

KENTUCKY BAR ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended
June 30, 2016 and June 30, 2015

TABLE OF CONTENTS

| | <u>PAGE NO.</u> |
|--|------------------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 15 |
| SUPPLEMENTARY INFORMATION | |
| Combining Statements of Financial Position | 17 - 18 |
| Combining Statements of Activities | 19 - 20 |
| Schedules of Functional Expenses | 21 - 22 |



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 non-profit organization) which comprise the statements of financial position as of June 30, 2016 and June 30, 2015, and the related statements of activities 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, 2016 and June 30, 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on pages 17 through 22 is presented for purposes of additional analysis and is 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.

Rudler, PSC

Ft. Wright, Kentucky
January 9, 2017

KENTUCKY BAR ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and June 30, 2015

| | June 30, 2016 | June 30, 2015 |
|---|----------------------|----------------------|
| ASSETS: | | |
| Cash | \$ 2,016,760 | \$ 1,767,851 |
| Certificate of Deposit | 60,421 | 563,509 |
| Investments | 7,978,800 | 7,485,172 |
| Accounts receivable | 92,975 | 88,306 |
| Due from affiliate | 67,160 | 72,408 |
| Interest receivable | 17,491 | 17,941 |
| Prepaid expenses | 76,997 | 69,624 |
| Total Current Assets | 10,310,604 | 10,064,811 |
| Property, building and equipment, net | 3,122,532 | 3,130,641 |
| TOTAL ASSETS | \$ 13,433,136 | \$ 13,195,452 |
| LIABILITIES: | | |
| Accounts payable | \$ 143,726 | \$ 315,764 |
| Accrued expenses | 360,934 | 405,714 |
| Current maturities of bonds payable | 135,000 | 125,000 |
| Total Current Liabilities | 639,660 | 846,478 |
| Deferred revenue | 14,669 | 14,366 |
| Bonds payable, less current maturities | 455,000 | 590,000 |
| Total Liabilities | 1,109,329 | 1,450,844 |
| NET ASSETS: | | |
| Unrestricted - | | |
| Board designated | 303,436 | 362,682 |
| Undesignated | 12,020,371 | 11,381,926 |
| | 12,323,807 | 11,744,608 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 13,433,136 | \$ 13,195,452 |

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

KENTUCKY BAR ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and June 30, 2015

| | June 30, 2016 | June 30, 2015 |
|---|----------------------|----------------------|
| UNRESTRICTED NET ASSETS: | | |
| REVENUE AND SUPPORT: | | |
| Membership dues | \$ 4,787,241 | \$ 4,729,706 |
| Other dues | 177,252 | 176,468 |
| Investment income/realized gain(loss) | 132,790 | 944,781 |
| Sections income | 164,788 | 153,614 |
| Reimbursement of costs | 135,875 | 97,277 |
| Attorney Advertising Commission | 61,400 | 115,491 |
| Pro Hac Vice | 201,080 | 202,508 |
| Publications/Communications | 70,826 | 83,260 |
| Conventions and Conferences | 448,534 | 477,503 |
| Rent of building | 9,600 | 9,600 |
| Net change in the fair value of investments | (23,765) | (787,177) |
| Other revenue and support | 579,462 | 581,002 |
| Total Revenue and Support | 6,745,083 | 6,784,033 |
| EXPENSES: | | |
| Program Services: | | |
| Sections | 156,862 | 160,591 |
| Board of Governors, Officers, Committees | 108,130 | 121,970 |
| Disciplinary/Unauthorized practice | 1,738,357 | 1,688,514 |
| Disciplinary Clerk's Office | 89,786 | 100,880 |
| Publications/Communications | 286,989 | 295,739 |
| Conventions and Conferences | 406,303 | 383,231 |
| Attorney Advertising Commission | 91,931 | 91,915 |
| Lawyers Assistance Program | 206,955 | 205,358 |
| Continuing Legal Education | 1,069,508 | 1,050,641 |
| Client Security | 179,445 | 27,536 |
| Bar Center | 322,011 | 286,746 |
| Total Program Services | 4,656,277 | 4,413,121 |
| Supporting Services: | | |
| Management and General | 1,509,607 | 1,412,525 |
| Total Expenses | 6,165,884 | 5,825,646 |
| INCREASE (DECREASE) IN NET ASSETS | 579,199 | 958,387 |
| NET ASSETS AT BEGINNING OF YEAR | 11,744,608 | 10,786,221 |
| NET ASSETS AT END OF YEAR | \$ 12,323,807 | \$ 11,744,608 |

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

KENTUCKY BAR ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and June 30, 2015

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 579,199 | \$ 958,387 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 155,205 | 133,102 |
| Loss on disposal of property and equipment | 5,159 | 0 |
| Net (increase) decrease in the fair value of investments | 23,765 | 787,176 |
| Realized (gains)/ losses on sales of investments | 44,837 | (798,327) |
| (Increase) decrease in operating assets | | |
| Accounts receivable | (4,669) | 4,306 |
| Due from affiliate | 5,248 | (4,804) |
| Prepaid expenses | (7,373) | 20,969 |
| Interest receivable | 450 | (10,792) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (172,038) | 44,603 |
| Accrued expenses | (44,780) | 86,368 |
| Deferred revenue | 303 | (9,098) |
| | <u>585,306</u> | <u>1,211,890</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (152,255) | (228,076) |
| Purchase of investments | (937,416) | (3,037,072) |
| Proceeds from sale of investments | 878,274 | 2,999,815 |
| | <u>(211,397)</u> | <u>(265,333)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long term debt | (125,000) | (120,000) |
| | <u>(125,000)</u> | <u>(120,000)</u> |
| NET INCREASE (DECREASE) IN CASH | 248,909 | 826,557 |
| CASH, BEGINNING OF YEAR | <u>1,767,851</u> | <u>941,294</u> |
| CASH, END OF YEAR | <u><u>\$ 2,016,760</u></u> | <u><u>\$ 1,767,851</u></u> |

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

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

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 Association 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 Association, 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 2015 – 2016 fiscal year, 35 new claims were received alleging losses totaling approximately \$244,698. During the 2014 – 2015 fiscal year, 42 new claims were received alleging losses totaling approximately \$966,967.

