

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8 - 9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 20
SUPPLEMENTAL INFORMATION	
Consolidating Statements of Financial Position	21 - 22
Consolidating Statements of Activities	23 - 26



**DANA F. COLE
& COMPANY_{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Executive Council
Nebraska State Bar Association
and the Nebraska Lawyers Foundation
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of Nebraska State Bar Association and Nebraska Lawyers Foundation (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nebraska State Bar Association and Nebraska Lawyers Foundation as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 21 - 26 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Dana J Cole + Company, LLP

Lincoln, Nebraska
April 4, 2018

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	1,427,223	1,364,974
Accounts receivable	66,679	64,323
Accounts receivable from related organizations		30,000
Promises to give	82,811	4,975
Grants receivable	230,304	217,000
Prepaid expenses	56,877	45,390
Certificates of deposit	580,013	884,773
Total current assets	<u>2,443,907</u>	<u>2,611,435</u>
LONG-TERM INVESTMENTS, mutual funds	<u>578,047</u>	<u>154,529</u>
PROPERTY AND EQUIPMENT, net	<u>161,702</u>	<u>167,123</u>
TOTAL ASSETS	<u><u>3,183,656</u></u>	<u><u>2,933,087</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	99,127	45,284
Accrued liabilities	171,769	143,361
Deferred revenue	896,938	972,705
Total current liabilities	<u>1,167,834</u>	<u>1,161,350</u>
NET ASSETS		
Unrestricted		
Board-designated - House of Delegates Reserve	691,361	560,961
Undesignated	75,069	46,374
Temporarily restricted		
Client Assistance Fund	532,155	527,702
Other temporarily restricted	717,237	636,700
Total net assets	<u>2,015,822</u>	<u>1,771,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,183,656</u></u>	<u><u>2,933,087</u></u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
DECEMBER 31, 2017 AND 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Membership dues	1,102,830	1,128,273
Contributions	15,734	20,886
Special events	178,088	172,495
Program income	64,960	91,408
Publications and label sales	119,921	99,105
Registration fees	632,208	526,203
Advertising	69,627	62,010
Recovery of costs	114,049	97,465
Grants	10,770	11,176
Investment income	21,443	10,024
Royalties and rebates	33,189	41,816
Other income	362	24
	<u>2,363,181</u>	<u>2,260,885</u>
Net assets released from restrictions	334,234	344,446
Total revenue and support	<u>2,697,415</u>	<u>2,605,331</u>
Expenses		
Program services		
Administration of Justice	347,099	319,397
Professional and practice development	1,160,175	1,044,953
Grants	9,525	8,105
Supporting activities		
Management and general	905,735	1,027,197
Fundraising	115,786	108,523
Total expenses	<u>2,538,320</u>	<u>2,508,175</u>
Change in unrestricted net assets	<u>159,095</u>	<u>97,156</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Registration fees	18,610	25,940
Section dues	68,800	65,900
Client Assistance Fund investment income	12,009	3,420
Promises to give	82,061	
VLP Fund contributions	2,340	5,675
LSAT Scholarship Fund contributions	5,967	1,540

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
DECEMBER 31, 2017 AND 2016

	2017	2016
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
(Continued)		
SOLACE contributions	205	1,300
Schoenike Memorial Fund contributions		750
Grants	229,232	240,423
Net assets released from restrictions	<u>(334,234)</u>	<u>(344,446)</u>
Change in temporarily restricted net assets	<u>84,990</u>	<u>502</u>
 CHANGE IN NET ASSETS	 244,085	 97,658
 NET ASSETS, beginning of year	 <u>1,771,737</u>	 <u>1,674,079</u>
 NET ASSETS, end of year	 <u>2,015,822</u>	 <u>1,771,737</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			General and Administrative	Fundraising	Total
	Administration of Justice	Professional and Practice Development	Grants			
Salaries	137,409	356,145		372,039	22,183	887,776
Benefits	21,106	33,411		48,327	1,733	104,577
Payroll taxes	10,879	22,828		34,654	330	68,691
Insurance	2,507			2,507	18,680	21,187
Retirement benefits	9,484	19,345		28,829	32,883	63,857
Travel and related costs	8,726	33,525		42,251	57,413	104,857
Professional fees	118,678	5,565		124,243	17,111	149,288
Financial services expenses		4,253		4,253	37,780	44,169
Telephone	3,161	3,250		6,411	10,149	17,153
Supplies	455	14,436		14,891	3,055	29,218
Postage	664	48,318		48,982	13,550	62,829
Printing duplication	198	71,932		72,130	4,380	79,864
Office rent	13,836	21,109		34,945	138,638	174,699
Dues and subscriptions	1,446	2,499		3,945	5,091	9,560
Donations		22,045		22,045	900	22,945
Client Assistance Fund	809			809		809
Meetings	3,138	233,217		236,355	24,273	313,437
Depreciation	58	6,878		6,936	4,079	11,213
Miscellaneous expenses		34,590		34,590	7,813	53,421
MCLE fees		36,333		36,333		36,333
Scholarships			9,525	9,525		9,525
Tools and technology	14,545	190,496		205,041	66,703	272,912
Total expenses	<u>347,099</u>	<u>1,160,175</u>	<u>9,525</u>	<u>1,516,799</u>	<u>905,735</u>	<u>2,538,320</u>

