

**DAVID G. FAW**  
CERTIFIED PUBLIC  
ACCOUNTANT

**PHILADELPHIA BAR ASSOCIATION**

**FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**PHILADELPHIA BAR ASSOCIATION  
TABLE OF CONTENTS  
December 31, 2009 and 2008**

	<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, 2008)	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10

**DAVID G. FAW**

CERTIFIED PUBLIC  
ACCOUNTANT

**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, 2009 and 2008 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, 2009. 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, 2008 financial statements and, in my report dated March 23, 2009, 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, 2009 and 2008, 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  
April 29, 2010

**PHILADELPHIA BAR ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and equivalents	\$ 1,160,672	\$ 1,083,383
Accounts receivable	29,245	25,570
Investment in marketable securities	877,370	697,025
Due from Philadelphia Bar Foundation	55,650	39,841
Due from Homeless Advocacy Project	625	-
Prepaid expenses	318,099	218,747
Property and equipment	152,276	234,693
Collection items	<u>1,733,500</u>	<u>1,733,500</u>
Total assets	<u>\$ 4,327,437</u>	<u>\$ 4,032,759</u>
 <u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 464,057	\$ 259,497
Deferred membership dues	79,053	140,656
Due to VIP	<u>2,150</u>	<u>-</u>
Total liabilities	<u>545,260</u>	<u>400,153</u>
 <u>Net assets</u>		
<u>Unrestricted</u>		
Custodial funds - sections	153,139	137,970
General membership fund	1,595,564	1,640,614
Contingency funds	<u>2,033,474</u>	<u>1,854,022</u>
Total unrestricted net assets	<u>3,782,177</u>	<u>3,632,606</u>
Total liabilities and net assets	<u>\$ 4,327,437</u>	<u>\$ 4,032,759</u>

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

**PHILADELPHIA BAR ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2009  
(with comparative totals for the year ended December 31, 2008)

	<u>Unrestricted</u>			<u>Total 2009</u>	<u>Total 2008</u>
	<u>Sections</u>	<u>General Membership</u>	<u>Contingency</u>		
<u>Revenue</u>					
Membership dues	\$ 85,249	\$ 2,368,852	\$ -	\$ 2,454,101	\$ 2,466,249
Lawyer referral service	-	515,936	-	515,936	532,781
Education programs	114,834	-	-	114,834	110,198
Publications	-	335,000	-	335,000	335,000
Interest and dividends	-	13,607	28,297	41,904	52,931
Gain (loss) on investments	-	137,230	-	137,230	(292,477)
Royalty income	-	545,000	-	545,000	545,000
Special events	-	262,512	-	262,512	328,754
Contributed facilities	-	275,000	-	275,000	345,000
Other income	-	259,348	-	259,348	261,114
<b>Total revenues</b>	<b>\$ 200,083</b>	<b>\$ 4,712,485</b>	<b>\$ 28,297</b>	<b>\$ 4,940,865</b>	<b>\$ 4,684,550</b>
<u>Expenses</u>					
Employee salaries and benefits	-	2,537,213	-	2,537,213	2,269,386
Office and administration	-	750,533	-	750,533	797,415
Contributed facilities	-	275,000	-	275,000	345,000
Other member services	-	332,491	-	332,491	363,422
Meeting services and special events	-	420,272	-	420,272	526,047
Education programs	184,914	-	-	184,914	203,775
Contributions	-	144,035	-	144,035	140,360
Communications	-	34,051	-	34,051	46,930
Lawyer referral service	-	83,879	-	83,879	84,046
Committee activities	-	28,906	-	28,906	42,029
<b>Total expenses</b>	<b>184,914</b>	<b>4,606,380</b>	<b>-</b>	<b>4,791,294</b>	<b>4,818,410</b>
<b>Change in net assets</b>	<b>\$ 15,169</b>	<b>\$ 106,105</b>	<b>\$ 28,297</b>	<b>\$ 149,571</b>	<b>\$ (133,860)</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, 2009 and 2008

