

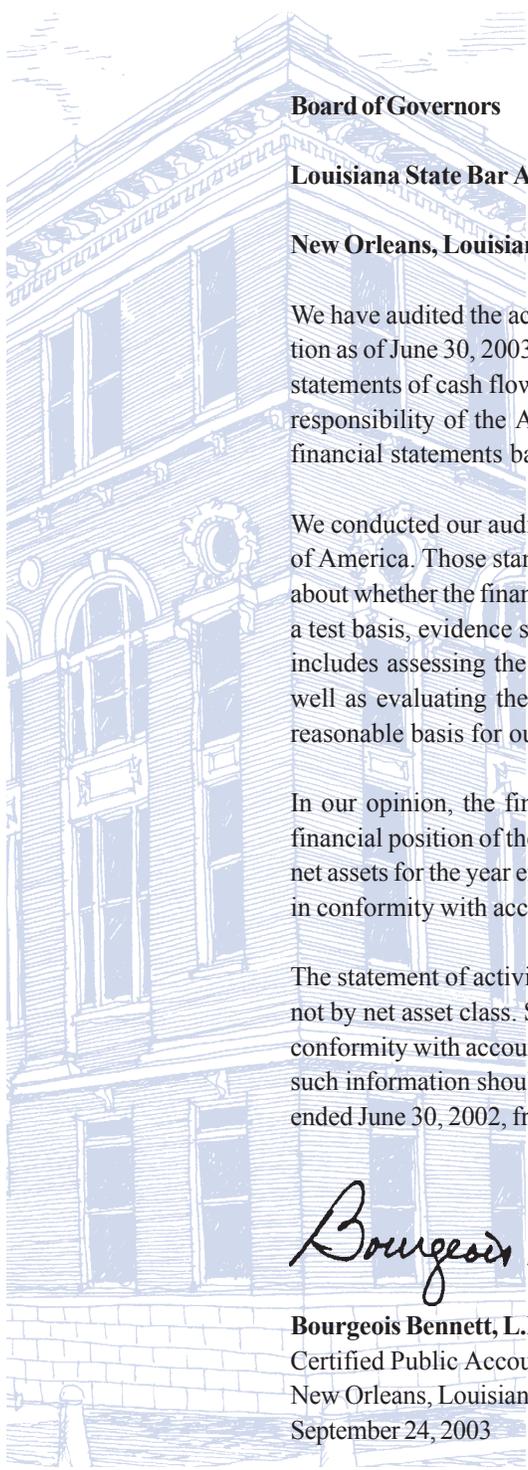


2003 LSBA Annual Report

Supplement to *Louisiana Bar Journal* December 2003/January 2004

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, 2003 and 2002, the related statement of activities for the year ended June 30, 2003, and statements of cash flows for the years ended June 30, 2003 and 2002. 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, 2003 and 2002, the changes in its net assets for the year ended June 30, 2003, and its cash flows for the years ended June 30, 2003 and 2002, 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, 2002, from which the summarized information was derived.

Bourgeois Bennett, L.L.C.

Bourgeois Bennett, L.L.C.
Certified Public Accountants
New Orleans, Louisiana
September 24, 2003

