

KENTUCKY BAR ASSOCIATION
Frankfort, Kentucky



FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Kentucky Bar Association
Frankfort, Kentucky

We have audited the accompanying financial statements of Kentucky Bar Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Bar Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statements of financial position and activities, on pages 16-19, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



RFH, PLLC
Lexington, Kentucky
January 13, 2020

KENTUCKY BAR ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30,

	2019	2018
ASSETS		
Current assets		
Cash	\$ 1,224,319	\$ 1,419,743
Restricted cash	884	-
Certificates of deposit	60,785	60,663
Investments	2,841,241	9,913,382
Accounts receivable	90,002	80,659
Due from affiliate, current	94,512	-
Interest receivable	4,672	16,074
Prepaid expenses	<u>130,394</u>	<u>105,702</u>
Total current assets	<u>4,446,809</u>	<u>11,596,223</u>
Due from affiliate, less current portion	568,917	804,037
Property, building and equipment, net	<u>3,165,484</u>	<u>3,364,615</u>
Total long-term assets	<u>3,734,401</u>	<u>4,168,652</u>
Total assets	<u>\$ 8,181,210</u>	<u>\$ 15,764,875</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 341,743	\$ 672,587
Accrued expenses	244,393	12,893,422
Current maturities of bonds payable	<u>221,692</u>	<u>-</u>
Total current liabilities	807,828	13,566,009
Deferred revenue	17,274	11,179
Bonds payable, less current maturities	<u>3,652,856</u>	<u>-</u>
Total liabilities	<u>4,477,958</u>	<u>13,577,188</u>
Net assets		
Without donor restrictions		
Board designated	262,793	320,279
Undesignated	<u>3,440,459</u>	<u>1,867,408</u>
Total net assets	<u>3,703,252</u>	<u>2,187,687</u>
Total liabilities and net assets	<u>\$ 8,181,210</u>	<u>\$ 15,764,875</u>

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

**KENTUCKY BAR ASSOCIATION
STATEMENTS OF ACTIVITIES
for the years ended June 30,**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Membership dues	\$ 4,787,792	\$ 4,766,706
Other dues	263,433	277,576
Investment income/realized gain(loss), net of investment expenses	320,756	631,766
Sections income	175,185	164,171
Reimbursement of costs	26,335	69,119
Attorney Advertising Commission	-	5,875
Pro Hac Vice	279,000	227,900
Publications/communications	79,566	84,799
Conventions and conferences	480,275	440,685
Rent of building	9,600	9,600
Net change in the fair value of investments	(20,875)	(225,831)
Other revenue and support	<u>739,679</u>	<u>622,179</u>
Total revenue and support	<u>7,140,746</u>	<u>7,074,545</u>
Expenses		
Program Services:		
Sections	205,662	155,657
Board of Governors, Officers, Committees	115,423	139,986
Disciplinary/Unauthorized practice	1,312,992	3,251,428
Disciplinary Clerk's Office	66,870	277,748
Publications and Communications	256,138	359,726
Conventions and Conferences	402,660	413,061
Attorney Advertising Commission	-	99,348
Lawyers Assistance Program	200,212	267,828
Continuing Legal Education	984,184	3,623,976
Client Security	13,460	374,392
Bar Center	351,526	322,409
Donated Legal Services	<u>-</u>	<u>125,000</u>
Total program services	3,909,127	9,410,559
Supporting Services:		
Management and general	<u>1,716,054</u>	<u>9,003,051</u>
Total expenses	<u>5,625,181</u>	<u>18,413,610</u>
CHANGE IN TOTAL NET ASSETS	1,515,565	(11,339,065)
Net assets, beginning of year	<u>2,187,687</u>	<u>13,526,752</u>
NET ASSETS, END OF YEAR	<u>\$ 3,703,252</u>	<u>\$ 2,187,687</u>