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			General and Administrative	Fundraising	Total	
	Administration of Justice	Professional and Practice Development	Grants				Total Program Services
Salaries	123,395	314,502		437,897	374,634	17,154	829,685
Benefits	14,544	24,425		38,969	51,712	1,514	92,195
Payroll taxes	7,754	17,248		25,002	40,320	1,430	66,752
Insurance	2,611			2,611	9,144		11,755
Retirement benefits	8,376	28,273		36,649	29,889	1,803	68,341
Travel and related costs	12,986	35,789		48,775	73,001	3,757	125,533
Professional fees	104,963	6,154		111,117	24,402	6,400	141,919
Financial services expenses		1,844		1,844	42,885	1,740	46,469
Telephone	3,201	3,738		6,939	11,555	675	19,169
Supplies	1,278	7,411		8,689	12,877	1,059	22,625
Postage	1,155	47,888		49,043	13,224	3,340	65,607
Printing duplication	432	68,320		68,752	13,294	2,129	84,175
Office rent	4,800	3,000		7,800	156,124	458	164,382
Dues and subscriptions	2,624	1,899		4,523	3,700	613	8,836
Donations	2,600	24,967		27,567	1,803	232	29,602
Client Assistance Fund	802			802			802
Contracted labor	10,774			10,774			10,774
Meetings	8,725	238,110		246,835	39,062	57,974	343,871
Depreciation					11,556		11,556
Miscellaneous expenses	168	18,475		18,643	10,779	8,241	37,663
MCLE fees		37,474		37,474			37,474
Scholarships			8,105	8,105			8,105
Tools and technology	8,209	165,436		173,645	88,563	4	262,212
Return of grant funds					18,673		18,673
Total expenses	<u>319,397</u>	<u>1,044,953</u>	<u>8,105</u>	<u>1,372,455</u>	<u>1,027,197</u>	<u>108,523</u>	<u>2,508,175</u>

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenue and support	2,609,690	2,735,811
Cash paid to employees and suppliers	(2,456,343)	(2,480,425)
Interest received	4,510	<u> </u>
Net cash provided by operating activities	<u>157,857</u>	<u>255,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(398,791)	(75,000)
Purchase of certificates of deposit	(175,000)	(655,104)
Redemption of certificates of deposit	483,974	602,175
Purchase of property and equipment	(5,791)	(5,070)
Net cash used in investing activities	<u>(95,608)</u>	<u>(132,999)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,249	122,387
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,364,974</u>	<u>1,242,587</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,427,223</u>	<u>1,364,974</u>

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	<u>244,085</u>	<u>97,658</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,213	11,556
Unrealized gain loss on investments	(12,433)	(855)
Reinvested interest and dividends	(16,509)	(9,169)
(Increase) decrease in assets:		
Accounts receivable	(2,356)	9,246
Accounts receivable from related organizations	30,000	5,000
Grants receivable	(13,304)	(17,000)
Contributions receivable	(77,836)	(2,400)
Prepaid expenses	(11,487)	(7,639)
Increase (decrease) in liabilities:		
Accounts payable	53,843	7,862
Accounts payable to related organizations		(2,665)
Accrued liabilities	28,408	18,636
Deferred revenue	(75,767)	145,156
Total adjustments	<u>(86,228)</u>	<u>157,728</u>
Net cash provided by operating activities	<u>157,857</u>	<u>255,386</u>

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Nebraska State Bar Association was created to aid in maintaining high standards of conduct, integrity, confidence, and public service of persons engaged in the practice of law and to promote the professional interest of its members. All persons admitted to the practice of law in the State of Nebraska are members of the Association. The Association is primarily funded by membership dues.

