



# 2019

## LOUISIANA STATE BAR ASSOCIATION

# ANNUAL REPORT



Louisiana  
State Bar  
Association

*Serving the Public. Serving the Profession.*

Supplement to the Louisiana Bar Journal

Board of Governors,  
Louisiana State Bar Association,  
New Orleans, LA.

We have audited the accompanying consolidated financial statements of the Louisiana State Bar Association and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Bar Association and affiliates as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bourgeois Bennett, LLC.*  
Certified Public Accountants

New Orleans, Louisiana  
April 7, 2021

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statement of Financial Position**

June 30, 2019

	Without Restrictions	With Restrictions	Totals
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,762,133	\$1,260,011	\$ 4,022,144
Accounts receivable	263,548	33,421	296,969
Receivable from LCJC	52,243	-	52,243
Accrued interest receivable	17,951	-	17,951
Prepaid expenses	70,219	8,277	78,496
Total current assets	3,166,094	1,301,709	4,467,803
<b>Investments</b>	8,414,577	1,356,232	9,770,809
<b>Property and Equipment, net</b>	1,771,751	2,638	1,774,389
<b>Deposits</b>	-	2,250	2,250
Totals	\$13,352,422	\$2,662,829	\$16,015,251
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>Current Liabilities</b>			
Unearned revenue	\$ 2,806,984	\$ -	\$ 2,806,984
Accounts payable and accrued expenses	481,372	63,303	544,675
Total current liabilities	3,288,356	63,303	3,351,659
<b>Net Assets</b>			
Without restrictions:			
Board-designated capital reserve	1,195,213	-	1,195,213
Undesignated	8,868,853	-	8,868,853
With restrictions	-	2,599,526	2,599,526
Total net assets	10,064,066	2,599,526	12,663,592
Totals	\$13,352,422	\$2,662,829	\$16,015,251

See accompanying notes to consolidated financial statements.

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statement of Activities**

For the year ended June 30, 2019

	Without Restrictions	With Restrictions	Totals
<b>Support, Revenue, Gains, and Reclassifications</b>			
Membership dues	\$ 4,103,920	\$ 201,360	\$ 4,305,280
Mandatory continuing legal education Seminars, conferences, programs, and luncheons	597,281	-	597,281
Royalties	1,007,381	106,187	1,113,568
Contributions and grants	491,108	-	491,108
Advertising	-	394,329	394,329
Annual meeting	215,855	-	215,855
Lawyer advertising filing fees	442,205	-	442,205
Disciplinary assessment processing	140,000	-	140,000
Gain on investments, net	30,387	-	30,387
Interest and dividends	429,582	25,672	455,254
Rental income	200,244	47,983	248,227
Sales of membership labels	51,324	-	51,324
Penalties	9,277	-	9,277
Sales of brochures and books	12,050	2,300	14,350
Miscellaneous income	40	-	40
Net assets released from restrictions	101,272	-	101,272
	898,982	(898,982)	-
Total support, revenue, gains, and reclassifications	8,730,908	(121,151)	8,609,757



	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Governance	797,881	-	797,881
Communications and publications	603,806	-	603,806
Member outreach and diversity	421,691	-	421,691
Membership services and meetings	532,405	-	532,405
Governmental relations	97,620	-	97,620
Access to Justice	618,716	-	618,716
Practice management and assistance	1,875,511	-	1,875,511
Information technology	585,186	-	585,186
Mandatory CLE	282,596	-	282,596
Membership and finance	489,554	-	489,554
Judges and Lawyers Assistance Program	649,829	-	649,829
Louisiana Center for Law and Civic Education	166,541	-	166,541
Sections	255,146	-	255,146
Legal Specialization Fund	130,593	-	130,593
Total program services	7,507,075	-	7,507,075
Supporting services:			
General operations	621,348	-	621,348
Total expenses	8,128,423	-	8,128,423
<b>Change in Net Assets</b>	602,485	(121,151)	481,334
<b>Net Assets</b>			
Beginning of year	9,461,581	2,720,677	12,182,258
End of year	<u>\$10,064,066</u>	<u>\$2,599,526</u>	<u>\$12,663,592</u>

See accompanying notes to consolidated financial statements.

