

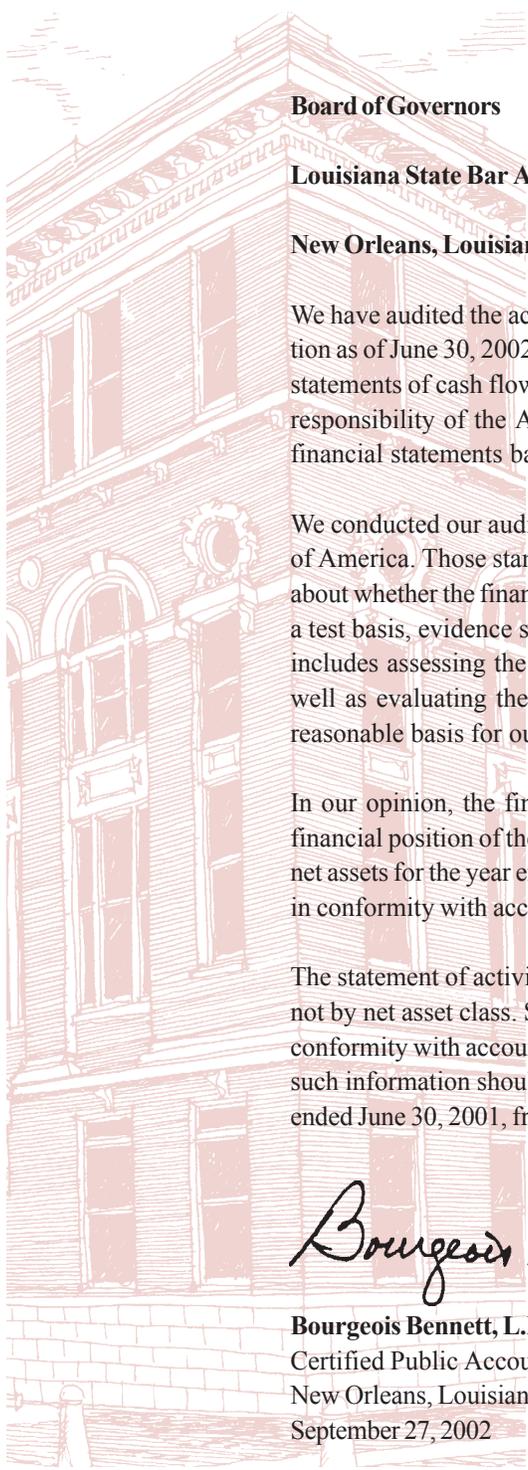


# 2002 LSBA Annual Report

Supplement to *Louisiana Bar Journal* December 2002/January 2003

# 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, 2002 and 2001, the related statement of activities for the year ended June 30, 2002, and statements of cash flows for the years ended June 30, 2002 and 2001. 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, 2002 and 2001, the changes in its net assets for the year ended June 30, 2002, and its cash flows for the years ended June 30, 2002 and 2001, 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, 2001, from which the summarized information was derived.

*Bourgeois Bennett, L.L.C.*

**Bourgeois Bennett, L.L.C.**  
Certified Public Accountants  
New Orleans, Louisiana  
September 27, 2002

Exhibit A  
**STATEMENTS OF FINANCIAL POSITION**  
Louisiana State Bar Association  
June 30, 2002  
(with comparative totals for June 30, 2001)

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,233,029	\$ 1,274,206	\$ 2,507,235	\$ 2,446,912
Investments	3,476,544	50,000	3,526,544	3,355,842
Receivables	88,526	36,764	125,290	40,901
Accrued interest receivable	35,342	-	35,342	33,669
Prepaid expenses	<u>46,900</u>	<u>-</u>	<u>46,900</u>	<u>70,640</u>
Total current assets	<u>4,880,341</u>	<u>1,360,970</u>	<u>6,241,311</u>	<u>5,947,964</u>
<b>Property and Equipment</b>				
Furniture and equipment	690,672	2,996	693,668	655,598
Less accumulated depreciation	<u>501,045</u>	<u>899</u>	<u>501,944</u>	<u>436,730</u>
Net property and equipment	<u>189,627</u>	<u>2,097</u>	<u>191,724</u>	<u>218,868</u>
Totals	<u>\$ 5,069,968</u>	<u>\$ 1,363,067</u>	<u>\$ 6,433,035</u>	<u>\$ 6,166,832</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Unearned revenue	\$ 1,002,728	\$ -	\$ 1,002,728	\$ 945,775
Accounts payable and accrued expenses	<u>319,357</u>	<u>181,727</u>	<u>501,084</u>	<u>364,131</u>
Total current liabilities	<u>1,322,085</u>	<u>181,727</u>	<u>1,503,812</u>	<u>1,309,906</u>
<b>Net Assets</b>				
Unrestricted	3,747,883	-	3,747,883	3,677,800
Temporarily restricted	<u>-</u>	<u>1,181,340</u>	<u>1,181,340</u>	<u>1,179,126</u>
Total net assets	<u>3,747,883</u>	<u>1,181,340</u>	<u>4,929,223</u>	<u>4,856,926</u>
Totals	<u>\$ 5,069,968</u>	<u>\$ 1,363,067</u>	<u>\$ 6,433,035</u>	<u>\$ 6,166,832</u>