The Nebraska Lawyers Foundation was created to provide support for:

- Continuing professional education for the legal profession
- Statewide volunteer legal services and referral network
- Study of racial and ethnic bias in the justice system
- Assistance to lawyers with substance abuse problems
- Funding of provision of legal services to low income Nebraskans
- Funding of new initiatives or programs before dedicated funding is established

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Nebraska State Bar Association and Nebraska Lawyers Foundation (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Net assets that are not subject to outside restrictions. 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.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." 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 was recognized.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and promises to give which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor. There were no permanently restricted net assets as of December 31, 2017 and 2016.

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

Contributed services are to be recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Any amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Grants Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Receivables are stated at the amount billed to the customer. The Organization does not charge interest on overdue customer account balances. Payments of receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Promises to give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows if the discount is material to the financial statements. Based on prior years' experience and management's analysis of specific promises made, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Investments

The Organization has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Equipment

Property and equipment are stated at cost, if purchased or fair value, if donated. Major expenditures over \$500 for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 39 years.

Deferred Income

Membership dues are for a calendar year period and are recognized as income in the year in which the dues income is earned. Any dues income paid prior to the calendar year in which it is earned is recorded as deferred income. Event sponsorships received in advance of the event are recognized as revenue in the year earned.

Compensated Absences

Employees of the Organization earn a vested right to compensation for unused vacation time. Accordingly, the Organization has made an accrual for vacation and compensation that employees have earned.

Advertising

Advertising costs are expensed as incurred. Publicity expense for the years ended December 31, 2017 and 2016 was \$2,549 and \$2,006, respectively.

Functional Expense Allocation

The costs of providing various program services and other supporting activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The of Nebraska State Bar Association and Nebraska Lawyers Foundation are exempt from federal income taxes under Section 501(c)(6) and Section 501(c)(3), respectively, of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not directly related to their exempt purpose is subject to taxation at normal corporate rates. The Organization has advertising income, which is subject to tax on unrelated business income. For the years ended December 31, 2017 and 2016, the Organization had no tax liability on unrelated business activity.

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. CONCENTRATIONS

The Organization holds deposits in several financial institutions. Accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2017 and 2016, the bank accounts exceeded federally insured limits by \$153,084 and \$46,149, respectively. The Organization utilizes an Insured Cash Sweep® Deposit Placement Agreement. The balances that exceeded the FDIC limit were created by the excess of deposits over next-business-day placement of funds in the Destination Institutions' FDIC-insured accounts. High year-end dues and continuing education registration receipts caused these overages. The Organization has not experienced any losses on such accounts.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

The Organization was awarded grant income of \$240,000 and \$225,000 during the years ended December 31, 2017 and 2016, respectively, from the Nebraska Commission on Public Advocacy. Absent these grants, the Organization's programs would be greatly diminished.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due to be collected as follows:

	2017	2016
Gross amount due in:		
One year or less	750	4,975
One to five years	<u>82,061</u>	<u> </u>
Total contributions receivable	<u><u>82,811</u></u>	<u><u>4,975</u></u>

NOTE 4. INVESTMENTS

The Organization has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (Continued)

For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2017 and 2016, at fair value on a recurring basis.

	2017			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Balanced mixed equity/bond	200,947	200,947		
Bonds	<u>377,100</u>	<u>377,100</u>		
Total	<u>578,047</u>	<u>578,047</u>		
	2016			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Balanced mixed equity/bond	78,225	78,225		
Bonds	<u>76,304</u>	<u>76,304</u>		
Total	<u>154,529</u>	<u>154,529</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at December 31, 2017 and 2016, are as follows:

	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Mutual Funds			
Balanced mixed equity/bond	186,599	14,348	200,947
Bonds	<u>378,498</u>	<u>(1,398)</u>	<u>377,100</u>
	<u>565,097</u>	<u>12,950</u>	<u>578,047</u>

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (Continued)

	2016		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Mutual Funds			
Balanced mixed equity/bond	77,418	807	78,225
Bonds	76,475	(171)	76,304
	153,893	636	154,529

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Investment income consists of:

	2017	2016
Interest and dividend income	21,019	12,589
Unrealized gains on investments	12,433	855
	33,452	13,444