Exhibit A
 STATEMENTS OF FINANCIAL POSITION
 Louisiana State Bar Association
 June 30, 2003
 (with comparative totals for June 30, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Totals</u>	<u>2002 Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 783,748	\$ 971,378	\$ 1,755,126	\$ 2,507,235
Investments	3,765,928	250,006	4,015,934	3,526,544
Receivables	38,121	19,545	57,666	125,290
Accrued interest receivable	35,674	-	35,674	35,342
Prepaid expenses	<u>51,185</u>	<u>-</u>	<u>51,185</u>	<u>46,900</u>
Total current assets	<u>4,674,656</u>	<u>1,240,929</u>	<u>5,915,585</u>	<u>6,241,311</u>
Property and Equipment				
Furniture and equipment	919,639	4,063	923,702	693,668
Less accumulated depreciation	<u>551,248</u>	<u>1,676</u>	<u>552,924</u>	<u>501,944</u>
Net property and equipment	<u>368,391</u>	<u>2,387</u>	<u>370,778</u>	<u>191,724</u>
Totals	<u>\$ 5,043,047</u>	<u>\$ 1,243,316</u>	<u>\$ 6,286,363</u>	<u>\$ 6,433,035</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Unearned revenue	\$ 1,091,142	\$ -	\$ 1,091,142	\$ 1,002,728
Accounts payable and accrued expenses	<u>239,355</u>	<u>146,199</u>	<u>385,554</u>	<u>501,084</u>
Total current liabilities	<u>1,330,497</u>	<u>146,199</u>	<u>1,476,696</u>	<u>1,503,812</u>
Net Assets				
Unrestricted	3,712,550	-	3,712,550	3,747,883
Temporarily restricted	<u>-</u>	<u>1,097,117</u>	<u>1,097,117</u>	<u>1,181,340</u>
Total net assets	<u>3,712,550</u>	<u>1,097,117</u>	<u>4,809,667</u>	<u>4,929,223</u>
Totals	<u>\$ 5,043,047</u>	<u>\$ 1,243,316</u>	<u>\$ 6,286,363</u>	<u>\$ 6,433,035</u>

See accompanying notes to financial statements.

Exhibit A-1
SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS
Louisiana State Bar Association
June 30, 2003
(with comparative totals for June 30, 2002)

	<u>2003</u>	<u>2002</u>
Access to Justice Program Project Grants	\$ 6,196	\$ 1,086
Access to Justice	-	-
ADA Accommodations Fund	21,379	161,014
Annual Meeting Fund	38,807	9,740
Clients' Protection Fund	-	40,883
Exam Fee	15,089	-
Legal Malpractice Insurance Trust	250,151	246,516
Legal Specialization Fund	177,972	180,485
Tax Specialization Account	59,053	57,612
Young Lawyers Section - Grant Fund	309	1,231
Young Lawyers Section, Bridging the Gap	17,501	17,532
Sections:		
Administrative Law	893	145
Alternative Dispute Resolution	42,868	43,727
Antitrust and Trade Regulation Law	7,668	6,912
Bench and Bar	2,220	455
Bill of Rights	1,033	655
Civil Law and Litigation	49,872	51,051
Consumer Protection and Bankruptcy Law	25,937	24,512
Corporate and Business Law	73,859	72,235
Criminal Law	13,082	11,563
Environmental Law	16,085	12,671
Family Law	24,384	14,442
Fidelity, Surety, and Construction Law	16,277	14,224
Francophone	1,928	22
Governmental and Public Law	27,886	21,794
Health Law	9,821	5,582
Insurance, Negligence, Compensation and Admiralty Law	15,282	9,485
Intellectual Property	13,414	14,100
International Law	2,355	6,190
Labor and Employment Law	9,686	8,089
Mineral Law	40,066	37,974
Minority Involvement	4,545	5,447
Public Utility	6,971	792
Solo and Small Firm	10,471	8,562
Taxation	35,330	41,144
Trusts, Estate, Probate and Immovable Property Law	<u>58,727</u>	<u>53,468</u>
Total temporarily restricted net assets	<u>\$ 1,097,117</u>	<u>\$ 1,181,340</u>

See accompanying notes to financial statements.