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 \$88,222 for the year ended June 30, 2016 and \$435,257 for the year ended June 30, 2015.

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 Capital Construction Fund was merged with The Bar Center Fund 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.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

Basis of Financial Statements

The KBA prepares its financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. 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.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Governors. Temporarily restricted net assets 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. Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently. The KBA has no temporarily or permanently restricted net assets as of June 30, 2016 and June 30, 2015.

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: | <u>2016</u> | <u>2015</u> |
| Cash paid during the year for interest | <u>\$35,750</u> | <u>\$41,750</u> |
| Cash paid during the year for unrelated business tax | <u>\$ 959</u> | <u>\$ 858</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 K 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 Association'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 \$500 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, 2016 and June 30, 2015

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from 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. Therefore, there was no allowance for doubtful accounts recorded in the financial statements at June 30, 2016.

Depreciation

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Depreciation expense was \$155,205 for the year ended June 30, 2016 and \$133,102 for the year ended June 30, 2015. Estimated useful lives for purposes of depreciation are as follows:

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

Pension Plan

The Association participates as members of the Kentucky Employee Retirement System (KERS), a cost sharing, multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty-five, or after less than twenty-seven years of service. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

The Kentucky Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Employees Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601 or by calling (502)564-4646.

Funding for the plan is provided by eligible employees who contribute 5% of their salary, 6% for employees hired after September 1, 2008, through payroll deductions and the Association, which contributed 38.77% of current eligible employee's salary to the KERS during the fiscal year June 30, 2016 and 38.77% during the fiscal year June 30, 2015. The KBA's contribution rates are determined by Kentucky Revised Statute and the Board of Trustees of the Kentucky Retirement Systems biennium. The KBA's contributions totaled \$927,103 for the fiscal year ending June 30, 2016 and \$901,207 for the fiscal year ending June 30, 2015.

NOTE B – 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. Investment service fees of

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

approximately \$23,153 have been included in bank and investment fees in the statement of activities for the year ended June 30, 2016 and \$21,848 for the year ended June 30, 2015. 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, 2016 is as follows:

| | <u>Cost</u> | <u>Fair Market Value</u> | <u>Unrealized Gains/Losses</u> |
|----------------------------|---------------------|--------------------------|--------------------------------|
| KBA Long Term Portfolio - | | | |
| Money Market Funds | \$ 90,834 | \$ 90,834 | \$ 0 |
| Fixed income | 1,804,875 | 1,725,628 | (79,247) |
| Equities | 3,230,451 | 3,423,705 | 193,254 |
| | <u>5,126,160</u> | <u>5,240,167</u> | <u>114,007</u> |
| KBA Short Term Portfolio - | | | |
| Money Market Funds | 1,189,098 | 1,189,098 | 0 |
| Fixed income | 1,562,401 | 1,549,535 | (12,866) |
| | <u>2,751,499</u> | <u>2,738,633</u> | <u>(12,866)</u> |
| Total | <u>\$ 7,877,659</u> | <u>\$ 7,978,800</u> | <u>\$ 101,141</u> |

A summary of investments at June 30, 2015 is as follows:

| | <u>Cost</u> | <u>Fair Market Value</u> | <u>Unrealized Gains/Losses</u> |
|----------------------------|---------------------|--------------------------|--------------------------------|
| KBA Long Term Portfolio - | | | |
| Money Market Funds | \$ 253,080 | \$ 253,080 | \$ 0 |
| Fixed income | 1,571,581 | 1,512,632 | (58,949) |
| Equities | 3,276,824 | 3,462,442 | 185,618 |
| | <u>5,101,485</u> | <u>5,228,154</u> | <u>126,669</u> |
| KBA Short Term Portfolio - | | | |
| Money Market Funds | 1,035,015 | 1,035,015 | 0 |
| Fixed income | 1,223,765 | 1,222,003 | (1,762) |
| | <u>2,258,780</u> | <u>2,257,018</u> | <u>(1,762)</u> |
| Total | <u>\$ 7,360,265</u> | <u>\$ 7,485,172</u> | <u>\$ 124,907</u> |

Investment return is summarized as follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 177,627 | \$ 146,455 |
| Realized gains(losses) | (44,837) | 798,326 |
| Change in fair value | <u>(23,765)</u> | <u>(787,177)</u> |
| | <u>\$ 109,025</u> | <u>\$ 157,604</u> |

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE C – 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, 2013. There are currently no audits for any tax periods in progress.

NOTE D – LEASES

The KBA entered into 6 leases for office equipment during April 2015 and 1 lease during October 2015. The leases are all for 48 months under non-cancelable operating leases expiring in April 2019 and October 2019, respectively. The monthly payments range from \$130 to \$539 a month. The total monthly payment for the leased office equipment is \$2,695.

