBA.org	201,000	-	201,000	118,585
Computer Assisted Legal Program	136,644	-	136,644	112,644
Supplies, Awards and Gifts	188,085	-	188,085	109,365
MCLE Expense	-	-	-	57,073
Miscellaneous	114,588	-	114,588	54,036
Contributions	31,300	-	31,300	15,150
Telephone	18,969	-	18,969	12,208
Bar Admission Ceremonies	5,303	-	5,303	3,285
Depreciation	-	-	-	477
Administering Exams	895	-	895	220
<b>Total Officials, Sections, Committees, and Services</b>	<b>2,477,764</b>	<b>-</b>	<b>2,477,764</b>	<b>1,726,713</b>

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

LOUISIANA STATE BAR ASSOCIATION  
 Statements of Activities (Continued)  
 For the Year Ended June 30, 2007  
 (With Comparative Totals for the Year Ended June 30, 2006)

	Unrestricted	Temporarily Restricted	2007 Totals	2006 Totals
<b>Expenses</b>				
<b>General Expense</b>				
Staff Compensation	1,014,553	-	1,014,553	932,195
Professional Services	50,949	-	50,949	39,466
Retirement	54,577	-	54,577	50,625
Insurance	89,821	-	89,821	78,701
Equipment and Computer Rental and Maintenance	92,683	-	92,683	97,397
Office Supplies	21,905	-	21,905	17,786
Payroll Taxes	52,006	-	52,006	53,450
Stationery, Printing and Postage	42,622	-	42,622	51,569
Property Management	248,502	-	248,502	178,844
Telephone	45,135	-	45,135	43,097
Travel and Per Diem and Meetings	13,674	-	13,674	15,652
Staff Parking	20,068	-	20,068	14,506
Depreciation	107,226	-	107,226	110,760
In-kind Rent Contribution	19,775	-	19,775	21,300
Business Income and Proxy Taxes	22,311	-	22,311	17,913
Royalties	900	-	900	-
Hurricane Katrina Expense	-	-	-	40,024
Lobbying	39,000	-	39,000	33,000
Miscellaneous	8,164	-	8,164	14,709
<b>Total General Expense</b>	<b>1,943,871</b>	<b>-</b>	<b>1,943,871</b>	<b>1,810,994</b>
<b>Total Expenses</b>	<b>4,421,635</b>	<b>-</b>	<b>4,421,635</b>	<b>3,537,707</b>
<b>Change in Net Assets</b>	<b>63,715</b>	<b>42,039</b>	<b>105,754</b>	<b>63,180</b>
<b>Net Assets</b>				
Beginning of Year	4,728,473	1,236,067	5,964,540	5,901,360
Program Distributions	-	-	-	-
<b>End of Year</b>	<b>\$ 4,792,188</b>	<b>\$ 1,278,106</b>	<b>\$ 6,070,294</b>	<b>\$ 5,964,540</b>

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

**LOUISIANA STATE BAR ASSOCIATION**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2007**  
**(With Comparative Totals For the Year Ended June 30, 2006)**

	Unrestricted	Temporarily Restricted	2007 Totals	2006 Totals
<b>Cash Flows from Operating Activities</b>				
Change in Net Assets	\$ 56,563	\$ 277,105	\$ 333,668	\$ 63,180
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided by Operating Activities				
Depreciation	107,226	-	107,226	111,237
(Gain) Loss on Investments	(251,005)	-	(251,005)	38,968
Loss on Disposal of Property and Equipment	-	-	-	1,751
Decrease (Increase) in Receivables	5,448	-	5,448	(61,521)
Decrease in Accrued Interest	5,674	-	5,674	5,212
(Increase) Decrease in Prepaid Expenses	(9,211)	-	(9,211)	8,776
(Decrease) in Unearned Revenue	(434,416)	-	(434,416)	(375,932)
Decrease in Deferred Rent	(13,550)	-	(13,550)	(12,025)
Decrease in Accounts Payable and Accrued Expenses	7,109	-	7,109	(263)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(526,162)</b>	<b>277,105</b>	<b>(249,057)</b>	<b>(220,617)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(943,672)	(4,993)	(948,665)	(1,054,195)
Proceeds from Sale of Investments	1,103,837	-	1,103,837	1,039,005
Purchases of Property and Equipment	(12,638)	-	(12,638)	(40,996)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>147,527</b>	<b>(4,993)</b>	<b>142,534</b>	<b>(56,186)</b>
<b>Cash Flows from Financing Activities</b>				
Program Distributions	-	-	-	-
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(378,635)</b>	<b>272,112</b>	<b>(106,523)</b>	<b>(276,803)</b>
<b>Cash and Cash Equivalents</b>				
<b>Beginning of Year</b>	<b>675,378</b>	<b>889,647</b>	<b>1,565,025</b>	<b>1,841,828</b>
<b>End of Year</b>	<b>\$ 296,743</b>	<b>\$ 1,161,759</b>	<b>\$ 1,458,502</b>	<b>\$ 1,565,025</b>
<b>Supplemental Disclosure of Non-Cash</b>				
Investing Activities				
Rental Income	\$ 33,325	-	\$ 33,325	\$ (21,300)
In-kind Contribution	(19,775)	-	(19,775)	-
Reduction in Deferred Rent Liability	\$ 13,550	\$ -	\$ 13,550	\$ (12,025)

