



2016
LOUISIANA STATE BAR ASSOCIATION
ANNUAL REPORT



Louisiana
State Bar
Association

Serving the Public. Serving the Profession.

Supplement to the Louisiana Bar Journal

LSBA BY THE NUMBERS



June 2015 / Mark A. Cunningham is sworn in as the 75th LSBA president by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson in Destin, Florida, during the 2015 Annual Meeting. Photo by Matthew Hinton Photography.

June 2015

▶ Mark A. Cunningham, a senior partner in the New Orleans office of Jones Walker LLP, was installed June 11 as the 75th president of the Louisiana State Bar Association by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson.

75th

▶ Erin O. Braud, staff counsel for GuideOne Insurance Co. in New Orleans, was installed as the 2015-16 Young Lawyers Division chair by 1st Judicial District Court Judge Karelia R. Stewart.

▶ The LSBA's House of Delegates approved eight resolutions at its June 11 meeting, including a resolution creating the Louisiana Access to Justice Commission and another stating the LSBA's objection to compelling attorneys to provide uncompensated professional services for the benefit of the State and urging the Louisiana Legislature to authorize sufficient funding to provide effective assistance of counsel for indigent defendants in state criminal proceedings.

8

▶ A total of 18 awards were presented during the Annual Meeting for services to the legal profession and the community.

▶ The LSBA's Suit Up for the Future High School Summer Legal Institute and Internship Program began June 15 with 17 student interns.

▶ The Leadership LSBA 2015-16 Class included 18 members.

▶ The LSBA supported six bills and opposed 19 bills during the 2015 Louisiana legislative session. Among the bills supported were HB 197 which provided for the expansion of the LSBA's Lawyers Assistance Program and HB 801 which concerned funding for the expenses of the Louisiana judiciary. Both bills passed.

19

August 2015

▶ 160+ attorneys and judges volunteered to participate in the LSBA Committee on the Profession's Professionalism Orientations for 1L students at the state's four law schools.

160

September 2015

▶ The Louisiana Supreme Court, by court order on Sept. 17, established the Louisiana Access to Justice Commission.

▶ In observance of Constitution Day on Sept. 17, the Louisiana Center for Law and Civic Education organized 76 in-school presentations statewide, reaching more than 2,800 students. The presentations were organized through the Lawyers/Judges in the Classroom Programs.

76

October 2015

▶ Dona Kay Renegar of Lafayette and H. Minor Pipes III of New Orleans were certified elected for 2016-17 LSBA president-elect and 2016-18 LSBA treasurer, respectively.

▶ Bradley J. Tate of New Orleans and Dylan T. Thriffley of New Orleans were certified elected for 2016-17 Young Lawyers Division chair-elect and secretary, respectively.

▶ The St. Thomas More Catholic Lawyers Association and the Catholic Bishops of Louisiana coordinated the 63rd annual Red Mass on Oct. 5 in New Orleans. The LSBA's Memorial Exercises to honor deceased members of the Bench and Bar followed the Red Mass. LSBA Board of Governors member Patrick A. Talley, Jr. delivered the general eulogy.

▶ A total of 133 attorneys volunteered for 73 events statewide, reaching more than 600 people, on the Oct. 29 "Lawyers in Libraries" Day of Service.

▶ A total of 388 new admittees were sworn into the practice of law on Oct. 22.

December 2015

▶ The 19th annual Secret Santa Project, coordinated by the Community Action Committee, assisted 765 children represented by 15 social service agencies in five Louisiana parishes.

765

LSBA YEAR IN REVIEW / JUNE 2015 – JUNE 2016

LSBA BY THE NUMBERS

January 2016

► Newly inaugurated Louisiana Gov. John Bel Edwards met with members of the LSBA’s Board of Governors during its Jan. 15 Midyear Meeting.

► 180+ LSBA members who reached half a century and beyond in their legal practices were honored at the 50-60-70-Year Member Reception during the Midyear Meeting.

180

► The LSBA’s Young Lawyers Division hosted “Louisiana64,” connecting young lawyers across Louisiana’s 64 parishes to strengthen communication, resources and coordination among the legal community of Louisiana’s parishes. Twenty-five parishes participated.