The KBA entered into a lease for a mailing system during December 2014. The lease is for 60 months under a non-cancelable operating leases expiring in November 2019 with a monthly payment of \$540.

The KBA incurred approximately \$32,178 of lease-related expense in the year ended June 30, 2016 and \$34,014 in the year ended June 30, 2015. These leases are classified as operating with minimum rental commitments as follows:

| Year Ending, June 30, | |
|----------------------------------|------------------|
| 2017 | \$ 32,343 |
| 2018 | 32,343 |
| 2019 | 26,785 |
| 2020 | 4,988 |
| 2021 | <u>0</u> |
| | <u>\$ 96,459</u> |

NOTE E – LONG-TERM DEBT

Long-term debt is comprised of the following as of June 30,

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|
| 2.0% - 5.0% Kentucky Bar Center Headquarters Project Bonds Series 2003, payable with semi-annual interest payments and annual principal payments, with final payment due April 1, 2021 | \$ 590,000 | \$ 715,000 |
| Less current portion | <u>(135,000)</u> | <u>(125,000)</u> |
| | <u>\$ 455,000</u> | <u>\$ 590,000</u> |

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

During October 2002, the KBA issued \$2,390,000 in City of Frankfort, Kentucky Governmental Project Revenue Obligation Bonds with rates of 2.0% - 5.0%. In order to retire the revenue bonds, the KBA is required to make deposits to sinking funds in amounts sufficient to meet the principal and interest payments due for the required semi-annual installments. The bonds are secured by membership dues revenue. In compliance with bond requirements the KBA maintains a separate bond sinking fund cash account included in cash and cash equivalents on the statement of financial position. During the year ended June 30, 2014, KBA was authorized by the Judicial Branch of the Commonwealth of Kentucky to retire \$500,000 of the City of Frankfort, Kentucky Governmental Project Revenue Obligation Bonds.

The principal and interest repayment requirements relating to the above long-term debt at June 30, 2016 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 135,000 | 29,500 | 164,500 |
| 2018 | 140,000 | 22,750 | 162,750 |
| 2019 | 145,000 | 15,750 | 160,750 |
| 2020 | 155,000 | 8,500 | 163,500 |
| 2021 | 15,000 | 7,500 | 22,500 |
| Thereafter | 0 | 0 | 0 |
| | <u>\$ 590,000</u> | <u>\$ 84,000</u> | <u>\$ 674,000</u> |

Interest expense for the year ended June 30, 2016 was \$35,750 and for the year ended June 30, 2015 was \$41,750.

NOTE F – 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 following summarizes significant transactions and balances between the two at June 30, 2016 and June 30, 2015 and for the years then ended.

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| Accounts receivable from Foundation | <u>\$67,160</u> | <u>\$72,408</u> |
| Rent paid or payable to the KBA from Foundation | <u>\$ 9,600</u> | <u>\$ 9,600</u> |

NOTE G – 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 2016 and 2015, the KBA allowed in excess of forty-five unused vacation days until October 31, 2016. Accordingly, for these future compensated absences, the KBA had accrued expenses of \$184,614 in the general fund and \$49,386 in the continuing legal education fund for the year ended June 30, 2016 and \$176,163 in the general fund and \$47,805 in the continuing legal education fund for the year ended June 30, 2015.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE H – DESIGNATED FUND BALANCE

By Board resolution, the General Fund surplus for Sections and Lawyer’s Assistance Program 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 I – CONTINGENCIES

The Association 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 Association, if disposed of unfavorably.

NOTE J – EQUIPMENT

Equipment at June 30, 2016 and 2015, consists of the following:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|---------------------|---------------------|
| Property, building, and equipment | \$ 5,922,427 | \$ 5,782,772 |
| Vehicle | 28,375 | 28,375 |
| Less accumulated depreciation | <u>2,828,270</u> | <u>2,680,506</u> |
| | <u>\$ 3,122,532</u> | <u>\$ 3,130,641</u> |

NOTE K – FAIR VALUE MEASUREMENT

The Association’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 Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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 Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Association.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

Fair Value Measurement (cont'd)

Level 1 Fair Value Measurements

The fair value of common stocks and money market funds, are based on closing price reported on the active market for the securities at the end of the year.

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

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
|----------------------------|---------------------|---|
| June 30, 2016 | | |
| Money market funds | \$ 1,279,931 | \$ 1,279,931 |
| Fixed income | 3,275,163 | 3,275,163 |
| Equities | <u>3,423,706</u> | <u>3,423,706</u> |
| Total assets at fair value | <u>\$ 7,978,800</u> | <u>\$ 7,978,800</u> |
| | | |
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
| June 30, 2015 | | |
| Money market funds | \$ 1,288,095 | \$ 1,288,095 |
| Fixed income | 2,734,635 | 2,734,635 |
| Equities | <u>3,462,442</u> | <u>3,462,442</u> |
| Total assets at fair value | <u>\$ 7,485,172</u> | <u>\$ 7,485,172</u> |

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE L - MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

As mentioned in the Summary of Significant Accounting Policies note, the Association participates with other organizations in the KERS's defined benefit pension plan. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in this multi-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. This amount is estimated to be \$14,881,301 at June 30, 2016.