	<u>Unrestricted</u>			<u>Total</u>
	<u>Sections</u>	<u>General Membership</u>	<u>Contingency</u>	
Balances, January 1, 2008	\$ 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	137,970	1,640,614	1,854,022	3,632,606
Change in net assets	15,169	106,105	28,297	149,571
Net asset transfers during year	-	(151,155)	151,155	-
Balances, December 31, 2009	<u>\$ 153,139</u>	<u>\$ 1,595,564</u>	<u>\$ 2,033,474</u>	<u>\$ 3,782,177</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 149,571	\$ (133,860)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	151,155	224,810
(Gains) loss on investments	(137,230)	292,477
Changes in assets and liabilities:		
Prepaid expenses	(99,352)	(44,364)
Related party and other receivables	(17,959)	(21,837)
Accounts payable and accrued expenses	204,560	(97,567)
Deferred revenue	(61,603)	(153,594)
Net cash provided by operating activities	<u>189,142</u>	<u>66,065</u>
<u>Cash flows from investing activities</u>		
Purchases of equipment	(68,738)	(126,384)
Purchases of marketable securities	(586,744)	(528,233)
Sales of marketable securities	<u>543,629</u>	<u>538,559</u>
Net cash used in investing activities	<u>(111,853)</u>	<u>(116,058)</u>
Increase (decrease) in cash and equivalents	77,289	(49,993)
Cash and equivalents at beginning of year	<u>1,083,383</u>	<u>1,133,376</u>
Cash and equivalents at end of year	<u>\$ 1,160,672</u>	<u>\$ 1,083,383</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, 2009**

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, 2009**

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 \$54,138 as of December 31, 2009.

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 three months.

Financial Instruments

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents and accounts receivable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

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.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009**

Membership Dues

Membership dues are recognized as revenue in the applicable membership period. Dues received in advance are recorded as deferred income. Dues are renewed annually based on a calendar year membership period.

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 \$729,766 at December 31, 2009. 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 12/31/08</u>	<u>Depreciation Year end 12/31/09</u>	<u>Net book Value 12/31/09</u>
Leasehold Improvements	\$ 363,840	\$ 349,107	\$ 14,733	\$ -
Equipment and Furniture	<u>518,202</u>	<u>229,504</u>	<u>136,422</u>	<u>152,276</u>
	<u>\$ 882,042</u>	<u>\$ 578,611</u>	<u>\$ 151,155</u>	<u>\$ 152,276</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, 2009 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 \$19,035. 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 \$15,000 for services rendered to these 501 (c) (3) organizations during 2009.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009**

Note 4 - Amended Occupancy Agreement

Effective July 1, 2009 and extending through August 31, 2016, the Association and the City of Philadelphia agreed to amend their existing occupancy agreement. Under the terms of the amendment the City will continue to pay rent and all operating expenses associated with the current occupancy (approximately 15,600 square feet). The Association agreed to pay the City an initial annual sum of \$140,000 as a contribution towards the City's primary lease obligations for the stated space. Annual increases in the Association's contribution are based on 50 cents per square foot or \$7,800 per year until expiration. Under this agreement, \$70,000 has been paid and booked to expense for the year ended December 31, 2009.

Future minimum payments over the next five years are as follows:

December 31, 2010	\$143,900
2011	151,700
2012	159,500
2013	167,300
2014	175,100

Note 5 - Contributed Facilities

To provide a more realistic measurement of the cost of operations, the Association has recognized contributed facilities valued at \$275,000 in 2009 and \$345,000 in 2008. 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 6 - 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 \$152,823 in 2009 and \$134,400 in 2008.

Note 7 - 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 \$96,524.

**PHILADELPHIA BAR ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009**

Note 8 – 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 \$877,730 while the cost of these investments is \$769,917.

Gain on investments totaled \$137,230 in 2009.

Note 9 - Concentration of Credit Risk

The Association maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2009, cash balances in excess of insured limits were \$14,100. 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, 2009 was \$988,569. 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.

Note 10 - 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 11 - 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, 2008, from which the summarized information was derived.