# LOUISIANA STATE BAR ASSOCIATION

## Notes to Financial Statements

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### Note 1. Nature of Activities

The objectives 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 2. Summary of Significant Accounting Policies

#### Organization and Income Taxes

The Association is a non-profit 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.

**Note 2. 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; Legal Malpractice Insurance Trust; 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.

**Permanently Restricted Net Assets**

The Association does not have any permanently restricted net assets.

**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, 2007, the Association maintained cash balances in a financial institution in excess of the federally insured limits. As of June 30, 2007, uninsured balances totaled approximately \$1,500,000. The Association continually monitors its position with, and the credit quality of, the financial institutions it invests with.

**LOUISIANA STATE BAR ASSOCIATION**

**Notes to Financial Statements**

**Note 4. Investments**

Investments are summarized as follows at June 30, 2007 and 2006:

	2007		2006	
	Cost	Market	Cost	Market
Federal Mortgage Obligations	\$ 549,284	\$ 551,320	\$ 649,284	\$ 644,113
Certificates of Deposit	180,000	180,000	280,003	280,003
Common Stock	1,628,538	1,935,339	1,189,768	1,263,275
Corporate Bonds	518,241	497,323	828,197	786,498
Municipal Bonds	104,928	99,956	205,054	199,209
Fixed Annuity	171,413	171,413	166,420	166,420
<b>Totals</b>	<b>\$ 3,152,404</b>	<b>\$ 3,435,351</b>	<b>\$ 3,318,726</b>	<b>\$ 3,339,518</b>

Presented below is a summary of realized and unrealized gains and losses on investments for the years ended June 30, 2007 and 2006.

<u>June 30, 2007</u>	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2007	\$ 3,152,404	\$ 3,435,351	\$ 282,947
Balance at June 30, 2006	\$ 3,318,726	\$ 3,339,518	\$ 20,792
Unrealized Gain on Investments			262,155
Realized Loss for the Year			(11,150)
<b>Net Gain for the Year Ended June 30, 2007</b>			<b>\$ 251,005</b>
<u>June 30, 2006</u>	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2006	\$ 3,318,726	\$ 3,339,518	\$ 20,792
Balance at June 30, 2005	\$ 3,342,670	\$ 3,363,296	\$ 20,626
Unrealized Gain on Investments			166
Realized Loss for the Year			(39,134)
<b>Net Loss for the Year Ended June 30, 2006</b>			<b>\$ (38,968)</b>

## LOUISIANA STATE BAR ASSOCIATION

### Notes to Financial Statements

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#### **Note 5. Louisiana Bar Center**

On June 23, 2004, the Association purchased the Bar Center from the Louisiana Bar Foundation (the 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, 2007, the Association realized rental income of \$33,325, offset by an in-kind contribution of \$19,775 to the Foundation and a reduction of the deferral of \$13,550. For the year ended June 30, 2006, the Association realized rental income of \$21,300 to the Foundation and a reduction of the deferred of \$12,025. The remaining liability at June 30, 2007, is \$157,317.

Office space not used by the Association was leased to the Judiciary Commission of Louisiana at \$3,507 per month through June 30, 2006. Rental income from the Judiciary Commission totaled \$42,084 and \$33,446 for the years ended June 30, 2007 and 2006, respectively.

#### **Note 6. 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, 2007 and 2006, totaled \$54,577 and \$50,625, respectively.



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