The Association's participation in the plan for the annual period ended June 30, 2016 is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

| <u>Pension Fund</u> | <u>EIN/Pension</u> | <u>FIP/RP Status Pending/Implemented</u> | <u>Contributions of the Association for the period ended June 30, 2016</u> | <u>Surcharged Imposed</u> |
|--|--------------------|--|--|---------------------------|
| Pension plan for employees of KERS and affiliated agencies | 61-0488768 | Yes | \$ 979,475 | No |

As determined by the plan's actuary, the Association is noted as providing less than 5% of the total contributions for plan year ended June 30, 2016. At the date the financial statements were issued the Form 5500 was not available for the plan year ending in 2015.

At June 30, 2016, the plan was underfunded and the Association's potential liability for future years due to the underfunding has been estimated at approximately \$14,881,301 based on the current plan's actuarial data and asset value as of January 1, 2015. The actual minimum funding requirements for the future will be determined at each anniversary date. The Association does not intend to withdraw from the Plan.

KENTUCKY BAR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE M - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, which may at times exceed federally insured limits. The Organization 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, the Organization exceeded the \$250,000 insured by the FDIC.

NOTE N – SUBSEQUENT EVENTS

KBA's management has evaluated events through January 9, 2017, the date on which the financial statements were available for issue. Management has received approval from the Board of Governors and approval from the Kentucky Supreme Court to begin the process of repurchasing \$295,000 of Kentucky Bar Center Headquarters Project Bonds Series 2003.

SUPPLEMENTARY INFORMATION

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
 June 30, 2016

| ASSETS | General Fund | Continuing Legal Education Fund | Client Security Fund | Bar Center Headquartes Trustees Fund | Bar Center Fund | Donated Legal Services Fund | Interfund Eliminations | Total |
|--|-------------------------|--|-------------------------------------|---|----------------------------|--|-----------------------------------|----------------------|
| CURRENT ASSETS: | | | | | | | | |
| Cash | \$ 1,854,943 | \$ 53,417 | \$ 2,742 | \$ 7,476 | \$ 10,900 | \$ 87,282 | \$ 0 | \$ 2,016,760 |
| Certificate of Deposit | | | | | | 60,421 | | 60,421 |
| Investments | 5,238,697 | 1,883,492 | 548,111 | | 308,500 | | | 7,978,800 |
| Accounts receivable | 42,807 | 50,168 | | | | | | 92,975 |
| Interfund receivable | 195,317 | | | 19,213 | | | (214,530) | 0 |
| Due from Bar Foundation/IOLTA | 64,760 | | | 2,400 | | | | 67,160 |
| Interest receivable | 11,217 | 4,416 | 1,575 | | 273 | 10 | | 17,491 |
| Prepaid expenses | 54,725 | 20,036 | | 2,236 | | | | 76,997 |
| Total Current Assets | 7,462,466 | 2,011,529 | 552,428 | 31,325 | 319,673 | 147,713 | (214,530) | 10,310,604 |
| NONCURRENT ASSETS | | | | | | | | |
| Vehicle, net | 6,148 | | | | | | | 6,148 |
| Property, building, and equipment, net | | | | 3,116,384 | | | | 3,116,384 |
| Total Noncurrent Assets | 6,148 | | | 3,116,384 | | | | 3,122,532 |
| TOTAL ASSETS | \$ 7,468,614 | \$ 2,011,529 | \$ 552,428 | \$ 3,147,709 | \$ 319,673 | \$ 147,713 | \$ (214,530) | \$ 13,433,136 |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable | \$ 127,237 | \$ 6,917 | \$ 460 | \$ 9,112 | \$ 0 | \$ 0 | \$ 0 | \$ 143,726 |
| Interfund payable | 1,094 | 212,751 | | 685 | | | (214,530) | 0 |
| Accrued expenses | 279,939 | 65,791 | 1 | 15,200 | 3 | | | 360,934 |
| Current maturities of bonds payable | | | | 135,000 | | | | 135,000 |
| Total Current Liabilities | 408,270 | 285,459 | 461 | 159,997 | 3 | 0 | (214,530) | 639,660 |
| OTHER LIABILITIES: | | | | | | | | |
| Deferred revenue | 12,579 | 2,090 | | | | | | 14,669 |
| Bonds payable, less current maturities | | | | 455,000 | | | | 455,000 |
| Total Other Liabilities | 12,579 | 2,090 | | 455,000 | | | | 469,669 |
| Total Liabilities | 420,849 | 287,549 | 461 | 614,997 | 3 | 0 | (214,530) | 1,109,329 |
| NET ASSETS: | | | | | | | | |
| Designated for Sections | 296,398 | | | | | | | 296,398 |
| Designated for Lawyer's Assistance Program | 3,244 | | | | | | | 3,244 |
| Designated for Brief Insights | 3,794 | | | | | | | 3,794 |
| Undesignated | 6,744,329 | 1,723,980 | 551,967 | 2,532,712 | 319,670 | 147,713 | | 12,020,371 |
| Total Net Assets | 7,047,765 | 1,723,980 | 551,967 | 2,532,712 | 319,670 | 147,713 | 0 | 12,323,807 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,468,614 | \$ 2,011,529 | \$ 552,428 | \$ 3,147,709 | \$ 319,673 | \$ 147,713 | \$ (214,530) | \$ 13,433,136 |

See Independent Auditors' Report.