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2017	2016
Furniture and equipment	196,324	190,533
Leasehold improvements	231,823	231,823
	428,147	422,356
Less accumulated depreciation	(266,445)	(255,233)
	161,702	167,123

The financial statements include depreciation expense of \$11,213 and \$11,556 for the years ended December 31, 2017 and 2016, respectively.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BOARD-DESIGNATED NET ASSETS

Board-designated net assets at December 31, 2017 and 2016, consist of a fund designated by the Organization's House of Delegates as a reserve unavailable for operating expenses, unless otherwise determined by the Board.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include a Client Assistance Fund which was established by the Organization to reimburse, within limits set by members of the fund committee, clients of the Organization members who have suffered financial loss due to dishonesty of an attorney.

Client Assistance Fund activities are summarized as follows:

	2017	2016
Revenue and support		
Investment income	<u>12,009</u>	<u>3,420</u>
Expenses		
Administrative expenses	6,747	4,025
Fidelity bond	<u>809</u>	<u>802</u>
Total expenses	<u>7,556</u>	<u>4,827</u>
Decrease in temporarily restricted net assets	4,453	(1,407)
Net assets, beginning of year	<u>527,702</u>	<u>529,109</u>
Net assets, ending of year	<u>532,155</u>	<u>527,702</u>

Other temporarily restricted net assets are available for the following purposes:

	2017	2016
Section dues unexpended	369,971	352,717
Legislative checkoff dues unexpended	14,074	14,074
Grants unexpended		30,000
Promises to give	82,061	
Volunteer Lawyer's Project	230,304	217,675
New Initiatives Fund	2,561	2,561
LSAT Exam Preparation Scholarship Fund		1,012
SOLACE	6,265	6,660
Schoenike Memorial Fund	<u>12,001</u>	<u>12,001</u>
	<u>717,237</u>	<u>636,700</u>

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS

Leases

The Organization has an agreement with the Nebraska State Bar Foundation for a non-cancelable operating lease for office space (see Note 9). The lease is for a fifteen year period ending June 2020. In addition to minimum annual payments, the Organization also must pay its prorated share of operating costs incurred by the lessor in connection with common areas of the building, the land, and the underground parking area. The consolidated financial statements include office rent expense of \$174,699 and \$164,382 for the years ended December 31, 2017 and 2016, respectively.

The Organization is also obligated under non-cancelable equipment lease agreements expiring in December 2021.

Future minimum payments for the next five years under the agreements are as follows:

2018	123,214
2019	125,042
2020	72,354
2021	<u>18,744</u>
	<u>339,354</u>

Electronic Library Development

The Organization is obligated under a contract for electronic library development for a period of five years beginning October 2013 at \$10,000 per month, indexed annually to the Producer Price Index for All Commodities.

The financial statements include electronic library development expense of \$127,908 and \$134,861 for the years ended December 31, 2017 and 2016, respectively.

Child Support Calculator

The Organization is obligated under a contract for the license to Advanced Legal Software, LLC, for Nebraska Child Support Calculator for a period of three years beginning in 2014. The contract includes \$5,000 non-recurring setup fee and annual licensing fees of \$25,000 payable in year 1, \$27,500 payable in year 2, and \$30,000 payable in year 3. As of December 31, 2016, the Organization is current with the payments.

The financial statements include Child Support Calculator expense of \$31,926 and \$26,616 for the years ended December 31, 2017 and 2016, respectively.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS (Continued)

Legislative services

The Organization has entered into a contract for professional services related to representation of legislative interests. The contract term covers the period January through December 2018 and includes a fixed fee of \$72,000 to be paid in equal installments over twelve months. The contract may be renegotiated or terminated by the Organization if the services cannot be supported by the Organization's voluntary dues revenue.

NOTE 9. RELATED PARTY TRANSACTIONS

Nebraska State Bar Foundation

Members of the Organization who have contributed to the Nebraska State Bar Foundation (Foundation) represent the members of the Foundation. The President and President-elect of the Organization, or their designees, are voting members of the Foundation's Board of Directors. The Organization leases office and other space from the Foundation (see Note 8). The Organization also collected charitable contributions on behalf of the Foundation for the 2016 dues cycle. Charitable contributions collected and unpaid to the Foundation totaled \$- 0 - and \$- 0 - as of December 31, 2017 and 2016, respectively. During 2016, the Foundation made grants of \$30,000 to the Organization to support continuing legal education programs of the Organization. In 2017 the Foundation did not grant funds to support continuing legal education programs of the Organization. Accounts receivable includes \$30,000 due from the Foundation for the year ended December 31, 2016.

