



2006 LSBA Annual Report

Supplement to *Louisiana Bar Journal* December 2006 / January 2007

Board of Governors
Louisiana State Bar Association

Independent Auditor's Report

We have audited the accompanying statements of financial position of the Louisiana State Bar Association (the Association) as of June 30, 2006 and 2005, and the related statements of activities for the year ended June 30, 2006, and the statements of cash flows for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Bar Association as of June 30, 2006 and 2005, the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



A Professional Accounting Corporation

September 29, 2006

LOUISIANA STATE BAR ASSOCIATION
 Statements of Financial Position
 June 30, 2006
 (With Comparative Totals for June 30, 2005)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u> 2006	<u>Totals</u> 2005
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 675,378	\$ 889,647	\$ 1,565,025	\$ 1,841,828
Investments	2,993,098	346,420	3,339,518	3,363,296
Receivables	87,600	-	87,600	26,079
Accrued Interest Receivable	17,668	-	17,668	22,880
Prepaid Expenses	41,691	-	41,691	50,467
Total Current Assets	3,815,435	1,236,067	5,051,502	5,304,550
Property and Equipment:				
Furniture and Equipment	962,233	4,063	966,296	978,397
Bar Center	1,881,646	-	1,881,646	1,881,646
	2,843,879	4,063	2,847,942	2,860,043
Less Accumulated Depreciation	786,076	4,063	790,139	730,248
Net Property and Equipment	2,057,803	-	2,057,803	2,129,795
	\$ 5,873,238	\$ 1,236,067	\$ 7,109,305	\$ 7,434,345
Liabilities and Net Assets				
Current Liabilities:				
Unearned Revenue	\$ 789,820	\$ -	\$ 789,820	\$ 1,165,752
Accounts Payable and Accrued Expenses	184,078	-	184,078	184,341
Total Current Liabilities	973,898	-	973,898	1,350,093
Other Liabilities:				
Deferred Rent	170,867	-	170,867	182,892
Total Liabilities	1,144,765	-	1,144,765	1,532,985
Net Assets:				
Unrestricted	4,728,473	-	4,728,473	4,720,778
Temporarily Restricted	-	1,236,067	1,236,067	1,180,582
Total Net Assets	4,728,473	1,236,067	5,964,540	5,901,360
	\$ 5,873,238	\$ 1,236,067	\$ 7,109,305	\$ 7,434,345

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

LOUISIANA STATE BAR ASSOCIATION
 Supplementary Schedule of Temporarily Restricted Net Assets
 June 30, 2006
 (With Comparative Totals for June 30, 2005)

Schedule 1

	2006	2005
Access to Justice Program Project Grants	\$ 21,633	\$ 21,633
Legal Malpractice Insurance Trust	268,360	261,331
Legal Specialization Fund	261,950	255,415
Young Lawyers Section - Grant Fund	200	200
Young Lawyers Section - Bridging the Gap	17,262	17,336
Sections:		
Administrative Law	3,278	2,613
Alternative Dispute Resolution	55,960	55,628
Antitrust and Trade Regulation Law	8,486	7,889
Appellate	340	-
Art, Entertainment & Sports Law Section	1,593	293
Bench and Bar	6,352	5,167
Bill of Rights	1,991	1,786
Civil Law and Litigation	57,784	51,590
Consumer Protection and Bankruptcy Law	28,061	26,327
Corporate and Business Law	88,034	83,949
Criminal Law	17,282	16,209
Environmental Law	19,667	18,330
Family Law	39,464	33,320
Fidelity, Surety, and Construction Law	22,051	20,046
Francophone	2,292	243
Government and Public Law	42,737	40,293
Health Law	18,586	16,222
Insurance, Negligence, Compensation and Admiralty Law	24,746	22,502
Intellectual Property	21,919	18,943
International Law	5,138	4,446
Labor and Employment Law	14,608	13,168
Mineral Law	44,390	44,215
Minority Involvement	3,937	3,357
Public Utility	16,946	15,489
Solo and Small Firm	14,381	16,490
Taxation	32,625	37,276
Trusts, Estate, Probate and Immovable Property Law	74,014	68,876
	\$ 1,236,067	\$ 1,180,582

See independent auditor's report on supplementary information.

