

Minnesota State Bar Association

Audit of Financial Statements June 30, 2009 Executive Summary

- **Audit Report**

Unqualified Opinion

- **Presentation of Consolidated Financial Statements**

The financial statements are presented to show the consolidated activity of Minnesota State Bar Association and its subsidiary (Minnesota Continuing Legal Education). Disaggregated information for each individual Organization (MSBA & CLE) are presented in the notes to the consolidated financial statements and the supplemental schedules.

MSBA Pages 17 to 22.

- **Statement of Financial Position**

Cash and investments totaled \$5.5 million at June 30, 2009, as compared to \$5.9 million at June 30, 2008. The decrease is mainly due to the investment losses during the year.

Accounts Payable balance increased to \$1,304,547 at June 30, 2009 from \$1,117,561 at June 30, 2008. The increase is due to \$145,000 increase in the payable for District Dues Collected and the remaining increase due to miscellaneous general payables.

Deferred revenue consist of the unearned portion of the payments related to the lease termination and settlement payment and the leasehold allowance. This revenue will be recognized over a 15-year period; the decrease in the balance of \$276,000 was recognized as an expense offset during the year (depreciation offset of \$74,000; net rent expense offset was \$202,000).

- **Statements of Activities**

Net revenues (less) expenses from general operating activities was \$(35,102) for the year ended June 30, 2009, as compared to net revenue (less) expenses of \$(152,792) for the year ended June 30, 2008. The budgeted net revenue (less) expenses for June 30, 2009 was \$(352,788).

Including section operating activities and long-term investments activities, the change in net assets for the year ended June 30, 2009 was approximately \$(384,000).

Direct program expense was 66% and 67% of total expenses for the years ended June 30, 2009 and 2008.

During 2008, the useful life estimate for leasehold improvements was revised to a remaining life due to the office lease extension. The change had the effect of decreasing depreciation expense by approximately \$64,000. There were no additional changes in 2009.

- **Statement of Cash Flows**

Cash position decreased by approximately \$721,000 for the year ended June 30, 2009, as compared to a \$412,000 decrease in cash for the year ended June 30, 2008. The main reason was the net purchases over sales of investments in which were approximately \$900,000 over the prior year. This was offset by the timing of accounts payable and increase in deferred revenue dues and programs.

- **Notes to the Financial Statements**

Note 3 - loss on long-term investments was approximately (19.6)% or \$(427,000), including a net decrease in value of \$(323,000) in the balanced fund and \$(104,000) in the rent subsidy portfolio. The comparable (Loss) for the S&P 500 was (28.2)% for the same period.

Note 6 - appropriated net assets for sections and certifications decreased by .8%, or \$6,000 for the year ended June 30, 2009.