NOTE 10. RETIREMENT PLAN

The Organization has a defined contribution pension plan for all eligible employees who have completed one year of service and are 21 years of age. The annual contribution is 10 percent of the compensation paid during a year. Participants may make voluntary contributions to the plan and are limited to 100 percent of the participant's compensation. Participants are immediately vested in their voluntary contributions plus interest earned on the voluntary contributions.

The participant's interest in the Organization's contributions and the earnings thereon vest at the rate of 25 percent per year, beginning with completion of two years of service and are 100 percent vested after five years of service. Pension expense was \$63,857 for 2017 and \$68,341 for 2016.

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 4, 2018, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS				
	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	1,314,904	112,319		1,427,223
Accounts receivable	66,679			66,679
Accounts receivable from related organizations	983	5,473	(6,456)	
Promises to give		83,086	(275)	82,811
Grants receivable		230,304		230,304
Prepaid expenses	53,432	3,445		56,877
Certificates of deposit	580,013			580,013
Total current assets	<u>2,016,011</u>	<u>434,627</u>	<u>(6,731)</u>	<u>2,443,907</u>
LONG-TERM INVESTMENTS, mutual funds	<u>578,047</u>			<u>578,047</u>
PROPERTY AND EQUIPMENT, net	<u>161,702</u>			<u>161,702</u>
TOTAL ASSETS	<u>2,755,760</u>	<u>434,627</u>	<u>(6,731)</u>	<u>3,183,656</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	99,127	983	(983)	99,127
Accounts payable to related organizations	5,748		(5,748)	
Accrued liabilities	170,536	1,233		171,769
Deferred revenue	872,788	24,150		896,938
Total current liabilities	<u>1,148,199</u>	<u>26,366</u>	<u>(6,731)</u>	<u>1,167,834</u>
NET ASSETS				
Unrestricted				
Board-designated - House of Delegates Reserve	691,361			691,361
Undesignated		75,069		75,069
Temporarily restricted				
Client Assistance Fund	532,155			532,155
Other temporarily restricted	384,045	333,192		717,237
Total net assets	<u>1,607,561</u>	<u>408,261</u>		<u>2,015,822</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,755,760</u>	<u>434,627</u>	<u>(6,731)</u>	<u>3,183,656</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS				
	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	1,278,138	86,836		1,364,974
Accounts receivable	64,323			64,323
Accounts receivable from related organizations	37,366	6,363	(13,729)	30,000
Promises to give		4,975		4,975
Grants receivable		217,000		217,000
Prepaid expenses	40,399	4,991		45,390
Certificates of deposit	884,773			884,773
Total current assets	<u>2,304,999</u>	<u>320,165</u>	<u>(13,729)</u>	<u>2,611,435</u>
LONG-TERM INVESTMENTS, mutual funds	<u>154,529</u>			<u>154,529</u>
PROPERTY AND EQUIPMENT, net	<u>167,123</u>			<u>167,123</u>
TOTAL ASSETS	<u>2,626,651</u>	<u>320,165</u>	<u>(13,729)</u>	<u>2,933,087</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	45,284			45,284
Accounts payable to related organizations	6,362	7,367	(13,729)	
Accrued liabilities	143,146	215		143,361
Deferred revenue	946,405	26,300		972,705
Total current liabilities	<u>1,141,197</u>	<u>33,882</u>	<u>(13,729)</u>	<u>1,161,350</u>
NET ASSETS				
Unrestricted				
Board-designated - House of Delegates Reserve	560,961			560,961
Undesignated		46,374		46,374
Temporarily restricted				
Client Assistance Fund	527,702			527,702
Other temporarily restricted	396,791	239,909		636,700
Total net assets	<u>1,485,454</u>	<u>286,283</u>		<u>1,771,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,626,651</u>	<u>320,165</u>	<u>(13,729)</u>	<u>2,933,087</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2017

