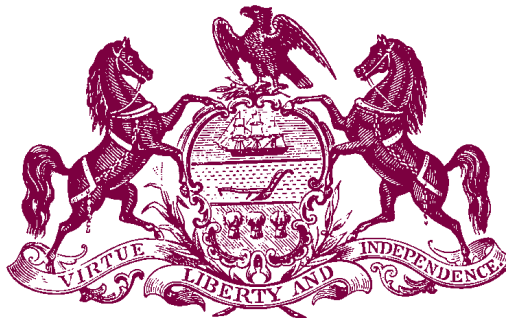


IOLTA

ANNUAL REPORT 2009



Supreme Court of Pennsylvania
Pennsylvania Interest on
Lawyers Trust Account Board

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WHO IS HELPED

The Pennsylvania IOLTA Board awards grants to legal services organizations, pro bono programs, and law schools which in turn provide a wide variety of civil legal assistance to those without the financial means to retain legal counsel. Below are glimpses into the type of help that is provided by these organizations and programs.

In early 2009, Legal Aid noticed a pattern of cases coming through its intake. The clients were all Spanish-speaking, and they were all complaining about their lease-purchase agreements. The paralegals noticed that even though there were several corporate names for the landlords, all of the rent payments were being made to the same address. Approximately 200 homes were “rented” to potential buyers through apparent lease-purchase agreements with the landlord. The clients came to Legal Aid because they had begun receiving notices from banks telling them to remit their payments to the banks, not the landlord. None of the notices acknowledged the lease-purchase arrangement and treated the clients as regular tenants. These buyers gave down payments, sometimes as high as \$10,000. They also put their own money into fixing up the properties to make them livable. What the buyers didn’t know was that there was only one landlord behind all of the arrangements and that the landlord took out mortgages on the improved properties for more than \$20 million dollars. The mortgages became delinquent, and the mortgage companies were moving to foreclose on the properties. All the while the unknowing buyers were dutifully making their “rent” payments to the landlord. Legal Aid convinced the court to appoint a receiver to collect rents and make needed repairs on the properties, arranged for the Sheriff’s Sale to be postponed, and arranged for a special conciliation conference in the Court’s mortgage diversion program scheduled for all of the properties.

Legal Aid had numerous cases this past year where clients with medical assistance were denied replacement wheelchairs despite medical necessity and the determination of vendors that chairs could not be repaired. One case in particular was compelling, involving a young man with cerebral palsy who had the same chair since he was a child. His parents had self repaired, duct taped it, and repaired it in other ways. The chair was not only broken but dangerous - it lunged and would stop operating and then the parents would have to push the chair (weighing over 300 pounds). The client also needed an elevating seat which was denied. After a hearing, the Administrative Law Judge denied the request. Upon further appeal by Legal Aid the Secretary of the Department of Public Welfare eventually approved the item.

An Amish family of 2 parents and 4 children moved to Indiana County in the hope of finding employment. Because of the need to pasture their horse which provided their only means of transportation the family had difficulty in finding a place to live. At the end of summer a place was found that appeared suitable except that the furnace was dismantled. The landlord promised to install the furnace before winter. In mid-October the weather became cold and the landlord was asked to hook up the furnace, but the landlord said it was not his responsibility. At the same time, the well which supplied the water to the household failed. When asked to correct the problem the landlord refused. The family stopped paying rent, and after two months had saved enough money to repair the well and get water into the house. The family again made repeated requests of the landlord to install and fix the furnace, but the landlord refused. The family had to use kerosene heaters, seal off rooms and reduce living space to try to stay warm. In the spring the landlord brought an action for the back rent and the family then sought help from Legal Aid. At a hearing before a magistrate the claim of the landlord for the rent was rejected because of his failure to make required repairs after appropriate notice.

THE PENNSYLVANIA IOLTA BOARD

The Pennsylvania IOLTA Board operates under the jurisdiction of the Supreme Court of Pennsylvania. Primarily, it collects and manages funds from several sources, and annually awards grants to non-profit organizations, law school clinical and internship programs, and pro bono programs that provide civil legal assistance to persons who cannot afford to engage private legal counsel. Pro bono is the provision of legal assistance for the public good, that is, the provision of service by the attorney without the expectation of a fee.