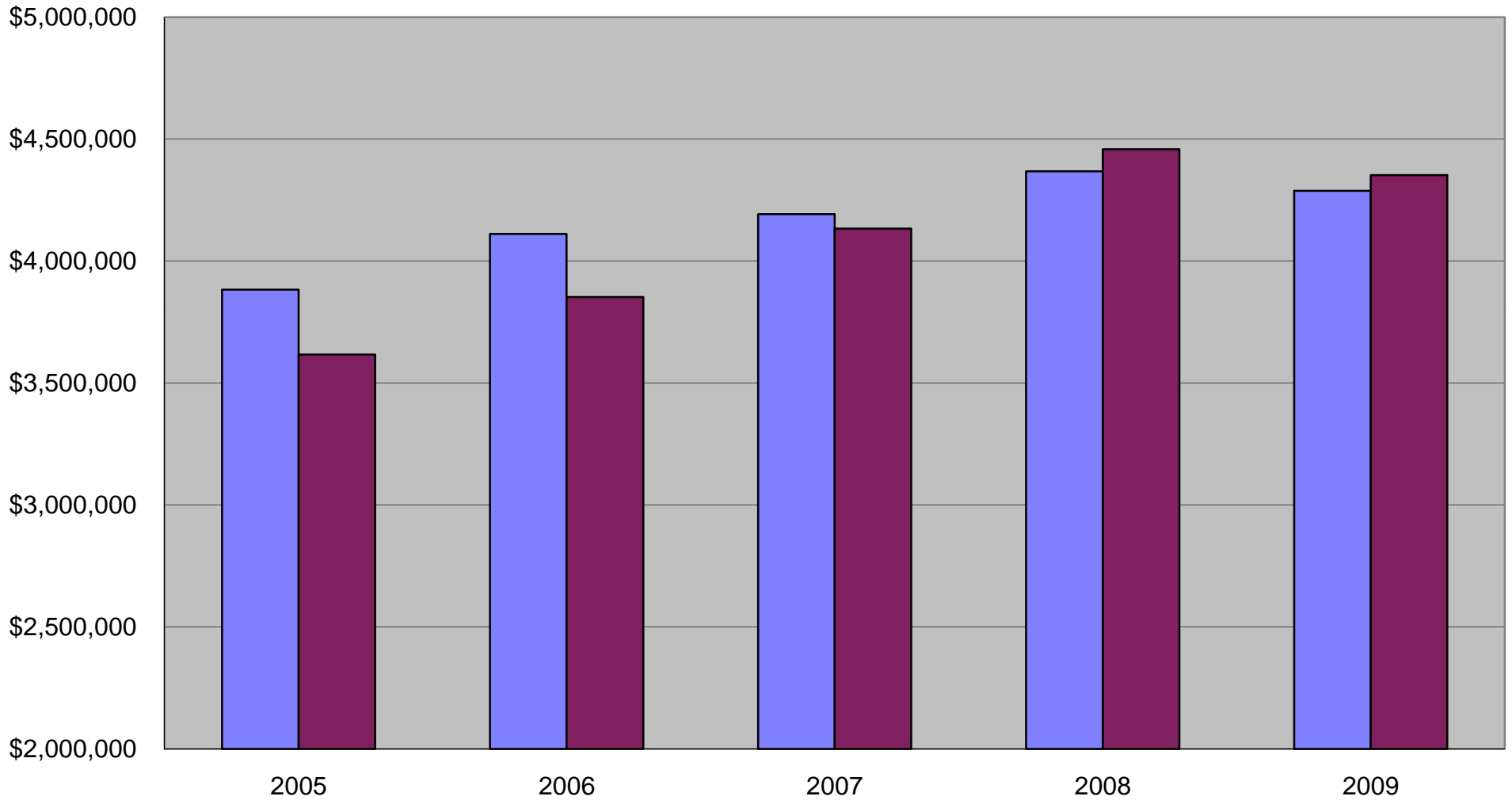
Financial Analysis

Attached are charts presenting the association's revenue and expenses and reserves for the past five fiscal years. The "Five Year History – Revenue and Expenses" graph reflects a \$80,000 decreased revenue and a \$106,000 decrease in expenses for 2009, which is the first decrease in the past five years. The "Five year History – Revenues (Classified)" graph shows relatively consistent total revenues, with membership dues and fees comprising a slight increase in percentage of total revenue in recent years (from 70.3% in 2005 to 73.2% in 2009). Membership dues and fees increased compared to prior year while program revenue was down \$111,000. The "Five Year History – Expenses (Classified)" graph reflects a \$69,000 decrease in expenses from the prior year. The largest decline in expenses was in other programs of \$224,000. The "Five Year History – Net Assets" graph reflects the 2009 decrease of \$383,000 in unappropriated net assets. Total unappropriated net assets are down \$153,000 from the 2005 amount.

The reserves graph reflects the assets available for funding future operating and rent subsidy requirements, capital expenditures, and maintaining a reserve to fund future opportunities. The Organization's total liquid reserves decreased by approximately \$618,000 during the year. The operating reserves graph depicts the MSBA operating reserves as a percent of the upcoming year's operating budget.

