

**REPORT OF
THE MISSOURI BAR
DECEMBER 31, 2008**



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

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 Missouri Bar 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 Missouri Bar'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 Missouri Bar 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 MISSOURI BAR

STATEMENTS OF FINANCIAL POSITION

(Modified Cash Basis)

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash investments	\$ 3,436,508	\$ 1,063,787
Investments (Note 2)	654,947	2,681,754
Interest receivable	7,162	28,054
Total current assets	<u>4,098,617</u>	<u>3,773,595</u>
INVESTMENTS, Noncurrent (Note 2)	<u>1,000,000</u>	<u>380,000</u>
Total assets	<u>\$ 5,098,617</u>	<u>\$ 4,153,595</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES, enrollment and other fees collected in advance	<u>\$ 998,787</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	4,089,615	4,145,652
Temporarily restricted	10,215	7,943
Total net assets	<u>4,099,830</u>	<u>4,153,595</u>
Total liabilities and net assets	<u>\$ 5,098,617</u>	<u>\$ 4,153,595</u>

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

THE MISSOURI BAR

STATEMENTS OF ACTIVITIES

(Modified Cash Basis)

Years Ended December 31, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Enrollment fees	\$ 5,094,381	\$ 3,802,694
Continuing legal education seminars	2,886,958	2,684,487
Meetings	200,083	229,027
Reimbursements, refunds and miscellaneous	159,135	154,063
Public information	262	3,187
Bar Journal	243,029	231,580
Family law section	6,229	4,125
Lawyers' assistance program	30,623	30,944
Law practice management	29,151	29,283
Fee dispute resolution	28,743	28,725
Complaint mediation	28,743	28,725
Missouri Bar Net	50,304	66,045
Lawyer referral service	9,679	6,613
Client Security Fund	3,300	11,760
Interest	181,875	308,322
Total unrestricted revenues	8,952,495	7,619,580
Net assets released from restrictions		
Satisfaction of grant and award restrictions	207,725	132,232
Total unrestricted revenues and other support	9,160,220	7,751,812
Expenses		
Program expenses		
CLE seminars	3,097,743	2,740,172
Minimum continuing legal education	219,157	205,492
Public information	789,052	470,835
Bar Journal	238,910	224,115
Precedent	64,394	74,311
Courts Bulletin/Legislative Digest	105,917	94,244
Law related education	358,016	361,701
Government information, state	228,871	202,395
Government information, federal	36,880	36,825
Family law section	4,571	1,690
Lawyers assistance program	96,431	86,327

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

THE MISSOURI BAR

STATEMENTS OF ACTIVITIES

(Modified Cash Basis)

(Continued)

Years Ended December 31, 2008 and 2007

	2008	2007
Program expenses - Continued		
Law practice management	\$ 66,823	\$ 91,134
Fee dispute resolution	74,599	81,932
Complaint mediation	61,102	67,384
Lawyer to lawyer dispute resolution	29,892	-
Missouri Bar Net	3,326	4,482
Young lawyers' section	196,904	191,072
Client security fund	163,083	224,722
Lawyers' referral service	67,020	58,970
Mentoring	18,298	17,440
Pro bono	33,393	32,826
Online legal research (Note 8)	90,574	194,302
Legal aid (Note 6)	551,740	564,860
Total program expenses	6,596,696	6,027,231
General and administrative expenses		
General office expenses	877,023	841,187
Advances	123,374	114,291
Enrollment fee expense	112,196	64,414
Annual meeting	455,664	428,527
Mid-year meeting	37,535	38,391
Spring and fall meetings	37,939	41,858
Committees	467,238	380,115
Board of Governors	346,642	296,141
Officers' travel	123,935	120,117
Staff travel	38,015	33,177
Total general and administrative expenses	2,619,561	2,358,218
Total expenses	9,216,257	8,385,449
Change in unrestricted net assets	(56,037)	(633,637)
TEMPORARILY RESTRICTED NET ASSETS		
Grant revenues	209,997	137,868
Net assets released from restrictions	(207,725)	(132,232)
Change in temporarily restricted net assets	2,272	5,636
Change in net assets	(53,765)	(628,001)
Net assets, beginning of year	4,153,595	4,781,596
Net assets, end of year	\$ 4,099,830	\$ 4,153,595

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

THE MISSOURI BAR

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Missouri Bar was created, according to Rule 7 of the Supreme Court of Missouri, "for the purpose of aiding the lawyers of Missouri in the perfection of a means of organization that will best aid them in the discharge of their recognized public duty." The Missouri Bar is an integrated (or unified) bar meaning that all attorneys who wish to practice law within the state of Missouri must be members of The Missouri Bar and pay an annual enrollment fee.

The Missouri Bar is governed by a 43-member Board of Governors, which sets all Missouri Bar policies and approves activities undertaken by the organization. This body is elected by the lawyers of Missouri, voting in 15 separate districts around the state.

Method of accounting: The accounts are maintained, and these statements are presented, on a modified cash basis under which, except for the recognition of certain 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 Missouri Bar reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The classification of net assets into these categories is based on the existence or absence of grantor-imposed restrictions, which include stipulations that specify a use for a contributed asset that is more specific than broad limits resulting from The Missouri Bar's basic mission and environment in which it operates.

Temporary restrictions are grantor-imposed stipulations that are fulfilled and removed by actions of The Missouri Bar pursuant to those stipulations. Permanent restrictions are grantor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of The Missouri Bar. The Missouri Bar had no permanently restricted net assets as of December 31, 2008 and 2007. Assets without grantor-imposed restrictions, including assets designated for specific use by the Board of Governors, are included in unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Missouri Bar's Board of Governors designated approximately \$250,000 of the unrestricted net assets at December 31, 2008 as a temporary reserve to defend the justice system and Court Plan.