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2019

	Program Services						Practice Management and Assistance
	Governance	Communications and Publications	Member Outreach and Diversity	Membership Services and Meeting	Governmental Relations	Access To Justice	
<b>Expenses</b>							
Contributions and sponsorships	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 13,000
Committees	23,498	150	-	4,002	18,953	1,992	24,655
Computer assisted legal research	-	-	-	-	-	-	125,242
Conferences	-	-	-	-	-	32,842	67,140
Depreciation	-	-	-	-	-	-	-
Directors - expenses	13,386	4,482	-	-	-	-	-
Dues and subscriptions	-	-	1,622	-	3,525	765	-
Equipment and improvements	-	-	-	-	-	-	-
Equipment rentals and supplies	-	-	-	-	-	-	-
House of Delegates	38,296	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Intern stipends	-	-	-	-	-	12,000	-
Internet	-	-	-	-	-	-	-
IT support	-	-	-	-	-	-	-
Lobbying	-	-	-	-	48,000	-	-
Local bar outreach	-	-	34,716	-	-	-	-
Louisiana Bar Journal	-	162,689	-	-	-	-	-
Meetings and summer school	-	-	-	347,810	-	-	-
Nominations and elections	28,402	-	-	-	-	-	-
Officers and board	179,509	-	-	-	-	-	-
Other expenses	175	3,241	1,000	2,451	-	-	2,108
Printing and postage	-	-	23	-	-	83	4,796
Professional services	-	-	-	-	-	-	-
Projects	-	1,568	27,312	-	-	13,705	-
Property management	-	-	-	-	-	-	-
Rent and lease expense	-	-	-	-	-	-	-
Salaries	393,045	387,986	265,120	171,184	27,142	518,472	1,138,278
Seminars and programs	-	-	72,526	-	-	16,304	463,130
Software and upgrades	-	-	-	-	-	-	-
Strategic planning	20,172	-	-	-	-	-	-
Supplies	1,976	1,254	4,009	69	-	2,407	9,750
Telephone	3,176	1,699	2,420	1,889	-	4,020	7,209
Travel and training	-	-	7,943	-	-	16,126	20,203
Utilities	-	-	-	-	-	-	-
Unrelated business income tax	-	40,737	-	-	-	-	-
Young lawyers division	96,246	-	-	-	-	-	-
<b>Total functional expenses</b>	<u>\$797,881</u>	<u>\$603,806</u>	<u>\$421,691</u>	<u>\$532,405</u>	<u>\$97,620</u>	<u>\$618,716</u>	<u>\$1,875,511</u>

See accompanying notes to consolidated financial statements.