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2015

| ASSETS | General Fund | Continuing Legal Education Fund | Client Security Fund | Bar Center Headquartes Trustees Fund | Bar Center Headquartes Fund | Donated Legal Services Fund | Interfund Eliminations | Total |
|--|-------------------------|--|-------------------------------------|---|--|--|-----------------------------------|----------------------|
| CURRENT ASSETS: | | | | | | | | |
| Cash | \$ 1,593,096 | \$ 53,665 | \$ 46,968 | \$ 4,267 | \$ 0 | \$ 59,668 | \$ 0 | \$ 1,767,851 |
| Certificate of Deposit | 503,209 | | | | | 60,300 | | 563,509 |
| Investments | 4,680,703 | 1,861,170 | 605,974 | | | | | 7,485,172 |
| Accounts receivable | 36,978 | 51,328 | | | | | | 88,306 |
| Interfund receivable | 222,415 | | | 128,667 | | | (351,082) | 0 |
| Due from Bar Foundation/IOLTA | 70,008 | | | 2,400 | | | | 72,408 |
| Interest receivable | 11,240 | 4,607 | 1,985 | | | 10 | | 17,941 |
| Prepaid expenses | 48,662 | 18,588 | | 2,374 | | | | 69,624 |
| Total Current Assets | <u>7,166,311</u> | <u>1,989,358</u> | <u>654,927</u> | <u>137,708</u> | <u>0</u> | <u>119,978</u> | <u>(351,082)</u> | <u>10,064,811</u> |
| NONCURRENT ASSETS | | | | | | | | |
| Vehicle, net | 11,823 | | | | | | | 11,823 |
| Property, building, and equipment, net | | | | 3,118,818 | | | | 3,118,818 |
| Total Noncurrent Assets | <u>11,823</u> | | | <u>3,118,818</u> | | | | <u>3,130,641</u> |
| TOTAL ASSETS | <u>\$ 7,178,134</u> | <u>\$ 1,989,358</u> | <u>\$ 654,927</u> | <u>\$ 3,256,526</u> | <u>\$ 0</u> | <u>\$ 119,978</u> | <u>\$ (351,082)</u> | <u>\$ 13,195,452</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable | \$ 278,255 | \$ 3,253 | \$ 860 | \$ 33,392 | \$ 0 | \$ 0 | \$ 0 | \$ 315,764 |
| Interfund payable | 128,667 | 221,555 | | 860 | | | (351,082) | 0 |
| Accrued expenses | 253,785 | 60,484 | | 91,445 | | | | 405,714 |
| Current maturities of bonds payable | | | | 125,000 | | | | 125,000 |
| Total Current Liabilities | <u>660,707</u> | <u>285,292</u> | <u>860</u> | <u>250,697</u> | <u>0</u> | <u>0</u> | <u>(351,082)</u> | <u>846,478</u> |
| OTHER LIABILITIES: | | | | | | | | |
| Deferred revenue | 12,146 | 2,220 | | | | | | 14,366 |
| Bonds payable, less current maturities | | | | 590,000 | | | | 590,000 |
| Total Other Liabilities | <u>12,146</u> | <u>2,220</u> | | <u>590,000</u> | <u>0</u> | | | <u>604,366</u> |
| Total Liabilities | <u>672,853</u> | <u>287,512</u> | <u>860</u> | <u>840,697</u> | <u>0</u> | <u>0</u> | <u>(351,082)</u> | <u>1,450,844</u> |
| NET ASSETS: | | | | | | | | |
| Designated for Sections | 288,471 | | | | | | | 288,471 |
| Designated for Lawyer's Assistance Program | 39,317 | | | | | | | 39,317 |
| Designated for Brief Insights | 4,106 | | | | | | | 4,106 |
| Designated for Computer Carryforward | 30,788 | | | | | | | 30,788 |
| Undesignated | 6,142,599 | 1,701,846 | 654,067 | 2,415,829 | | 119,978 | | 11,381,926 |
| Total Net Assets | <u>6,505,281</u> | <u>1,701,846</u> | <u>654,067</u> | <u>2,415,829</u> | <u>0</u> | <u>119,978</u> | <u>0</u> | <u>11,744,608</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,178,134</u> | <u>\$ 1,989,358</u> | <u>\$ 654,927</u> | <u>\$ 3,256,526</u> | <u>\$ 0</u> | <u>\$ 119,978</u> | <u>\$ (351,082)</u> | <u>\$ 13,195,452</u> |

See Independent Auditors' Report.

