



2021

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 statement of financial position as of June 30, 2021, 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 the 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, 2021, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements for the Louisiana State Bar Association and Affiliates as of and for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those financial statements in our report dated April 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited 2020 consolidated financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.
Certified Public Accountants

New Orleans, Louisiana
August 25, 2022

**LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2021
(with comparative totals for 2020)

	Without Restrictions	With Restrictions	Totals	
			2021	2020
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 3,306,091	\$ 2,693,534	\$ 5,999,625	\$ 4,169,122
Accounts receivable	76,933	55,622	132,555	195,701
Receivable from LCJC	53,153	-	53,153	53,153
Accrued interest receivable	24,222	-	24,222	18,571
Prepaid expenses	94,640	7,472	102,112	99,871
Total current assets	3,555,039	2,756,628	6,311,667	4,536,418
Investments	11,288,086	1,664,621	12,952,707	10,232,916
Property and Equipment, net	1,561,010	1,556	1,562,566	1,709,530
Deposits	-	2,250	2,250	2,250
Totals	<u>\$ 16,404,135</u>	<u>\$ 4,425,055</u>	<u>\$ 20,829,190</u>	<u>\$ 16,481,114</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Deferred revenue	\$ 2,740,773	\$ -	\$ 2,740,773	\$ 1,588,560
Accounts payable and accrued expenses	860,660	49,839	910,499	782,305
Total current liabilities	3,601,433	49,839	3,651,272	2,370,865
Net Assets				
Without restrictions	12,802,702		12,802,702	10,214,499
With restrictions		4,375,216	4,375,216	3,895,750
Total net assets	12,802,702	4,375,216	17,177,918	14,110,249
Totals	<u>\$ 16,404,135</u>	<u>\$ 4,425,055</u>	<u>\$ 20,829,190</u>	<u>\$ 16,481,114</u>

See accompanying notes to consolidated financial statements.

**LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES**

Consolidated Statement of Activities

For the year ended June 30, 2021
(with comparative totals for 2020)

	Without	With	Totals	
	Restrictions	Restrictions	2021	2020
Support, Revenue, Gains, and Reclassifications				
Membership dues	\$ 4,108,028	\$ 180,549	\$ 4,288,577	\$ 4,293,317
Mandatory continuing legal education	735,025	-	735,025	667,089
Seminars, conferences, programs, and luncheons	656,826	95,838	752,664	794,992
Royalties	446,713	-	446,713	474,974
Contributions and grants	-	364,276	364,276	1,584,906
Advertising	261,376	-	261,376	251,981
Annual meeting	398,991	-	398,991	17,750
Lawyer advertising filing fees	167,540	-	167,540	124,075
Disciplinary assessment processing	38,600	-	38,600	36,965
Gain (loss) on investments, net	2,003,651	226,175	2,229,826	(19,331)
Interest and dividends	192,590	31,344	223,934	252,732
Rental income	51,274	-	51,274	51,324
Sales of membership labels	1,398	-	1,398	6,370
Penalties	15,000	2,250	17,250	15,100
Miscellaneous income	70,701	-	70,701	96,550
Net assets released from restrictions	420,966	(420,966)	-	-
 Total support, revenue, gains, and reclassifications	 9,568,679	 479,466	 10,048,145	 8,648,794

	Without Restrictions	With Restrictions	Totals	
			2021	2020
Expenses				
Program services:				
Governance	814,605	-	814,605	650,442
Communications and publications	596,029	-	596,029	570,332
Member outreach and diversity	328,956	-	328,956	344,378
Membership services and meetings	483,821	-	483,821	212,786
Governmental relations	80,541	-	80,541	39,032
Access to Justice	552,880	-	552,880	599,766
Practice management and assistance	1,476,222	-	1,476,222	1,791,951
Information technology	480,005	-	480,005	494,062
Mandatory CLE	333,697	-	333,697	296,443
Membership and finance	515,144	-	515,144	515,003
Judges and Lawyers Assistance Program	359,312	-	359,312	541,005
Louisiana Center for Law and Civic Education	101,139	-	101,139	121,635
Sections	92,463	-	92,463	187,455
Legal Specialization Fund	119,745	-	119,745	129,170
Total program services	6,334,559	-	6,334,559	6,493,460
Supporting services:				
General operations	645,917	-	645,917	708,677
Total expenses	6,980,476	-	6,980,476	7,202,137
Change in Net Assets	2,588,203	479,466	3,067,669	1,446,657
Net Assets				
Beginning of year	10,214,499	3,895,750	14,110,249	12,663,592
End of year	<u>\$12,802,702</u>	<u>\$4,375,216</u>	<u>\$17,177,918</u>	<u>\$14,110,249</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, 2021