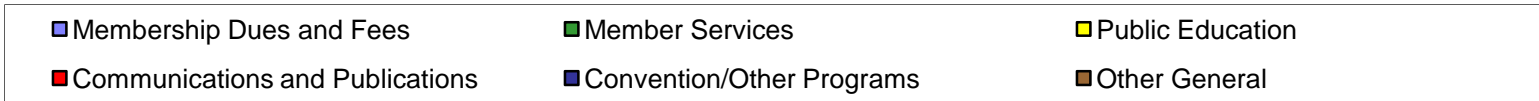
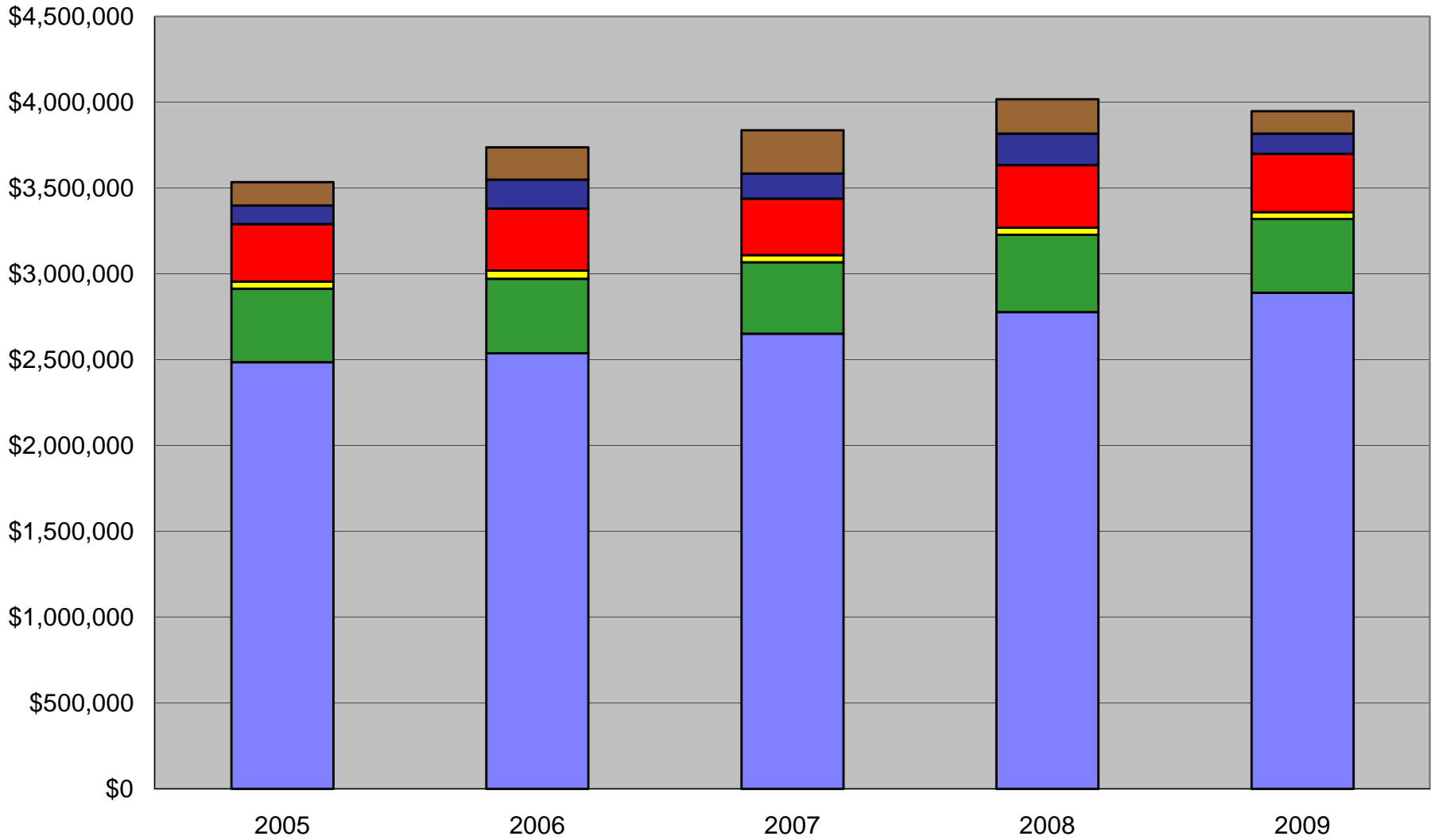
We appreciate the assistance of Tim Giving and staff during our audit.