LOUISIANA STATE BAR ASSOCIATION
 Statements of Activities
 For the Year Ended June 30, 2006
 (With Comparative Totals for the Year Ended June 30, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Support, Revenue, Gains and Reclassifications				
Membership Dues	\$ 1,803,485	\$ 174,107	\$ 1,977,592	\$ 1,971,477
Penalties	15,300	772	16,072	22,578
Seminars, Conferences and Luncheons	351,549	14,965	366,514	914,680
Royalties	446,668	-	446,668	330,362
Contributions	-	80,033	80,033	165,756
MCLE Fees	33,686	-	33,686	295,638
Annual Meetings	171,263	-	171,263	265,425
Advertising	180,471	-	180,471	220,641
Web Site Advertising	7,093	-	7,093	16,065
Interest	126,874	27,444	154,318	117,376
Loss on Investments, Net	(38,968)	-	(38,968)	(25,621)
Sublease Income	66,771	-	66,771	65,665
Fees and Administrative Services:				
Disciplinary Assessment Processing	66,313	-	66,313	66,147
Annual Meeting	-	-	-	-
Fee Arbitration Program	1,950	-	1,950	2,550
Prof. & Quality Retreat Registration	-	-	-	2,220
Sales of Membership Labels	18,298	-	18,298	31,770
Practice Assistance Program	-	-	-	465
Examination, Accreditation and Reinstatement Fees	-	5,500	5,500	11,825
Loss on Disposal of Property and Equipment	(1,751)	-	(1,751)	-
Miscellaneous Income	29,780	19,284	49,064	39,973
Net Assets Released from Restrictions	374,673	(374,673)	-	-
Reclassifications	<u>(108,053)</u>	<u>108,053</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, Gains and Reclassifications	<u>3,545,402</u>	<u>55,485</u>	<u>3,600,887</u>	<u>4,514,992</u>

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

LOUISIANA STATE BAR ASSOCIATION
 Statements of Activities (Continued)
 For the Year Ended June 30, 2006
 (With Comparative Totals for the Year Ended June 30, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Expenses				
For Officials, Sections, Committees, and Services:				
Practice Assistance Program	535,391	-	535,391	484,532
Seminars, Conferences and Luncheons	202,994	-	202,994	322,183
Travel and Per Diem	183,670	-	183,670	232,629
Annual Meetings	178,654	-	178,654	224,490
Stationery, Printing and Postage	142,961	-	142,961	282,839
Publication Costs of Louisiana Bar Journal and Bar Briefs	118,585	-	118,585	188,202
Computer Assisted Legal Program	112,644	-	112,644	96,011
Supplies, Awards and Gifts	109,365	-	109,365	162,213
MCLE Expense	57,073	-	57,073	197,020
Miscellaneous	54,036	-	54,036	44,198
Contributions	15,150	-	15,150	15,616
Telephone	12,208	-	12,208	17,538
Bar Admission	3,285	-	3,285	4,528
Depreciation	477	-	477	955
Administering Exams	220	-	220	6,208
Professional Services	-	-	-	84,974
	<u>1,726,713</u>	<u>-</u>	<u>1,726,713</u>	<u>2,364,136</u>
Total Officials, Sections, Committees, and Services	<u>1,726,713</u>	<u>-</u>	<u>1,726,713</u>	<u>2,364,136</u>

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

LOUISIANA STATE BAR ASSOCIATION
 Statements of Activities (Continued)
 For the Year Ended June 30, 2006
 (With Comparative Totals for the Year Ended June 30, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Expenses				
General Expense:				
Staff Compensation	932,195	-	932,195	1,010,710
Professional Services	25,413	-	25,413	31,048
Retirement	50,625	-	50,625	84,528
Insurance	78,701	-	78,701	71,250
Equipment and Computer Rental and Maintenance	97,397	-	97,397	122,225
Office Supplies	17,786	-	17,786	28,769
Payroll Taxes	53,450	-	53,450	57,956
Stationery, Printing and Postage	51,569	-	51,569	43,899
Rent and Office Maintenance	178,844	-	178,844	182,248
Telephone	43,097	-	43,097	37,940
Travel and Per Diem and Meetings	15,652	-	15,652	16,734
Automobile Allowance and Parking	14,506	-	14,506	22,533
Depreciation	110,760	-	110,760	117,345
In-kind Rent Contribution	21,300	-	21,300	22,653
Business Income Tax	17,913	-	17,913	21,584
Royalties	-	-	-	4,088
Hurricane Katrina Expense	40,024	-	40,024	-
Lobbying	33,000	-	33,000	36,000
Investment Management Fees	14,053	-	14,053	13,101
Miscellaneous	14,709	-	14,709	15,697
	<u>1,810,994</u>	<u>-</u>	<u>1,810,994</u>	<u>1,940,308</u>
Total General Expense				
Total Expenses	<u>3,537,707</u>	<u>-</u>	<u>3,537,707</u>	<u>4,304,444</u>
Change in Net Assets	7,695	55,485	63,180	210,548
Net Assets				
Beginning of Year	4,720,778	1,180,582	5,901,360	5,690,812
Program Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 4,728,473</u>	<u>\$ 1,236,067</u>	<u>\$ 5,964,540</u>	<u>\$ 5,901,360</u>