Information Technology	Program Services						Total Program Expenses	Supporting Services	
	Mandatory CLE	Membership and Finance	JLAP	LCLCE	Sections	Legal Specialization Fund		General Operations	Total Expenses
\$ -	\$ -	\$ -	\$ 91,342	\$ -	\$ 99,820	\$ -	\$ 214,162	\$ -	\$ 214,162
-	1,206	-	-	-	-	-	74,456	-	74,456
-	-	-	-	-	-	-	125,242	-	125,242
-	-	-	-	-	-	-	99,982	-	99,982
-	-	-	3,820	-	-	-	3,820	167,385	171,205
4,570	-	-	-	-	-	-	22,438	-	22,438
-	-	-	-	-	-	-	5,912	-	5,912
-	-	-	-	-	-	-	-	814	814
-	-	-	7,146	2,121	-	-	9,267	31,586	40,853
-	-	-	-	-	-	-	38,296	-	38,296
-	-	-	4,246	1,895	-	-	6,141	33,642	39,783
-	-	-	-	-	-	-	12,000	-	12,000
10,797	(2,531)	-	-	-	-	-	8,266	-	8,266
4,740	-	-	-	-	-	-	4,740	-	4,740
-	-	-	-	-	-	-	48,000	-	48,000
-	-	-	-	-	-	-	34,716	-	34,716
-	-	-	-	-	-	-	162,689	-	162,689
-	-	-	-	-	-	-	347,810	-	347,810
-	-	-	-	-	-	-	28,402	-	28,402
-	-	-	-	-	-	-	179,509	-	179,509
-	10	-	10,052	3,100	22,092	2,677	46,906	5,146	52,052
-	18,447	32,053	-	1,150	406	2,063	59,021	(1,508)	57,513
-	-	30,138	22,898	6,813	-	6,500	66,349	-	66,349
-	-	-	-	-	-	-	42,585	-	42,585
-	-	-	-	-	-	-	-	135,596	135,596
-	-	-	27,000	4,747	-	3,000	34,747	-	34,747
396,460	255,666	421,347	413,408	85,385	51,850	103,533	4,628,876	207,592	4,836,468
-	-	-	50,775	21,535	64,185	8,073	696,528	-	696,528
163,136	-	-	-	-	-	-	163,136	-	163,136
-	-	-	-	-	-	-	20,172	-	20,172
134	6,027	4,953	5,868	3,112	-	1,869	41,428	(2,456)	38,972
4,183	1,135	1,063	-	-	472	874	28,140	23,221	51,361
1,166	2,636	-	-	36,683	15,321	2,004	102,082	20,330	122,412
-	-	-	13,274	-	-	-	13,274	-	13,274
-	-	-	-	-	-	-	40,737	-	40,737
-	-	-	-	-	1,000	-	97,246	-	97,246
<u>\$585,186</u>	<u>\$282,596</u>	<u>\$489,554</u>	<u>\$649,829</u>	<u>\$166,541</u>	<u>\$255,146</u>	<u>\$130,593</u>	<u>\$7,507,075</u>	<u>\$621,348</u>	<u>\$8,128,423</u>

**LOUISIANA STATE BAR ASSOCIATION  
AND AFFILIATES**

**Consolidated Statements of Cash Flows**

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$1,446,657	\$ 481,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions to LCLCE endowment	-	(4,160)
Depreciation	158,413	171,205
Loss (gain) on investments	19,331	(455,254)
Decrease (increase) in accounts receivable	101,268	(230,330)
Decrease (increase) in receivable from LCJC	(910)	13,296
Decrease (increase) in accrued interest receivable	(620)	4,442
Decrease (increase) in prepaid expenses	(21,375)	23,666
Increase (decrease) in unearned revenue	(1,218,424)	1,888
Increase in accounts payable and accrued expenses	<u>237,630</u>	<u>6,333</u>
Net cash provided by operating activities	<u>721,970</u>	<u>12,420</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(2,968,223)	(2,782,931)
Proceeds from sale of investments	2,513,136	2,923,081
Purchases of property and equipment	<u>(93,554)</u>	<u>(27,847)</u>
Net cash provided by (used in) investing activities	<u>(548,641)</u>	<u>112,303</u>
<b>Cash Flows From Financing Activities</b>		
Collections of contributions to LCLCE endowment	<u>-</u>	<u>4,160</u>
<b>Net Increase In Cash and Cash Equivalents</b>	173,329	128,883
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>4,022,144</u>	<u>3,893,261</u>
End of year	<u><u>\$4,195,473</u></u>	<u><u>\$4,022,144</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for unrelated business income taxes	<u><u>\$ 3,596</u></u>	<u><u>\$ 40,737</u></u>



# LOUISIANA STATE BAR ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements  
June 30, 2020 and 2019

## Note 1 — ORGANIZATION AND NATURE OF ACTIVITIES

The Louisiana State Bar Association (the “Association” or LSBA) is a nonprofit corporation organized under the laws of the State of Louisiana (R.S.37:211). The objects and purposes of 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