64

► First-year lawyers admitted in 2015 were encouraged to sign up for Transition into Practice (TIP), the pilot mentoring program for the Shreveport, Baton Rouge and Greater New Orleans areas.

March 2016

► The ninth annual Conclave on Diversity in the Legal Profession was March 4 in Baton Rouge, with the theme “Moving from a ‘Foot in the Door’ to a ‘Voice at the Table.’”

► Hundreds of LSBA members volunteered to provide legal advice and counseling to Louisiana individuals in 35 parishes who were impacted by the catastrophic flooding event this month.

35

► Effective March 23, the Louisiana Supreme Court amended Louisiana Rule of Professional Conduct 1.15 concerning how lawyers and law firms should handle unidentified funds accumulated in their IOLTA accounts.

April 2016

► The LSBA launched the Tech Center web page, offering Bar members a one-stop shop for technology-related articles, training videos and an interactive Q&A Digital Dialogue section. www.lsba.org/PracticeManagement/TechCenter.aspx.

► A total of 17 LSBA members received Citizen Lawyer Awards in 2015-16.

17

► The LSBA supported 10 bills and opposed 29 bills during the 2016 Louisiana legislative session. Among the bills supported were SB 203 which provided for certain penalties regarding the unauthorized practice of law and SB 301 which creates the Juvenile Justice Accountability and Cost Effectiveness Act of 2016. Both bills passed.

10

► The Louisiana Supreme Court sought comments from Bar members on two proposed Rules of Professional Conduct — Rule 1.17, to permit an attorney to sell his or her law practice; and Rule 1.19, to address attorneys’ obligations to implement succession plans in the event of their death or disability which prevents them from practicing law.

May 2016

► Four students, all completing their first year of law school, were selected to participate in the inaugural Access to Justice Developing Leadership Intern Program.

4

► A total of 182 new admittees were sworn into the practice of law on May 12.

► A total of 66 legal professionals and law students were recognized for exceptional pro bono work at the 31st annual Pro Bono Awards Ceremony at the Louisiana Supreme Court.

66

► The Louisiana Center for Law and Civic Education organized 88 Law Day presentations throughout the state, reaching more than 5,600 students.

88

June 2016

► Darrel J. Papillion, a partner in the Baton Rouge firm of Walters, Papillion, Thomas, Cullens, L.L.C., was installed June 9 as the 76th president of the Louisiana State Bar Association by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson.

76th



June 2016 / Darrel J. Papillion is sworn in as the 76th LSBA president by Louisiana Supreme Court Chief Justice Bernette Joshua Johnson during the 2016 Annual Meeting. Photo by Matthew Hinton Photography.



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The Board of Governors

Louisiana State Bar Association

We have audited the financial statements of Louisiana State Bar Association for the year ended June 30, 2016, and have issued our report thereon dated June 29, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Louisiana State Bar Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by Louisiana State Bar Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates in the financial statements for the year ended June 30, 2016 include:

- The fair value of investments; and
- The useful lives assigned to property and equipment.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive financial statement disclosures include those related to investments and temporarily restricted net assets.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

During the audit of the 2016 financial statements, there was transition in the role of Director of Administration which led to some delays in the completion of the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The misstatements detected as a result of audit procedures were corrected by management. The listing of adjusting and passed journal entries is included as Attachment 1 to the management representation letter, which is attached to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



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Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2017, as attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Louisiana State Bar Association financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Accounting Changes

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Organization is currently assessing the impact of this pronouncement on the financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Louisiana State Bar Association auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Louisiana State Bar Association and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite + Netterville

Metairie, Louisiana
June 29, 2017

**LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Current assets:					
Cash and cash equivalents, unrestricted	\$ 2,504,171	-	-	\$ 2,504,171	\$ 2,572,350
Cash and cash equivalents, restricted	-	2,004,942	-	2,004,942	1,181,875
Receivables	40,579	-	-	40,579	61,361
Accrued interest receivable	21,793	-	-	21,793	27,278
Prepaid expenses	50,266	440	-	50,706	41,499
Total current assets	<u>2,616,809</u>	<u>2,005,382</u>	<u>-</u>	<u>4,622,191</u>	<u>3,884,363</u>
Investments, unrestricted	7,391,158	-	-	7,391,158	7,513,198
Investments, restricted	-	372,317	27,320	399,637	1,095,641
Property and equipment, net	2,259,328	1,556	-	2,260,884	2,409,281
Deposits	2,250	-	-	2,250	2,250
Total assets	<u>\$ 12,269,545</u>	<u>\$ 2,379,255</u>	<u>\$ 27,320</u>	<u>\$ 14,676,120</u>	<u>\$ 14,904,733</u>