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and support				
Membership dues	1,102,830			1,102,830
Contributions		15,734		15,734
Special events		178,088		178,088
Program income	64,960			64,960
Publications and label sales	119,921			119,921
Registration fees	632,208			632,208
Advertising	69,627			69,627
Recovery of costs	114,049			114,049
Grants	306,441		(295,671)	10,770
Investment income	21,260	183		21,443
Royalties and rebates	33,189			33,189
Other income	100	262		362
	<u>2,464,585</u>	<u>194,267</u>	<u>(295,671)</u>	<u>2,363,181</u>
Net assets released from restrictions	107,712	226,522		334,234
Total revenue and support	<u>2,572,297</u>	<u>420,789</u>	<u>(295,671)</u>	<u>2,697,415</u>
Expenses				
Program services				
Administration of justice	347,099			347,099
Professional and practice development	1,160,175			1,160,175
Grants		305,196	(295,671)	9,525
Supporting activities				
Management and general	900,044	5,691		905,735
Fundraising	34,579	81,207		115,786
	<u>2,441,897</u>	<u>392,094</u>	<u>(295,671)</u>	<u>2,538,320</u>
Total expenses	<u>2,441,897</u>	<u>392,094</u>	<u>(295,671)</u>	<u>2,538,320</u>
Change in unrestricted net assets	<u>130,400</u>	<u>28,695</u>		<u>159,095</u>

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2017

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN TEMPORARILY RESTRICTED				
NET ASSETS				
Registration fees	18,610			18,610
Section dues	68,800			68,800
Client Assistance Fund investment income	12,009			12,009
Promises to give		82,061		82,061
VLP Fund contributions		2,340		2,340
LSAT Scholarship Fund contributions		5,967		5,967
SOLACE contributions		205		205
Grants		229,232		229,232
Net assets released from restrictions	<u>(107,712)</u>	<u>(226,522)</u>	<u> </u>	<u>(334,234)</u>
 Change in temporarily restricted net assets	 <u>(8,293)</u>	 <u>93,283</u>	 <u> </u>	 <u>84,990</u>
 CHANGE IN NET ASSETS	 122,107	 121,978	 <u> </u>	 244,085
 NET ASSETS, beginning of year	 <u>1,485,454</u>	 <u>286,283</u>	 <u> </u>	 <u>1,771,737</u>
 NET ASSETS, end of year	 <u>1,607,561</u>	 <u>408,261</u>	 <u> </u>	 <u>2,015,822</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and support				
Membership dues	1,128,273			1,128,273
Contributions		20,886		20,886
Special events		172,495		172,495
Program income	91,408			91,408
Publications and label sales	99,105			99,105
Registration fees	526,203			526,203
Advertising	62,010			62,010
Recovery of costs	97,465			97,465
Grants	305,106		(293,930)	11,176
Investment income	9,984	40		10,024
Royalties and rebates	41,816			41,816
Other income	21	3		24
	<u>2,361,391</u>	<u>193,424</u>	<u>(293,930)</u>	<u>2,260,885</u>
Net assets released from restrictions	137,918	206,528		344,446
Total revenue and support	<u>2,499,309</u>	<u>399,952</u>	<u>(293,930)</u>	<u>2,605,331</u>
Expenses				
Program services				
Administration of justice	319,397			319,397
Professional and practice development	1,044,953			1,044,953
Grants		302,035	(293,930)	8,105
Supporting activities				
Management and general	1,024,663	2,534		1,027,197
Fundraising	26,679	81,844		108,523
	<u>2,415,692</u>	<u>386,413</u>	<u>(293,930)</u>	<u>2,508,175</u>
Total expenses	<u>2,415,692</u>	<u>386,413</u>	<u>(293,930)</u>	<u>2,508,175</u>
Change in unrestricted net assets	<u>83,617</u>	<u>13,539</u>		<u>97,156</u>

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN TEMPORARILY RESTRICTED				
NET ASSETS				
Registration fees	25,940			25,940
Section dues	65,900			65,900
Client Assistance Fund investment income	3,420			3,420
VLP Fund		5,675		5,675
LSAT Scholarship Fund contributions		1,540		1,540
SOLACE contributions		1,300		1,300
Schoenike Memorial Fund contributions		750		750
Grants	30,000	210,423		240,423
Net assets released from restrictions	<u>(137,918)</u>	<u>(206,528)</u>		<u>(344,446)</u>
Change in temporarily restricted net assets	<u>(12,658)</u>	<u>13,160</u>		<u>502</u>
CHANGE IN NET ASSETS	70,959	26,699		97,658
NET ASSETS, beginning of year	<u>1,414,495</u>	<u>259,584</u>		<u>1,674,079</u>
NET ASSETS, end of year	<u>1,485,454</u>	<u>286,283</u>		<u>1,771,737</u>

See accompanying notes to financial statements.