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

KENTUCKY BAR ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2019

	Management and General	Sections	Board of Governors, Officers, and Committees	Disciplinary and Unauthorized Practices	Disciplinary Clerk's Office	Publications	Conventions	Lawyers Assistance Program	Continuing Legal Education	Client Security	Bar Center	Total
Salaries	\$ 644,610	\$ -	\$ -	\$ 954,216	\$ 50,302	\$ 110,821	\$ -	\$ 116,794	\$ 407,420	\$ -	\$ -	\$ 2,284,163
Payroll taxes	54,586	-	-	80,986	3,661	8,781	-	9,973	33,849	-	-	191,836
Retirement	103,485	-	-	52,208	2,549	5,835	-	6,841	22,088	-	-	193,006
Benefits	122,844	-	-	146,856	5,330	15,604	-	26,786	84,815	-	-	402,235
Accounting fees	18,808	-	-	-	-	-	-	-	637	-	-	19,445
Legal fees	85,498	-	-	-	-	-	-	-	-	-	-	85,498
Professional fees	89,567	14,158	932	16,921	-	135	11,492	11,132	1,597	9	-	145,943
Supplies	23,103	199	1,749	10,810	1,177	99	8,841	456	23,751	319	1,737	72,241
Telephone	9,566	434	527	706	-	702	122	1,263	4,063	-	-	17,383
Postage	21,481	130	186	7,059	3,351	33,024	5,953	240	8,818	696	-	80,938
Utilities	-	-	-	-	-	-	-	-	-	-	47,151	47,151
Equipment and computer expense	171,487	1,458	-	-	-	-	3,703	-	26,958	-	-	203,606
Printing	20,804	446	168	1,166	256	75,399	3,438	217	50,685	29	-	152,608
Travel and lodging	24,480	30,679	58,513	23,758	244	3,175	32,703	19,355	61,299	2,371	-	256,577
Conference, convention and meeting	6,814	4,515	7,728	6,787	-	435	25,694	1,775	95,909	240	-	149,897
Interest	143,220	-	-	-	-	-	-	-	-	-	-	143,220
Depreciation	-	-	-	-	-	-	-	-	-	-	212,832	212,832
Bank fees	3,409	-	-	-	-	-	10,721	-	1,052	-	-	15,182
Stipends	-	10,500	-	5,000	-	-	-	-	-	-	-	15,500
Meals and entertainment	20,696	36,935	42,495	5,602	-	409	158,606	3,103	43,255	496	-	311,597
Library and research	98,548	-	-	-	-	-	-	-	-	-	-	98,548
Maintenance and repairs	214	-	-	-	-	-	-	-	-	-	63,783	63,997
Audio visual expense	-	668	-	-	-	-	68,657	-	103,855	-	-	173,180
Contributors, sponsors and grants	-	61,950	-	-	-	-	-	-	-	-	-	61,950
Insurance	47,496	-	-	-	-	-	-	-	2,535	-	20,023	70,054
Speakers	-	-	-	-	-	-	67,635	-	-	-	-	67,635
Payment on claims	-	-	-	-	-	-	-	-	-	9,300	-	9,300
Contribution in lieu of taxes	-	-	-	-	-	-	-	-	-	-	6,000	6,000
Other	-	38,220	-	-	-	-	-	631	391	-	-	39,242
Miscellaneous	5,338	5,370	3,125	917	-	1,719	5,095	1,646	11,207	-	-	34,417
Total expenses	\$ 1,716,054	\$ 205,662	\$ 115,423	\$ 1,312,992	\$ 66,870	\$ 256,138	\$ 402,660	\$ 200,212	\$ 984,184	\$ 13,460	\$ 351,526	\$ 5,625,181

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

KENTUCKY BAR ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2018

	Management and General	Sections	Board of Governors, Officers, and Committees	Disciplinary and Unauthorized Practices	Disciplinary Clerk's Office	Disciplinary Publications	Conventions	Advertising Commission	Lawyers Assistance Program	Continuing Legal Education	Client Security	Bar Center	Donated Legal Services	Total
Salaries	\$ 611,454	\$ -	\$ -	\$ 928,347	\$ 52,987	\$ 100,609	\$ -	\$ 48,987	\$ 116,203	\$ 458,072	\$ -	\$ -	\$ -	\$ 2,316,659
Payroll taxes	45,118	-	-	70,668	4,029	7,048	-	3,757	8,702	34,940	-	-	-	174,262
Retirement	7,580,218	-	-	2,057,972	211,765	105,413	-	35,641	93,786	2,646,576	-	-	-	12,731,371
Benefits	76,568	-	-	120,615	2,045	18,099	-	7,839	18,665	74,271	-	-	-	318,102
Accounting fees	18,189	-	-	-	-	-	-	-	-	740	-	-	-	18,929
Legal fees	189,633	-	-	-	-	-	-	-	-	-	-	-	-	189,633
Professional fees	28,238	5,562	2,685	10,185	-	135	4,848	-	8,815	3,062	180	-	-	63,710
Supplies	26,043	60	9,531	12,611	1,018	4,646	16,410	61	665	14,177	736	3,390	-	89,348
Telephone	9,987	417	869	627	-	718	48	31	957	5,455	-	-	-	19,109
Postage	18,710	792	9,755	6,556	5,588	34,966	8,188	49	223	10,115	536	-	-	95,478
Utilities	-	-	-	-	-	-	-	-	-	-	-	48,520	-	48,520
Equipment and computer expense	145,173	2,500	-	-	-	-	-	-	-	21,200	-	-	-	168,873
Printing	22,114	671	295	1,674	245	79,638	5,464	100	607	55,119	13	-	-	165,940
Travel and lodging	24,400	33,071	58,977	19,937	66	2,610	39,880	1,701	13,684	45,428	2,181	-	-	241,935
Conference, convention and meeting	4,117	1,025	4,835	11,101	-	1,848	76,140	488	1,450	77,591	530	-	-	179,125
Interest	-	-	-	-	-	-	-	-	-	-	-	5,089	-	5,089
Depreciation	473	-	-	-	-	-	-	-	-	-	-	189,207	-	189,680
Bank fees	23,045	-	-	-	-	-	10,604	-	-	7,088	2,576	374	-	43,687
Stipends	-	3,000	-	5,000	-	-	-	-	-	-	-	-	-	8,000
Meals and entertainment	19,989	36,959	44,412	5,702	5	55	135,925	492	2,745	44,148	660	-	-	291,092
Library and research	94,265	-	-	-	-	-	-	-	-	-	-	-	-	94,265
Maintenance and repairs	906	-	-	-	-	-	-	-	-	906	-	50,599	-	52,411
Audio visual expense	-	1,860	1,390	-	-	-	48,896	-	-	111,626	-	-	-	163,772
Contributors, sponsors and grants	-	25,200	-	-	-	-	-	-	-	-	-	-	125,000	150,200
Insurance	48,099	-	-	-	-	-	-	-	-	1,544	-	19,230	-	68,873
Speakers	-	8,000	-	-	-	-	59,600	-	-	2,000	-	-	-	69,600
Payment on claims	-	-	-	-	-	-	-	-	-	-	366,980	-	-	366,980
Contribution in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-	6,000	-	6,000
Unrelated business tax	-	-	-	-	-	827	-	-	-	-	-	-	-	827
Other	12,339	34,101	-	-	-	-	-	-	-	50	-	-	-	46,490
Miscellaneous	3,973	2,439	7,237	433	-	3,114	7,058	202	1,326	9,868	-	-	-	35,650
Total expenses	\$ 9,003,051	\$ 155,657	\$ 139,986	\$ 3,251,428	\$ 277,748	\$ 359,726	\$ 413,061	\$ 99,348	\$ 267,828	\$ 3,623,976	\$ 374,392	\$ 322,409	\$ 125,000	\$ 18,413,610