### a. Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### b. Consolidation Policy

The consolidated financial statements as of and for the years ended June 30, 2020 and 2019 include the accounts of the Association; Judges and Lawyers Assistance Program, Inc. (JLAP); and Louisiana Center for Law and Civic Education, Inc. (LCLCE), exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Effective September 29, 2014, JLAP amended and restated its bylaws, making the Association its sole member. On June 7, 2010, the Association and LCLCE entered into an agreement through which the Association committed to provide funding to LCLCE and which gave the Association’s Board of Governors the power to appoint the Board of Directors of LCLCE. Both JLAP and LCLCE are consolidated due to the Association having both an economic interest in and control of the organizations. All material intra-entity transactions have been eliminated.

### c. Financial Statement Presentation

The Association’s net assets, support and revenues, and expenses are classified based on the existence or absence of restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

**Net Assets without Restrictions** - Net assets that are not subject to restrictions and may be expended for any purpose in performing the primary objectives of the Association. Certain unrestricted net assets have been designated by the Board of Governors for capital expenditures related to the Bar Center building.

**Net Assets with Restrictions** - Net assets subject to stipulations that may or will be met either by actions of the Association or its affiliates and/or the passage of time, or net assets that are maintained in perpetuity. The Association 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 Program - Legal Services and Louisiana Bar Foundation Grants; Legal Malpractice Insurance Fund; Legal Specialization; Young Lawyers Division - Grant Fund; Young Lawyers Division - Bridging the Gap; and each of the other Section accounts created by the House of Delegates. These revenues are to be expended for the purposes of the related programs and Sections and are reported as net assets with restrictions until expended. During the year ended June 30, 2020, the Louisiana Supreme Court transferred \$1,281,466 in funds from its administration of the Mandatory Continuing Legal Education (MCLE) program to the Association. Fifty percent of the funds are restricted for funding JLAP and fifty percent of the funds are restricted for initiatives benefiting the education of new attorneys, including providing continuing legal education programs at no cost. The net assets of JLAP and LCLCE are restricted for use by those entities and, therefore, are presented as net assets with restrictions in the consolidated financial statements.

**d. Use of 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.

**e. Cash and Cash Equivalents**

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

**f. Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements.

Unrealized gains and losses on investments are included in the consolidated statement of activities as increases or decreases in net assets without restriction unless their use is restricted. Investment income and realized and unrealized gains and losses from the investment accounts referred to as the Core Investments are without restrictions. Investment income on the Legal Malpractice Insurance Fund, Legal Specialization Fund, LCLCE, and other Section accounts is restricted for use for those specific purposes.

**g. Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is recorded over the estimated useful lives of the respective assets using the straight-line method. The useful lives range from 3 to 10 years for furniture and equipment, from 10 to 15 years for building improvements, and is 39 years for the building. Additions and major improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

**h. Unearned Revenue**

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

**i. Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue derived from dues and registration fees are recognized in the period to which they relate.

**j. Contributed 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 consolidated financial statements since the volunteers' time does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

**k. Functional Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on estimates of time and effort. Utilities are allocated based on estimated usage by department. All other expenses are directly charged to the applicable program.

**l. Recently Issued Accounting Standards****Presentation of Financial Statements for Not-for-Profit Entities**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association adopted this update during the year ended June 30, 2019 and has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**I. Recently Issued Accounting Standards (Continued)**

**Statement of Cash Flows**

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. The Association adopted the provisions of ASU No. 2016-18 during the year ended June 30, 2020. The adoption of the standard and its retrospective application had no impact on the June 30, 2020 or 2019 consolidated financial statements.

**Contributions Received and Contributions Made**

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 should assist entities in (1) evaluation whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for fiscal years beginning after December 15, 2018 for contributions received. The Association adopted the provisions of ASU No. 2018-08 during the year ended June 30, 2020. The adoption of the standard and its retrospective application had no impact on the June 30, 2020 or 2019 consolidated financial statements.

**Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The ASU is effective for annual reporting periods beginning after December 15, 2020. Management is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

**m. Subsequent Events**

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through April 7, 2021, which is the date that the consolidated financial statements were available to be issued.

**Note 3 — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without restrictions:		
LSBA	<u>\$1,630,227</u>	<u>\$2,762,133</u>
With restrictions:		
LSBA	2,013,846	811,915
LCLCE	270,126	244,173
JLAP	<u>281,274</u>	<u>203,923</u>
	<u>2,565,246</u>	<u>1,260,011</u>
Totals	<u>\$4,195,473</u>	<u>\$4,022,144</u>

**Note 4 — CONCENTRATION OF CREDIT RISK**

The Association periodically maintains cash and cash equivalents in bank accounts in excess of insured limits. The Association has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. As of June 30, 2020, the Association had cash and cash equivalents of approximately \$2.9 million in excess of insured limits.

**Note 5 — INVESTMENTS**

Investments held as of June 30, 2020 and 2019 are summarized as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
LSBA:				
Without restrictions:				
Common stock	\$2,763,990	\$ 5,084,658	\$3,143,076	\$5,060,400
Corporate bonds	3,661,872	3,507,897	3,126,194	3,354,177
Municipal bonds	207,033	206,472	-	-
With restrictions:				
Common stock	528,290	558,435	511,264	532,690
Corporate bonds	416,280	419,158	411,741	406,329
Variable annuity contract	418,998	418,998	406,761	406,761
Total - LSBA	<u>7,996,463</u>	<u>10,195,618</u>	<u>7,599,036</u>	<u>9,760,357</u>
LCLCE:				
With restrictions:				
Money market	336	336	251	251
Common stock	6,100	6,373	6,022	6,159
Government bonds	3,877	4,238	3,878	4,042
Total - LCLCE	<u>10,313</u>	<u>10,947</u>	<u>10,151</u>	<u>10,452</u>
Totals	<u>\$8,006,776</u>	<u>\$10,206,565</u>	<u>\$7,609,187</u>	<u>\$9,770,809</u>

Presented below is a summary of realized and unrealized gains and losses on investments for the years ended June 30, 2020 and 2019:

	2020		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balances as of June 30, 2020	<u>\$8,006,776</u>	<u>\$10,206,565</u>	\$2,199,789
Balances as of June 30, 2019	<u>\$7,609,187</u>	<u>\$ 9,770,809</u>	2,161,622
Unrealized gain on investments			38,167
Realized loss on investments, net			<u>(57,498)</u>
Loss on investments, net			<u>\$ (19,331)</u>

	2019		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balances as of June 30, 2019	<u>\$7,609,187</u>	<u>\$ 9,770,809</u>	\$2,161,622
Balances as of June 30, 2018	<u>\$7,428,898</u>	<u>\$ 9,455,705</u>	2,026,807
Unrealized gain on investments			134,815
Realized gain on investments			<u>320,439</u>
Gain on investments			<u>\$ 455,254</u>

Interest and dividends earned on investments for the years ended June 30, 2020 and 2019 were \$252,732 and \$248,227, respectively, net of investment expenses of \$41,642 and \$39,697, respectively.

**Note 6 — ASSETS MEASURED AT FAIR VALUE**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- ▶ quoted prices for similar assets or liabilities in active markets;
- ▶ quoted prices for identical or similar assets or liabilities in inactive markets;
- ▶ inputs other than quoted prices that are observable for the asset or liability;
- ▶ inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

- ▶ *Common stock and exchange traded fund (ETF)*. Valued at the closing price reported on the active market on which the individual securities are traded.
- ▶ *Corporate and municipal bonds*. Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value of yields currently available on comparable securities of issuers with similar credit ratings.



