

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
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**DANA F. COLE
& COMPANY_{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Executive Council
Nebraska State Bar Association
and the Nebraska Lawyers Foundation
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of Nebraska State Bar Association and Nebraska Lawyers Foundation (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nebraska State Bar Association and Nebraska Lawyers Foundation as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The consolidated financial statements of Nebraska State Bar Association and Nebraska Lawyers Foundation as of December 31, 2015, were audited by other auditors whose report dated April 14, 2016, expressed an unmodified opinion on those financial statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 22 - 27 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Dana J Cole + Company, LLP

Lincoln, Nebraska
May 8, 2017

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	1,364,974	1,242,587
Accounts receivable	64,323	73,569
Accounts receivable from related organizations	30,000	35,000
Contributions receivable	4,975	2,575
Grants receivable	217,000	200,000
Prepaid expenses	45,390	37,751
Certificates of deposit	884,773	826,568
Total current assets	<u>2,611,435</u>	<u>2,418,050</u>
LONG-TERM INVESTMENTS, mutual funds	<u>154,529</u>	<u>74,781</u>
PROPERTY AND EQUIPMENT, net	<u>167,123</u>	<u>173,609</u>
TOTAL ASSETS	<u><u>2,933,087</u></u>	<u><u>2,666,440</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	45,284	37,422
Accounts payable to related organizations		2,665
Accrued liabilities	143,361	124,725
Deferred revenue	972,705	827,549
Total current liabilities	<u>1,161,350</u>	<u>992,361</u>
NET ASSETS		
Unrestricted		
Board designated - House of Delegates		
Reserve	560,961	477,344
Undesignated	46,374	32,835
Temporarily restricted		
Client Assistance Fund	527,702	529,109
Other temporarily restricted	636,700	634,791
Total net assets	<u>1,771,737</u>	<u>1,674,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,933,087</u></u>	<u><u>2,666,440</u></u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Membership dues	1,128,273	1,172,132
Contributions	20,887	10,846
Special events	172,494	131,285
Program income	91,408	61,017
Publications and label sales	99,105	98,647
Registration fees	526,203	479,760
Advertising	62,010	45,261
Recovery of costs	97,465	90,288
Grants	11,176	9,000
Investment income	10,024	2,867
Royalties and rebates	41,816	42,312
Other income	24	262
	<u>2,260,885</u>	<u>2,143,677</u>
Net assets released from restrictions	344,446	291,677
Total revenue and support	<u>2,605,331</u>	<u>2,435,354</u>
Expenses		
Program services		
Administration of Justice	319,397	292,627
Professional and practice development	1,044,953	777,354
Grants	8,105	5,210
Supporting activities		
Management and general	1,027,197	1,271,086
Fundraising	108,523	61,601
Total expenses	<u>2,508,175</u>	<u>2,407,878</u>
Change in unrestricted net assets	<u>97,156</u>	<u>27,476</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Registration fees	25,940	16,374
Section dues	65,900	59,185
Client Assistance Fund investment income	3,420	513
VLP Fund contributions	5,675	
LSAT Scholarship Fund contributions	1,540	6,532
SOLACE contributions	1,300	6,560

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATED STATEMENTS OF ACTIVITIES
DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
(Continued)		
Schoenike Memorial Fund contributions	750	11,251
Grants	240,423	219,367
Net assets released from restrictions	<u>(344,446)</u>	<u>(291,677)</u>
Change in temporarily restricted net assets	<u>502</u>	<u>28,105</u>
 CHANGE IN NET ASSETS	 97,658	 55,581
NET ASSETS, beginning of year	<u>1,674,079</u>	<u>1,618,498</u>
NET ASSETS, end of year	<u>1,771,737</u>	<u>1,674,079</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			General and Administrative	Fundraising	Total	
	Administration of Justice	Professional and Practice Development	Grants				Total Program Services
Salaries	123,395	314,502		437,897	374,634	17,154	829,685
Benefits	14,544	24,425		38,969	51,712	1,514	92,195
Payroll taxes	7,754	17,248		25,002	40,320	1,430	66,752
Insurance	2,611			2,611	9,144		11,755
Retirement benefits	8,376	28,273		36,649	29,889	1,803	68,341
Travel and related costs	12,986	35,789		48,775	73,001	3,757	125,533
Professional fees	77,294	6,154		83,448	24,402	6,400	114,250
Financial services expenses		1,844		1,844	42,885	1,740	46,469
Telephone	3,201	3,738		6,939	11,555	675	19,169
Supplies	1,278	7,411		8,689	12,877	1,059	22,625
Postage	1,155	47,888		49,043	13,224	3,340	65,607
Printing duplication	432	68,320		68,752	13,294	2,129	84,175
Office rent	4,800	3,000		7,800	156,124	458	164,382
Dues and subscriptions	2,624	1,899		4,523	3,700	613	8,836
Donations	2,600	24,967		27,567	1,803	232	29,602
Volunteer Lawyers Project attorneys	27,669			27,669			27,669
Client assistance fund	802			802			802
Contracted labor	10,774			10,774			10,774
Meetings	8,725	238,110		246,835	39,062	57,974	343,871
Depreciation					11,556		11,556
Miscellaneous expenses	168	18,475		18,643	10,779	8,241	37,663
MCLE fees		37,474		37,474			37,474
Scholarships			8,105	8,105			8,105
Tools and technology	8,209	165,436		173,645	88,563	4	262,212
Return of grant funds					18,673		18,673
Total expenses	<u>319,397</u>	<u>1,044,953</u>	<u>8,105</u>	<u>1,372,455</u>	<u>1,027,197</u>	<u>108,523</u>	<u>2,508,175</u>