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

**KENTUCKY BAR ASSOCIATION
STATEMENTS OF CASH FLOWS
for the years ended June 30,**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,515,565	\$ (11,339,065)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	212,832	189,680
Net (increase) decrease in the fair value of investments	20,875	225,831
Realized (gains)/losses on sales of investments	(111,659)	(393,074)
(Increase) decrease in operating assets:		
Accounts receivable	(9,343)	65,759
Due from affiliate	140,608	(741,003)
Interest receivable	11,402	5,676
Prepaid expenses	(24,692)	13,831
Increase (decrease) in operating liabilities:		
Accounts payable	(330,844)	464,364
Due to affiliate	-	(422)
Accrued expenses	(12,649,029)	12,556,781
Deferred revenue	6,095	(1,151)
	<u>(11,218,190)</u>	<u>1,047,207</u>
Net cash provided by (used in) operating activities	<u>(11,218,190)</u>	<u>1,047,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,701)	(476,612)
Purchase of investments	(618,304)	(2,793,173)
Proceeds from sale of investments	7,780,223	2,925,100
	<u>7,148,218</u>	<u>(344,685)</u>
Net cash provided by (used in) investing activities	<u>7,148,218</u>	<u>(344,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of debt	4,003,090	-
Payments on long term debt	(127,658)	(160,000)
	<u>3,875,432</u>	<u>(160,000)</u>
Net cash provided by (used in) financing activities	<u>3,875,432</u>	<u>(160,000)</u>
Net increase (decrease) in cash	(194,540)	542,522
Cash, beginning of year	<u>1,419,743</u>	<u>877,221</u>
CASH, END OF YEAR	<u>\$ 1,225,203</u>	<u>\$ 1,419,743</u>

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

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The statements presented are those of the Kentucky Bar Association (KBA). This is an agency of the judicial branch of the Commonwealth of Kentucky. The KBA implements, administers and enforces Kentucky Supreme Court Rules regarding the discipline and education of the lawyers of Kentucky and is the professional association for the practice of law in Kentucky.

Fund Accounting

The KBA is an agency that provides various services which are maintained in accounts in accordance with the principles and practices of “fund accounting”. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives as specified, in accordance with regulations, restrictions, or limitations imposed by sources outside the organization, or in accordance with directions issued by the governing board. The assets, liabilities, and net assets of the KBA are reported in six self-balancing fund groups, a description of which is as follows:

General Fund - The General Fund is engaged in the administrative, general and disciplinary functions of the KBA, primarily dealing with Kentucky attorneys and the practice of law within the Commonwealth of Kentucky.

Continuing Legal Education Fund - The Continuing Legal Education Fund administers the continuing legal education rules of the Supreme Court, which includes mandatory continuing legal education, attorney records, Kentucky Law Updates and New Lawyers’ Skills Programs.

Client Security Fund - The Client Security Fund provides assistance to individuals who have suffered financial loss due to misappropriation of clients’ funds by members of the KBA. During the year ended June 30, 2019, 84 new claims were received alleging losses totaling approximately \$1,418,808. During the year ended June 30, 2018, 80 new claims were received alleging losses totaling approximately \$1,893,009.

The Board of Governors has established Fund claim limits of \$50,000 per claim and \$150,000 aggregate claims against one attorney; accordingly, the total exposure was approximately \$698,101 for the year ended June 30, 2019, and \$895,517 for the year ended June 30, 2018.

Bar Center Headquarters Trustees Fund - The Bar Center Headquarters Trustees Fund acts for the KBA in all matters incidental to the ownership, management, and control of the Bar Center building.

Bar Center Fund - The Bar Center Fund accounts for dues allocated for the furnishing and maintenance of the Bar Center building located in Frankfort, Kentucky.

Donated Legal Services Fund - The Donated Legal Services Fund accounts for dues allocated for pro bono efforts.

Basis of Financial Statements

The KBA prepares its financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following accounting policies are presented to facilitate the understanding of information presented in the financial statements.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The KBA has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the KBA's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been renamed net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).
- The statement of functional expenses for the years ended December 31, 2019 and 2018, is now reported as a financial statement.
- Investment expenses are now netted against investment return on the statement of activities.

Presentation

The financial statements are presented in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the KBA is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Governors. Net assets with donor restrictions are subject to donor-imposed restrictions that can be fulfilled by actions of the organization pursuant to those restrictions or that expire by the passage of time or are subject to donor-imposed restrictions that they be maintained permanently. The KBA has no net assets with donor restrictions as of June 30, 2019 and 2018.