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

| | <u>General Fund</u> | <u>Continuing Legal Education Fund</u> | <u>Client Security Fund</u> | <u>Bar Center Headquartes Trustees Fund</u> | <u>Bar Center Fund</u> | <u>Donated Legal Services Fund</u> | <u>Total</u> |
|---|-------------------------|--|-------------------------------------|---|----------------------------|--|----------------------|
| UNRESTRICTED NET ASSETS | | | | | | | |
| REVENUE AND SUPPORT: | | | | | | | |
| Membership dues | \$ 3,527,059 | \$ 785,315 | \$ 119,240 | \$ 0 | \$ 328,038 | \$ 27,589 | \$ 4,787,241 |
| Other dues | 177,252 | | | | | | 177,252 |
| Investment income/realized gain(loss) | 84,223 | 32,811 | 12,387 | 3 | 3,245 | 121 | 132,790 |
| Sections income | 164,788 | | | | | | 164,788 |
| Reimbursement of costs | 135,875 | | | | | | 135,875 |
| Attorney Advertising Commission | 61,400 | | | | | | 61,400 |
| Pro Hac Vice | 201,080 | | | | | | 201,080 |
| Publications/Communications | 70,826 | | | | | | 70,826 |
| Conventions and Conferences | 448,534 | | | | | | 448,534 |
| Rent of building | | | | 9,600 | | | 9,600 |
| Net change in the fair value of investments | (13,155) | (4,763) | (4,298) | | (1,549) | | (23,765) |
| Other support and revenue | 65,184 | 513,742 | 511 | | | 25 | 579,462 |
| Total Support and Revenue | <u>4,923,066</u> | <u>1,327,105</u> | <u>127,840</u> | <u>9,603</u> | <u>329,734</u> | <u>27,735</u> | <u>6,745,083</u> |
| EXPENSES: | | | | | | | |
| Program Services: | | | | | | | |
| Sections | 156,862 | | | | | | 156,862 |
| Board of Governors, Officers, Committees | 108,130 | | | | | | 108,130 |
| Disciplinary/Unauthorized practice | 1,738,357 | | | | | | 1,738,357 |
| Disciplinary Clerk's Office | 89,786 | | | | | | 89,786 |
| Publications/Communications | 286,989 | | | | | | 286,989 |
| Conventions and Conferences | 406,303 | | | | | | 406,303 |
| Attorney Advertising Commission | 91,931 | | | | | | 91,931 |
| Lawyers Assistance Program | 206,955 | | | | | | 206,955 |
| Continuing Legal Education | | 1,069,508 | | | | | 1,069,508 |
| Client Security | | | 179,445 | | | | 179,445 |
| Bar Center | | | | 315,634 | 6,377 | | 322,011 |
| Total Program Services | <u>3,085,313</u> | <u>1,069,508</u> | <u>179,445</u> | <u>315,634</u> | <u>6,377</u> | <u>0</u> | <u>4,656,277</u> |
| Supporting Services: | | | | | | | |
| Management and General | 1,509,607 | | | | | | 1,509,607 |
| Total Expenses | <u>4,594,920</u> | <u>1,069,508</u> | <u>179,445</u> | <u>315,634</u> | <u>6,377</u> | <u>0</u> | <u>6,165,884</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>328,146</u> | <u>257,597</u> | <u>(51,605)</u> | <u>(306,031)</u> | <u>323,357</u> | <u>27,735</u> | <u>579,199</u> |
| NET ASSETS AT BEGINNING OF YEAR | 6,505,280 | 1,701,846 | 654,067 | 2,415,829 | 347,608 | 119,978 | 11,744,608 |
| TRANSFERS IN (OUT) | 214,339 | (235,463) | (50,495) | 422,914 | (351,295) | | 0 |
| NET ASSETS AS OF JUNE 30, 2016 | <u>\$ 7,047,765</u> | <u>\$ 1,723,980</u> | <u>\$ 551,967</u> | <u>\$ 2,532,712</u> | <u>\$ 319,670</u> | <u>\$ 147,713</u> | <u>\$ 12,323,807</u> |

See Independent Auditors' Report.

KENTUCKY BAR ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

| | <u>General Fund</u> | <u>Continuing Legal Education Fund</u> | <u>Client Security Fund</u> | <u>Bar Center Headquarters Trustees Fund</u> | <u>Bar Center Headquarters Fund</u> | <u>Donated Legal Services Fund</u> | <u>Total</u> |
|---|-------------------------|--|-------------------------------------|--|---|--|----------------------|
| UNRESTRICTED NET ASSETS | | | | | | | |
| REVENUE AND SUPPORT: | | | | | | | |
| Membership dues | \$ 3,484,052 | \$ 776,247 | \$ 117,921 | \$ 0 | \$ 0 | \$ 27,175 | \$ 4,729,706 |
| Other dues | 176,468 | | | | | | 176,468 |
| Investment income/realized gain(loss) | 672,499 | 147,766 | 124,302 | 2 | | 120 | 944,781 |
| Sections income | 153,614 | | | | | | 153,614 |
| Reimbursement of costs | 97,277 | | | | | | 97,277 |
| Attorney Advertising Commission | 115,491 | | | | | | 115,491 |
| Pro Hac Vice | 202,508 | | | | | | 202,508 |
| Publications/Communications | 83,260 | | | | | | 83,260 |
| Conventions and Conferences | 477,503 | | | | | | 477,503 |
| Rent of building | | | | 9,600 | | | 9,600 |
| Net change in the fair value of investments | (577,129) | (102,726) | (107,058) | | | | (787,177) |
| Other support and revenue | 69,991 | 491,017 | 19,994 | | | | 581,002 |
| Total Support and Revenue | <u>4,955,534</u> | <u>1,312,304</u> | <u>155,159</u> | <u>9,602</u> | <u>0</u> | <u>27,295</u> | <u>6,784,033</u> |
| EXPENSES: | | | | | | | |
| Program Services: | | | | | | | |
| Sections | 160,591 | | | | | | 160,591 |
| Board of Governors, Officers, Committees | 121,970 | | | | | | 121,970 |
| Disciplinary/Unauthorized practice | 1,688,514 | | | | | | 1,688,514 |
| Disciplinary Clerk's Office | 100,880 | | | | | | 100,880 |
| Publications/Communications | 295,739 | | | | | | 295,739 |
| Conventions and Conferences | 383,231 | | | | | | 383,231 |
| Attorney Advertising Commission | 91,915 | | | | | | 91,915 |
| Lawyers Assistance Program | 205,358 | | | | | | 205,358 |
| Continuing Legal Education | | 1,050,641 | | | | | 1,050,641 |
| Client Security | | | 27,536 | | | | 27,536 |
| Bar Center | | | | 280,509 | | | 286,746 |
| Donated Legal Services | | | | | | 0 | 0 |
| Total Program Services | <u>3,048,198</u> | <u>1,050,641</u> | <u>27,536</u> | <u>280,509</u> | <u>0</u> | <u>0</u> | <u>4,413,121</u> |
| Supporting Services: | | | | | | | |
| Management and General | 1,412,525 | | | | | | 1,412,525 |
| Total Expenses | <u>4,460,723</u> | <u>1,050,641</u> | <u>27,536</u> | <u>280,509</u> | <u>0</u> | <u>0</u> | <u>5,825,646</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>494,811</u> | <u>261,663</u> | <u>127,623</u> | <u>(270,907)</u> | <u>0</u> | <u>27,295</u> | <u>958,387</u> |
| NET ASSETS AT BEGINNING OF YEAR | 5,858,564 | 1,661,738 | 573,995 | 2,167,466 | | 92,683 | 10,786,221 |
| TRANSFERS IN (OUT) | 151,906 | (221,555) | (47,551) | 519,270 | | | 0 |
| NET ASSETS AS OF JUNE 30, 2015 | <u>\$ 6,505,281</u> | <u>\$ 1,701,846</u> | <u>\$ 654,067</u> | <u>\$ 2,415,829</u> | <u>\$ 0</u> | <u>\$ 119,978</u> | <u>\$ 11,744,608</u> |