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services			General and Administrative	Fundraising	Total	
	Administration of Justice	Professional and Practice Development	Grants				Total Program Services
Salaries	121,290	251,835		424,378		797,503	
Benefits	15,398	15,239		68,422		99,059	
Payroll taxes	8,778	12,396		44,611		65,785	
Insurance	2,574			2,574	15,953	18,527	
Retirement benefits		15,855		15,855	38,133	53,988	
Travel and related costs	6,202	10,665		16,867	99,510	3,205	119,582
Professional fees	74,601	881		75,482	65,105	5,850	146,437
Financial services expenses		1,798		1,798	33,315	1,443	36,556
Telephone	3,024	3,984		7,008	8,050		15,058
Supplies	159	5,688		5,847	14,329	1,027	21,203
Postage	3,145	42,955		46,100	23,715		69,815
Printing duplication	1,897	94,107		96,004	19,189	3,376	118,569
Office rent	4,800	3,000		7,800	152,844		160,644
Dues and subscriptions	486	1,251		1,737	6,514		8,251
Donations		1,885		1,885	4,933		6,818
Volunteer Lawyers Project attorneys	33,420			33,420			33,420
Client assistance fund	2,602			2,602			2,602
Contracted labor	3,426			3,426	7,045		10,471
Meetings	6,011	83,503		89,514	145,308	40,592	275,414
Depreciation					13,293		13,293
Miscellaneous expenses		12,806		12,806	8,208	6,108	27,122
MCLE fees		30,077		30,077			30,077
Scholarships			5,210	5,210			5,210
Tools and technology	4,814	189,429		194,243	78,231		272,474
Total expenses	<u>292,627</u>	<u>777,354</u>	<u>5,210</u>	<u>1,075,191</u>	<u>1,271,086</u>	<u>61,601</u>	<u>2,407,878</u>

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenue and support	2,735,811	2,423,542
Cash paid to employees and suppliers	(2,480,425)	(2,356,964)
Interest received		2,867
	<u>255,386</u>	<u>69,445</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		
Purchase of investments	(75,000)	(75,000)
Purchase of certificates of deposit	(655,104)	(322,275)
Redemption of certificates of deposit	602,175	
Purchase of property and equipment	(5,070)	(1,817)
	<u>(132,999)</u>	<u>(399,092)</u>
Net cash used in investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,387	(329,647)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,242,587</u>	<u>1,572,234</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,364,974</u>	<u>1,242,587</u>

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	97,658	55,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,556	13,293
Unrealized (gain) loss on investments	(855)	219
Reinvested interest and dividends	(9,169)	(2,260)
(Increase) decrease in assets:		
Accounts receivable	9,246	(6,833)
Accounts receivable from related organizations	5,000	15
Grants receivable	(17,000)	
Contributions receivable	(2,400)	(2,475)
Prepaid expenses	(7,639)	(151)
Increase (decrease) in liabilities:		
Accounts payable	7,862	27,417
Accounts payable to related organizations	(2,665)	(1,900)
Accrued liabilities	18,636	12,255
Deferred revenue	145,156	(25,716)
Total adjustments	157,728	13,864
Net cash provided by operating activities	255,386	69,445

See accompanying notes to consolidated financial statements.