Minnesota State Bar Association
Five Year History - Revenues and Expenses
(Including General Operating and Section Activity)

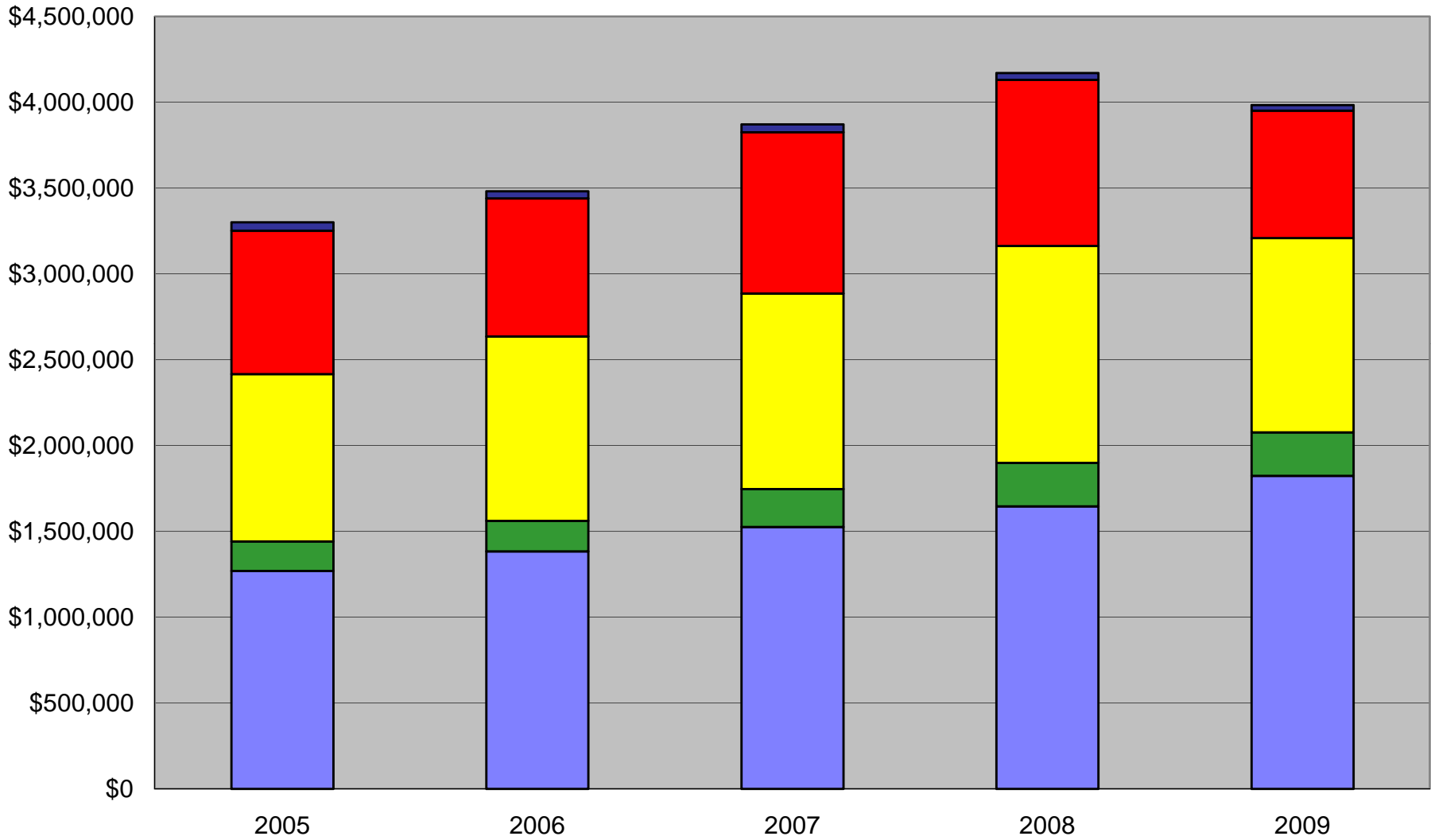


■ Revenues ■ Expenses

Minnesota State Bar Association
Five Year History - Revenues (Classified)
(Excluding Sections)