LIABILITIES AND NET ASSETS

Unearned revenue	\$ 2,505,097	-	-	\$ 2,505,097	\$ 2,620,550
Accounts payable and accrued expenses	439,998	-	-	439,998	415,034
Total current liabilities	<u>2,945,095</u>	<u>-</u>	<u>-</u>	<u>2,945,095</u>	<u>3,035,584</u>
Net assets:					
Unrestricted:					
Board designated capital reserve	1,000,000	-	-	1,000,000	-
Undesignated	8,324,450	-	-	8,324,450	9,591,633
Temporarily restricted	-	2,379,255	-	2,379,255	2,251,196
Permanently restricted	-	-	27,320	27,320	26,320
Total net assets	<u>9,324,450</u>	<u>2,379,255</u>	<u>27,320</u>	<u>11,731,025</u>	<u>11,869,149</u>
Total liabilities and net assets	<u>\$ 12,269,545</u>	<u>\$ 2,379,255</u>	<u>\$ 27,320</u>	<u>\$ 14,676,120</u>	<u>\$ 14,904,733</u>

See accompanying notes to consolidated financial statements.

LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, Gains, and Releases:								
Membership dues	\$ 4,031,355	\$ 108,224	\$ -	\$ 4,139,579	\$ 3,988,928	\$ 183,737	\$ -	\$ 4,172,665
Seminars, conferences, programs, and luncheons	1,035,722	47,731	-	1,083,453	997,930	45,525	-	1,043,455
Royalties	315,372	-	-	315,372	304,554	-	-	304,554
Contributions and grants	202,991	459,104	1,000	663,095	218,647	421,645	-	640,292
Advertising	218,819	-	-	218,819	217,816	-	-	217,816
Annual meeting	456,145	-	-	456,145	475,505	-	-	475,505
Lawyer advertising filing fees	170,650	-	-	170,650	148,775	-	-	148,775
Disciplinary assessment processing	23,250	-	-	23,250	24,617	-	-	24,617
Gains (losses) on investments, net	296,802	-	-	296,802	52,305	-	350	52,655
Interest	185,222	5,643	-	190,865	191,346	7,135	-	198,481
Rental income	47,047	-	-	47,047	51,324	-	-	51,324
Sales of membership labels	11,869	-	-	11,869	22,745	-	-	22,745
Penalties	14,550	-	-	14,550	13,325	3,575	-	16,900
Miscellaneous income	78,692	370	-	79,062	83,060	4,197	-	87,257
Transfer of JLAP's net assets (see note 10)	-	-	-	-	397,155	-	-	397,155
	7,088,486	621,072	1,000	7,710,558	7,188,032	665,814	350	7,854,196
Net assets released from restrictions	493,013	(493,013)	-	-	388,015	(388,015)	-	-
Total support, revenue, gains, and releases	7,581,499	128,059	1,000	7,710,558	7,576,047	277,799	350	7,854,196
Expenses:								
For officials, sections, committees, and services:								
Staff compensation and benefits	3,386,756	-	-	3,386,756	2,956,043	-	-	2,956,043
Professional programs	247,894	-	-	247,894	222,889	-	-	222,889
Seminars, conferences, programs, and meetings	642,325	-	-	642,325	621,823	-	-	621,823
Travel and per diem	328,248	-	-	328,248	361,821	-	-	361,821
Annual meeting	332,104	-	-	332,104	413,655	-	-	413,655
Stationery, printing, and postage	145,277	-	-	145,277	135,131	-	-	135,131
Louisiana Bar Journal, Bar Briefs, and LSBA.org	172,418	-	-	172,418	175,276	-	-	175,276
Computer assisted legal program	124,644	-	-	124,644	124,644	-	-	124,644
Supplies, awards, and gifts	198,955	-	-	198,955	211,734	-	-	211,734
Medical consultant	2,800	-	-	2,800	9,600	-	-	9,600
Miscellaneous	110,912	-	-	110,912	102,489	-	-	102,489
Contributions	94,000	-	-	94,000	36,000	-	-	36,000
Rent	22,950	-	-	22,950	23,065	-	-	23,065
Telephone	25,216	-	-	25,216	20,815	-	-	20,815
Bar admission ceremonies	678	-	-	678	817	-	-	817
Total officials, sections, committees, and services	5,835,177	-	-	5,835,177	5,415,802	-	-	5,415,802

**LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES (continued)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General expenses:								
Staff compensation and benefits	1,010,458	-	-	1,010,458	1,008,730	-	-	1,008,730
Professional services	158,426	-	-	158,426	108,252	-	-	108,252
Insurance	64,989	-	-	64,989	82,463	-	-	82,463
Equipment and computer rental and maintenance	149,427	-	-	149,427	136,742	-	-	136,742
Office supplies	105,377	-	-	105,377	59,597	-	-	59,597
Stationery, printing, and postage	4,806	-	-	4,806	245	-	-	245
Property management	119,387	-	-	119,387	123,073	-	-	123,073
Telephone	47,999	-	-	47,999	46,685	-	-	46,685
Travel and per diem and meetings	25,915	-	-	25,915	23,114	-	-	23,114
Depreciation	192,587	-	-	192,587	200,539	-	-	200,539
Education materials	2,057	-	-	2,057	427	-	-	427
Business income and proxy taxes	13,724	-	-	13,724	11,123	-	-	11,123
Lobbying	51,000	-	-	51,000	48,000	-	-	48,000
Advertising	13,323	-	-	13,323	2,931	-	-	2,931
Rent	4,050	-	-	4,050	4,070	-	-	4,070
Repairs and maintenance	3,792	-	-	3,792	165	-	-	165
Miscellaneous	46,188	-	-	46,188	34,220	-	-	34,220
Total general expenses	2,013,505	-	-	2,013,505	1,890,376	-	-	1,890,376
Total expenses	7,848,682	-	-	7,848,682	7,306,178	-	-	7,306,178
Change in net assets	(267,183)	128,059	1,000	(138,124)	269,869	277,799	350	548,018
Net assets at beginning of year	9,591,633	2,251,196	26,320	11,869,149	9,321,764	1,973,397	25,970	11,321,131
Net assets at end of year	\$ 9,324,450	\$ 2,379,255	\$ 27,320	\$ 11,731,025	\$ 9,591,633	\$ 2,251,196	\$ 26,320	\$ 11,869,149

See accompanying notes to consolidated financial statements.

LOUISIANA STATE BAR ASSOCIATION
AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows provided by operating activities:		
Change in net assets	\$ (138,124)	\$ 548,018
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	193,681	200,539
Gain on investments	(296,802)	(52,655)
Changes in assets and liabilities:		
Decrease (increase) in receivables	20,782	(19,725)
Decrease in accrued interest	5,485	3,209
Decrease (increase) in prepaid expenses	(9,207)	8,188
Increase in deposits	-	(2,250)
Increase (decrease) in unearned revenue	(115,453)	45,738
Increase in accounts payable and accrued expenses	24,964	(37,748)
	(314,674)	693,314
Net cash provided by (used in) operating activities		
	(314,674)	693,314
Purchases of investments	(3,309,621)	(3,900,828)
Proceeds from sale of investments	4,424,467	3,039,715
Purchase of property and equipment	(45,284)	(82,889)
	1,069,562	(944,002)
Net cash provided by (used in) investing activities		
	1,069,562	(944,002)
Net increase (decrease) in cash and cash equivalents	754,888	(250,688)
Cash and cash equivalents at beginning of year	3,754,225	4,004,913
Cash and cash equivalents at end of year	\$ 4,509,113	\$ 3,754,225
Supplemental disclosure of cash flow information		
Cash paid during the year for unrelated business income taxes	\$ 13,724	\$ 11,123
Reconciliation to consolidated financial statements		
Cash and cash equivalents, unrestricted	\$ 2,504,171	\$ 2,572,350
Cash and cash equivalents, restricted	2,004,942	1,181,875
	\$ 4,509,113	\$ 3,754,225

See accompanying notes to consolidated financial statements.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

History and Organization

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, licensed to practice in the State of Louisiana.