Cash and Cash Equivalents

The KBA considers cash in operating bank accounts to be cash and cash equivalents. Money Market accounts in investments are not included in cash and cash equivalents.

Supplemental Disclosure of Cash Flow Information for the year ended June 30,

	2019	2018
Cash paid during the year for interest	<u>\$ 130,582</u>	<u>\$ 5,089</u>
Cash paid during the year for unrelated business tax	<u>\$ 0</u>	<u>\$ 827</u>

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 L for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the KBA's gains and losses on investments bought and sold as well as held during the year.

Fixed Assets

Fixed assets are stated at cost. Major renewals and improvements are charged to the fixed asset accounts. Expenditures greater than \$5,000 and which increase values or extend useful lives of the respective assets, are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred. At the time fixed assets are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

**KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

The major source of revenue is membership dues. All members are required to pay dues to the KBA, with the exception of those members whose status is Senior Counselor, Senior Retired Inactive, and Disabled Inactive. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period.

Depreciation

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Depreciation expense totaled \$212,832 and \$189,680 for the years ended June 30, 2019 and 2018, respectively. Estimated useful lives for purposes of depreciation are as follows:

Bar Center building	50 years
Furniture, fixtures and equipment	5-10 years

Management’s Review of Subsequent events

The KBA has evaluated and considered the need to recognize or disclose subsequent events through January 13, 2020, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019 have not been evaluated by the KBA.

Pension Plan

The KBA participated as members of the Kentucky Employee Retirement System (KERS), a cost sharing, multiple-employer, public employee retirement system, until approval was given in November 2017 by the Board of Governors for voluntary cessation from the Kentucky Retirement System (KRS) with an effective date of June 30, 2018. The employees ceased their contributions at that date, but the KBA continued to make contributions until final approval of the voluntary cessation was received from KRS on February 21, 2019. The final cessation liability paid to KRS was \$12,034,016, which included approximately \$610,000 related to employees of the Foundation. The amount due to KBA from the Foundation was adjusted during the year ended June 30, 2019, by approximately \$129,000. The expense related to this adjustment is recorded as retirement expense on the statement of activities for the year ended June 30, 2019.

The KBA established a 401(a) plan for all employees full and part-time beginning on July 1, 2018 with Nationwide Financial Services, Inc., Columbus, Ohio. Funding for the plan is provided entirely by the KBA with a 5% contribution made after each payroll. During the fiscal year ended June 30, 2019, contributions totaled \$129,923 to the Nationwide 401(a) plan on behalf of the employees. No matching contribution is required or allowed from the employees into the plan. In addition, the employees have the option to voluntarily participate with Kentucky Deferred Comp through the Kentucky Personnel Cabinet with their various plans for retirement. Contributions are made only by the employee with no contributions made by the KBA.

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The KBA has not adopted a formal liquidity management plan. The KBA continually reviews its financial assets and assesses if these financial assets are sufficient to meet cash needs for general expenditures. The KBA’s financial assets for this purpose include cash and cash equivalents, investments, certificates of deposit and receivables. As of June 30, 2019, the KBA’s financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets, at June 30, 2019	\$ 4,315,531
Less those unavailable for general expenditures within one year, due to:	
Board designations:	
Sections	(260,026)
Brief Insights	(2,767)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,052,738

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

As of June 30, 2018, the KBA's financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets, at June 30, 2018	\$ 12,294,558
Less those unavailable for general expenditures within one year, due to:	
Board designations:	
Sections	(290,503)
Lawyer's Assistance Program	(26,633)
Brief Insights	<u>(3,143)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,974,279</u>

NOTE C – INVESTMENTS

Investments are administered utilizing the services of the trust department of a bank. These investments are Level 1 investments, which include investments that are uninsured and unregistered held by the counterparty's trust department or agent in the KBA's name. All investments have been classified as current assets in the accompanying statement of financial position since proceeds would be available to the KBA upon request to the trust department of the bank.

A summary of investments at June 30, 2019, is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gains/Losses</u>
KBA Long Term Portfolio -			
Money Market Funds	\$ 403,130	\$ 403,130	\$ -
Fixed income	656,319	639,763	(16,556)
Equities	1,031,822	1,362,717	330,895
Real Assets	54,665	62,402	7,737
	<u>2,145,936</u>	<u>2,468,012</u>	<u>322,076</u>
KBA Short Term Portfolio -			
Money Market Funds	373,229	373,229	-
	<u>373,229</u>	<u>373,229</u>	<u>-</u>
Total	<u>\$ 2,519,165</u>	<u>\$ 2,841,241</u>	<u>\$ 322,076</u>

A summary of investments at June 30, 2018, is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gains/Losses</u>
KBA Long Term Portfolio -			
Money Market Funds	\$ 3,020,632	\$ 3,020,632	\$ -
Fixed income	1,049,116	1,000,309	(48,807)
Equities	1,340,942	1,773,992	433,050
Real Assets	122,108	129,614	7,506
	<u>5,532,798</u>	<u>5,924,547</u>	<u>391,749</u>
KBA Short Term Portfolio -			
Money Market Funds	2,114,388	2,114,388	-
Fixed income	1,923,245	1,874,447	(48,798)
	<u>4,037,633</u>	<u>3,988,835</u>	<u>(48,798)</u>
Total	<u>\$ 9,570,431</u>	<u>\$ 9,913,382</u>	<u>\$ 342,951</u>