	Program Services						
	Governance	Communications and Publications	Member Outreach and Diversity	Membership Services and Meetings	Governmental Relations	Access To Justice	Practice Management and Assistance
Expenses							
Committees	\$ 18,110	\$ 30	\$ -	\$ 2,261	\$ 209	\$ 170	\$ 13,790
Computer assisted legal research	-	-	-	-	-	-	124,644
Conferences	-	-	-	-	-	21,487	2,158
Contributions and sponsorships	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Directors - expenses	11,085	4,487	-	-	-	-	-
Dues and subscriptions	-	675	1,140	-	3,525	3,503	-
Equipment and supplies	-	-	-	-	-	-	-
House of Delegates	10,456	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Intern stipends	-	-	-	-	-	6,000	-
Internet	-	-	-	-	-	-	-
IT support	-	-	-	-	-	-	-
Lobbying	-	-	-	-	48,000	-	-
Local bar outreach	-	-	13,416	-	-	-	-
Louisiana Bar Journal	-	155,962	-	-	-	-	-
Meetings and summer school	-	-	-	304,002	-	-	-
Nominations and elections	18,468	-	-	-	-	-	-
Officers and board	210,579	-	-	-	-	-	-
Other expenses	186	-	2,668	7	-	3,948	2,312
Printing and postage	-	-	305	-	-	464	2,466
Professional services	-	-	-	-	-	-	-
Projects	-	-	20,306	-	-	6,997	-
Property management	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Salaries and benefits	424,066	408,282	281,523	175,567	28,807	494,159	1,206,331
Seminars and programs	-	-	24	-	-	7,505	98,093
Software and upgrades	-	-	-	-	-	-	-
Supplies	1,002	1,031	4,000	97	-	1,178	8,084
Telephone	1,709	1,561	2,578	1,887	-	2,955	7,111
Travel and training	-	-	2,996	-	-	4,514	11,233
Unrelated business income tax	-	24,001	-	-	-	-	-
Young Lawyers Division	118,944	-	-	-	-	-	-
Total functional expenses	\$ 814,605	\$ 596,029	\$ 328,956	\$ 483,821	\$ 80,541	\$ 552,880	\$ 1,476,222

See accompanying notes to consolidated financial statements.