Basis of Presentation

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

Consolidation Policy

The consolidated financial statements as of and for the years ended June 30, 2016 and 2015 include the accounts of the Association, Judges and Lawyers' Assistance Program, Inc. (JLAP) and Louisiana Center for Law and Civic Education, Inc. (LCLCE). Effective September 29, 2014, JLAP amended and restated its bylaws which gave the Association more control, and therefore, resulted in its consolidation in the Association as of and for the year ended June 30, 2015. 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 JLAP and LCLCE and control of JLAP and LCLCE through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

Financial Statement Presentation

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

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. 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 Section - Grant Fund; Young Lawyers Section - Bridging the Gap; and each of the other Section accounts created by the House of Delegates. LCLCE receives contributions and grants which may be restricted as to time or use.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations. The permanently restricted net assets at year end are held by LCLCE as a permanently restricted endowment.

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 could affect reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results and the results of future periods could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

In the normal course of business, credit is extended to members on a short-term basis. Although credit risks associated with the members are considered minimal, a review is routinely made of accounts receivable balances and possible provisions for doubtful accounts are assessed. In circumstances where the Association is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings), a specific reserve is recorded to reduce the receivable to the amount expected to be collected. Based on past experience and analysis of receivable collectability, the Association has determined that no allowance for doubtful accounts is necessary as of June 30, 2016 and 2015.

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 4 for a discussion of fair value measurements.

Unrealized gains and losses on investments are included in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted. Investment income and realized gains and losses from the investment accounts referred to as the Core Investments/Reserves and Operating are unrestricted. Investment income on the Legal Malpractice Insurance Trust and Legal Specialization Fund is temporarily restricted for these particular programs.

Property and Equipment

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

Unearned Revenue and 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. Unearned dues revenue is recognized as revenue over the related membership period and unearned registration fees are recognized when the seminars commence.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

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 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.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and from state income taxes under Section 121(6) of Title 47 of the Louisiana Revised Statutes of 1950.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2016 and 2015.

Accounting Changes

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Organization is currently assessing the impact of this pronouncement on the financial statements.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted cash and cash equivalents:		
LSBA	\$ 2,252,341	\$ 2,136,738
LCLCE	21,816	35,857
JLAP	230,014	399,755
	<u>2,504,171</u>	<u>2,572,350</u>
Temporarily restricted cash and cash equivalents:		
LSBA Sections	1,917,558	1,105,340
LCLCE	87,384	76,535
JLAP	-	-
	<u>2,004,942</u>	<u>1,181,875</u>
Totals	<u>\$ 4,509,113</u>	<u>\$ 3,754,225</u>

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

3. Investments

Investments held as of June 30, 2016 and 2015 are summarized as follows:

	2016		Unrealized gain (loss)	2015		Unrealized gain (loss)
	Cost	Fair value		Cost	Fair value	
LSBA:						
Unrestricted:						
Common stock	\$ 2,915,946	\$ 4,630,624	\$ 1,714,678	\$ 2,564,061	\$ 4,067,776	\$ 1,503,715
Corporate debt	2,647,619	2,756,275	108,656	3,355,504	3,341,181	(14,323)
Municipal bond	-	-	-	100,025	100,001	(24)
Temporarily restricted:						
Mutual fund	-	-	-	688,174	688,174	-
Variable annuity contract	372,244	372,244	-	381,059	381,059	-
Total - LSBA	5,935,809	7,759,143	1,823,334	7,088,823	8,578,191	1,489,368
LCLCE:						
Unrestricted:						
Bank certificate of deposit	4,259	4,259	-	4,240	4,240	-
Temporarily restricted:						
Cash and certificate of deposit	73	73	-	88	88	-
Permanently restricted:						
Cash	12,200	12,200	-	11,204	11,204	-
Bank certificate of deposit	15,120	15,120	-	15,116	15,116	-
Total - LCLCE	31,652	31,652	-	30,201	30,201	-
Totals	\$ 5,967,461	\$ 7,790,795	\$ 1,823,334	\$ 7,119,024	\$ 8,608,392	\$ 1,489,368

Presented below is a summary of realized and unrealized gains and losses on investments for the years ended June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
	Excess of Fair Value Over Cost	Excess of Fair Value Over Cost
Unrealized gain on investments	\$ 232,642	\$ 61,786
Realized gain (loss) for the year	64,160	(9,121)
Gain on investments, net	\$ 296,802	\$ 52,665