See Independent Auditors' Report.

KENTUCKY BAR ASSOCIATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2016

| | General and Administrative | Sections | Board of Governors, Officers, and Committees | Disciplinary and Unauthorized Practices | Disciplinary Clerk's Office | Publications | Conventions | Advertising Commission | Lawyers Assistance Program | Continuing Legal Education | Client Security | Bar Center | Total |
|---|----------------------------------|-------------------|---|--|-----------------------------------|-------------------|-------------------|---------------------------|----------------------------------|----------------------------------|--------------------|-------------------|---------------------|
| Salaries | \$ 657,377 | | | 1,048,698 | 53,364 | 97,743 | | 48,089 | 111,267 | 420,651 | | | \$ 2,437,189 |
| Payroll taxes | 50,542 | | | 78,597 | 4,228 | 7,125 | | 4,964 | 8,540 | 29,314 | | | 183,310 |
| Retirement | 247,079 | | | 400,097 | 19,937 | 37,349 | | 24,554 | 43,233 | 157,403 | | | 929,652 |
| Benefits | 74,245 | | | 139,781 | 2,250 | 17,797 | | 10,525 | 15,565 | 73,815 | | | 333,978 |
| Accounting fees | 18,419 | | | | | | | | | | | | 18,419 |
| Legal fees | 32,918 | | 5,000 | | | | | | | | | | 37,918 |
| Professional fees | 8,513 | 8,223 | | 10,193 | 257 | 115 | 6,151 | 548 | 904 | 2,517 | 225 | | 37,646 |
| Supplies | 30,417 | 1,154 | 1,647 | 10,421 | 1,084 | 282 | 32,672 | 526 | 1,097 | 15,044 | 697 | 1,741 | 96,782 |
| Telephone | 11,623 | 442 | 630 | 569 | | 171 | 66 | 104 | 1,074 | 3,535 | 11 | | 18,225 |
| Postage | 15,002 | 483 | 560 | 6,013 | 5,867 | 35,821 | 14,084 | 620 | 297 | 10,781 | 453 | | 89,981 |
| Utilities | | - | | | | | | | | | | 44,647 | 44,647 |
| Equipment/computer expense | 95,970 | 2,500 | | | | | 12,725 | | 483 | 12,112 | | | 123,790 |
| Printing | 1,820 | 1,736 | 796 | 1,365 | 246 | 85,467 | 5,234 | 92 | 497 | 54,585 | 115 | | 151,953 |
| Travel and lodging | 22,206 | 28,784 | 62,251 | 27,711 | 1,238 | 2,310 | 49,682 | 1,118 | 18,418 | 44,245 | 1,211 | | 259,174 |
| Conference, convention, & meeting expense | 5,160 | 11,057 | 1,915 | 9,461 | | 370 | 30,901 | | 1,360 | 94,266 | | | 154,490 |
| Interest | | | | | | | | | | | | 35,750 | 35,750 |
| Depreciation | 5,675 | | | | | | | | | | | 149,530 | 155,205 |
| Bank/investment fees | 17,552 | | | | | | 11,060 | | | 5,923 | 2,392 | 933 | 37,860 |
| Stipends | 8,000 | | | | | | | | | | | | 8,000 |
| Meals & entertainment | 19,461 | 31,699 | 33,187 | 5,451 | 1,154 | 180 | 126,464 | 590 | 2,424 | 22,801 | 414 | 364 | 244,189 |
| Library/research | 110,021 | | | | | | | | | | | | 110,021 |
| Maintenance/repairs | 360 | | | | | | | | | 360 | | 59,072 | 59,792 |
| Audio visual expense | | 1,559 | 329 | | 161 | | 37,421 | | | 110,646 | | | 150,116 |
| Contributions, sponsors, & grants | | 28,400 | | | | | | | | | | | 28,400 |
| Insurance | 60,160 | | | | | | | | | 1,281 | | 18,441 | 79,882 |
| Speakers | | | | | | | 73,100 | | | | | | 73,100 |
| Payment on claims | | | | | | | | | | | 173,927 | | 173,927 |
| Contribution in lieu of taxes | | | | | | | | | | | | 6,000 | 6,000 |
| Unrelated business tax | | | | | | 959 | | | | | | | 959 |
| Other | 14,698 | 36,645 | | | | | | | | 254 | | | 51,597 |
| Miscellaneous | 2,389 | 4,180 | 1,815 | | | 1,300 | 6,743 | 201 | 1,796 | 9,975 | | 5,533 | 33,932 |
| Total | \$ 1,509,607 | \$ 156,862 | \$ 108,130 | \$ 1,738,357 | \$ 89,786 | \$ 286,989 | \$ 406,303 | \$ 91,931 | \$ 206,955 | \$ 1,069,508 | \$ 179,445 | \$ 322,011 | \$ 6,165,884 |

