

REPORT OF
THE ADVISORY COMMITTEE FUND
DECEMBER 31, 2008



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Supreme Court
of the State of Missouri

We have audited the accompanying statements of financial position on a modified cash basis of The Advisory Committee Fund as of December 31, 2008 and 2007, and the related statements of activities on a modified cash basis for the years then ended. These financial statements are the responsibility of The Advisory Committee Fund's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 of the Notes to Financial Statements, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Advisory Committee Fund as of December 31, 2008 and 2007, and its changes in net assets for the years then ended, on the basis of accounting described in Note 1.

Williams - Keepers LLC

June 22, 2009

THE ADVISORY COMMITTEE FUND

STATEMENTS OF FINANCIAL POSITION

(Modified Cash Basis)

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash in bank, checking	\$ 147,956	\$ 144,006
Cash in bank, savings	736,276	97,551
Certificates of deposit	971,123	410,135
Total current assets	<u>\$ 1,855,355</u>	<u>\$ 651,692</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Enrollment fees collected in advance	\$ 553,858	\$ -
NET ASSETS - UNRESTRICTED	<u>1,301,497</u>	<u>651,692</u>
Total liabilities and net assets	<u>\$ 1,855,355</u>	<u>\$ 651,692</u>

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

THE ADVISORY COMMITTEE FUND

STATEMENTS OF ACTIVITIES

(Modified Cash Basis)

Years Ended December 31, 2008 and 2007

	2008	2007
REVENUES COLLECTED		
Enrollment fees	\$ 2,788,871	\$ 1,889,971
Mandatory Continuing Legal Education late fees	43,883	36,584
Interest	58,102	58,554
Miscellaneous	38,142	9,765
Total revenues collected	2,928,998	1,994,874
EXPENSES PAID		
Personnel	1,254,464	1,225,766
Retirement	113,269	132,342
Payroll taxes	71,453	70,711
Advisory Committee	256,636	239,917
Bonds and insurance	181,259	159,101
Capital improvements	122,824	-
Regional Disciplinary Committee expense	46,524	54,369
Membership & training	34,494	27,491
Computer upgrades and service	41,612	29,122
Computers (reserve)	-	2,500
Miscellaneous office expense	26,246	23,605
Document management software (reserve)	25,000	-
Professional services/consultants	12,810	5,262
Office supplies	11,927	10,279
Telephone	8,682	11,628
Occupancy expense	8,500	3,600
Legal books - publications	8,381	6,674
Postage	8,313	6,580
Office equipment rental and purchase	7,769	4,331
Legal research	6,933	7,346
Storage	6,798	8,651
Janitorial	6,260	5,751
Transcripts	6,256	4,486
Utilities	4,392	4,603
Office furniture	3,749	250
Office of Chief Disciplinary Counsel - travel expenses	1,954	3,064
Security system	975	504
Court costs	952	2,227
Office printing	503	608
Process serving	258	284
Total expenses paid	2,279,193	2,051,052
Change in net assets	649,805	(56,178)
Net assets, beginning of year	651,692	707,870
Net assets, end of year	\$ 1,301,497	\$ 651,692

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

THE ADVISORY COMMITTEE FUND

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The lawyer discipline system is comprised of the Advisory Committee (Supreme Court Rule 5.01), the Regional Disciplinary Committees (Supreme Court Rule 5.02), the Disciplinary Hearing Panels (Supreme Court Rule 5.04), the Chief Disciplinary Counsel and assistants (Supreme Court Rules 5.06 and 5.07), and the Legal Ethics Counsel (Supreme Court Rule 5.07).

The Advisory Committee Fund is provided in Supreme Court Rule 6.08 and disbursements from the Fund by the Clerk of the Supreme Court, as ex officio treasurer of The Advisory Committee Fund, are governed by Supreme Court Rule 6.09.

The Chief Disciplinary Counsel provides the administrative oversight of the Fund and proposes the budget for the discipline system.

Method of accounting: The accompanying financial statements have been prepared on the modified cash basis of accounting under which, except for the recognition of the assets and deferrals shown on the statements of financial position on a modified cash basis, only cash receipts and disbursements are recorded and reflected in these statements. Since receivables and payables, property and equipment, and accrued and deferred expense items, which may be material in amount, are not reflected, the financial statements are not intended to present the overall financial position and results of operations in conformity with U.S. generally accepted accounting principles.

Financial statement presentation: The Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Fund had only unrestricted net assets as of December 31, 2008 and 2007.

Revenue recognition: Enrollment fees are recorded based on the year of membership covered by such fees. Therefore, a deferred liability is included in the accompanying statements of financial position reflecting fees that are received by the Fund in advance of the year covered by those fees. All other revenues are recorded when cash is received.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Trust accounts: It is the policy of the Fund to report as expenses, funds remitted to the Supreme Court Clerk and maintained by the Clerk in separate trust accounts for the purpose of satisfying court costs in connection with disciplinary proceedings. Monies returned by the Clerk are reported as revenues. The expenses are recorded as court costs and the revenues as miscellaneous in the accompanying statements of activities.

Property and equipment: Acquisitions of property and equipment are included in expenses for the year in which payment is made for their purchase and no value is reflected in the accompanying statements of financial position.