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE C – INVESTMENTS (CONTINUED)

Investment return is summarized as follows for the year ended June 30,

	2019	2018
Interest and dividend income	\$ 193,575	\$ 237,422
Investment fees	(22,073)	(30,100)
Realized gains (losses)	111,659	393,074
Change in fair value	<u>(20,875)</u>	<u>(225,831)</u>
	<u>\$ 262,286</u>	<u>\$ 374,565</u>

NOTE D – INCOME TAX STATUS

The KBA is not a private foundation and is exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954, except on certain unrelated business income, which is not material. The KBA believes it is no longer subject to income tax examinations for the fiscal years prior to June 30, 2016. There are currently no audits for any tax periods in progress.

NOTE E – LEASES

The KBA maintains seven non-cancelable leases for office equipment (copiers). During the year ended June 30, 2019, five operating leases expired and five new agreements were completed. The monthly payments range from \$122 to \$558 per month. The total monthly payment for the leased copiers is \$2,310.

The KBA maintains eight non-cancelable sixty-month operating leases for office equipment (printers). During the year ended June 30, 2019, the KBA entered into four additional leases for office equipment (printers). The leases are sixty-month non-cancelable operating leases. The total monthly payment for the printers is \$224.

The KBA entered into a lease for a mailing system during December 2014. The lease is for 60 months under a non-cancelable operating lease expiring in January 2020 with a monthly payment of \$540.

The KBA incurred approximately \$35,000 of lease-related expense in the year ended June 30, 2019, and \$33,598 in the year ended June 30, 2018. These leases are classified as operating with minimum rental commitments as follows:

Year Ending June 30,	
2020	\$ 34,072
2021	30,405
2022	30,111
2023	22,374
2024	<u>1,880</u>
	<u>\$ 118,842</u>

**KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE F – LONG-TERM DEBT

During September 2018, the KBA entered into a promissory note with the City of Frankfort (the City) to repay amounts related to a bond issuance by the City on behalf of the KBA. The City issued a general obligation bond of \$4,180,000 in Kentucky Revenue Bond, Taxable Series 2018C. The Kentucky League of Cities is the program administrator and the Kentucky Bond Corporation is the lessor. The bond was issued for the purpose of funding a note issued by the KBA to fund the payment of the withdrawal liability to the Kentucky Retirement System during the spring of 2019. The maturity date for the note and bond is January 1, 2033. The note and the bond carry a 3.75% interest rate. The bonds included a discount of \$177,794 that will be amortized over the life of the loan through interest expense.

Interest expense for the year ended June 30, 2019 was \$143,220, which included amortization of the bond discount of \$8,176. Interest expense for the year ended June 30, 2018 was \$5,089, which related to a prior bond issuance that was paid in full in November 2017.

The principal and interest repayment requirements relating to the above long-term debt at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 221,692	\$ 145,021	\$ 366,713
2021	231,690	136,825	368,515
2022	239,607	128,279	367,886
2023	246,690	119,456	366,146
2024	256,690	110,385	367,075
Thereafter	<u>2,678,179</u>	<u>514,729</u>	<u>3,192,908</u>
	<u>\$ 3,874,548</u>	<u>\$ 1,154,695</u>	<u>\$ 5,029,243</u>

NOTE G – RELATED PARTY

The Kentucky Bar Foundation, Inc. (the Foundation) is a related party to the Kentucky Bar Association in that both organizations share common facilities and that the KBA provides payroll services for the Foundation. The KBA has also recorded a receivable of \$609,553, for the Foundation's share of the withdrawal liability to the Kentucky Retirement System, see Note L for more information. The KBA Board of Governors and the Foundation Board have agreed on a repayment plan to start September 2019 and continue until June 2034, with payments of \$10,519 quarterly, bearing no interest.

The following summarizes significant transactions and balances between the two at June 30,

	2019	2018
Accounts receivable from Foundation, current	\$ 94,512	\$ -
Accounts receivable from Foundation, long-term	<u>568,917</u>	<u>804,037</u>
Accounts receivable from Foundation	<u>\$ 663,429</u>	<u>\$ 804,037</u>
Rent paid or payable to the KBA from Foundation	<u>\$ 9,600</u>	<u>\$ 9,600</u>

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE H – COMPENSATED ABSENCES

In prior years the KBA has allowed a carryover of a maximum of forty-five unused vacation days accumulated through year-end. For fiscal years 2019 and 2018, the KBA allowed in excess of forty-five unused vacation days until December 31, 2019 and 2018. Accordingly, for these future compensated absences, the KBA had accrued expenses of \$142,519 in the General Fund and \$26,810 in the Continuing Legal Education Fund for the year ended June 30, 2019 and \$177,202 in the General Fund and \$41,384 in the Continuing Legal Education Fund for the year ended June 30, 2018.

NOTE I – DESIGNATED FUND BALANCE

By Board resolution, the General Fund surplus for Sections and Brief Insights funds are allowed to be carried over to the next ensuing budget year and have been designated as such. Any current year excess support and revenue over expenses excluding the current effects of the aforementioned carryforward funds less transfers made to other funds may be transferred to related investment accounts for future operating needs.

