

**DAVID G. FAW**  
CERTIFIED PUBLIC  
ACCOUNTANT

**PHILADELPHIA BAR ASSOCIATION**

**FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

**PHILADELPHIA BAR ASSOCIATION  
TABLE OF CONTENTS  
December 31, 2008 and 2007**

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statement of Activities (with comparative totals for the year ended December 31, 2007)	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10

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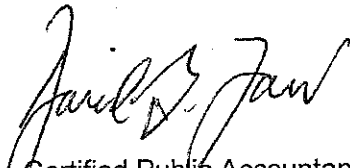
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors  
Philadelphia Bar Association  
Philadelphia, Pennsylvania

I have audited the accompanying statements of financial position of the Philadelphia Bar Association (a nonprofit organization), as of December 31, 2008 and 2007 and the related statements of cash flows for the years then ended and the statements of changes in net assets and activities for the year ended December 31, 2008. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior-year summarized comparative information has been derived from the Association's December 31, 2007 financial statements and, in my report dated March 19, 2008, I expressed an unqualified opinion on those financial statements.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Philadelphia Bar Association as of December 31, 2008 and 2007, and the results of its activities, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant  
March 23, 2009

**PHILADELPHIA BAR ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and equivalents	\$ 1,083,383	\$ 1,133,376
Accounts receivable	25,570	25,548
Investment in marketable securities	697,025	999,828
Due from Philadelphia Bar Foundation	39,841	20,325
Prepaid expenses	218,747	174,383
Property and equipment	234,693	333,119
Collection items	<u>1,733,500</u>	<u>1,733,500</u>
Total assets	<u>\$ 4,032,759</u>	<u>\$ 4,420,079</u>
 <u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 259,497	\$ 357,064
Deferred membership dues	140,656	294,250
Due to Homeless Advocacy Project	-	1,883
Due to Philadelphia VIP	<u>-</u>	<u>416</u>
Total liabilities	<u>400,153</u>	<u>653,613</u>
 <u>Net assets</u>		
<u>Unrestricted</u>		
Custodial funds - sections	137,970	145,938
General membership fund	1,640,614	2,024,075
Contingency funds	<u>1,854,022</u>	<u>1,596,453</u>
Total unrestricted net assets	<u>3,632,606</u>	<u>3,766,466</u>
Total liabilities and net assets	<u>\$ 4,032,759</u>	<u>\$ 4,420,079</u>

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

**PHILADELPHIA BAR ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2008  
(with comparative totals for the year ended December 31, 2007)

	<u>Unrestricted</u>			<u>Total 2008</u>	<u>Total 2007</u>
	<u>Sections</u>	<u>General Membership</u>	<u>Contingency</u>		
<u>Revenue</u>					
Membership dues	\$ 85,609	\$ 2,380,640	\$ -	\$ 2,466,249	\$ 2,367,773
Lawyer referral service	-	532,781	-	532,781	350,148
Education programs	110,198	-	-	110,198	106,745
Publications	-	335,000	-	335,000	330,000
Interest and dividends	-	20,172	32,759	52,931	70,129
(Loss) gain on investments	-	(292,477)	-	(292,477)	54,510
Royalty income	-	545,000	-	545,000	445,000
Special events	-	328,754	-	328,754	264,559
Contributed facilities	-	345,000	-	345,000	345,000
Other income	-	261,114	-	261,114	261,384
<b>Total revenues</b>	<b>\$ 195,807</b>	<b>\$ 4,455,984</b>	<b>\$ 32,759</b>	<b>\$ 4,684,550</b>	<b>\$ 4,595,248</b>
<u>Expenses</u>					
Employee salaries and benefits	-	2,269,386	-	2,269,386	2,130,456
Office and administration	-	797,415	-	797,415	730,966
Contributed facilities	-	345,000	-	345,000	345,000
Other member services	-	363,422	-	363,422	324,830
Meeting services and special events	-	526,047	-	526,047	410,945
Education programs	203,775	-	-	203,775	207,999
Contributions	-	140,360	-	140,360	139,287
Communications	-	46,930	-	46,930	63,012
Lawyer referral service	-	84,046	-	84,046	82,734
Committee activities	-	42,029	-	42,029	33,550
<b>Total expenses</b>	<b>203,775</b>	<b>4,614,635</b>	<b>-</b>	<b>4,818,410</b>	<b>4,468,779</b>
<b>Change in net assets</b>	<b>\$ (7,968)</b>	<b>\$ (158,651)</b>	<b>\$ 32,759</b>	<b>\$ (133,860)</b>	<b>\$ 126,469</b>