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

LOUISIANA STATE BAR ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2006
(With Comparative Totals For the Year Ended June 30, 2005)

	Unrestricted	Temporarily Restricted	2006 Totals	2005 Totals
Cash Flows from Operating Activities:				
Change in Net Assets	\$ 7,695	\$ 55,485	\$ 63,180	\$ 210,548
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation	110,760	477	111,237	118,300
Loss on Investments	38,968	-	38,968	25,621
Loss on Disposal of Property and Equipment	1,751	-	1,751	-
(Increase) Decrease in Receivables	(61,521)	-	(61,521)	62,973
Decrease in Accrued Interest	5,212	-	5,212	10,831
Decrease (Increase) in Prepaid Expenses	8,776	-	8,776	(8,076)
(Decrease) Increase in Unearned Revenue	(375,932)	-	(375,932)	132,430
Decrease in Deferred Rent	(12,025)	-	(12,025)	(10,672)
Decrease in Accounts Payable and Accrued Expenses	<u>(263)</u>	<u>-</u>	<u>(263)</u>	<u>(269,418)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(276,579)</u>	<u>55,962</u>	<u>(220,617)</u>	<u>272,537</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(1,049,354)	(4,841)	(1,054,195)	(831,531)
Proceeds from Sale of Investments	1,039,005	-	1,039,005	10,000
Purchases of Property and Equipment	<u>(40,996)</u>	<u>-</u>	<u>(40,996)</u>	<u>(20,149)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(51,345)</u>	<u>(4,841)</u>	<u>(56,186)</u>	<u>(841,680)</u>
Cash Flows from Financing Activities:				
Program Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(327,924)</u>	<u>51,121</u>	<u>(276,803)</u>	<u>(569,143)</u>
Cash and Cash Equivalents:				
Beginning of Year	<u>1,003,302</u>	<u>838,526</u>	<u>1,841,828</u>	<u>2,410,971</u>
End of Year	<u>\$ 675,378</u>	<u>\$ 889,647</u>	<u>\$ 1,565,025</u>	<u>\$ 1,841,828</u>
Supplemental Disclosure of Noncash Investing Activities				
Rental Income	\$ 33,325	-	\$ 33,325	\$ 33,325
In-kind Contribution	<u>(21,300)</u>	<u>-</u>	<u>(21,300)</u>	<u>(22,653)</u>
Reduction in Deferred Rent Liability	<u>\$ 12,025</u>	<u>\$ -</u>	<u>\$ 12,025</u>	<u>\$ 10,672</u>

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

LOUISIANA STATE BAR ASSOCIATION
Notes to Financial Statements
Years Ended June 30, 2006 and 2005

Note A

Nature of Activities

The objectives and purposes of Louisiana State Bar Association (the Association) are to regulate the practice of law, advance the science of jurisprudence, promote the administration of justice, uphold the honor of the Courts and the profession of law, encourage cordial intercourse among its members, and generally, to promote the welfare of the profession in the State of Louisiana.

The Association is self-governing and its membership is comprised of all persons who are now, or may hereafter be, licensed to practice in the State of Louisiana.

Note B

Summary of Significant Accounting Policies

Organization and Income Taxes

The 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.

Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are carried at fair market value, based on quoted market prices.

Property and Equipment

The Association records all property and equipment acquisitions at cost. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives.