► *Money market funds.* Valued at the daily closing price as reported by the fund. Money market funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

► *Variable annuity contract.* Valued at cash redemption value as reported to the Association by MassMutual Financial Group.

These methodologies may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes these valuation methodologies are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy, the Association's assets at fair value as of June 30, 2020 and 2019:

Description	Total Assets Measured At Fair Value	Based on:		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Investments:				
Common stock:				
Information technology	\$ 1,427,423	\$1,427,423	\$ -	\$ -
Health care	1,105,841	1,105,841	-	-
Consumer staples	543,137	543,137	-	-
Financials	615,316	615,316	-	-
Energy	231,519	231,519	-	-
Industrials	584,902	584,902	-	-
Consumer discretionary	546,276	546,276	-	-
Materials	92,294	92,294	-	-
Telecommunication	496,387	496,387	-	-
Other	6,709	6,709	-	-
Corporate bonds:				
Credit rating:				
A-	405,199	-	405,199	-
BB+	182,307	-	182,307	-
BBB+	739,860	-	739,860	-
BBB	934,042	-	934,042	-
BBB-	1,665,645	-	1,665,645	-
Municipal bond AA	206,472	206,472	-	-
Government bond ETF	4,238	4,238	-	-
Variable annuity contract	418,998	-	418,998	-
Totals - investments	10,206,565	5,860,514	4,346,051	-
Money market funds included in cash and cash equivalents				
	1,195,190	1,195,190	-	-
Totals	\$11,401,755	\$7,055,704	\$4,346,051	\$ -

Description	Total Assets Measured At Fair Value	Based on:		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2019</u>				
Investments:				
Common stock:				
Information technology	\$ 1,550,969	\$ 1,550,969	\$ -	\$ -
Health care	1,011,970	1,011,970	-	-
Consumer staples	797,369	797,369	-	-
Financials	660,941	660,941	-	-
Energy	374,654	374,654	-	-
Industrials	597,121	597,121	-	-
Consumer discretionary	433,330	433,330	-	-
Materials	10,324	10,324	-	-
Telecommunication	156,412	156,412	-	-
Other	6,410	6,410	-	-
Corporate bonds:				
Credit rating:				
A-	504,587	-	504,587	-
AA-	200,135	-	200,135	-
BBB+	606,977	-	606,977	-
BBB	1,371,159	-	1,371,159	-
BBB-	1,077,648	-	1,077,648	-
Government bond ETF	4,042	4,042	-	-
Variable annuity contract	406,761	-	406,761	-
Totals - investments	9,770,809	5,603,542	4,167,267	-
Money market funds included in cash and cash equivalents				
	1,619,990	1,619,990	-	-
Totals	<u>\$ 11,390,799</u>	<u>\$ 7,223,532</u>	<u>\$ 4,167,267</u>	<u>\$ -</u>

**Note 7 — RISKS AND UNCERTAINTIES**

The Association invests in various investments including stocks and fixed income obligations. Investment securities, in general, are subject to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the consolidated financial statements.

**Note 8 — PROPERTY AND EQUIPMENT**

Major classes of property and equipment as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
<b>LSBA</b>		
Louisiana Bar Center:		
Building	\$1,881,646	\$1,881,646
Improvements	1,840,219	1,746,665
Furniture and equipment	<u>982,642</u>	<u>982,642</u>
	4,704,507	4,610,953
Less accumulated depreciation	<u>(2,994,977)</u>	<u>(2,837,646)</u>
	<u>1,709,530</u>	<u>1,773,307</u>
 <b>LCLCE</b>		
Library	30,133	30,133
Furniture and equipment	<u>2,199</u>	<u>2,199</u>
	32,332	32,332
Less accumulated depreciation	<u>(32,332)</u>	<u>(32,332)</u>
	<u>-</u>	<u>-</u>
 <b>JLAP</b>		
Furniture and equipment	30,219	32,532
Less accumulated depreciation	<u>(30,219)</u>	<u>(31,450)</u>
	<u>-</u>	<u>1,082</u>
Property and equipment, net	<u>\$1,709,530</u>	<u>\$1,774,389</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$158,413 and \$171,205, respectively.