Information Technology	Program Services						Total Program Expenses	Supporting Services	Total Expenses	
	Mandatory CLE	Membership and Finance	JLAP	LCLCE	Sections	Legal Specialization Fund		General Operations	2021	2020
\$ -	\$ 959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,529	\$ -	\$ 35,529	\$ 68,591
-	-	-	-	-	-	-	124,644	-	124,644	124,644
-	-	-	-	-	-	-	23,645	-	23,645	98,703
-	-	-	-	-	36,000	-	36,000	-	36,000	55,559
-	-	-	-	-	-	-	-	152,733	152,733	158,413
4,293	-	-	-	-	-	-	19,865	-	19,865	21,047
-	-	-	-	-	-	-	8,843	-	8,843	7,950
-	-	-	10,415	2,003	-	-	12,418	19,938	32,356	37,093
-	-	-	-	-	-	-	10,456	-	10,456	30,367
-	-	-	3,246	2,087	-	-	5,333	67,841	73,174	65,603
-	-	-	-	-	-	-	6,000	-	6,000	12,000
13,973	-	-	-	-	-	-	13,973	-	13,973	9,563
3,010	-	-	-	-	-	-	3,010	-	3,010	4,740
-	-	-	-	-	-	-	48,000	-	48,000	20,000
-	-	-	-	-	-	-	13,416	-	13,416	28,464
-	-	-	-	-	-	-	155,962	-	155,962	165,026
-	-	-	-	-	-	-	304,002	-	304,002	31,421
-	-	-	-	-	-	-	18,468	-	18,468	19,693
-	-	-	-	-	-	-	210,579	-	210,579	111,334
2,690	11,474	-	3,147	1,299	3,466	9,506	40,703	-	40,703	61,376
-	14,177	45,323	-	397	219	2,620	65,971	992	66,963	62,841
-	-	29,829	21,253	7,212	-	-	58,294	110	58,404	80,841
2,186	-	-	-	-	-	-	29,489	-	29,489	19,581
-	-	-	11,220	-	-	-	11,220	127,613	138,833	136,575
-	-	-	27,551	4,676	-	3,000	35,227	-	35,227	35,029
349,678	300,621	435,587	270,173	76,746	44,510	100,782	4,596,832	244,786	4,841,618	4,941,167
-	-	-	7,460	3,936	5,220	1,319	123,557	-	123,557	478,287
100,133	-	-	-	-	-	-	100,133	-	100,133	127,627
59	4,889	3,410	4,847	-	-	1,450	30,047	4,004	34,051	37,921
3,983	977	995	-	-	60	632	24,448	23,447	47,895	55,068
-	600	-	-	2,783	2,988	436	25,550	4,453	30,003	62,254
-	-	-	-	-	-	-	24,001	-	24,001	3,596
-	-	-	-	-	-	-	118,944	-	118,944	29,763
<u>\$ 480,005</u>	<u>\$ 333,697</u>	<u>\$ 515,144</u>	<u>\$ 359,312</u>	<u>\$101,139</u>	<u>\$92,463</u>	<u>\$119,745</u>	<u>\$6,334,559</u>	<u>\$645,917</u>	<u>\$6,980,476</u>	<u>\$7,202,137</u>

**LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES**

Consolidated Statement of Cash Flows

For the year ended June 30, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$3,067,669	\$1,446,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,733	158,413
Loss on disposal of property and equipment	428	-
Loss (gain) on investments	(2,229,826)	19,331
Decrease in accounts receivable	63,146	132,768
Increase in receivable from LCJC	-	(910)
Increase in accrued interest receivable	(5,651)	(620)
Increase in prepaid expenses	(2,241)	(21,375)
Increase (decrease) in unearned revenue	1,152,213	(1,218,424)
Increase in accounts payable and accrued expenses	128,194	206,130
Net cash provided by operating activities	2,326,665	721,970
Cash Flows From Investing Activities		
Purchase of investments	(3,908,349)	(2,968,252)
Proceeds from sale of investments	3,418,384	2,513,136
Purchases of property and equipment	(6,197)	(93,554)
Net cash used in investing activities	(496,162)	(548,670)
Cash Flows From Financing Activities		
Net Increase In Cash and Cash Equivalents	1,830,503	173,300
Cash and Cash Equivalents		
Beginning of year	4,169,122	3,995,822
End of year	\$5,999,625	\$4,169,122
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for unrelated business income taxes	\$ 24,001	\$ 3,596

See accompanying notes to consolidated financial statements.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020 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. The Association is the sole member of JLAP. 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. Comparative Financial Information

The consolidated financial statements include 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 consolidated financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

e. 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.

f. Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Association considers all highly liquid investments in money market funds, other than endowment assets included in investments, to be cash equivalents.

g. 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.

h. 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.

i. 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.

j. Revenue and Revenue Recognition

Contributions and grants are recognized when cash, securities, or other assets, and unconditional promises 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 from exchange transactions is recognized when the related performance obligation has been met.

Membership dues: Membership dues are recognized as the Association's performance obligation is satisfied over the annual membership period by the provision of member benefits.

Mandatory continuing legal education; Seminars, conferences, programs, and luncheons; and Annual meeting: The Association conducts several educational events and meetings for members throughout the year for which fees are charged. The related performance obligation is satisfied and revenue is recognized when the event has occurred.

Advertising: The Association accepts advertising in the Louisiana Bar Journal, Bar Briefs, and on its website. The performance obligation related to the sale of advertising space is satisfied, and the related revenue is recognized, when the advertising is published.

Lawyer advertising filing fees: The Association offers advertisement review and filing services to members for a predetermined fee. This obligation is satisfied, and revenue is recognized, when the member's advertisement is reviewed and filed.

Disciplinary assessment processing: Fees for performing this service are recognized when the related assessments are processed.