Revenue recognition: Enrollment and related 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 Missouri Bar in advance of the year covered by those fees. All other revenues are recorded when cash is received.

Equipment: Acquisitions of equipment are included in expenses for the year in which payment is made for their purchase and no value is reflected in the statements of financial position for such items. Replacement of equipment with like items is reflected as an expense included in the general office expenses.

Tax status: The Missouri Bar is an instrumentality of the Missouri Supreme Court and, as such, is not subject to federal or state income tax or reporting.

Cash investments: At certain times throughout the year, cash investments include overnight repurchase agreements and are carried at cost which approximates fair value. The balance of overnight repurchase agreements totaled \$0 and \$982,151 at December 31, 2008 and 2007, respectively. The Missouri Bar requires that securities underlying repurchase agreements must have a fair value of at least 100% of the cost of the repurchase agreement. The fair values of securities underlying repurchase agreements are determined monthly and significant variances below the required level did not occur.

Investments: Investments are carried at amortized cost.

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.

2. INVESTMENTS

Cost and fair value of investments at December 31 are presented in the following table. The fair values disclosed are based on quoted prices in active markets for identical assets.

	2008		2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Government and agency securities	\$ 1,249,828	\$ 1,255,753	\$ 2,669,019	\$ 2,672,272
Mutual funds	405,119	210,355	392,735	353,095
Total investments	<u>\$ 1,654,947</u>	<u>\$ 1,466,108</u>	<u>\$ 3,061,754</u>	<u>\$ 3,025,367</u>

Investments are classified at December 31 as follows:

	2008	2007
Current	\$ 654,947	\$ 2,681,754
Noncurrent	1,000,000	380,000
Total investments, at amortized cost	<u>\$ 1,654,947</u>	<u>\$ 3,061,754</u>

3. RETIREMENT PLAN

The Missouri Bar has a non-contributory defined benefit pension plan for eligible employees of The Missouri Bar. 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:

<u>Years of Service</u>	<u>Percentage Accrued Benefit</u>
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 Missouri Bar's plan. Consequently, due to the unavailability of this information and because The Missouri Bar 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 Missouri Bar's total pension expense for 2008 and 2007 was \$335,115 and \$343,171, respectively. Accumulated plan benefits and plan net assets for the plan as a whole were as follows:

	<u>January 1,</u>	
	<u>2008</u>	<u>2007</u>
Vested	\$ 3,360,009	\$ 3,154,266
Non-vested	68,820	78,167
Total present value of accumulated plan benefits	<u>\$ 3,428,829</u>	<u>\$ 3,232,433</u>
Plan net assets available for benefits, at market value	<u>\$ 3,285,904</u>	<u>\$ 2,968,547</u>

In determining the actuarial present value of accumulated plan benefits, the assumed rate of return was 6.08% and 6.5% as of January 1, 2008 and 2007, respectively. The assumed increase in future salary levels was 5% as of both January 1, 2008 and 2007.

4. DEFINED CONTRIBUTION PLAN

The Missouri Bar 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. Annual contribution of a percentage of compensation is determined each year by the Board of Governors. The contribution percentage for both 2008 and 2007 was 5% of covered compensation allocated to the account of each participant who had completed at least 500 hours of service during the plan year. Expense for the plan years ended December 31, 2008 and 2007 was \$120,282 and \$116,073, respectively. 100% vesting occurs in the following situations: (1) six years of service; (2) at age 65; (3) death; or (4) disability.

5. RELATED PARTY TRANSACTIONS

The Missouri Bar leases office space and other property in Jefferson City, Missouri, from the Trustees of the Missouri Bar on a year to year basis. Lease payments for the years ended December 31, 2008 and 2007 were \$74,008 and \$72,373, respectively. The lease payments are allocated and reported in the following expense classifications in the accompanying Statement of Activities: General Office Expense, CLE Programs and Publications, Bar Journal, and Public Information.

The Missouri Bar receives certain grants and contributions from the Missouri Bar Foundation for various programs and activities. Payments received as grants from the Missouri Bar Foundation for the years ended December 31, 2008 and 2007 were \$94,500 and \$13,000, respectively. The amounts received were reported as Grant Revenues in the accompanying Statement of Activities.

6. ENROLLMENT FEES

Attorney enrollment fees for fiscal year 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 year 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

\$20 of The Missouri Bar's portion of the enrollment fee for Categories 1 and 2 is distributed to legal aid services agencies in Missouri. A \$100 pro hac vice fee, which is paid by attorneys seeking to appear pursuant to Rule 9.03 of the Missouri Court Rules, is also collected and then remitted to such legal services agencies. During 2008 and 2007, The Missouri Bar remitted \$551,740 and \$564,860, respectively, of such amounts collected to the legal aid services agencies in Missouri. All amounts are paid to the legal aid services agencies the month after they are collected.

The Missouri Bar reports as revenues only its portion of attorney enrollment fees.

7. NOTE PAYABLE

During 2004, The Missouri Bar entered into an installment note to finance the purchase of an automobile. The note was payable in monthly installments of \$604, including interest at 5.99%, and matured on December 15, 2008. The note was collateralized by the related automobile with an original cost of \$34,593. However, neither the automobile nor the note payable was recorded in these financial statements in accordance with The Missouri Bar's modified cash basis of accounting.

8. COMMITMENTS

During 2007, The Missouri Bar entered into an agreement with a legal publishing company that provides an online legal research system. The term of the agreement is three years. According to such agreement, The Missouri Bar paid the publishing company a data fee of \$100,000 and an annual license fee of \$90,000 during 2007 and 2008. In addition, The Missouri Bar will make a payment to the publishing company in the form of an annual license fee of \$90,000 in June 2009. Such payment will be financed from existing reserves of The Missouri Bar.