Interest earned on investments for the years ended June 30, 2016 and 2015 of \$190,862 and \$198,481, respectively, is presented net of investment expense of \$15,408 and \$36,647, respectively,

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

4. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the framework 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 determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability'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 at June 30, 2016 and 2015.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Municipal bond*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Money market account / Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual 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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with 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.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Common stock:				
Information technology	\$ 951,373	\$ -	\$ -	\$ 951,373
Health care	614,687	-	-	614,687
Consumer staples	1,038,720	-	-	1,038,720
Financials	645,870	-	-	645,870
Energy	-	-	-	-
Industrials	154,252	-	-	154,252
Services	722,646	-	-	722,646
Materials	503,076	-	-	503,076
LCLCE Investments	31,652	-	-	31,652
Corporate bonds:				
Credit rating:				
A	-	401,294	-	401,294
A-	-	204,952	-	204,952
BBB+	-	1,138,296	-	1,138,296
BBB	-	609,792	-	609,792
BBB-	-	301,350	-	301,350
Municipal bonds:				
Credit rating:				
A	-	100,591	-	100,591
Variable annuity contract	-	372,244	-	372,244
Total Assets at Fair Value	<u>\$ 4,662,276</u>	<u>\$ 3,128,519</u>	<u>\$ -</u>	<u>\$ 7,790,795</u>

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

4. Fair Value Measurements (continued)

<u>Assets at Fair Value as of June 30, 2015</u>				
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Common stock:				
Information technology	\$ 742,950	\$ -	\$ -	\$ 742,950
Health care	576,307	-	-	576,307
Consumer staples	721,549	-	-	721,549
Financials	634,079	-	-	634,079
Energy	46,280	-	-	46,280
Industrials	122,023	-	-	122,023
Services	827,812	-	-	827,812
Materials	396,776	-	-	396,776
Mutual fund/money market	688,174	-	-	688,174
LCLCE Investments	30,648	-	-	30,648
Corporate bonds:				
Credit rating:				
A	-	605,036	-	605,036
A-	-	210,925	-	210,925
BB+	-	100,000	-	100,000
BBB+	-	1,065,211	-	1,065,211
BBB	-	806,360	-	806,360
BBB-	-	553,649	-	553,649
Municipal bonds:				
Credit rating:				
A-	-	100,001	-	100,001
Variable annuity contract	-	381,059	-	381,059
Total Assets at Fair Value	<u>\$ 4,786,598</u>	<u>\$ 3,822,241</u>	<u>\$ -</u>	<u>\$ 8,608,839</u>

5. 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.

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

6. Property and Equipment

Major classes of property and equipment as of June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
LSBA		
Louisiana Bar Center Building	\$ 1,881,646	\$ 1,881,646
Construction in progress	17,472	34,507
Building improvements	1,663,567	1,607,578
Furniture and equipment	<u>972,462</u>	<u>965,848</u>
	4,535,147	4,489,579
Less accumulated depreciation	<u>(2,290,660)</u>	<u>(2,102,841)</u>
	<u>2,244,487</u>	<u>2,386,738</u>
LCLCE		
Library	30,133	30,133
Furniture and equipment	<u>2,199</u>	<u>2,199</u>
	32,332	32,332
Less accumulated depreciation	<u>(31,813)</u>	<u>(31,529)</u>
	<u>519</u>	<u>803</u>
JLAP		
Furniture and equipment	<u>36,076</u>	<u>36,076</u>
	36,076	36,076
Less accumulated depreciation	<u>(20,198)</u>	<u>(14,336)</u>
	<u>15,878</u>	<u>21,740</u>
Property and equipment, net	<u>\$ 2,260,884</u>	<u>\$ 2,409,281</u>