Unearned Revenue

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

Cash and Cash Equivalents

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

Continued next page

Note B**Summary of Significant Accounting Policies (Continued)****Donated Services**

A portion of the Association's functions, including educational activities and publications, is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Association maintains its accounting records using separate funds to account for specific assets, liabilities, and transactions as follows:

Unrestricted Net Assets - Receives membership dues and other revenues and expends funds for the general operation of the Association. This fund accounts for all activities other than those specifically authorized to be conducted from the various temporarily restricted funds.

Temporarily Restricted Net Assets - Receives membership dues, conference fees and other revenues which are to be expended and accounted for by the following specific accounts: Access to Justice Program Project Grants; Access to Justice; Legal Malpractice Insurance Trust; Legal Specialization; Young Lawyers Section - Grant Fund; Young Lawyers Section - Bridging the Gap; and each of the other Section accounts created by the House of Delegates.

The Association does not have any permanently restricted net assets.

Note C**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, 2006, the Association maintained cash balances in a financial institution in excess of the federally insured limits. As of June 30, 2006, uninsured balances totaled approximately \$2,000,000. The Association continually monitors its position with, and the credit quality of, the financial institutions it invests with.

Note D**Investments**

Investments are summarized as follows:

	June 30, 2006		June 30, 2005	
	Cost	Market	Cost	Market
Federal Mortgage Obligations	\$ 649,284	\$ 644,113	\$ 1,099,528	\$1,111,486
United States Treasury Notes			95,000	95,386
Certificates of Deposit	280,003	280,003	280,009	280,009
Common Stock	1,189,768	1,263,275	871,694	901,206
Corporate Bonds	828,197	786,498	629,407	612,216
Municipal Bonds	205,054	199,209	205,459	201,420
Fixed Annuity	166,420	166,420	161,573	161,573
Totals	<u>\$ 3,318,726</u>	<u>\$ 3,339,518</u>	<u>\$ 3,342,670</u>	<u>\$3,363,296</u>

Continued next page

Continued from page 10

Presented below is a summary of realized and unrealized gains and losses on investments for the years ended June 30, 2006 and 2005.

	<u>Cost</u>	<u>Market Value</u>	Excess of Market Over Cost
Balance at June 30, 2006	<u>\$ 3,318,726</u>	<u>\$ 3,339,518</u>	\$ 20,792
Balance at June 30, 2005	<u>\$ 3,342,670</u>	<u>\$ 3,363,296</u>	\$ 20,626
Unrealized Loss on Investments			166
Realized Loss for the Year			<u>(39,134)</u>
Net Loss for the Year Ended June 30, 2006			<u>\$ (38,968)</u>
	<u>Cost</u>	<u>Market Value</u>	Excess of Market Over Cost
Balance at June 30, 2005	<u>\$ 3,342,670</u>	<u>\$ 3,363,296</u>	\$ 20,626
Balance at June 30, 2004	<u>\$ 2,526,757</u>	<u>\$ 2,567,386</u>	40,629
Unrealized Loss on Investments			(20,003)
Realized Loss for the Year			<u>(5,618)</u>
Net Loss for the Year Ended June 30, 2005			<u>\$ (25,621)</u>

Note E

Louisiana Bar Center

On June 23, 2004, the Association purchased the Bar Center from the Louisiana Bar Foundation (the Foundation). As part of the sale transaction, the Association entered into a lease agreement with the Foundation that provides the Foundation's rent-free use of a portion of the third floor office space for a 10-year period ending June 22, 2014. As a result of this transaction, the Association recognized a deferred rent liability in the amount of \$193,564. This rent will be recognized using a discount rate of 12% over the life of the lease. During the year ended June 30, 2006, the Association realized rental income of \$33,325, offset by an in-kind contribution of \$21,300 to the Foundation and a reduction of the deferral of \$12,025. The remaining liability at June 30, 2006, is \$170,867.

Office space not used by the Association was leased to the Judiciary Commission of Louisiana at \$3,507 per month through June 30, 2006. Rental income from the Judiciary Commission totaled \$33,446 and \$32,340 for the years ended June 30, 2006 and 2005, respectively.

Note F

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, 2006 and 2005, totaled \$50,625 and \$84,528, respectively.



601 St. Charles Ave.
New Orleans, La. 70130-3404
(800)421-LSBA
(504)566-1600
www.LSBA.org
E-mail: info@lsba.org