NEBRASKA STATE BAR ASSOCIATION
AND
NEBRASKA LAWYERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Nebraska State Bar Association was created to aid in maintaining high standards of conduct, integrity, confidence, and public service of persons engaged in the practice of law and to promote the professional interest of its members. All persons admitted to the practice of law in the State of Nebraska are members of the Association. The Association is primarily funded by membership dues.

The Nebraska Lawyers Foundation was created to provide support for:

- Continuing professional education for the legal profession
- Statewide volunteer legal services and referral network
- Study of racial and ethnic bias in the justice system
- Assistance to lawyers with substance abuse problems
- Funding of provision of legal services to low income Nebraskans
- Funding of new initiatives or programs before dedicated funding is established

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Nebraska State Bar Association and Nebraska Lawyers Foundation (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization reports 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

Net assets that are not subject to outside restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. 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." Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support was recognized.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor. There were no permanently restricted net assets as of December 31, 2016 and 2015.

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Grants Receivable

Accounts receivable are reported at the amount management expects to collect on 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.

Receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Receivables are stated at the amount billed to the customer. The Organization does not charge interest on overdue customer account balances. Payments of receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows if the discount is material to the financial statements. Based on prior years' experience and management's analysis of specific promises made, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Investments

The Organization has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Equipment

Property and equipment are stated at cost, if purchased or fair value, if donated. Major expenditures over \$500 for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 39 years.

Deferred Income

Membership dues are for a calendar year period and are recognized as income in the year in which the dues income is earned. Any dues income paid prior to the calendar year in which it is earned is recorded as deferred income. Event sponsorships received in advance of the event are recognized as revenue in the year earned.

Compensated Absences

Employees of the Organization earn a vested right to compensation for unused vacation time. Accordingly, the Organization has made an accrual for vacation and compensation that employees have earned.

Advertising

Advertising costs are expensed as incurred. Publicity expense for the years ended December 31, 2016 and 2015 was \$2,006 and \$5,138, respectively.

Expense Allocation

The costs of providing various program services and other supporting activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted.

Use of Estimates

The preparation of financial statements in accordance 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.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The of Nebraska State Bar Association and Nebraska Lawyers Foundation are exempt from federal income taxes under Section 501(c)(6) and Section 501(c)(3), respectively, of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not directly related to their exempt purpose is subject to taxation at normal corporate rates. The Organization has advertising income, which is subject to tax on unrelated business income. For the year ended December 31, 2016 and 2015, the Organization had no tax liability on unrelated business activity.

The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Council continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Information returns for the year 2013 and forward are open to examination by the taxing authorities.

NOTE 2. CONCENTRATIONS

The Organization holds deposits in several financial institutions. Accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2016 and 2015, the bank accounts exceeded federally insured limits by \$46,149 and \$753,189, respectively. The Organization has not experienced any losses on such accounts.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

The Organization was awarded grant income of \$225,000 and \$200,000 during the years ended December 31, 2016 and 2015, respectively, from the Nebraska Commission on Public Advocacy. Absent these grants, the Organization's programs would be greatly diminished.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due to be collected as follows:

	2016	2015
Due within one year	<u>4,975</u>	<u>2,575</u>

NOTE 4. INVESTMENTS

The Organization has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (Continued)

For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2016 and 2015 at fair value on a recurring basis.

	2016			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Balanced mixed equity/bond	78,225	78,225		
Bonds	76,304	76,304		
Total	<u>154,529</u>	<u>154,529</u>		
	2015			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Balanced mixed equity/bond	25,000	25,000		
Bonds	49,781	49,781		
Total	<u>74,781</u>	<u>74,781</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at December 31, 2016 and 2015 are as follows:

	2016		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Mutual Funds			
Balanced mixed equity/bond	77,418	807	78,225
Bonds	76,475	(171)	76,304
Total	<u>153,893</u>	<u>636</u>	<u>154,529</u>

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (Continued)

	2015		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Mutual Funds			
Balanced mixed equity/bond	25,000		25,000
Bonds	50,000	(219)	49,781
	75,000	(219)	74,781

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Investment income consists of:

	2016	2015
Interest and dividend income	9,169	3,086
Unrealized gains (losses) on investments	855	(219)
	10,024	2,867

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2016	2015
Furniture and equipment	190,533	185,463
Leasehold improvements	231,823	231,823
	422,356	417,286
Less accumulated depreciation	(255,233)	(243,677)
	167,123	173,609

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT (Continued)

The financial statements include depreciation expense of \$11,556 and \$13,293 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6. BOARD-DESIGNATED NET ASSETS

Board-designated net assets at December 31, 2016 and 2015, consist of a fund designated by the Organization's House of Delegates as a reserve unavailable for operating expenses, unless otherwise determined by the Board.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include a Client Assistance Fund which was established by the Organization to reimburse, within limits set by members of the fund committee, clients of the Organization members who have suffered financial loss due to dishonesty of an attorney.