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Access to Justice Program - Project Grants	\$ 35,824	\$ 56,569
Access to Justice Program - Legal Services and Louisiana State Bar Grants	-	-
Legal Malpractice Insurance Fund	1,032,431	848,124
Legal Specialization Fund	375,335	421,347
Young Lawyers Section - Grant Fund	47	4,272
Young Lawyers Section - Bridging the Gap	16,353	16,353
Sections:		
Administrative Law	9,260	8,530
Alternative Dispute Resolution	59,923	55,076
Animal Law	7,138	7,497
Antitrust and Trade Regulation Law	5,974	7,598
Appellate	10,478	11,058
Art, Entertainment and Sports Law Section	7,050	6,171
Bankruptcy Law	22,336	22,839
Bench and Bar	10,444	10,187
Bill of Rights	2,590	2,450
Civil Law and Litigation	68,065	71,144
Class Action, Mass Tort and Complex Litigation	10,257	9,562
Consumer Protection Law	7,925	8,240
Corporate and Business Law	102,187	102,823
Criminal Law	3,765	2,900
Environmental Law	11,230	14,916
Family Law	34,739	28,354
Fidelity, Surety, and Construction Law	35,981	35,360
Francophone	7,056	7,091
Government and Public Law	27,899	37,008
Health Law	27,035	28,269
Immigration Law	622	-
Insurance, Tort, Workers' Compensation and Admiralty Law	17,588	19,354
Intellectual Property	21,329	23,804
International Law	10,794	10,731
Labor and Employment Law	19,037	16,109
Mineral Law	58,361	57,314
Minority Involvement	12,108	12,581
Public Utility	23,939	25,493
Solo and Small Firm	21,745	20,888
Taxation	62,108	56,663
Trusts, Estate, Probate and Immovable Property Law	112,845	107,898
Total temporarily restricted net assets - LSBA	2,291,798	2,174,573
Temporarily restricted net assets - LCLCE	87,457	76,623
Total temporarily restricted net assets	\$ 2,379,255	\$ 2,251,196

LOUISIANA STATE BAR ASSOCIATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

8. 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. The original lease was executed on May 24, 1996 and amended in 2007. Rental income for the years ended June 30, 2016 and 2015 totaled \$47,047 and \$51,324, respectively.

9. 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, 2016 and 2015 totaled \$247,515 and \$237,562, respectively.

10. Consolidated Affiliates

As discussed in Note 1, 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 has committed to provide annual funding to LCLCE in the amount of \$50,000 for an initial term of five years. Thereafter, the agreement will automatically renew in one-year increments unless either party elects to terminate the agreement. Net assets of the consolidated affiliate totaling \$213,757 and \$198,722 have been included in the consolidated statements of financial position as of June 30, 2016 and 2015, respectively.

Effective September 29, 2014, JLAP amended and restated its bylaws which gave the Association more control, and therefore, resulted in its consolidation by the Association as of June 30, 2015. The Association has committed to provide annual funding to JLAP in the amount of \$250,000. This funding is assessed on an annual basis. Net assets of JLAP totaling \$397,155 at June 30, 2014 are reported as a transfer of JLAP's net assets on the consolidated statements of activities of LSBA for the year ended June 30, 2015. Net assets of JLAP totaling \$280,110 and \$456,222 have been included in the consolidated statement of financial position as of June 30, 2016 and 2015.

11. Related Party

The Association and the Louisiana Civil Justice Center ("LCJC") are separate functioning organizations sharing a common mission. Effective August 2009, the Association's Board of Governors appoints the LCJC Board of Governors. Amounts totaling \$37,500 were provided by the LSBA to LCJC in 2016 and 2015 as financial support. An additional \$10,000 was provided to LCJC by the LSBA in the current year as a sponsorship for an event. Currently, the LCJC occupies space on the third floor of the Bar Center building rent free. A formal agreement had not been finalized as of June 2016.

The Association and the Louisiana Client Assistance Foundation ("LCAF") are separate 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 in 2016 or 2015.

12. Commitment

In 2005, the Association entered into 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 2010, this agreement was amended. The amended agreement has, a term of five years that automatically renews on an annual basis until the time that either party elects to terminate the agreement. Fees under this agreement totaled \$180,966 and 124,644, respectively, as of the year ended June 30, 2016, and 2015.

13. 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.

14. Subsequent Event

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2017, and determined the following events occurred that required disclosure. No subsequent events after this date have been evaluated for disclosure.



Louisiana
State Bar
Association

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Louisiana State Bar Association

601 St. Charles Ave.

New Orleans, LA 70130-3404

(800)421-5722, (504)566-1600

www.lsba.org