



# Utah State Bar

Financial Statements and Supplemental Schedules  
as of and for the Year Ended June 30, 2008, and  
Independent Auditors' Report

# UTAH STATE BAR

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
Utah State Bar:

We have audited the accompanying statement of financial position of the Utah State Bar (the "Bar") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Bar's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Bar's 2007 financial statements and, in our report dated September 14, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Bar as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Bar's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

September 30, 2008

# UTAH STATE BAR

## STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,259,338	\$491,014	\$ 1,750,352	\$ 1,170,428
Investments at fair market value	626,126	-	626,126	1,015,007
Receivables, — net of allowance for doubtful accounts of \$575	32,959	-	32,959	23,979
Prepaid expenses	10,815	-	10,815	27,365
Total current assets	<u>1,929,238</u>	<u>491,014</u>	<u>2,420,252</u>	<u>2,236,779</u>
<b>PROPERTY:</b>				
Land	633,142	-	633,142	633,142
Building and improvements	2,284,741	-	2,284,741	2,244,620
Office furniture and equipment	859,210	-	859,210	937,201
Computer and computer software	390,059	-	390,059	383,718
Total property	4,167,152	-	4,167,152	4,198,681
Less accumulated depreciation	<u>(2,878,154)</u>	<u>-</u>	<u>(2,878,154)</u>	<u>(2,768,959)</u>
Net	<u>1,288,998</u>	<u>-</u>	<u>1,288,998</u>	<u>1,429,722</u>
<b>TOTAL</b>	<u>\$ 3,218,236</u>	<u>\$491,014</u>	<u>\$ 3,709,250</u>	<u>\$ 3,666,501</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of capital lease obligations	\$ 48,117	\$ -	\$ 48,117	\$ 52,424
Accounts payable and accrued liabilities	275,552	33,793	309,345	288,345
Interfund advance	20,686	(20,686)	-	-
Deferred revenue	597,115	-	597,115	545,433
Total current liabilities	941,470	13,107	954,577	886,202
CAPITAL LEASE OBLIGATIONS — Less current portion	58,248	-	58,248	111,477
Total liabilities	<u>999,718</u>	<u>13,107</u>	<u>1,012,825</u>	<u>997,679</u>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 4, 6, 7, and 8)</b>				
<b>NET ASSETS:</b>				
Unrestricted	2,218,518	-	2,218,518	2,173,711
Temporarily restricted:				
Bar section and other funds	-	310,960	310,960	302,520
Client security fund	-	166,947	166,947	192,591
Total net assets	<u>2,218,518</u>	<u>477,907</u>	<u>2,696,425</u>	<u>2,668,822</u>
<b>TOTAL</b>	<u>\$ 3,218,236</u>	<u>\$491,014</u>	<u>\$ 3,709,250</u>	<u>\$ 3,666,501</u>

See notes to financial statements.

# UTAH STATE BAR

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE:</b>				
License fees	\$2,631,017	\$ -	\$2,631,017	\$2,537,146
Services and programs	559,063	-	559,063	484,243
Meetings	413,931	-	413,931	337,278
Bar examination fees	371,733	-	371,733	329,013
Bar section funds and client security fund	43,871	285,804	329,675	422,565
Investment income	125,005	6,711	131,716	135,048
Postage, mailing, and other services	98,688	-	98,688	110,229
Utah Law and Justice Center property management	-	-	-	195,015
Room rental and catering	277,059	-	277,059	-
In-kind room rental	38,595	-	38,595	-
Gain on disposal of property	16,975	-	16,975	10,660
Net assets released from program restrictions	309,719	(309,719)	-	-
<b>Total</b>	<b>4,885,656</b>	<b>(17,204)</b>	<b>4,868,452</b>	<b>4,561,197</b>
<b>EXPENSES:</b>				
Licensing	134,673	-	134,673	84,739
Services and programs	754,210	-	754,210	790,861
Meetings	368,680	-	368,680	366,409
Bar examination	327,720	-	327,720	314,070
Bar section funds and client security fund	309,719	-	309,719	270,156
Office of Professional Conduct	909,928	-	909,928	839,215
General and administrative	669,017	-	669,017	673,862
Committees	158,800	-	158,800	158,223
Utah Law and Justice Center property management	-	-	-	372,818
Room rental and catering	557,348	-	557,348	-
In-kind room rental	38,595	-	38,595	-
Public education	66,253	-	66,253	57,791
Commission education/training	133,731	-	133,731	235,511
General counsel	208,388	-	208,388	199,262
Computer and MIS support	133,981	-	133,981	131,929
Other	69,806	-	69,806	70,126
<b>Total</b>	<b>4,840,849</b>	<b>-</b>	<b>4,840,849</b>	<b>4,564,972</b>
<b>CHANGE IN NET ASSETS</b>	<b>44,807</b>	<b>(17,204)</b>	<b>27,603</b>	<b>(3,775)</b>
<b>NET ASSETS:</b>				
Beginning of year	<u>2,173,711</u>	<u>495,111</u>	<u>2,668,822</u>	<u>2,672,597</u>
End of year	<u>\$2,218,518</u>	<u>\$ 477,907</u>	<u>\$2,696,425</u>	<u>\$2,668,822</u>