Exhibit B
STATEMENT OF ACTIVITIES
Louisiana State Bar Association
For the year ended June 30, 2003
(with summarized information for the year ended June 30, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Totals</u>	<u>2002 Totals</u>
Support, Revenue, Gains and Reclassifications				
Membership dues	\$ 1,731,683	\$ 182,850	\$ 1,914,533	\$ 1,862,758
Member contributions	-	-	-	2,850
Penalties	21,150	2,900	24,050	34,150
Examination, accreditation and reinstatement fees	433,415	153,700	587,115	465,735
Interest	132,916	12,434	145,350	191,004
Gain on investments, net	38,979	-	38,979	25,035
Loss on disposal of property and equipment	(4,050)	-	(4,050)	-
Royalties	356,573	-	356,573	169,782
Advertising	187,628	-	187,628	189,610
Web site advertising	6,240	-	6,240	7,694
Seminars, conferences and luncheons	815,484	280,901	1,096,385	937,410
Sales of membership labels	26,464	-	26,464	47,093
Sublease income	82,993	-	82,993	93,921
Fees and administrative services:				
Disciplinary assessment processing	53,384	-	53,384	53,881
Annual meeting	6,990	-	6,990	7,560
Alternative Dispute Resolution	2,509	-	2,509	4,471
Contributions	-	227,398	227,398	84,472
Net assets released from restrictions	771,950	(771,950)	-	-
Reclassifications	(57,544)	57,544	-	-
Total support, revenue, gains and reclassifications	<u>4,606,764</u>	<u>145,777</u>	<u>4,752,541</u>	<u>4,177,426</u>
Expenses				
For officials, sections, committees, and services:				
Travel and per diem	245,588	-	245,588	168,826
Seminars, conferences and luncheons	608,722	-	608,722	536,391
Supplies, awards and gifts	291,951	-	291,951	344,707
Telephone	28,126	-	28,126	27,810
Administering exams	109,396	-	109,396	105,390
Publication costs of Louisiana				
Bar Journal and Bar Briefs	201,780	-	201,780	193,296
Practice Assistance Program	423,515	-	423,515	355,267
Stationery, printing and postage	350,502	-	350,502	309,982
Louisiana Client Assistance Foundation	100,000	-	100,000	-
Professional services	82,343	-	82,343	-
Scholarships	4,990	-	4,990	4,890
Claims paid	61,224	-	61,224	55,040
Depreciation	777	-	777	599
Miscellaneous	73,810	-	73,810	83,140
Total officials, sections, committees, and services	<u>2,582,724</u>	<u>-</u>	<u>2,582,724</u>	<u>2,185,338</u>
General expense:				
Staff compensation	1,072,249	-	1,072,249	921,845
Accounting services	32,488	-	32,488	33,015
Retirement plans	55,957	-	55,957	52,443
Insurance	106,880	-	106,880	97,542
Equipment and computer rental and maintenance	103,269	-	103,269	150,257
Office supplies	32,509	-	32,509	27,894
Payroll taxes	67,326	-	67,326	57,090
Stationery, printing and postage	40,778	-	40,778	39,076
Rent and office maintenance	382,896	-	382,896	353,736
Telephone	49,810	-	49,810	43,994
Travel and per diem and meetings	15,230	-	15,230	14,098
Automobile allowance and parking	26,451	-	26,451	23,564
Depreciation	58,091	-	58,091	66,825
Royalties	-	-	-	4,108
Miscellaneous	15,439	-	15,439	34,304
Total general expense	<u>2,059,373</u>	<u>-</u>	<u>2,059,373</u>	<u>1,919,791</u>
Total expense	<u>4,642,097</u>	<u>-</u>	<u>4,642,097</u>	<u>4,105,129</u>
Change in Net Assets	(35,333)	145,777	110,444	72,297
Net Assets				
Beginning of year	3,747,883	1,181,340	4,929,223	4,856,926
Program distributions	-	(230,000)	(230,000)	-
End of year	<u>\$ 3,712,550</u>	<u>\$ 1,097,117</u>	<u>\$ 4,809,667</u>	<u>\$ 4,929,223</u>

See accompanying notes to financial statements.