Rental Income: Rental income is recognized over the period to which it pertains.

k. 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.

l. 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, which are included in property management expense in the Consolidated Statement of Functional Expenses, are allocated based on estimated usage by department. All other expenses are directly charged to the applicable program.

m. Recently Issued Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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. The Association adopted the provisions of ASU No. 2014-09 effective July 1, 2020 and retrospectively applied this standard to the consolidated financial statements. The adoption of this accounting standard did not have a significant impact on the consolidated financial statements.

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The ASU makes changes to the financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind in an effort to improve transparency in reporting. The ASU is effective for fiscal years beginning after June 15, 2022. The Association is currently evaluating the impact that the adoption of this standard will have on the consolidated financial statements.

n. Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation. The reclassification of these prior period amounts had no impact on the 2020 consolidated financial statements.

o. 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 August 25, 2022, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Without restrictions:		
LSBA	<u>\$3,306,091</u>	<u>\$1,630,227</u>
With restrictions:		
LSBA	1,942,970	2,013,846
LCLCE	284,062	243,775
JLAP	<u>466,502</u>	<u>281,274</u>
	<u>2,693,534</u>	<u>2,538,895</u>
Totals	<u>\$5,999,625</u>	<u>\$4,169,122</u>

Note 4 — CONCENTRATIONS

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, 2021, the Association had cash and cash equivalents of approximately \$4.6 million in excess of insured limits.

Note 5 — INVESTMENTS

Investments held as of June 30, 2021 and 2020 are summarized as follows:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
LSBA:				
Without restrictions:				
Common stock	\$3,197,906	\$ 7,095,293	\$2,763,990	\$ 5,084,658
Corporate bonds	3,748,019	3,786,473	3,661,872	3,507,897
Municipal bonds	407,448	406,320	207,033	206,472
With restrictions:				
Common stock	561,960	830,417	528,290	558,435
Corporate bonds	429,291	429,725	416,280	419,158
Variable annuity contract	364,552	-	418,998	418,998
Total - LSBA	8,709,176	12,912,780	7,996,463	10,195,618
LCLCE:				
With restrictions:				
Money market	13,053	13,053	13,032	13,032
Certificate of deposit	13,319	13,319	13,319	13,319
Exchange traded funds	10,074	13,555	10,313	10,947
Total - LCLCE	36,446	39,927	36,664	37,298
Totals	\$8,745,622	\$12,952,707	\$8,033,127	\$10,232,916

Note 5 — INVESTMENTS (Continued)

Presented below is a summary of realized and unrealized gains and losses on investments as of and for the years ended June 30, 2021 and 2020:

	2021		Excess of Fair Value Over Cost
	Cost	Fair Value	
Balances as of June 30, 2021	<u>\$8,745,622</u>	<u>\$12,952,707</u>	\$4,207,085
Balances as of June 30, 2020	<u>\$8,033,127</u>	<u>\$10,232,916</u>	2,199,789
Unrealized gain on investments			2,007,296
Realized gain on investments, net			<u>222,530</u>
Gain on investments			<u>\$2,229,826</u>
	2020		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balances as of June 30, 2020	<u>\$8,033,127</u>	<u>\$10,232,916</u>	\$2,199,789
Balances as of June 30, 2019	<u>\$7,635,509</u>	<u>\$9,797,131</u>	2,161,622
Unrealized gain on investments			38,167
Realized loss on investments			<u>(57,498)</u>
Loss on investments, net			<u>\$ (19,331)</u>

Interest and dividends earned on investments for the years ended June 30, 2021 and 2020 were \$223,934 and \$252,732, respectively, net of investment expenses of \$45,667 and \$41,642, 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, 2021 and 2020.

- ▶ *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.
- ▶ *Certificate of deposit.* Valued at the amount reported by the issuing bank.