See notes to financial statements.

# UTAH STATE BAR

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008 (COMPARATIVE TOTALS FOR 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 27,603	\$ (3,775)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	205,085	220,371
Net realized losses on investments	6,050	15,283
Net unrealized gains on investments	(5,586)	(24,281)
Gain on disposal of property	(16,975)	(10,660)
Changes in assets and liabilities:		
Receivables — net	(8,980)	11,990
Prepaid expenses	16,550	5,631
Accounts payable and accrued liabilities	21,000	(105,346)
Deferred revenue	51,682	2,267
Net cash provided by operating activities	<u>296,429</u>	<u>111,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	(57,323)	(48,954)
Purchase of investments	(2,063,655)	(15,301,480)
Investment proceeds and income reinvested	<u>2,452,072</u>	<u>15,169,014</u>
Net cash provided by (used in) investing activities	<u>331,094</u>	<u>(181,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable to Utah Law and Justice Center	-	(42,653)
Payments on capital lease obligations	<u>(47,599)</u>	<u>(48,279)</u>
Net cash used in financing activities	<u>(47,599)</u>	<u>(90,932)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	579,924	(160,872)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,170,428</u>	<u>1,331,300</u>
End of year	<u>\$ 1,750,352</u>	<u>\$ 1,170,428</u>
SUPPLEMENTAL DISCLOSURE — Interest paid	<u>\$ 10,766</u>	<u>\$ 9,566</u>
SUPPLEMENTAL NONCASH FINANCING AND INVESTING ACTIVITIES:		
Property acquired through increase in capital lease obligations	<u>\$ 31,010</u>	<u>\$ 112,755</u>
Early termination of capital lease obligation	<u>\$ 40,947</u>	<u>\$ 31,515</u>

See notes to financial statements.

# UTAH STATE BAR

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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### 1. ORGANIZATION

The Utah State Bar (the "Bar") is an organization created in 1931 by the laws of the State of Utah. The Bar was integrated by court order on June 30, 1981 and was incorporated as a 501(c)(6) organization on June 24, 1991. Members of the Bar are all attorneys licensed under the laws of the State of Utah. The Bar provides all services previously provided by the Utah Law and Justice Center (see Note 3).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting** — The assets, liabilities and net assets of the Bar are reported on the accrual basis of accounting. The unrestricted fund is used for the general operations of the Bar. The temporarily restricted funds are used to account for the operation of funds segregated for the various Bar sections and the client security fund including an overhead charge to defray the costs of administering these funds.

**Cash and Cash Equivalents** — The Bar considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Investments** — Investments are recorded at market value at year end, based on quoted market prices, with any realized or unrealized gains or losses being reflected in the statement of activities.

**Property** — Property is recorded at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Building and improvements	25 years
Office furniture, equipment, and leased equipment	3-7 years
Computer and computer software	3-5 years

**Deferred Revenue** — License fees are assessed in June for the following fiscal year. All such license fees collected prior to the current fiscal year end are recorded as deferred revenue. Deferred revenue is recognized as income in the year in which it is earned.

**Use of Estimates in Preparing Financial Statements** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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.

**Income Tax Status** — On June 24, 1991, the Bar incorporated as a 501(c)(6) organization and has received a determination letter from the Internal Revenue Service exempting the Bar from federal and state income taxes.

**Summarized Financial Information** — The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Bar's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**3. UTAH LAW AND JUSTICE CENTER**

In 1984, the Bar incorporated a tax-exempt entity known as the Utah Law and Justice Center (the "Center") for the purpose of acquiring and maintaining a building facility to be used to promote legal and judicial education, to conduct studies to improve the legal system and to enhance legal services for the poor in the State of Utah. The Center's building was owned 50% by the Bar and 50% by the Center. During the year ended June 30, 1993, the Bar entered into an agreement with the Center to purchase the Center's 50% interest in the land, building and improvements and the Center's furniture and equipment.