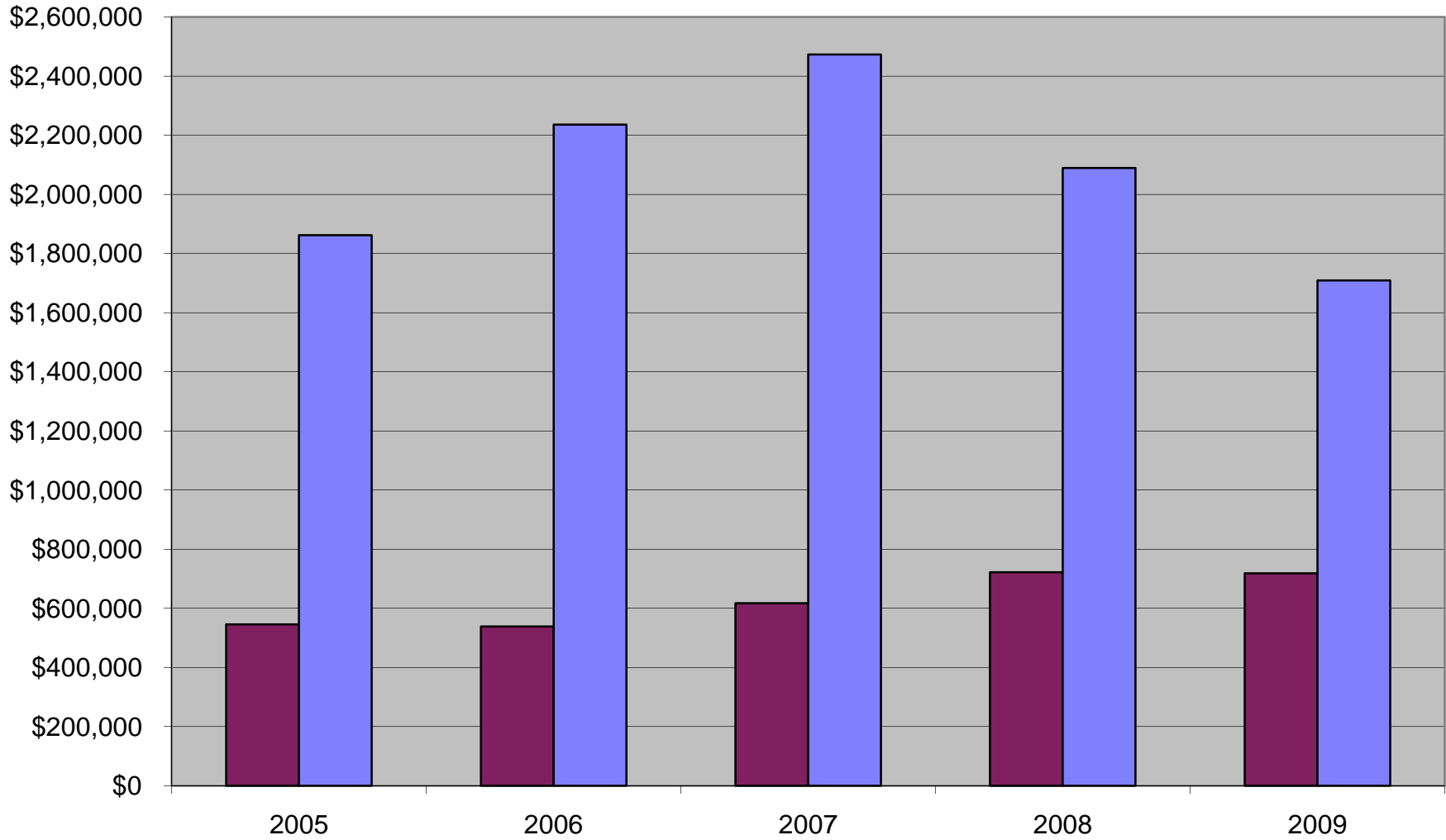
Minnesota State Bar Association
Five Year History - Expenses (Classified)
(Excluding Sections)



■ Member Services ■ Public Education ■ Communications and Publications ■ Other Programs ■ General & Administrative