See accompanying notes to financial statements.

Exhibit A-1  
**SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS**  
Louisiana State Bar Association  
June 30, 2002  
(with comparative totals for June 30, 2001)

	<u>2002</u>	<u>2001</u>
Access to Justice Program Project Grants	\$ 1,086	\$ 1,243
Access to Justice	-	-
ADA Accommodations Fund	161,014	149,967
Annual Meeting Fund	9,740	42,121
Building Maintenance Fund	-	6,727
Clients' Protection Fund	40,883	41,850
Legal Malpractice Insurance Trust	246,516	238,275
Legal Specialization Fund	180,485	166,981
Tax Specialization Account	57,612	55,756
Young Lawyers Section - Grant Fund	1,231	7,026
Young Lawyers Section, Bridging the Gap	17,532	22,894
Sections:		
Administrative Law	145	-
Alternative Dispute Resolution	43,727	42,165
Antitrust and Trade Regulation Law	6,912	6,746
Bench and Bar	455	3,074
Bill of Rights	655	930
Civil Law and Litigation	51,051	50,248
Consumer Protection and Bankruptcy Law	24,512	23,322
Corporate and Business Law	72,235	66,917
Criminal Law	11,563	11,039
Environmental Law	12,671	8,689
Family Law	14,442	10,989
Fidelity, Surety, and Construction Law	14,224	12,823
Francophone	22	68
Governmental and Public Law	21,794	17,668
Health Law	5,582	3,745
Insurance, Negligence, Compensation and Admiralty Law	9,485	16,823
Intellectual Property	14,100	13,293
International Law	6,190	5,851
Labor and Employment Law	8,089	7,955
Mineral Law	37,974	36,075
Minority Involvement	5,447	4,046
Public Utility	792	-
Solo and Small Firm	8,562	9,423
Taxation	41,144	46,317
Trusts, Estate, Probate and Immovable Property Law	<u>53,468</u>	<u>48,080</u>
Total temporarily restricted net assets	<u>\$ 1,181,340</u>	<u>\$ 1,179,126</u>

See accompanying notes to financial statements.