The Center's board of trustees terminated the Center as of May 29, 2007. Upon termination of the Center, management of the Center contributed insignificant residual assets to the Bar and the Bar now provides the services previously provided by the Center.

**4. CAPITAL LEASE OBLIGATIONS**

The Bar leases certain equipment under capital lease obligations. Equipment under capital lease has a cost of \$177,163 and accumulated amortization of \$66,808. Future minimum lease payments under capital lease and present values of the net minimum lease payments are as follows:

Years Ending June 30	
2009	\$ 53,995
2010	33,594
2011	24,450
2012	<u>5,879</u>
Total lease payments	117,918
Less interest	<u>(11,553)</u>
Present value of minimum lease payments	106,365
Less — current portion	<u>(48,117)</u>
	<u>\$ 58,248</u>

**5. INVESTMENTS AND INVESTMENT INCOME**

Investments at June 30, 2008, consist of the following:

	Cost	Net Unrealized Gain	Fair Value
Corporate bonds	<u>\$ 621,786</u>	<u>\$ 4,340</u>	<u>\$ 626,126</u>

Investment income for the year ended June 30, 2008, consists of the following:

	Unrestricted	Temporarily Restricted
Interest income — investments	\$ 125,469	\$ -
Interest income — cash and cash equivalents	-	6,711
Net realized losses	(6,050)	-
Net unrealized gains	<u>5,586</u>	<u>-</u>
Total	<u>\$ 125,005</u>	<u>\$ 6,711</u>

Custodial fees for the year ended June 30, 2008, were \$6,754.

#### 6. EMPLOYEE BENEFIT PLANS

The Bar sponsors a 401(k) defined contribution plan to which the Bar contributes 10% of the compensation of all plan participants. Employees who have completed one year of service with the Bar and have attained the age of 21 are eligible to participate. Contributions to the plan were \$149,212 for the year ended June 30, 2008. Participants may also elect to make contributions to this plan.

The Bar also sponsors a Section 125 cafeteria plan. All contributions to this plan are made by the participants and there is no direct expense to the Bar.

#### 7. CLIENT SECURITY FUND

On October 30, 1983, the Bar received approval from the Utah Supreme Court to collect up to \$20 per attorney per year to accumulate a client security fund in the base amount of \$200,000 to partially indemnify the public against losses incurred as a result of lawyers' misappropriation of clients' funds. Claims against the fund are limited to \$20,000 for each claim. The balance in the temporarily restricted Client Security Fund was \$166,947 at June 30, 2008. Cases must be reviewed and approved by the Client Security Fund Committee and also by the Board of Commissioners before they are considered to be claims payable by the Client Security Fund. There were no cases awaiting the Committee's review as of June 30, 2008.

#### 8. CONTINGENT LIABILITIES

As of June 30, 2008, the Bar was involved in various lawsuits in the normal course of its operations. The Bar's management believes the outcome of these lawsuits will not have a material adverse effect on the Bar's financial statements. The Bar has been notified of potential back property taxes and interest related to the eligibility of the tax exempt status of the Bar and the Center. The estimated potential range of loss is \$0 to \$60,000.

#### 9. SUBSEQUENT EVENT

As of June 30, 2008, the Bar held a Lehman Brothers Bond valued at approximately \$296,000. On September 15, 2008, Lehman Brothers filed for chapter 11 bankruptcy placing the bond into default. As of September 30, 2008, the fair value of the bond is approximately \$37,000. The Lehman bankruptcy proceedings are ongoing and the ultimate value of the bond and the resulting recovery by the Bar is uncertain.