On July 17, 1996, the Supreme Court of Pennsylvania issued a directive that replaced the voluntary IOLTA program, which had been created by Act 59 of 1988, with its own mandatory IOLTA program. The Court's Pennsylvania Interest on Lawyers Trust Account Board (IOLTA Board) is governed by a nine member Board of Directors. All nine members are appointed by the Supreme Court of Pennsylvania. Each member is appointed to a three year term and no member may serve more than two consecutive three year terms. The Supreme Court appoints the Chairman. Members of the IOLTA Board at June 30, 2009 were:

Maureen P. Kelly, Esquire
Pittsburgh, PA
Chair

William P. Carlucci, Esquire
Williamsport, PA
Vice-Chair

Hubert X. Gilroy, Esquire
Carlisle, PA

James C. Schwartzman, Esquire
Philadelphia, PA

William T. Hangle, Esquire
Philadelphia, PA

Andrew Susko, Esquire
Philadelphia, PA

Penina Kessler Lieber, Esquire
Pittsburgh, PA

Hon. Margherita Patti Worthington
Stroudsburg, PA

Michael H. Reed, Esquire
Philadelphia, PA

GRANTS

LEGAL SERVICES ORGANIZATIONS.

Pennsylvania Legal Aid Network. The Pennsylvania IOLTA Board distributed \$12,474,000 or about 86% of the grant funds it had available for legal services organizations to the Pennsylvania Legal Aid Network (PLAN, Inc.), formerly Pennsylvania Legal Services, to supplement the funding of civil legal aid throughout the state. Of this amount, \$9,709,051 is derived from the Access to Justice Act, and \$2,764,949 from regular IOLTA funds. PLAN, Inc. is an administrative and support agency that also receives annually-appropriated Commonwealth and federal block grant funding through a contract with the Pennsylvania Department of Welfare. Except for funds to cover its own administrative and support budget, the PLAN, Inc. subcontracts all the funding to eight legal aid organizations that provide a full range of civil legal aid for the indigent and abused, and to six projects focused on specialized areas of the law, or on clients with special needs. This statewide network of organizations is referred to as the Pennsylvania Legal Aid Network (PLAN). For the fiscal year ended June 30, 2009, the PLAN, Inc. handled 95,576 cases, maintained 73 offices, employed 261 attorneys and 112 paralegals, and from all sources was funded at about \$47.7 million dollars. The PA IOLTA Board's funding administered through the PLAN, Inc. provided about 26% of the total annual financial support for the PLAN.

Zone Grants. The unmet civil legal needs of the poor are addressed not only by the PLAN, Inc. funded organizations described above, but also by other independent legal services organizations. These other organizations, which are located primarily in the urban areas of the Commonwealth, often target specific areas of the law, help particularly vulnerable client populations, or provide civil legal assistance which the PLAN organizations are restricted from providing because of governmental regulations. Because of their special focus, the organization leaders and supporters exhibit a unique passion for the missions of the organizations. Surveys of the American Bar Association have determined that only 20% of the civil legal needs of the poor are being addressed by legal services organizations and pro bono efforts of attorneys. The IOLTA Board's focus is to attract more support, financial and pro bono volunteers, to help close this gap. The uniqueness of the non-PLAN organizations attract additional support by rallying interest around their special issues or client populations.

Since the Board seeks to assure its grants are geographically disbursed, it provides project or special initiative grants to the PLAN organizations in the rural areas of the Commonwealth to balance the grants made to the non-PLAN organizations in the urban areas.

The Board has a "statewide" zone since some of the non-PLAN organizations offer their services to clients throughout the state. Some of the organizations use statewide toll free