Client Assistance Fund activities are summarized as follows:

	2016	2015
Revenue and support		
Investment income	<u>3,420</u>	<u>513</u>
Expenses		
Administrative expenses	4,025	3,824
Fidelity bond	802	792
Bank charges		25
Professional fees		225
Claims paid		<u>1,560</u>
Total expenses	<u>4,827</u>	<u>6,426</u>
Decrease in temporarily restricted net assets	(1,407)	(5,913)
Net assets, beginning of year	<u>529,109</u>	<u>535,022</u>
Net assets, ending of year	<u><u>527,702</u></u>	<u><u>529,109</u></u>

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NOTE 7. TEMPORARILY RESTRICTED NET ASSETS (Continued)

Other temporarily restricted net assets are available for the following purposes:

	2016	2015
Section dues unexpended	352,717	335,161
Legislative checkoff dues unexpended	14,074	22,074
Grants unexpended	30,000	50,807
Volunteer Lawyer's Project	217,675	200,000
New initiatives fund	2,561	2,561
LSAT Exam Preparation Scholarship Fund	1,012	6,377
SOLACE	6,660	6,560
Schoenike Memorial Fund	<u>12,001</u>	<u>11,251</u>
	<u>636,700</u>	<u>634,791</u>

NOTE 8. COMMITMENTS

Leases

The Organization has an agreement with the Nebraska State Bar Foundation for a non-cancelable operating lease for office space (see Note 7). The lease is for a fifteen year period ending June 2020. In addition to minimum annual payments, the Organization also must pay its prorated share of operating costs incurred by the lessor in connection with common areas of the building, the land, and the underground parking area. The consolidated financial statements include office rent expense of \$164,382 and \$160,644 for the years ended December 31, 2016 and 2015, respectively.

The Organization is also obligated under non-cancelable equipment lease agreements expiring in December 2021.

Future minimum payments for the next five years under the agreements are as follows:

2017	121,417
2018	123,214
2019	125,042
2020	72,354
2021	<u>18,744</u>
	<u>460,771</u>

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS (Continued)

Electronic Library Development

The Organization is obligated under a contract for electronic library development for a period of five years beginning October 2013 at \$10,000 per month, indexed annually to the Producer Price Index for All Commodities.

The financial statements include electronic library development expense of \$134,861 and \$156,216 for the years ended December 31, 2016 and 2015, respectively.

Child Support Calculator

The Organization is obligated under a contract for the license to Advanced Legal Software, LLC for Nebraska Child Support Calculator for a period of three years beginning in 2014. The contract includes \$5,000 non-recurring setup fee and annual licensing fees of \$25,000 payable in year 1, \$27,500 payable in year 2, and \$30,000 payable in year 3. As of December 31, 2016, the Organization is current with the payments.

The financial statements include Child Support Calculator expense of \$26,616 and \$29,583 for the years ended December 31, 2016 and 2015, respectively.

Legislative services

The Organization has entered into a contract for professional services related to representation of legislative interests. The contract term covers the period January through December 2017 and includes a fixed fee of \$72,000 to be paid in equal installments over twelve months. The contract may be renegotiated or terminated by the Organization if the services cannot be supported by the Organization's voluntary dues revenue.

NOTE 9. RELATED PARTY TRANSACTIONS

Nebraska State Bar Foundation

Members of the Organization who have contributed to the Nebraska State Bar Foundation (Foundation) represent the members of the Foundation. The President and President-elect of the Organization, or their designees, are voting members of the Foundation's Board of Directors. The Organization leases office and other space from the Foundation (see Note 8). The Organization also collected charitable contributions on behalf of the Foundation for the 2016 dues cycle. Charitable contributions collected and unpaid to the Foundation totaled \$- 0 - and \$2,665 as of December 31, 2016 and 2015, respectively. During 2016 and 2015, the Foundation made grants of \$30,000 to the Organization to support continuing legal education programs of the Organization. Accounts receivable includes \$30,000 due from the Foundation for each of the years ended December 31, 2016 and 2015.