Minnesota State Bar Association

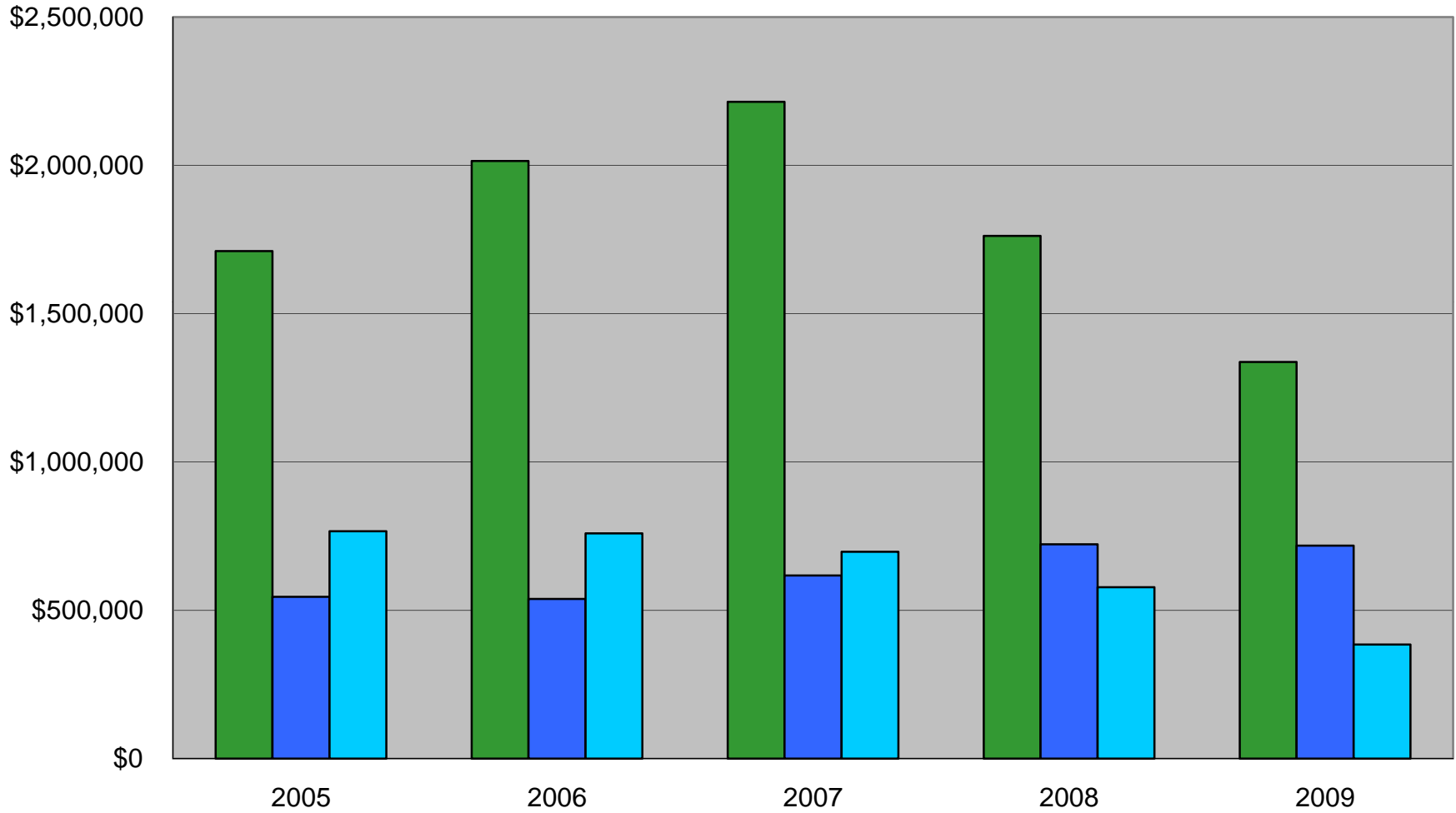
Five Year History - Net Assets (Organizations Equity)



■ Appropriated (Sections & Certifications) ■ Unappropriated

Minnesota State Bar Association

Five Year History - Liquid Reserves
(Liquid Reserves = Current Assets Plus Investments Less Current Liabilities)



Minnesota State Bar Association

Five Year History - Liquid Operating Reserves (General Funds Liquid Operating Reserve as a Percent of the Upcoming Years Operating Budget)