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, 2021 and 2020:

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)
June 30, 2021				
Investments:				
Common stock:				
Information technology	\$ 1,843,793	\$1,843,793	\$ -	\$ -
Health care	1,201,202	1,201,202	-	-
Consumer staples	1,027,942	1,027,942	-	-
Financials	1,311,586	1,311,586	-	-
Energy	323,374	323,374	-	-
Industrials	733,441	733,441	-	-
Consumer discretionary	775,577	775,577	-	-
Materials	11,677	11,677	-	-
Communication services	697,117	697,117	-	-
Corporate bonds:				
Credit rating:				
A	210,122	-	210,122	-
A-	414,429	-	414,429	-
AA-	210,250	-	210,250	-
BB+	200,355	-	200,355	-
BBB+	1,335,973	-	1,335,973	-
BBB	694,901	-	694,901	-
BBB-	1,096,817	-	1,096,817	-
Not rated	53,352	-	53,352	-
Municipal bonds	406,320	-	406,320	-
Variable annuity contract	364,552	-	364,552	-
Exchange traded fund	13,555	13,555	-	-
Certificate of deposit	13,319	-	13,319	-
Money market fund	13,053	13,053	-	-
Totals - investments	12,952,707	7,952,317	5,000,390	-
Money market funds included in cash and cash equivalents				
	670,866	670,866	-	-
Totals	\$13,623,573	\$8,623,183	\$5,000,390	\$ -

Note 6 — ASSETS MEASURED AT FAIR VALUE (Continued)

Exhibit E
(Continued)

Description June 30, 2020	Total Assets Measured At Fair Value	Based on:		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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	-	-
Communication services	496,387	496,387	-	-
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	-
Variable annuity contract	418,998	-	418,998	-
Municipal bond	206,472	206,472	-	-
Exchange traded fund	10,947	10,947	-	-
Certificate of deposit	13,319	13,319	-	-
Money market fund	13,032	13,032	-	-
Totals - investments	10,232,916	5,886,865	4,346,051	-
Money market funds included in cash and cash equivalents	1,195,190	1,195,190	-	-
Totals	\$ 11,428,106	\$ 7,082,055	\$ 4,346,051	\$ -

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, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
LSBA		
Louisiana Bar Center:		
Building	\$1,881,646	\$1,881,646
Improvements	1,840,219	1,840,219
Furniture and equipment	<u>985,984</u>	<u>982,642</u>
	4,707,849	4,704,507
Less accumulated depreciation	<u>(3,145,283)</u>	<u>(2,994,977)</u>
	<u>1,562,566</u>	<u>1,709,530</u>
JLAP		
Furniture and equipment	30,219	30,219
Less accumulated depreciation	<u>(30,219)</u>	<u>(30,219)</u>
	<u>-</u>	<u>-</u>
Property and equipment, net	<u>\$1,562,566</u>	<u>\$1,709,530</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$152,733 and \$158,413, respectively.

Note 9 — NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Access to Justice Program - Project Grants	\$ 8,468	\$ 12,416
Fund for JLAP	540,733	640,733
Legal Malpractice Insurance Trust	1,361,865	1,117,837
Legal Specialization Fund	391,532	414,642
New Attorney Initiative	640,733	640,733
Young Lawyers Section - Grant Fund	47	47
Young Lawyers Section - Bridging the Gap	16,353	16,353
Sections:		
Administrative Law	5,940	7,754
Alternative Dispute Resolution	37,683	32,903
Animal Law	4,859	4,759
Antitrust and Trade Regulation Law	3,940	4,300
Appellate Section	13,609	12,919
Art, Entertainment, and Sports Law Section	3,278	3,901
Bankruptcy Law	13,833	14,882
Bench and Bar	8,373	8,155
Civil Law and Litigation	39,806	34,662
Class Action, Mass Tort, and Complex Litigation Law	10,815	8,320
Consumer Protection Law	6,360	6,780
Corporate and Business Law	56,333	60,806
Criminal Law	6,355	6,334
Environmental Law	10,679	9,257
Family Law	33,397	30,557
Fidelity, Surety, and Construction Law	35,467	35,339
Francophone	4,831	4,401
Government and Public Law	6,819	6,189
Health Law	25,867	18,537
Immigration Law	1,802	1,452
Insurance, Tort, Workers' Compensation, and Admiralty Law	20,055	17,481
Intellectual Property	8,069	10,991
International Law	4,639	4,962
Labor and Employment Law	22,795	20,441
Mineral Law	42,571	45,086
Minority Involvement	11,279	11,609
Public Utility	17,588	16,957
Solo and Small Firm	13,909	12,742
Taxation	44,865	42,490
Trusts, Estate, Probate, and Immovable Property Law	84,930	86,534
Total net assets with purpose restrictions - LSBA	3,560,477	3,424,261
Net assets with purpose restrictions - JLAP	499,592	233,006
Net assets with purpose restrictions - LCLCE	279,015	202,351
Net assets restricted in perpetuity - LCLCE	36,132	36,132
Total net assets with restrictions	\$ 4,375,216	\$ 3,895,750