NEBRASKA STATE BAR ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN

The Organization has a defined contribution pension plan for all eligible employees who have completed one year of service and are 21 years of age. The annual contribution is 10 percent of the compensation paid during a year. Participants may make voluntary contributions to the plan and are limited to 100 percent of the participant's compensation. Participants are immediately vested in their voluntary contributions plus interest earned on the voluntary contributions.

The participant's interest in the Organization's contributions and the earnings thereon vest at the rate of 25 percent per year, beginning with completion of two years of service and are 100 percent vested after five years of service. Pension expense was \$68,341 for 2016 and \$53,987 for 2015.

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	1,278,138	86,836		1,364,974
Accounts receivable	64,323			64,323
Accounts receivable from related organizations	37,366	6,363	(13,729)	30,000
Contributions receivable		4,975		4,975
Grants receivable		217,000		217,000
Prepaid expenses	40,399	4,991		45,390
Certificates of deposit	884,773			884,773
Total current assets	<u>2,304,999</u>	<u>320,165</u>	<u>(13,729)</u>	<u>2,611,435</u>
LONG-TERM INVESTMENTS, mutual funds	<u>154,529</u>			<u>154,529</u>
PROPERTY AND EQUIPMENT, net	<u>167,123</u>			<u>167,123</u>
TOTAL ASSETS	<u><u>2,626,651</u></u>	<u><u>320,165</u></u>	<u><u>(13,729)</u></u>	<u><u>2,933,087</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	45,284			45,284
Accounts payable to related organizations	6,362	7,367	(13,729)	
Accrued liabilities	143,146	215		143,361
Deferred revenue	946,405	26,300		972,705
Total current liabilities	<u>1,141,197</u>	<u>33,882</u>	<u>(13,729)</u>	<u>1,161,350</u>
NET ASSETS				
Unrestricted				
Board designated - House of Delegates Reserve	560,961			560,961
Undesignated		46,374		46,374
Temporarily restricted				
Client Assistance Fund	527,702			527,702
Other temporarily restricted	396,791	239,909		636,700
Total net assets	<u>1,485,454</u>	<u>286,283</u>		<u>1,771,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,626,651</u></u>	<u><u>320,165</u></u>	<u><u>(13,729)</u></u>	<u><u>2,933,087</u></u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS				
	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	1,183,102	59,485		1,242,587
Accounts receivable	73,569			73,569
Accounts receivable from related organizations	35,771	22,022	(22,793)	35,000
Contributions receivable		2,575		2,575
Grants receivable		200,000		200,000
Prepaid expenses	37,751			37,751
Certificates of deposit	826,568			826,568
Total current assets	<u>2,156,761</u>	<u>284,082</u>	<u>(22,793)</u>	<u>2,418,050</u>
LONG-TERM INVESTMENTS, mutual funds	<u>74,781</u>			<u>74,781</u>
PROPERTY AND EQUIPMENT, net	<u>173,609</u>			<u>173,609</u>
TOTAL ASSETS	<u>2,405,151</u>	<u>284,082</u>	<u>(22,793)</u>	<u>2,666,440</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	37,422			37,422
Accounts payable to related organizations	19,687	5,771	(22,793)	2,665
Accrued liabilities	124,598	127		124,725
Deferred revenue	808,949	18,600		827,549
Total current liabilities	<u>990,656</u>	<u>24,498</u>	<u>(22,793)</u>	<u>992,361</u>
NET ASSETS				
Unrestricted				
Board designated - House of Delegates Reserve	477,344			477,344
Undesignated		32,835		32,835
Temporarily restricted				
Client Assistance Fund	529,109			529,109
Other temporarily restricted	408,042	226,749		634,791
Total net assets	<u>1,414,495</u>	<u>259,584</u>		<u>1,674,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,405,151</u>	<u>284,082</u>	<u>(22,793)</u>	<u>2,666,440</u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and support				
Membership dues	1,128,273			1,128,273
Contributions		20,887		20,887
Special events		172,494		172,494
Program income	91,408			91,408
Publications and label sales	99,105			99,105
Registration fees	526,203			526,203
Advertising	62,010			62,010
Recovery of costs	97,465			97,465
Grants	305,106		(293,930)	11,176
Investment income	9,984	40		10,024
Royalties and rebates	41,816			41,816
Other income	21	3		24
	<u>2,361,391</u>	<u>193,424</u>	<u>(293,930)</u>	<u>2,260,885</u>
Net assets released from restrictions	137,918	206,528		344,446
Total revenue and support	<u>2,499,309</u>	<u>399,952</u>	<u>(293,930)</u>	<u>2,605,331</u>
Expenses				
Program services				
Administration of justice	319,397			319,397
Professional and practice development	1,044,953			1,044,953
Grants		302,035	(293,930)	8,105
Supporting activities				
Management and general	1,024,663	2,534		1,027,197
Fundraising	26,679	81,844		108,523
	<u>2,415,692</u>	<u>386,413</u>	<u>(293,930)</u>	<u>2,508,175</u>
Total expenses	<u>2,415,692</u>	<u>386,413</u>	<u>(293,930)</u>	<u>2,508,175</u>
Change in unrestricted net assets	<u>83,617</u>	<u>13,539</u>		<u>97,156</u>