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**SUPPLEMENTAL SCHEDULES**

SUPPLEMENTAL SCHEDULE 1

UTAH STATE BAR

SCHEDULE OF ACTIVITY OF TEMPORARILY RESTRICTED FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Revenue	Interest Income	Expenses	Overhead Charge	Balance June 30, 2008	Net Increase (Decrease)
<b>BAR SECTION FUNDS:</b>							
Administrative law	\$ 13,608	\$ 1,365	\$ -	\$ 9	\$ 273	\$ 14,691	\$ 1,083
Antitrust/unfair competition	1,353	1,225	-	1	245	2,332	979
Appellate practice	6,836	6,124	-	5,731	446	6,783	(53)
Banking and finance	9,086	2,628	-	5,314	364	6,036	(3,050)
Bankruptcy	11,085	4,090	-	-	818	14,357	3,272
Business law	17,373	7,266	-	813	1,710	22,116	4,743
Collection law	3,331	2,486	-	321	660	4,836	1,505
Constitutional law	1,861	1,391	-	187	196	2,869	1,008
Construction law	18,368	1,693	-	1,201	768	18,092	(276)
Corporation counsel	21,553	3,289	-	703	1,038	23,101	1,548
Criminal law	14,376	5,990	-	863	1,239	18,264	3,888
Cyberlaw	1,394	2,595	-	2,246	260	1,483	89
Dispute resolution	7,156	11,129	-	2,834	972	14,479	7,323
Education law	4,631	1,010	-	1,418	1,193	3,030	(1,601)
Environmental law	10,817	7,795	-	6,542	1,205	10,865	48
Estate planning	14,495	25,337	-	24,020	1,824	13,988	(507)
Family law	15,161	22,992	-	20,708	2,508	14,937	(224)
Franchise law	755	360	-	-	72	1,043	288
Governmental law	20,917	4,740	-	2,716	932	22,009	1,092
Intellectual property	7,716	24,754	-	18,389	2,802	11,279	3,563
International law	(1,302)	3,540	-	1,662	480	96	1,398
Juvenile law	-	845	-	1,480	-	(635)	(635)
Labor and employment law	6,909	16,116	-	16,340	1,698	4,987	(1,922)
Litigation law	47,461	29,019	-	29,706	7,074	39,700	(7,761)
Military law	(293)	2,486	-	2,023	192	(22)	271
Non-profit/charitable law	777	2,040	-	1,986	280	551	(226)
Real property	6,071	19,324	-	21,310	1,746	2,339	(3,732)
Securities	12,286	8,284	-	4,644	1,968	13,958	1,672
Senior lawyers	2,615	4,810	-	3,943	435	3,047	432
Solo, small firm and rural practice	7,427	3,099	-	2,205	423	7,898	471
Tax	7,784	13,264	-	12,646	1,584	6,818	(966)
Young lawyers	7,535	27,123	-	30,581	52	4,025	(3,510)
<b>Total</b>	<b>299,142</b>	<b>268,209</b>	<b>-</b>	<b>222,542</b>	<b>35,457</b>	<b>309,352</b>	<b>10,210</b>
Other Programs — Paralegal division	3,378	15,195	-	15,405	1,560	1,608	(1,770)
Client security fund	192,591	2,400	6,711	34,755	-	166,947	(25,644)
<b>Total</b>	<b>\$495,111</b>	<b>\$285,804</b>	<b>\$6,711</b>	<b>\$272,702</b>	<b>\$37,017</b>	<b>\$477,907</b>	<b>\$(17,204)</b>

UTAH STATE BAR

SCHEDULE OF SERVICES AND PROGRAMS REVENUE AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008

	Bar Journal	Continuing Legal Education	Membership Benefits	Other	Total
REVENUE	<u>\$ 101,340</u>	<u>\$ 409,155</u>	<u>\$ 41,513</u>	<u>\$ 7,055</u>	<u>\$ 559,063</u>
EXPENSES:					
Program	21,514	200,910	168,553	-	390,977
Salaries and benefits	28,704	77,635	17,331	40,546	164,216
General and administrative	<u>142,913</u>	<u>51,372</u>	<u>2,598</u>	<u>2,134</u>	<u>199,017</u>
Total expenses	<u>193,131</u>	<u>329,917</u>	<u>188,482</u>	<u>42,680</u>	<u>754,210</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (91,791)</u>	<u>\$ 79,238</u>	<u>\$ (146,969)</u>	<u>\$ (35,625)</u>	<u>\$ (195,147)</u>

SUPPLEMENTAL SCHEDULE 3

UTAH STATE BAR

SCHEDULE OF MEETINGS REVENUE AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008

	Annual Convention	Spring Convention	Fall Forum	Total
REVENUE	<u>\$ 198,173</u>	<u>\$ 137,415</u>	<u>\$ 78,343</u>	<u>\$ 413,931</u>
EXPENSES:				
Program	114,774	67,678	40,670	223,122
Salaries and benefits	44,090	22,002	11,884	77,976
General and administrative	<u>35,602</u>	<u>20,294</u>	<u>11,686</u>	<u>67,582</u>
Total expenses	<u>194,466</u>	<u>109,974</u>	<u>64,240</u>	<u>368,680</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 3,707</u>	<u>\$ 27,441</u>	<u>\$ 14,103</u>	<u>\$ 45,251</u>