NOTE J – CONTINGENCIES

The KBA is subject to various other claims and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals when determinable. There are also matters that are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the KBA, if disposed of unfavorably.

NOTE K – EQUIPMENT

Equipment consists of the following at June 30,

	2019	2018
Property, building, and equipment	\$ 6,276,818	\$ 6,306,627
Vehicle	28,375	28,375
Less accumulated depreciation	<u>(3,139,079)</u>	<u>(2,970,387)</u>
	<u>\$ 3,165,484</u>	<u>\$ 3,364,615</u>

NOTE L – FAIR VALUE MEASUREMENT

The KBA's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the KBA 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.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices of identical assets, and Level 3 inputs are unobservable and have the lowest priority. The KBA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the KBA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The KBA did not need to use any Level 3 inputs to value investments.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE L – FAIR VALUE MEASUREMENT (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the KBA's assets at fair value as of June 30, 2019:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Observable inputs other than quoted prices of identical assets (Level 2)</u>
Money market funds	\$ 776,359	\$ 776,359	\$ -
Fixed income	639,763	213,500	426,263
Equities	1,362,717	1,362,717	-
Real Assets	62,402	62,402	-
Total assets at fair value	<u>\$ 2,841,241</u>	<u>\$ 2,414,978</u>	<u>\$ 426,263</u>

The following table sets forth by level, within the fair value hierarchy, the KBA's assets at fair value as of June 30, 2018:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Observable inputs other than quoted prices of identical assets (Level 2)</u>
Money market funds	\$ 5,135,020	\$ 5,135,020	\$ -
Fixed income	2,874,756	550,098	2,324,658
Equities	1,773,992	1,773,992	-
Real Assets	129,614	129,614	-
Total assets at fair value	<u>\$ 9,913,382</u>	<u>\$ 7,588,724</u>	<u>\$ 2,324,658</u>

NOTE M - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the KBA to concentrations of credit risk consist of cash, which may at times exceed federally insured limits. The KBA places its cash with high credit quality financial institutions. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor in each institution. At times during the year ended June 30, 2019, the KBA exceeded the \$250,000 insured by the FDIC.

NOTE N – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the allocation methods used were appropriate, alternative methods may provide different results. Expenses are charged directly to a function based on a calculation of the amount of time spent by employees on those functions, or a calculation of the amount of cost associated with that function. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the KBA.

SUPPLEMENTARY INFORMATION

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2019

	General Fund	Continuing Legal Education Fund	Client Security Fund	Bar Center Headquarters Trustee Fund	Bar Center Fund	Donated Legal Services Fund	Interfund Eliminations	Total
ASSETS								
Current assets								
Cash	\$ 687,472	\$ 16,958	\$ 68,129	\$ 14,859	\$ 389,069	\$ 47,832	\$ -	\$ 1,224,319
Restricted cash	884	-	-	-	-	-	-	884
Certificates of deposit	-	-	-	-	-	60,785	-	60,785
Investments	1,506,009	593,207	421,834	-	320,191	-	-	2,841,241
Accounts receivable	47,642	42,360	-	-	-	-	-	90,002
Interfund receivable	467,451	-	-	13,795	-	-	(481,246)	-
Due from Bar Foundation/IOLTA, current	92,112	-	-	2,400	-	-	-	94,512
Interest receivable	2,427	957	677	-	601	10	-	4,672
Prepaid expenses	86,605	22,986	-	20,803	-	-	-	130,394
Total current assets	<u>2,890,602</u>	<u>676,468</u>	<u>490,640</u>	<u>51,857</u>	<u>709,861</u>	<u>108,627</u>	<u>(481,246)</u>	<u>4,446,809</u>
Due from Bar Foundation/IOLTA, less current portion	568,917	-	-	-	-	-	-	568,917
Property, building and equipment, net	-	-	-	3,165,484	-	-	-	3,165,484
Total long-term assets	<u>568,917</u>	<u>-</u>	<u>-</u>	<u>3,165,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,734,401</u>
Total assets	<u>\$ 3,459,519</u>	<u>\$ 676,468</u>	<u>\$ 490,640</u>	<u>\$ 3,217,341</u>	<u>\$ 709,861</u>	<u>\$ 108,627</u>	<u>\$ (481,246)</u>	<u>\$ 8,181,210</u>
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 321,711	\$ 11,991	\$ -	\$ 8,041	\$ -	\$ -	\$ -	\$ 341,743
Interfund payable	-	480,774	-	472	-	-	(481,246)	-
Accrued expenses	208,146	36,038	-	209	-	-	-	244,393
Current maturities of bonds payable	221,692	-	-	-	-	-	-	221,692
Total current liabilities	751,549	528,803	-	8,722	-	-	(481,246)	807,828
Deferred revenue	17,274	-	-	-	-	-	-	17,274
Bonds payable, less current maturities	3,652,856	-	-	-	-	-	-	3,652,856
Total liabilities	<u>4,421,679</u>	<u>528,803</u>	<u>-</u>	<u>8,722</u>	<u>-</u>	<u>-</u>	<u>(481,246)</u>	<u>4,477,958</u>
Net assets								
Without donor restrictions								
Designated for Sections	260,026	-	-	-	-	-	-	260,026
Designated for Brief Insights	2,767	-	-	-	-	-	-	2,767
Undesignated	(1,224,953)	147,665	490,640	3,208,619	709,861	108,627	-	3,440,459
Total net assets	<u>(962,160)</u>	<u>147,665</u>	<u>490,640</u>	<u>3,208,619</u>	<u>709,861</u>	<u>108,627</u>	<u>-</u>	<u>3,703,252</u>
Total liabilities and net assets	<u>\$ 3,459,519</u>	<u>\$ 676,468</u>	<u>\$ 490,640</u>	<u>\$ 3,217,341</u>	<u>\$ 709,861</u>	<u>\$ 108,627</u>	<u>\$ (481,246)</u>	<u>\$ 8,181,210</u>