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

**PHILADELPHIA BAR ASSOCIATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the years ended December 31, 2008 and 2007

	<u>Unrestricted</u>			<u>Total</u>
	<u>Sections</u>	<u>General Membership</u>	<u>Contingency</u>	
Balances, January 1, 2007	\$ 160,072	\$ 2,075,426	\$ 1,404,499	\$ 3,639,997
Change in net assets	(14,134)	117,735	22,868	126,469
Net asset transfers during year	-	(169,086)	169,086	-
Balances, December 31, 2007	145,938	2,024,075	1,596,453	3,766,466
Change in net assets	(7,968)	(158,651)	32,759	(133,860)
Net asset transfers during year	-	(224,810)	224,810	-
Balances, December 31, 2008	<u>\$ 137,970</u>	<u>\$ 1,640,614</u>	<u>\$ 1,854,022</u>	<u>\$ 3,632,606</u>

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

**PHILADELPHIA BAR ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (133,860)	\$ 126,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	224,810	169,086
Loss (gains) on investments	292,477	(45,881)
Changes in assets and liabilities:		
Prepaid expenses	(44,364)	8,537
Related party and other receivables	(21,837)	2,685
Accounts payable and accrued expenses	(97,567)	112,589
Deferred revenue	<u>(153,594)</u>	<u>(15,413)</u>
Net cash provided by operating activities	<u>66,065</u>	<u>358,072</u>
<u>Cash flows from investing activities</u>		
Purchases of equipment	(126,384)	(154,936)
Purchases of marketable securities	(528,233)	(743,395)
Sales of marketable securities	<u>538,559</u>	<u>624,717</u>
Net cash used in investing activities	<u>(116,058)</u>	<u>(273,614)</u>
(Decrease) increase in cash and equivalents	(49,993)	84,458
Cash and equivalents at beginning of year	<u>1,133,376</u>	<u>1,048,918</u>
Cash and equivalents at end of year	<u>\$ 1,083,383</u>	<u>\$ 1,133,376</u>
<u>Supplemental cash flow information:</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

Note 1 - Organization and Nature of Activities

The Philadelphia Bar Association (the Association), founded in 1802, is America's oldest continuing chartered bar association. It works to strengthen and unify the legal profession, promote professional development and improve the justice system. The Association's primary source of income is derived from annual membership dues.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The Association follows the principles of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has only one class of net assets, unrestricted, which has three elements described below in detail.

Unrestricted Net Assets

General Membership - unrestricted resources representing the portion of expendable funds that are available for support of program or general and administrative operations.

Sections - represents resources available for use by the following Sections organized by the Association:

- Family Law Section
- Section on Taxation
- Business Law Section
- Criminal Justice Section
- Probate and Trust Section
- Real Property Section
- Public Interest Section
- Section on Workers Compensation
- State Civil Litigation Section

Contingency - On June 25, 1992, the Association's Board of Governors voted to create a formal contingency reserve fund. The purpose of the fund is to provide for certain capital acquisitions and asset replacements.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

The Association also follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". The Association regularly receives contributed services from unpaid volunteer officers, committee members and others. However, under the provisions of SFAS No. 116, the value of these types of services is not required to be recognized in the financial statements.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Compensated Absences

The Association has a policy of compensating personnel who leave the employ of the Association for unused vacation time. It has been the policy not to reflect this contingent liability in the financial statements. The Association estimates that its liability for compensable vacation time amounted to approximately \$48,264 as of December 31, 2008.

Income Taxes

The Association has qualified for tax exemption under Section 501 (c) (6) of the Internal Revenue Code. The Association is subject to tax on income unrelated to the exempt purpose of the organization, which is not considered to be material.