Tax status: The Advisory Committee Fund is an instrumentality of a political subdivision and, as such, is not subject to federal or state income tax or reporting.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation.

2. RETIREMENT PLAN

The Advisory Committee Fund maintains the Office of the Chief Disciplinary Counsel Staff Retirement Plan, which is a non-contributory defined benefit pension plan for eligible employees of The Advisory Committee Fund. Eligibility requirements include minimum service of one year and minimum age of twenty-one years. Benefits are based upon years of service and the employee's highest five consecutive years' average of monthly earnings during the last ten years of employment.

A member is vested in a percentage of his accrued benefit based on the following schedule:

Years of Service	Percentage Accrued Benefit
Less than 4 years	0%
4 years, but less than 5	40%
5 years or more	100%

U.S. generally accepted accounting principles (GAAP) require the recognition of the funded status of the plan – measured as the difference between the fair value of plan assets and the projected benefit obligation – in the statement of financial position. Such measurement shall be as of the date of the fiscal year-end statement of financial position. GAAP also requires additional disclosures regarding the plan's assets, changes in projected benefit obligations, and expected cash flows.

The amounts which must be recorded and/or disclosed under GAAP are based in part on actuarial assumptions and calculations which have not been made for The Advisory Committee Fund's plan. Consequently, due to the unavailability of this information and because The Advisory Committee Fund reports on a modified cash basis, the accounting for its pension plan is not presented in accordance with GAAP. The following information is presented in lieu of the information required by GAAP.

The plan is being funded under the aggregate actuarial cost method. The Advisory Committee Fund's total pension expense for 2008 and 2007 was \$71,780 and \$78,200, respectively. Accumulated plan benefits and net assets for the plan as a whole were as follows:

	January 1,	
	2008	2007
Vested	\$ 854,929	\$ 780,083
Non-vested	15,575	12,376
Total present value of accumulated plan benefits	<u>\$ 870,504</u>	<u>\$ 792,459</u>
Plan net assets available for benefits, at market value	<u>\$ 1,105,012</u>	<u>\$ 1,020,105</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.11% and 7.5%, respectively, as of January 1, 2008 and 2007. The assumed increase in future salary levels was 5% as of both January 1, 2008 and 2007.

3. DEFINED CONTRIBUTION PLAN

The Advisory Committee Fund maintains a qualified defined contribution money purchase plan for all employees who have completed one year of employment of at least 1,000 hours of service and who have attained age twenty-one. Entry dates are January 1 and July 1 of each year. One hundred percent vesting occurs in the following situations: (1) six years of service; (2) at age sixty-five; (3) death; or (4) disability. Annual contribution of a percentage of compensation is determined each year by the Office of the Chief Disciplinary Counsel and approved by a member of the Missouri Supreme Court. The total contribution for 2008 and 2007 was \$45,761 and \$43,211, respectively.

4. RELATED PARTY TRANSACTIONS

Effective May 15, 1995, The Advisory Committee Fund entered into a lease agreement with the Trustees of the Missouri Bar for the Chief Disciplinary Counsel Headquarters Building. The lease term was 15 years with a monthly rental amount of \$300. Rental payments to the Trustees by the Advisory Committee Fund were \$3,600 for the year ended December 31, 2007.

On April 24, 2008, The Advisory Committee Fund entered into a new lease agreement for the above mentioned property. The lease term extends through December 31, 2012 with a monthly rental amount of \$1,000. Rental payments to the Trustees by the Advisory Committee Fund were \$8,500 for the year ended December 31, 2008.

Future annual minimum lease payments under this lease are as follows:

2009	\$	12,000
2010		12,000
2011		12,000
2012		12,000
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	\$	48,000
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5. ENROLLMENT FEES

Attorney enrollment fees for fiscal 2008 were as follows:

	Total Enrollment Fee	The Missouri Bar Portion	The Advisory Committee Fund Portion
Attorneys licensed over three years (Category 1)	\$ 305	\$ 204	\$ 101
Attorneys licensed within past three years (Category 2)	\$ 250	\$ 149	\$ 101
Non-resident attorneys (Category 3)	\$ 220	\$ 119	\$ 101
Inactive attorneys	\$ 50	\$ 25	\$ 25

Attorney enrollment fees for fiscal 2007 were as follows:

	Total Enrollment Fee	The Missouri Bar Portion	The Advisory Committee Fund Portion
Attorneys licensed over three years (Category 1)	\$ 225	\$ 157	\$ 68
Attorneys licensed within past three years (Category 2)	\$ 170	\$ 102	\$ 68
Non-resident attorneys (Category 3)	\$ 140	\$ 72	\$ 68
Inactive attorneys	\$ 50	\$ 25	\$ 25

The Advisory Committee Fund reports as revenues only its portion of attorney enrollment fees.

6. FUNCTIONAL EXPENSES

Expenses by function for the years ended December 31 are as follows:

	2008	2007
Program services	\$ 1,702,759	\$ 1,653,353
Administrative	576,434	397,699
Total expenses	<u>\$ 2,279,193</u>	<u>\$ 2,051,052</u>