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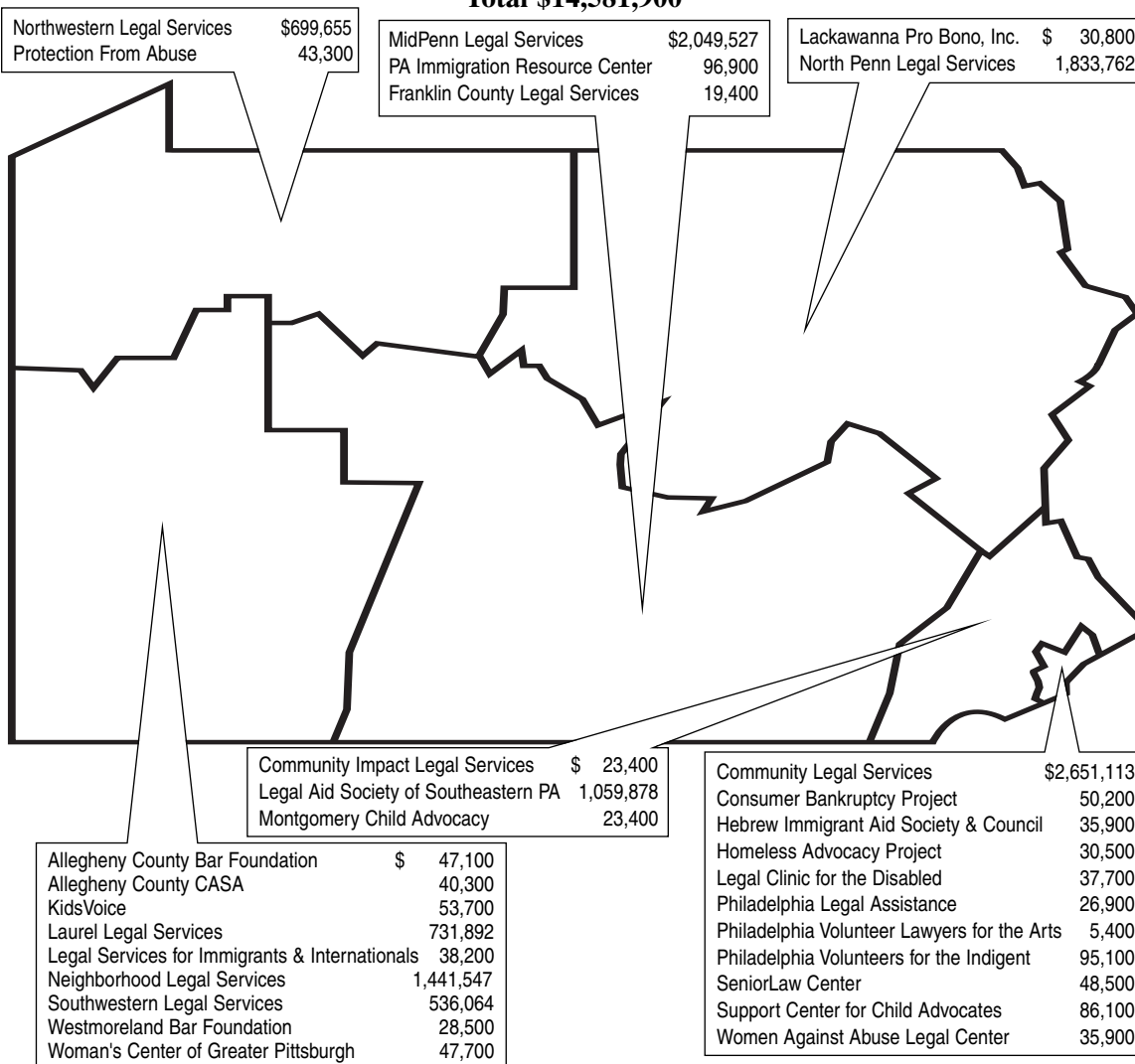
help-lines. Often, advice and counsel can be provided to callers, and if the particular issues of the caller meet the case acceptance criteria of the organization, the client will receive representation on their case, no matter where the caller lives, or where the organization is located.

In addition to general operational support of the non-PLAN organizations, several major themes of the IOLTA Board's zone grants were to support or expand the use of service area wide, or statewide, help-lines that make advice, counsel, and brief service available to low income persons in even the most remote areas of the state, and to assure the provisions of legal assistance to persons of limited English proficiency. Zone grants for the fiscal year ended June 30, 2009 totaled \$2,107,900.

(continued)

“Legal Services Organization Grants”

Total \$14,581,900



STATEWIDE			
AIDS Law Project	\$ 39,400	Juvenile Law Center	47,300
Community Justice Project	273,169	PA Health Law Project	247,270
Community Legal Services	85,705	PA Institutional Law Project	427,990
Disability Rights Network PA	55,100	PA Legal Aid Network	629,371
Education Law Center-PA	55,100	Public Interest Law Center	47,300
Equality Advocates	11,800	Regional Housing Legal Services	451,787
Friends of Farmworkers	262,270		

(continued)

Law Schools. Grants were made to each of the eight law schools operating in Pennsylvania to support clinical and/or internship programs that provided practical skills training for the law student, while also providing civil legal assistance to indigent persons. This allows the students to experience first-hand the dire circumstances many low income persons confront which can often be lessened by civil legal intervention. The exposure helps the students understand the special position attorneys hold in the justice system, and the necessity for all lawyers to provide pro bono services. Law schools must demonstrate that the grant funds are used to address a current civil legal need of the poor and for live-client or other real-life practice experience. The law school must also consult with local area programs that provide free or low-fee civil legal services to the poor, and demonstrate their own financial commitment to the programs funded by the IOLTA grant. Law school grants for the year totaled \$1,634,847.