See Independent Auditors' Report

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	General Fund	Continuing Legal Education Fund	Client Security Fund	Bar Center Headquarters Trustee Fund	Bar Center Fund	Donated Legal Services Fund	Interfund Eliminations	Total
ASSETS								
Current assets								
Cash	\$ 877,357	\$ 1,753	\$ 355,171	\$ 11,383	\$ 155,121	\$ 18,958	\$ -	\$ 1,419,743
Certificates of deposit	-	-	-	-	-	60,663	-	60,663
Investments	7,067,673	2,134,620	399,137	-	311,952	-	-	9,913,382
Accounts receivable	40,165	40,494	-	-	-	-	-	80,659
Interfund receivable	111,651	1,294	-	77,418	-	-	(190,363)	-
Interest receivable	11,597	3,303	576	-	588	10	-	16,074
Prepaid expenses	79,093	23,910	-	2,699	-	-	-	105,702
Total current assets	<u>8,187,536</u>	<u>2,205,374</u>	<u>754,884</u>	<u>91,500</u>	<u>467,661</u>	<u>79,631</u>	<u>(190,363)</u>	<u>11,596,223</u>
Due from Bar Foundation/IOLTA	801,637	-	-	2,400	-	-	-	804,037
Property, building and equipment, net	-	-	-	3,364,615	-	-	-	3,364,615
Total long-term assets	<u>801,637</u>	<u>-</u>	<u>-</u>	<u>3,367,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,168,652</u>
Total assets	<u>\$ 8,989,173</u>	<u>\$ 2,205,374</u>	<u>\$ 754,884</u>	<u>\$ 3,458,515</u>	<u>\$ 467,661</u>	<u>\$ 79,631</u>	<u>\$ (190,363)</u>	<u>\$ 15,764,875</u>
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 341,092	\$ 2,710	\$ 318,883	\$ 9,902	\$ -	\$ -	\$ -	\$ 672,587
Interfund payable	37,324	147,062	-	5,977	-	-	(190,363)	-
Accrued expenses	<u>10,354,455</u>	<u>2,512,247</u>	<u>22,909</u>	<u>3,800</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>12,893,422</u>
Total current liabilities	10,732,871	2,662,019	341,792	19,679	11	-	(190,363)	13,566,009
Deferred revenue	<u>11,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,179</u>
Total liabilities	<u>10,744,050</u>	<u>2,662,019</u>	<u>341,792</u>	<u>19,679</u>	<u>11</u>	<u>-</u>	<u>(190,363)</u>	<u>13,577,188</u>
Net assets								
Without donor restrictions								
Designated for Sections	290,503	-	-	-	-	-	-	290,503
Designated for Lawyer's Assistance Program	26,633	-	-	-	-	-	-	26,633
Designated for Brief Insights	3,143	-	-	-	-	-	-	3,143
Undesignated	<u>(2,075,156)</u>	<u>(456,645)</u>	<u>413,092</u>	<u>3,438,836</u>	<u>467,650</u>	<u>79,631</u>	<u>-</u>	<u>1,867,408</u>
Total net assets	<u>(1,754,877)</u>	<u>(456,645)</u>	<u>413,092</u>	<u>3,438,836</u>	<u>467,650</u>	<u>79,631</u>	<u>-</u>	<u>2,187,687</u>
Total liabilities and net assets	<u>\$ 8,989,173</u>	<u>\$ 2,205,374</u>	<u>\$ 754,884</u>	<u>\$ 3,458,515</u>	<u>\$ 467,661</u>	<u>\$ 79,631</u>	<u>\$ (190,363)</u>	<u>\$ 15,764,875</u>

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KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