Exhibit B  
**STATEMENT OF ACTIVITIES**  
Louisiana State Bar Association  
For the year ended June 30, 2002  
(with summarized information for the year ended June 30, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
<b>Support, Revenue, Gains and Reclassifications</b>				
Membership dues	\$ 1,685,320	\$ 177,438	\$ 1,862,758	\$ 1,842,077
Member contributions	-	2,850	2,850	4,075
Penalties	23,350	10,800	34,150	21,550
Examination, accreditation and reinstatement fees	401,835	63,900	465,735	423,814
Investment income	168,592	22,412	191,004	278,641
Gain on investments	25,035	-	25,035	43,840
Loss on fixed assets	-	-	-	(150)
Royalties	169,782	-	169,782	91,638
Advertising	189,610	-	189,610	158,173
Web site advertising	7,694	-	7,694	7,551
Seminars, conferences and luncheons	661,415	275,995	937,410	945,473
Sales of membership labels	47,093	-	47,093	48,787
Sublease income	93,921	-	93,921	81,421
Fees and administrative services:				
Disciplinary assessment processing	53,881	-	53,881	61,047
Annual meeting	7,560	-	7,560	7,590
Alternative Dispute Resolution	4,471	-	4,471	3,211
Contributions	-	84,472	84,472	79,519
Net assets released from restrictions	739,544	(739,544)	-	-
Reclassifications	(103,891)	103,891	-	-
Total support, revenue, gains and reclassifications	<u>4,175,212</u>	<u>2,214</u>	<u>4,177,426</u>	<u>4,098,257</u>
<b>Expenses</b>				
For officials, sections, and committees:				
Travel and per diem	170,059	-	170,059	193,224
Seminars, conferences and luncheons	536,563	-	536,563	449,531
Supplies, awards and gifts	347,512	-	347,512	246,414
Telephone	27,810	-	27,810	27,583
Administering exams	105,390	-	105,390	100,136
Publication costs of Louisiana				
Bar Journal and Bar Briefs	193,296	-	193,296	240,024
Practice Assistance Program	350,712	-	350,712	296,448
Stationery, printing and postage	309,846	-	309,846	412,067
Scholarships	4,890	-	4,890	5,750
Claims paid	55,040	-	55,040	85,029
Depreciation	599	-	599	300
Miscellaneous	81,906	-	81,906	61,705
Total officials, sections, and committees	<u>2,183,623</u>	<u>-</u>	<u>2,183,623</u>	<u>2,118,211</u>
General expense:				
Staff compensation	921,845	-	921,845	860,145
Accounting services	33,015	-	33,015	14,125
Retirement plans	52,443	-	52,443	51,249
Insurance	97,542	-	97,542	86,992
Equipment and computer rental and maintenance	138,037	-	138,037	108,245
Office supplies	27,894	-	27,894	26,053
Payroll taxes	57,090	-	57,090	53,204
Stationery, printing and postage	51,260	-	51,260	43,943
Rent and office maintenance	353,736	-	353,736	355,711
Telephone	43,994	-	43,994	45,167
Travel and per diem and meetings	14,098	-	14,098	14,248
Automobile allowance and parking	23,564	-	23,564	21,059
Depreciation	66,825	-	66,825	54,053
Royalties	4,108	-	4,108	4,031
Miscellaneous	36,055	-	36,055	27,800
Total general expense	<u>1,921,506</u>	<u>-</u>	<u>1,921,506</u>	<u>1,766,025</u>
Total expense	<u>4,105,129</u>	<u>-</u>	<u>4,105,129</u>	<u>3,884,236</u>
<b>Change in Net Assets</b>	70,083	2,214	72,297	214,021
<b>Net Assets</b>				
Beginning of year	3,677,800	1,179,126	4,856,926	4,642,905
End of year	<u>\$ 3,747,883</u>	<u>\$ 1,181,340</u>	<u>\$ 4,929,223</u>	<u>\$ 4,856,926</u>

See accompanying notes to financial statements.

Exhibit C  
**STATEMENTS OF CASH FLOWS**  
Louisiana State Bar Association  
For the year ended June 30, 2002  
(with comparative totals for the year ended June 30, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
<b>Cash Flows From Operating Activities</b>				
Change in net assets	\$ 70,083	\$ 2,214	\$ 72,297	\$ 214,021
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	66,825	599	67,424	54,353
Gain on investments	(25,035)	-	(25,035)	(43,840)
Loss on sale of furniture and equipment	-	-	-	150
Increase in receivables	(70,783)	(13,606)	(84,389)	(597)
(Increase) decrease in accrued interest	(1,673)	-	(1,673)	6,839
(Increase) decrease in prepaid expenses	23,740	-	23,740	(7,986)
Increase (decrease) in unearned revenue	56,953	-	56,953	(15,178)
Increase in accounts payable and accrued expenses	<u>136,228</u>	<u>725</u>	<u>136,953</u>	<u>81,500</u>
Net cash provided by (used in) operating activities	<u>256,338</u>	<u>(10,068)</u>	<u>246,270</u>	<u>289,262</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	(3,635,941)	(50,000)	(3,685,941)	(3,790,272)
Proceeds from sale of investments	3,340,422	199,852	3,540,274	3,773,062
Proceeds from sale of furniture and equipment	-	-	-	900
Purchases of furniture and equipment	<u>(40,280)</u>	<u>-</u>	<u>(40,280)</u>	<u>(61,367)</u>
Net cash provided by (used in) investing activities	<u>(335,799)</u>	<u>149,852</u>	<u>(185,947)</u>	<u>(77,677)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(79,461)	139,784	60,323	211,585
<b>Cash and Cash Equivalents</b>				
Beginning of year	<u>1,312,490</u>	<u>1,134,422</u>	<u>2,446,912</u>	<u>2,235,327</u>
End of year	<u>\$ 1,233,029</u>	<u>\$ 1,274,206</u>	<u>\$ 2,507,235</u>	<u>\$ 2,446,912</u>

See accompanying notes to financial statements.

## Exhibit D

### NOTES TO FINANCIAL STATEMENTS

#### Louisiana State Bar Association June 30, 2002 and 2001

##### 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.

**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.

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

### 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, Building Maintenance, Clients' Protection Fund, 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 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, 2002, uninsured balances totaled approximately \$1,356,000.