Note 9 — NET ASSETS WITH RESTRICTIONS (Continued)

Net assets restricted in perpetuity represents original gifts to LCLCE's endowment. Based on its interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and donor stipulations, the fair value of gifts to the endowment are being maintained in perpetuity. Accumulations are maintained in accordance with donor stipulations. Amounts not retained in perpetuity are subject to prudent expenditure. As of June 30, 2021 and 2020, the endowment fund consisted solely of donor-restricted net assets with a carrying value of \$44,587 and \$41,925, respectively. For the years ended June 30, 2021 and 2020, investment return was \$2,662 and \$524, respectively. The endowment is invested in a certificate of deposit, a brokerage account, and cash held and administered by the Louisiana Bar Foundation. No distributions may be made from the endowment assets administered by the Louisiana Bar Foundation until the fund reaches a threshold of \$100,000.

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. During the year ended June 30, 2021, management determined that the balance of capital reserves as of June 30, 2020 had been incorrectly determined. Net assets without restrictions consisted of the following as of June 30, 2021 and June 30, 2020, as restated:

	2021	2020
Undesignated - available for operations	\$11,828,697	\$ 9,265,709
Designated - capital reserves	974,005	948,790
Total net assets without restrictions	\$12,802,702	\$10,214,499

Note 11 — REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2021 and 2020.

	2021	2020
Deferred membership dues, beginning of year	\$1,558,560	\$2,809,984
Revenue recognized that was included in deferred membership dues at the beginning of the year	(1,558,560)	(2,809,984)
Increase in deferred revenue due to cash received during the year	2,740,773	1,558,560
Deferred membership dues, end of year	\$2,740,773	\$1,558,560

Note 12 — 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, 2021 and 2020 totaled \$51,274 and \$51,324, respectively.

Note 13 — 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, 2021 and 2020 totaled \$336,040 and \$327,156, respectively.

Note 14 — CONSOLIDATED AFFILIATES

As discussed in Note 2b, the Association entered into an agreement with LCLCE which gave it an economic interest in and control of LCLCE, effective June 7, 2010. 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 years ended June 30, 2021 and 2020, funding totaled \$63,000 per year. Net assets of the consolidated affiliate totaling \$351,309 and \$238,483 have been included in the Consolidated Statements of Financial Position as of June 30, 2021 and 2020, respectively.

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 \$499,592 and \$233,006 have been included in the Consolidated Statements of Financial Position as of June 30, 2021 and 2020, respectively.

Note 15 — 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. LCJC is currently inactive, but in prior years, LSBA processed payroll for LCJC. As of June 30, 2021 and 2020, payroll funds receivable from LCJC totaled \$53,153.

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, 2021 and 2020.

Note 16 — 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, 2021 and 2020 of approximately \$67,000 and \$89,000, 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, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated 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 17 — 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 17 — AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following reflects the Association's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use due to restrictions.

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 5,999,625	\$ 4,169,122
Accounts receivables	132,555	195,701
Receivable from LCJC	53,153	53,153
Accrued interest receivable	24,222	18,571
Investments	12,952,707	10,232,916
Total financial assets	19,162,262	14,669,463
Less amounts unavailable for general expenditures within one year, due to:		
Assets with restrictions:		
Restricted as to purpose	(4,339,084)	(3,859,618)
Restricted in perpetuity	(36,132)	(36,132)
Financial assets available to meet cash needs for general expenditures within one year before governing board designations	14,787,046	10,773,713
Less: governing board designations	974,005	948,790
Financial assets available to meet cash needs for general expenditures within one year	\$ 15,761,051	\$ 11,722,503

Note 18 — 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, 2021 and 2020. Fees under the agreement will be \$125,242 for the year ending June 30, 2022.



Louisiana
State Bar
Association

Serving the Public. Serving the Profession.

Louisiana State Bar Association

601 St. Charles Ave.
New Orleans, LA 70130-3404
(800)421-5722, (504)566-1600
www.lsba.org