**Note 9 — NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Access to Justice Program - Project Grants	\$ 12,416	\$ 14,783
Fund for JLAP	640,733	-
Legal Malpractice Insurance Trust	1,117,837	1,075,338
Legal Specialization Fund	414,642	437,900
New Attorney Initiative	640,733	-
Young Lawyers Section - Grant Fund	47	47
Young Lawyers Section - Bridging the Gap	16,353	16,353
Sections:		
Administrative Law	7,754	7,509
Alternative Dispute Resolution	32,903	41,073
Animal Law	4,759	3,433
Antitrust and Trade Regulation Law	4,300	4,077
Appellate Section	12,919	11,669
Art, Entertainment, and Sports Law Section	3,901	3,061
Bankruptcy Law	14,882	20,578
Bench and Bar	8,155	8,342
Civil Law and Litigation	34,662	49,511
Class Action, Mass Tort, and Complex Litigation Law	8,320	5,540
Consumer Protection Law	6,780	6,670
Corporate and Business Law	60,806	65,027
Criminal Law	6,334	6,253
Environmental Law	9,257	7,276
Family Law	30,557	29,190
Fidelity, Surety, and Construction Law	35,339	34,344
Francophone	4,401	7,764
Government and Public Law	6,189	1,596
Health Law	18,537	21,017
Immigration Law	1,452	1,052
Insurance, Tort, Workers' Compensation, and Admiralty Law	17,481	13,697
Intellectual Property	10,991	11,434
International Law	4,962	4,729
Labor and Employment Law	20,441	15,988

	<u>2020</u>	<u>2019</u>
Sections: (Continued)		
Mineral Law	45,086	44,497
Minority Involvement	11,609	10,789
Public Utility	16,957	15,916
Solo and Small Firm	12,742	14,720
Taxation	42,490	53,701
Trusts, Estate, Probate, and Immovable Property Law	<u>86,534</u>	<u>85,462</u>
Total net assets with purpose restrictions - LSBA	3,424,261	2,150,336
Net assets with purpose restrictions - JLAP	233,006	227,736
Net assets with purpose restrictions - LCLCE	202,351	185,322
Net assets restricted in perpetuity - LCLCE	<u>36,132</u>	<u>36,132</u>
Total net assets with restrictions	<u>\$ 3,895,750</u>	<u>\$ 2,599,526</u>

**Note 10 — GOVERNING BOARD DESIGNATIONS**

The Association's Board of Governors has chosen to designate certain net assets for capital expenditures related to the Bar Center. Net assets without restrictions consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undesignated - available for operations	\$ 8,854,162	\$ 8,868,853
Designated - capital reserves	<u>1,360,337</u>	<u>1,195,213</u>
Total net assets without restrictions	<u>\$ 10,214,499</u>	<u>\$ 10,064,066</u>

**Note 11 — RENTAL INCOME**

A portion of the Louisiana Bar Center building not currently needed for the Association's operations is rented to the Judiciary Commission of Louisiana under a month-to-month lease which commenced on July 1, 2016. Rental income for the years ended June 30, 2020 and 2019 totaled \$51,324 per year.

**Note 12 — 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, 2020 and 2019 totaled \$327,156 and \$325,057, respectively.

**Note 13 — CONSOLIDATED AFFILIATES**

As discussed in Note 2b, effective June 7, 2010, the Association entered into an agreement with LCLCE which gave it an economic interest in and control of LCLCE. The Association committed to provide annual funding to LCLCE annually for an initial term of five years with automatic renewals in one-year increments unless either party elects to terminate the agreement. During the year ended June 30, 2020 and 2019, funding totaled \$63,000 per year. Net assets of the consolidated affiliate totaling \$238,483 and \$221,454 have been included in the Consolidated Statements of Financial Position as of June 30, 2020 and 2019, respectively.