Exhibit C
STATEMENTS OF CASH FLOWS
Louisiana State Bar Association
For the year ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Totals</u>	<u>2002 Totals</u>
Cash Flows From Operating Activities				
Change in net assets	\$ (35,333)	\$ 145,777	\$ 110,444	\$ 72,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	58,091	777	58,868	67,424
Gain on investments	(38,979)		(38,979)	(25,035)
Loss on disposal of property and equipment	4,050		4,050	-
(Increase) decrease in receivables	50,405	17,219	67,624	(84,389)
Increase in accrued interest	(332)		(332)	(1,673)
(Increase) decrease in prepaid expenses	(4,285)		(4,285)	23,740
Increase in unearned revenue	88,414		88,414	56,953
Increase (decrease) in accounts payable and accrued expenses	<u>(80,002)</u>	<u>(35,528)</u>	<u>(115,530)</u>	<u>136,953</u>
Net cash provided by operating activities	<u>42,029</u>	<u>128,245</u>	<u>170,274</u>	<u>246,270</u>
Cash Flows From Investing Activities				
Purchase of investments	(2,310,372)	(200,006)	(2,510,378)	(3,685,941)
Proceeds from sale of investments	2,059,967		2,059,967	3,540,274
Purchases of furniture and equipment	<u>(240,905)</u>	<u>(1,067)</u>	<u>(241,972)</u>	<u>(40,280)</u>
Net cash used in investing activities	<u>(491,310)</u>	<u>(201,073)</u>	<u>(692,383)</u>	<u>(185,947)</u>
Cash Flows From Financing Activities				
Program distributions	<u>-</u>	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(449,281)	(302,828)	(752,109)	60,323
Cash and Cash Equivalents				
Beginning of year	<u>1,233,029</u>	<u>1,274,206</u>	<u>2,507,235</u>	<u>2,446,912</u>
End of year	<u>\$ 783,748</u>	<u>\$ 971,378</u>	<u>\$ 1,755,126</u>	<u>\$ 2,507,235</u>

See accompanying notes to financial statements.

Exhibit D

NOTES TO FINANCIAL STATEMENTS

Louisiana State Bar Association
June 30, 2003 and 2002

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, 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 2002 financial statement presentation in order to conform to the 2003 financial statement presentation.

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, 2003, uninsured balances totaled approximately \$1,940,000.



Note 4 — Investments

Investments are summarized as follows:

	June 30, 2003		June 30, 2002	
	Cost	Market	Cost	Market
United States				
Treasury Notes	\$ 199,291	\$ 214,773	\$ 387,451	\$ 400,279
United States				
Treasury Bonds	99,946	121,719	99,947	105,750
Certificates of Deposit	1,450,030	1,450,030	985,014	985,014
Fixed Annuity	813,565	813,565	617,609	617,609
Federal Mortgage Obligations	<u>1,352,636</u>	<u>1,415,847</u>	<u>1,376,196</u>	<u>1,417,892</u>
Totals	<u>\$3,915,468</u>	<u>\$4,015,934</u>	<u>\$3,466,217</u>	<u>\$3,526,544</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				<u>(1,160)</u>
Net gain for the year				<u>\$ 38,979</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>



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 \$14,000 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, 2003 and 2002.

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, 2003:

<u>Years Ending June 30,</u>	<u>Amount</u>
2004	\$380,000
2005	380,000
2006	<u>190,000</u>
Total	<u>\$950,000</u>

Office space not used by the Association is subleased to the Louisiana Bar Foundation and the Judiciary Commission of Louisiana. The New Orleans Pro Bono Project sublease is considered a month-to-month rental, but was cancelled in December 2002. Rental payments under this sublease were \$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, but due to added space the sublease rental payments increased to \$2,650 per month in November 2002. 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 \$82,993 and \$93,921 for the years ended June 30, 2003 and 2002, respectively. Included in the totals for the years ended June 30, 2003 and 2002 is \$10,000 and \$12,500 respectively, 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)