#### Note 4 — Investments

Investments are summarized as follows:

	June 30, 2002		June 30, 2001	
	Cost	Market	Cost	Market
United States				
Treasury Bills	\$ -	\$ -	\$ 887,780	\$ 887,780
United States				
Treasury Notes	387,451	400,279	522,129	533,823
United States				
Treasury Bonds	99,947	105,750	99,947	103,031
Certificates of Deposit	985,014	985,014	1,180,015	1,180,015
Fixed Annuity	617,609	617,609	-	-
Federal Mortgage Obligations	<u>1,376,196</u>	<u>1,417,892</u>	<u>630,504</u>	<u>651,193</u>
Totals	<u>\$3,466,217</u>	<u>\$3,526,544</u>	<u>\$3,320,375</u>	<u>\$3,355,842</u>
		<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at June 30, 2002		<u>\$3,466,217</u>	<u>\$3,526,544</u>	\$ 60,327
Balance at June 30, 2001		<u>\$3,320,375</u>	<u>\$3,355,842</u>	35,467
Unrealized gain on investments				24,860
Realized gain for the year				<u>175</u>
Net gain for the year				<u>\$ 25,035</u>
		<u>Cost</u>	<u>Market Value</u>	<u>Excess (Deficit) of Market Over Cost</u>
Balance at June 30, 2001		<u>\$3,320,375</u>	<u>\$3,355,842</u>	\$ 35,467
Balance at June 30, 2000		<u>\$3,309,345</u>	<u>\$3,294,792</u>	(14,553)
Unrealized gain on investments				50,020
Realized loss for the year				<u>(6,180)</u>
Net gain for the year				<u>\$ 43,840</u>

### Note 5 — Lease Commitment

The Association, as lessee, has a noncancelable operating lease agreement with the Louisiana Bar Foundation for office facilities known as the “Louisiana Bar Center.” This lease agreement is recorded on the books of the Association as an operating lease.

As presently amended, the “Bar Center” lease provides for (1) a primary term of 200 months which expires on Dec. 31, 2005 and (2) successive five-year renewal options for a maximum lease term of 99 years. Also, effective Oct. 1, 1994, an interim letter of agreement reduced the rent to be paid by the Association to the Louisiana Bar Foundation to \$17,510 per month plus operating expenses which average approximately \$12,000 per month. This amount is to be adjusted annually such that the rental payments equal the amount necessary to amortize outstanding debt obligations related to the “Bar Center.” As a result, beginning with the July 1996 rent payment, payments increased to \$17,642 per month plus operating expenses. Rent expense (excluding operating expenses) was \$211,708 for each of the years ended June 30, 2002 and 2001.

The following is a schedule by years of approximate future minimum rental payments (including operating expenses) required under the above-mentioned noncancelable operating lease as of June 30, 2002:

Years Ending June 30, _____	Amount
2003	\$ 356,000
2004	356,000
2005	356,000
2006	<u>178,000</u>
Total	<u>\$1,246,000</u>

Office space not used by the Association is subleased to the Louisiana Bar Foundation, New Orleans Pro Bono Project, and Judiciary Commission of Louisiana. The New Orleans Pro Bono Project sublease is considered a month-to-month rental. Rental payments under this sublease are \$1,383 per month. The Judiciary Commission of Louisiana sublease is considered a month-to-month rental. Rental payments under this sublease are \$2,625 per month. The Louisiana Bar Foundation has not executed a sublease agreement and is considered a month-to-month rental. Rental payments under this sublease are \$2,777 per month. Sublease rental income totaled \$93,921 and \$81,421 for the years ended June 30, 2002 and 2001, respectively. Included in the total for the year ended June 30, 2002 is \$12,500 received for granting of servitudes to a neighboring building.

Under the terms of an interim letter of agreement dated Oct. 1, 1994, it was agreed that any rent paid by the Association to the Foundation in excess of market value since the inception of the lease in May 1989 was considered to be prepaid rent. After repayment of building-related debt by the Foundation, this prepaid rent will be used to reduce the rental payments by the Association to the Foundation. Also, as part of the agreement, the Foundation eliminated all cumulative and current overhead charges (totaling approximately \$184,000) related to the Foundation’s operation and maintenance of the building which were previously reimbursable by the Association.