As discussed in Note 2b, effective September 29, 2014, JLAP amended and restated its bylaws, making LSBA its sole member. The Association has committed to providing annual funding to JLAP in an amount to be determined annually. Net assets of JLAP totaling \$233,006 and \$227,736 have been included in the Consolidated Statements of Financial Position as of June 30, 2020 and 2019, respectively.



**Note 14 — RELATED PARTIES**

The Association and the Louisiana Civil Justice Center (LCJC) are separate functioning organizations sharing a common mission. The Association's Board of Governors appoints the LCJC Board of Governors. LSBA provided \$10,000 per year to LCJC during the years ended June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, the LCJC occupied space on the third floor of the Bar Center building rent free. Additionally, LSBA processes payroll for LCJC. As of June 30, 2020 and 2019 payroll funds receivable from LCJC totaled \$53,153 and \$52,243, respectively.

The Association and the Louisiana Client Assistance Foundation (LCAF) are separately functioning organizations sharing a common mission. The Association's Board of Governors appoints the LCAF Board of Governors. No financial support was provided by the Association to LCAF during the years ended June 30, 2020 and 2019.

**Note 15 — INCOME TAXES**

The Association is exempt from federal income taxes 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 Internal Revenue Code. It is exempt from state income taxes under Section 121(6) of Title 47 of the Louisiana Revised Statutes of 1950. Net operating profits from unrelated business income, if any, are subject to federal income tax. The Association had taxable unrelated business income for the years ended June 30, 2020 and 2019 of approximately \$89,000 and \$15,000, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other taxing authorities. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Note 16 — AVAILABILITY OF FINANCIAL ASSETS**

The Association is substantially supported by membership dues, seminar and conference fees, and investment income. Certain programs of the Association are also supported by contributions, which typically are restricted by the donor for use in that program. Because a restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Association has established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner.

**Note 16 — AVAILABILITY OF FINANCIAL ASSETS (Continued)**

The following reflects the Association's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use due to restrictions.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 4,195,473	\$ 4,023,636
Accounts receivables	195,701	296,969
Receivable from LCJC	53,153	52,243
Accrued interest receivable	18,571	17,951
Investments	10,206,565	9,770,809
Total financial assets	14,669,463	14,161,608
Less amounts unavailable for general expenditures within one year, due to:		
Assets with restrictions:		
Restricted as to purpose	(3,859,618)	(2,563,394)
Restricted in perpetuity	(36,132)	(36,132)
Financial assets available to meet cash needs for general expenditures within one year before governing board designations	10,773,713	11,562,082
Less: governing board designations	(1,360,337)	(1,195,213)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,413,376	\$10,366,869

**Note 17 — COMMITMENT**

Since 2005, the Association has had an agreement with Fastcase.com, Inc. ("Fastcase"), to provide members of the Association with unlimited access to the Fastcase legal research system. Effective in June 2018, the agreement was extended for an additional five-year term. At the end of the term, the agreement will automatically renew in one year increments until such time either party elects to terminate the agreement. Fees under this agreement totaled \$125,242 for each of the years ended June 30, 2020 and 2019. Fees under the agreement will be \$125,242 for each of the years from June 30, 2021 through June 30, 2022.

**Note 18 — SUBSEQUENT EVENT**

The Coronavirus (COVID-19) pandemic has continued to develop rapidly throughout 2020. Measures taken by Federal, state, and local governments to contain the virus have continued to affect the Association's activities. The Association has taken measures to monitor and mitigate the effects of COVID-19 on its members and employees, such as social distancing, working from home, and canceling in-person seminars. The Association will continue to follow government advice and policies and will continue its operations in the best and safest way possible to protect the health of its members and employees.



**Louisiana**  
**State Bar**  
Association

*Serving the Public. Serving the Profession.*

**Louisiana State Bar Association**

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