Statement of Cash Flows

The Association utilizes the indirect method for reporting the increase or decrease in cash and cash equivalents as prescribed by Statement of Financial Accounting Standards No. 95. Cash equivalents are defined by the Association as short term, highly liquid investments with original maturities of less than twelve months.

Donated Services

As stated above, a significant portion of the Association's functions and activities are conducted by volunteer officers and committee members who are unpaid. The value of this contributed time is not required to be reflected in the accompanying financial statements and is not susceptible to objective measurement or valuation.

Membership Dues

Membership dues are recognized as revenue in the applicable membership period. Dues received in advance are recorded as deferred income.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

Note 2 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Leasehold Improvements, Office Equipment, Furniture and Fixtures

Leasehold improvements, office equipment, and furniture and fixtures are stated at cost less accumulated depreciation of \$728,575 at December 31, 2008. Depreciation is calculated by the straight-line method, based on the shorter of the estimated useful asset lives or lease term. Estimated useful lives are: leasehold improvements - 30 years; office equipment, furniture and fixtures - 5 to 10 years. The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000.

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/07</u>	<u>Depreciation Year end 12/31/08</u>	<u>Net book Value 12/31/08</u>
Leasehold Improvements	\$ 363,840	\$ 284,062	\$ 65,046	\$ 14,732
Equipment and Furniture	<u>599,428</u>	<u>219,703</u>	<u>159,764</u>	<u>219,961</u>
	<u>\$ 963,268</u>	<u>\$ 503,765</u>	<u>\$ 224,810</u>	<u>\$ 234,693</u>

Allowance for Doubtful Accounts Receivable

The Association recognizes doubtful accounts receivable by the use of the specific write-off method. Under this approach, an account is written off at the time it is definitely determined to be uncollectible. All accounts that were doubtful of collection as of December 31, 2008 have been written off.

Note 3 - Related Parties

The Association made direct cash contributions to Philadelphia VIP, Inc. in the amount of \$125,000 and to the Philadelphia Bar Foundation in the amount of \$15,358. In addition, the Association provides support services for these groups and the Homeless Advocacy Project, also a related party.

The Association was reimbursed a total of \$10,000 for services rendered to these 501 (c) (3) organizations during 2008.

**PHILADELPHIA BAR ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

Note 4 - Contributed Facilities

To provide a more realistic measurement of the cost of operations, the Association has recognized contributed facilities valued at \$345,000. The amount represents the estimated rental value of office space donated by the City of Philadelphia to the Association and its related charitable organizations.

The amount of contributed facilities recognized as income equals the amount expensed. Therefore there is no resultant effect on the change in net assets.

Note 5 - Pension Plan

The Association has a noncontributory defined contribution pension plan which covers all employees of the Association who meet a one-year minimum service requirement. Under the terms of the plan and depending on years of service, 8.5%, 10% or 13% of the participating employees' compensation is payable by the Association to the trustee of the plan. Total pension expense was \$134,400 in 2008.

Note 6 - Commitments and Contingencies

Effective beginning May 1, 2008, the Association entered into a four year facilities management agreement with a local company for reproduction and mailroom services. Certain specified leases in the name of the Association have been assumed by the service provider, as have all related maintenance contracts. The fees for equipment, maintenance and other services totaled \$83,846.

Note 7 - Investment in Marketable Securities

Investment assets consist primarily of securities traded on the national stock exchanges. Securities are stated at market value in the statement of financial position in the amount of \$787,055 while the cost of these investments is \$624,923.

Loss on investments totaled \$292,477 in 2008.

Note 8 - Concentration of Credit Risk

The Association maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2008, cash balances in excess of insured limits were \$84,040. Also, the Association maintains temporary cash investments with Merrill Lynch. Accounts at this institution are not insured by the Federal Deposit Insurance Corporation. Uninsured risk at December 31, 2008 was \$809,304. The Association has not experienced any losses from maintaining cash accounts which are not insured or are in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

Note 9 - Collection Items

The Association's collections are made up of portraits of well-known judges and lawyers, other art objects and historic documents and autographs and are stated at the most recent appraisal value. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections. The Association has no immediate plans to sell any of its collection items.

Note 10 - Prior Year Information

Certain financial statements contained herein include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.