#### **Note 5 — Lease Commitment (continued)**

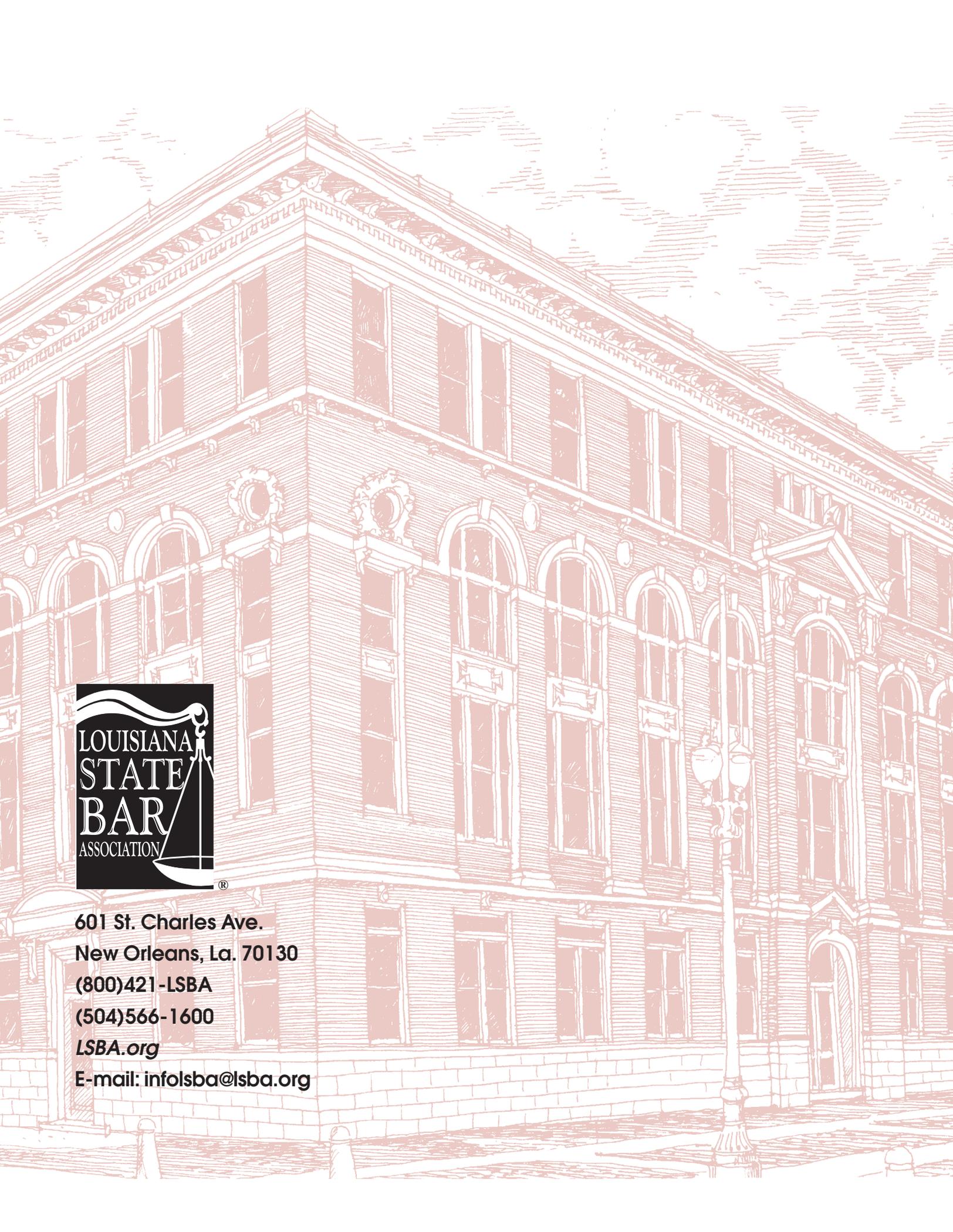
As of June 30, 2002, prepaid rent related to this interim letter of agreement totaled \$890,752. Management of the Association has concluded that this amount should not be recorded as an asset of the Association because of the uncertainty of when the benefit will be realized.

Finally, as part of this agreement, the Foundation provided the Association with \$50,000 in cash to pay for extraordinary building expenses. The Foundation also provided the Association with an additional \$50,000, the use of which is unrestricted.

#### **Note 6 — Retirement Plans**

The Association has a money purchase pension plan which covers all full-time employees who meet certain eligibility requirements. Benefits are fully vested. The Association's funding policy is to make annual contributions to the plan equal to 10 percent of the basic salary of each eligible employee. During the years ended June 30, 2002 and 2001, the Association contributed \$52,443 and \$51,249, respectively.

Effective Jan. 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. The Association did not contribute to this plan during the years ended June 30, 2002 or 2001.



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