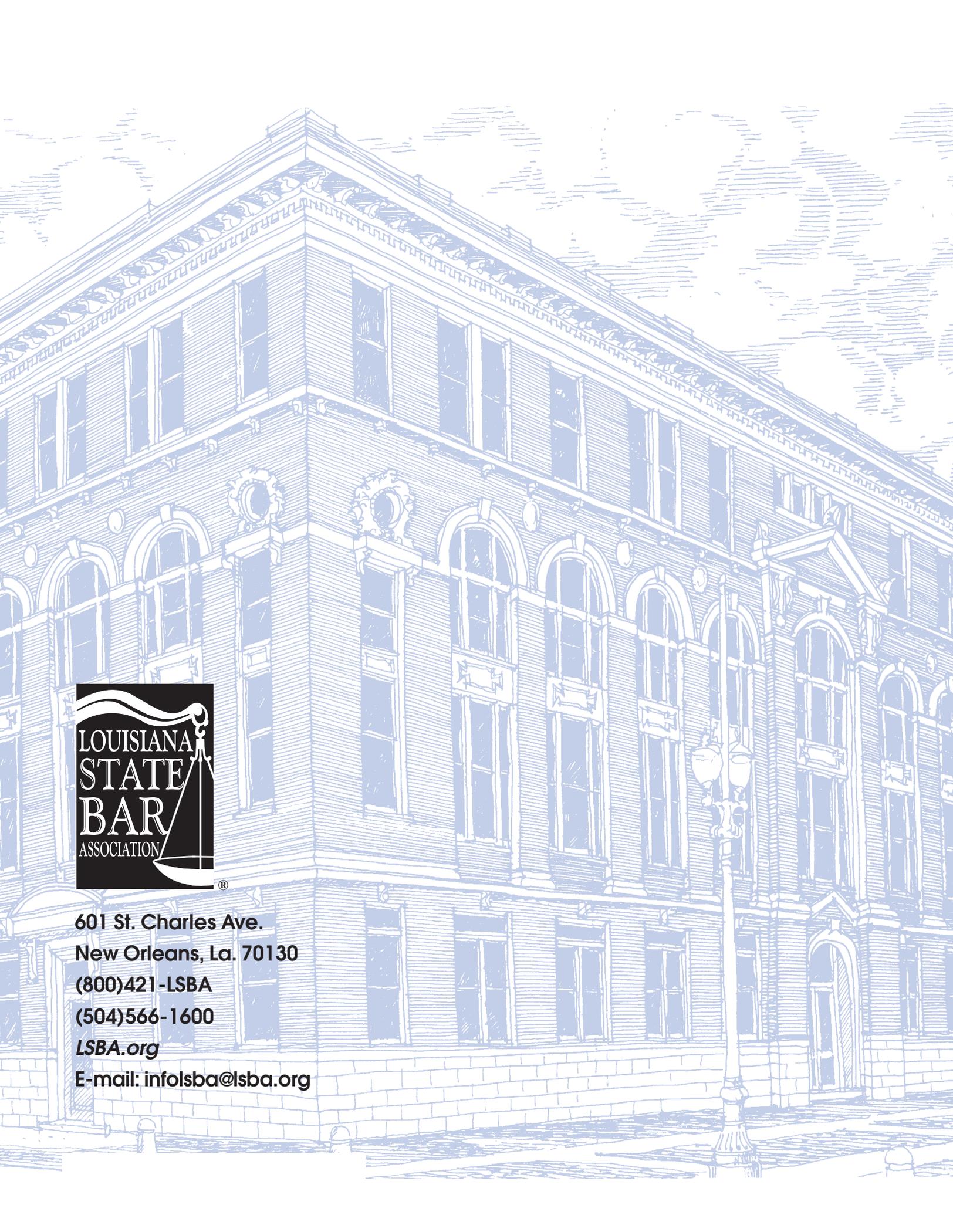
As of June 30, 2003, prepaid rent related to this interim letter of agreement totaled \$1,005,067. Management of the Association has concluded that this amount should not be recorded as an asset of the Association because of the uncertainty of when the benefit will be realized.

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 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 Dec. 31, 2002, and \$52,443 for the year ended June 30, 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 Dec. 31, 2002, the Association merged the money purchase pension plan into the profit sharing plan. The actual transfer of the assets took place on Jan. 24, 2003. The contribution to this plan for the six-months ended June 30, 2003 is \$29,600.



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