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN TEMPORARILY RESTRICTED				
NET ASSETS				
Registration fees	25,940			25,940
Section dues	65,900			65,900
Client Assistance Fund investment income	3,420			3,420
VLP Fund contributions		5,675		5,675
LSAT Scholarship Fund contributions		1,540		1,540
SOLACE contributions		1,300		1,300
Schoenike Memorial Fund contributions		750		750
Grants	30,000	210,423		240,423
Net assets released from restrictions	<u>(137,918)</u>	<u>(206,528)</u>		<u>(344,446)</u>
 Change in temporarily restricted net assets	 <u>(12,658)</u>	 <u>13,160</u>		 <u>502</u>
 CHANGE IN NET ASSETS	 70,959	 26,699		 97,658
 NET ASSETS, beginning of year	 <u>1,414,495</u>	 <u>259,584</u>		 <u>1,674,079</u>
 NET ASSETS, end of year	 <u><u>1,485,454</u></u>	 <u><u>286,283</u></u>		 <u><u>1,771,737</u></u>

See accompanying notes to financial statements.

NEBRASKA STATE BAR ASSOCIATION
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CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2015

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and support				
Membership dues	1,172,132			1,172,132
Contributions		15,846	(5,000)	10,846
Special events		142,785	(11,500)	131,285
Program income	61,017			61,017
Publications and label sales	98,647			98,647
Registration fees	479,760			479,760
Advertising	45,261			45,261
Recovery of costs	90,288			90,288
Grants	297,429	5,500	(293,929)	9,000
Investment income	2,835	32		2,867
Royalties and rebates	42,312			42,312
Other income	262			262
	<u>2,289,943</u>	<u>164,163</u>	<u>(310,429)</u>	<u>2,143,677</u>
Net assets released from restrictions	98,703	192,974		291,677
Total revenue and support	<u>2,388,646</u>	<u>357,137</u>	<u>(310,429)</u>	<u>2,435,354</u>
Expenses				
Program services				
Administration of justice	297,627		(5,000)	292,627
Professional and practice development	788,854		(11,500)	777,354
Grants		299,139	(293,929)	5,210
Supporting activities				
Management and general	1,270,486	600		1,271,086
Fundraising		61,601		61,601
Total expenses	<u>2,356,967</u>	<u>361,340</u>	<u>(310,429)</u>	<u>2,407,878</u>
Change in unrestricted net assets	<u>31,679</u>	<u>(4,203)</u>		<u>27,476</u>

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CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2015

	Nebraska State Bar Association	Nebraska Lawyers Foundation	Elimi- nations	Consolidated
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Registration fees	16,374			16,374
Section dues	59,185			59,185
Client Assistance Fund investment income	513			513
LSAT Scholarship Fund contributions		6,532		6,532
SOLACE contributions		6,560		6,560
Schoenike Memorial Fund contributions		11,251		11,251
Grants	30,000	189,367		219,367
Net assets released from restrictions	<u>(98,703)</u>	<u>(192,974)</u>		<u>(291,677)</u>
 Change in temporarily restricted net assets	 <u>7,369</u>	 <u>20,736</u>		 <u>28,105</u>
 CHANGE IN NET ASSETS	 39,048	 16,533		 55,581
 NET ASSETS, beginning of year	 <u>1,375,447</u>	 <u>243,051</u>		 <u>1,618,498</u>
 NET ASSETS, end of year	 <u><u>1,414,495</u></u>	 <u><u>259,584</u></u>		 <u><u>1,674,079</u></u>

See accompanying notes to financial statements.