	General Fund	Continuing Legal Education Fund	Client Security Fund	Bar Center Headquarters Trustee Fund	Bar Center Fund	Donated Legal Services Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenue and support							
Membership dues	\$ 3,510,757	\$ 795,944	\$ 120,257	\$ -	\$ 331,960	\$ 28,874	\$ 4,787,792
Other dues	263,433	-	-	-	-	-	263,433
Investment income/realized gain(loss), net of related expenses	218,917	69,568	26,126	8	6,015	122	320,756
Sections income	175,185	-	-	-	-	-	175,185
Reimbursement of costs	26,335	-	-	-	-	-	26,335
Pro Hac Vice	279,000	-	-	-	-	-	279,000
Publications/communications	79,566	-	-	-	-	-	79,566
Conventions and conferences	480,275	-	-	-	-	-	480,275
Rent of building	-	-	-	9,600	-	-	9,600
Net change in the fair value of investments	(6,457)	(13,328)	(3,327)	-	2,237	-	(20,875)
Other revenue and support	<u>196,278</u>	<u>542,996</u>	<u>405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,679</u>
Total revenue and support	<u>5,223,289</u>	<u>1,395,180</u>	<u>143,461</u>	<u>9,608</u>	<u>340,212</u>	<u>28,996</u>	<u>7,140,746</u>
Expenses							
Program Services:							
Sections	205,662	-	-	-	-	-	205,662
Board of Governors, Officers, Committees	115,423	-	-	-	-	-	115,423
Disciplinary/Unauthorized practice	1,312,992	-	-	-	-	-	1,312,992
Disciplinary Clerk's Office	66,870	-	-	-	-	-	66,870
Publications/Communications	256,138	-	-	-	-	-	256,138
Conventions and Conferences	402,660	-	-	-	-	-	402,660
Lawyers Assistance Program	200,212	-	-	-	-	-	200,212
Continuing Legal Education	-	984,184	-	-	-	-	984,184
Client Security	-	-	13,460	-	-	-	13,460
Bar Center	-	-	-	345,525	6,001	-	351,526
Total program services	<u>2,559,957</u>	<u>984,184</u>	<u>13,460</u>	<u>345,525</u>	<u>6,001</u>	<u>-</u>	<u>3,909,127</u>
Supporting Services:							
Management and general	<u>1,716,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,716,054</u>
Total expenses	<u>4,276,011</u>	<u>984,184</u>	<u>13,460</u>	<u>345,525</u>	<u>6,001</u>	<u>-</u>	<u>5,625,181</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	947,278	410,996	130,001	(335,917)	334,211	28,996	1,515,565
Net assets, beginning of year	(1,754,877)	(456,645)	413,092	3,438,836	467,650	79,631	2,187,687
TRANSFERS IN (OUT)	<u>(154,561)</u>	<u>193,314</u>	<u>(52,453)</u>	<u>105,700</u>	<u>(92,000)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (962,160)</u>	<u>\$ 147,665</u>	<u>\$ 490,640</u>	<u>\$ 3,208,619</u>	<u>\$ 709,861</u>	<u>\$ 108,627</u>	<u>\$ 3,703,252</u>

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KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
for the year ended June 30, 2018

	General Fund	Continuing Legal Education Fund	Client Security Fund	Bar Center Headquarters Trustee Fund	Bar Center Fund	Donated Legal Services Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenue and support							
Membership dues	\$ 3,493,447	\$ 793,554	\$ 120,079	\$ -	\$ 331,112	\$ 28,514	\$ 4,766,706
Other dues	277,576	-	-	-	-	-	277,576
Investment income/realized gain(loss)	412,456	155,982	58,514	16	4,623	175	631,766
Sections income	164,171	-	-	-	-	-	164,171
Reimbursement of costs	69,119	-	-	-	-	-	69,119
Attorney Advertising Commission	5,875	-	-	-	-	-	5,875
Pro Hac Vice	227,900	-	-	-	-	-	227,900
Publications/communications	84,799	-	-	-	-	-	84,799
Conventions and conferences	440,685	-	-	-	-	-	440,685
Rent of building	-	-	-	9,600	-	-	9,600
Net change in the fair value of investments	(147,731)	(54,548)	(21,866)	-	(1,686)	-	(225,831)
Other revenue and support	<u>81,796</u>	<u>537,500</u>	<u>2,816</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>622,179</u>
Total revenue and support	<u>5,110,093</u>	<u>1,432,488</u>	<u>159,543</u>	<u>9,683</u>	<u>334,049</u>	<u>28,689</u>	<u>7,074,545</u>
Expenses							
Program Services:							
Sections	155,657	-	-	-	-	-	155,657
Board of Governors, Officers, Committees	139,986	-	-	-	-	-	139,986
Disciplinary/Unauthorized practice	3,251,428	-	-	-	-	-	3,251,428
Disciplinary Clerk's Office	277,748	-	-	-	-	-	277,748
Publications/Communications	359,726	-	-	-	-	-	359,726
Conventions and Conferences	413,061	-	-	-	-	-	413,061
Attorney Advertising Commission	99,348	-	-	-	-	-	99,348
Lawyers Assistance Program	267,828	-	-	-	-	-	267,828
Continuing Legal Education	-	3,623,976	-	-	-	-	3,623,976
Client Security	-	-	374,392	-	-	-	374,392
Bar Center	-	-	-	316,035	6,374	-	322,409
Donated Legal Services	-	-	-	-	-	125,000	125,000
Total program services	4,964,782	3,623,976	374,392	316,035	6,374	125,000	9,410,559
Supporting Services:							
Management and general	<u>9,003,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,003,051</u>
Total expenses	<u>13,967,833</u>	<u>3,623,976</u>	<u>374,392</u>	<u>316,035</u>	<u>6,374</u>	<u>125,000</u>	<u>18,413,610</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	(8,857,740)	(2,191,488)	(214,849)	(306,352)	327,675	(96,311)	(11,339,065)
Net assets, beginning of year	7,544,528	1,879,628	679,191	2,945,699	301,764	175,942	13,526,752
TRANSFERS IN (OUT)	<u>(441,665)</u>	<u>(144,785)</u>	<u>(51,250)</u>	<u>799,489</u>	<u>(161,789)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (1,754,877)</u>	<u>\$ (456,645)</u>	<u>\$ 413,092</u>	<u>\$ 3,438,836</u>	<u>\$ 467,650</u>	<u>\$ 79,631</u>	<u>\$ 2,187,687</u>

See Independent Auditors' Report