See Independent Auditors' Report

KENTUCKY BAR ASSOCIATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2015

| | Management and General | Sections | Board of Governors, Officers, and Committees | Disciplinary and Unauthorized Practices | Disciplinary Clerk's Office | Publications | Conventions | Advertising Commission | Lawyers Assistance Program | Continuing Legal Education | Client Security | Bar Center | Total |
|---|------------------------------|-------------------|---|--|-----------------------------------|-------------------|-------------------|---------------------------|----------------------------------|----------------------------------|--------------------|-------------------|---------------------|
| Salaries | \$ 606,597 | \$ 0 | \$ 0 | \$ 1,031,145 | \$ 63,599 | \$ 99,244 | \$ 0 | \$ 46,151 | \$ 108,505 | \$ 431,059 | \$ 0 | \$ 0 | \$ 2,386,300 |
| Payroll taxes | 48,116 | | | 79,856 | 5,511 | 7,572 | | 4,960 | 8,541 | 34,692 | | | 189,248 |
| Retirement | 225,284 | | | 394,389 | 19,254 | 36,807 | | 23,773 | 42,080 | 159,620 | | | 901,207 |
| Benefits | 65,692 | | | 123,661 | 2,197 | 16,329 | | 10,012 | 15,107 | 67,387 | | | 300,385 |
| Accounting fees | 17,677 | | | | | | | | | 688 | | | 18,365 |
| Legal fees | 46,253 | | | | | | | | | | | | 46,253 |
| Professional fees | 7,043 | 8,875 | | 9,475 | | 3,072 | 20,636 | 3,015 | 1,063 | 1,940 | 225 | | 55,344 |
| Supplies | 22,538 | 900 | 5,077 | 10,690 | 1,031 | 660 | 44,685 | 657 | 1,499 | 15,784 | 503 | 3,524 | 107,548 |
| Telephone | 9,327 | 552 | 423 | 699 | | 271 | 1,533 | 157 | 1,002 | 2,917 | 24 | | 16,905 |
| Postage | 13,886 | 399 | 844 | 4,357 | 8,657 | 33,295 | 12,948 | 677 | 271 | 9,629 | 283 | | 85,246 |
| Utilities | | | | | | | | | | | | 40,968 | 40,968 |
| Equipment/computer expense | 82,886 | 2,100 | | | | | | | | 7,176 | | | 92,162 |
| Printing | 2,323 | 1,549 | 679 | 1,449 | 373 | 91,065 | 9,916 | 215 | 582 | 52,974 | 59 | | 161,184 |
| Travel and lodging | 22,126 | 25,059 | 70,144 | 22,474 | 149 | 3,444 | 43,612 | 1,711 | 15,171 | 46,649 | 1,433 | 173 | 252,145 |
| Conference, convention, & meeting expense | 3,807 | 7,941 | 3,472 | 6,370 | | 570 | 27,085 | | 2,559 | 80,931 | | | 132,735 |
| Interest | | | | | | | | | | | | 41,750 | 41,750 |
| Depreciation | 5,675 | | | | | | | | | | | 127,427 | 133,102 |
| Bank/investment fees | 16,794 | | | | | | 7,596 | | | 4,946 | 2,495 | 793 | 32,624 |
| Stipends | 8,000 | | | | | | | | | | | | 8,000 |
| Meals & entertainment | 22,107 | 31,316 | 39,246 | 3,848 | 109 | 418 | 109,049 | 179 | 7,498 | 43,271 | 464 | | 257,505 |
| Library/research | 110,557 | | | | | | | | | | | | 110,557 |
| Maintenance/repairs | 235 | | | | | | | | | 235 | | 48,930 | 49,400 |
| Audio visual expense | | | | | | | 59,360 | | | 78,429 | | | 137,789 |
| Contributions, sponsors, & grants | | 47,773 | | | | 1,000 | | | | | | | 48,773 |
| Insurance | 60,380 | | | | | | | | | 1,289 | | 17,181 | 78,850 |
| Speakers | | | | | | | 39,265 | | | | | | 39,265 |
| Teleseminars/special program | | | | | | | | | | | | | 0 |
| Payment on claims | | | | | | | | | | | 22,050 | | 22,050 |
| Contribution in lieu of taxes | | | | | | | | | | | | 6,000 | 6,000 |
| Unrelated business tax | | | | | | 858 | | | | | | | 858 |
| Other | 13,000 | 33,588 | | | | | | | | | | | 46,588 |
| Miscellaneous | 2,223 | 539 | 2,085 | 100 | | 1,134 | 7,546 | 408 | 1,480 | 11,025 | | | 26,540 |
| Total | \$ 1,412,526 | \$ 160,591 | \$ 121,970 | \$ 1,688,513 | \$ 100,880 | \$ 295,739 | \$ 383,231 | \$ 91,915 | \$ 205,358 | \$ 1,050,641 | \$ 27,536 | \$ 286,746 | \$ 5,825,646 |

See Independent Auditors' Report