Law Schools Grants

School of Law	I O L T A	F U N D E D
School of Law	Student Hours in Clinic/Represent	Staff/Faculty Hours in Rep. & Supervision
Pennsylvania State, Dickinson		
Family Law – Summer Session	69	129
Elderly Law	390	1,283
IOLTA Fellowships	4,816	810
Drexel University		
Civil Litigation Clinics	4,204	810
Pro Bono Projects	2,138	1,280
Duquesne University		
Unemployment Clinic	288	125
Civil and Family	2,237	558
Summer Fellowships	2,630	216
University of Pennsylvania		
Sparer Fellows	524	0
Civil Practice	524	387
Mediation	30	27
Transnational	391	294
University of Pittsburgh		
Civil Practice	2,169	336
NLSA Practicum (Use of L/A	1,128	750
Lawyering Process Super.)	742	189
Temple University		
Immigration	1,399	642
Family Law Litigation	1,000	572
Elderly Law Project	319	519
Legal Advocacy of Patients	303	374
Villanova University		
Civil Justice & Farmworkers	2,849	980
Legal Aid Externship	100	0
Widener University		
Civil Practice	<u>1,408</u>	<u>1,188</u>
	29,658	11,469

(continued)

Pro Bono Initiative. Pro Bono, as envisioned by this initiative, means the provision of legal assistance to indigent clients without the expectation of any fee for any service rendered by the attorney. Pro bono initiative grants were awarded to support non-profit organizations that provide the administrative and support structure for effort to mobilize pro bono volunteer attorneys. Pro bono initiative grants for the year totaled \$66,700.

Pro Bono Initiative Grants

	Grant Amount	Projected Volunteers
Blair County Bar Association Develop an organized pro bono outreach effort to increase pro bono participation in Blair County.	\$ 9,800	25
Chester County Bar Association Expand the number of pro bono attorneys available and to extend its outreach to the working poor in Chester County.	\$ 3,500	135
Community Legal Services Provide pro bono representation by attorneys from private firms to low-income Philadelphia tenants.	\$ 10,000	75
Franklin County Bar Association Expand the “Assisted Pro Se Program” to include child custody matters and to expand outreach to the low income Latino community.	\$ 8,900	75
Washington County Bar Association Increase the number of pro bono panelists and train attorney-volunteers in family law areas.	\$ 12,500	75
Pennsylvania Bar Association Administer statewide website tools to obtain pro bono requests and distribute them to a network of pro bono attorneys.	\$ 22,000	6,000

DEPOSITORY INSTITUTION HONOR ROLL

(As of November, 2009)

The **HIGHLIGHTED FINANCIAL INSTITUTIONS** are Platinum Leader Banks — institutions that go above and beyond eligibility requirements to foster the IOLTA Program. These institutions pay a net yield of 60 percent or more of the Federal Funds Target Rate on all PA IOLTA accounts (effective 1/1/09). They are committed to ensuring the success of the IOLTA program and increased funding for legal aid.

ABINGTON BANK

Adams County National Bank

AFFINITY BANK OF PENNSYLVANIA

Allegent Com. Federal Credit Union

Allegheny Valley Bank of Pittsburgh

Allegiance Bank of North America

Alliance Bank

Altoona First Savings Bank

Ambler Savings Bank

AMERICAN BANK

AMERISERV FINANCIAL

Apollo Trust Co.

Arc Federal Credit Union

Bancorp Bank (The)

Bank of America

Bank of Landisburgh

Beaver Valley Federal Credit Union

BELCO Community Credit Union

BENEFICIAL BANK

Berkshire Bank

BNY Mellon, N.A.

BRENTWOOD BANK

Brown Brothers Harriman & Co.

Bryn Mawr Trust Co.

Bucks County Bank

C & G Savings Bank

Cambria County Federal Savings & Loan Assoc.

Centra Bank

CENTRIC BANK

CHARLEROI FEDERAL SAVINGS BANK

Chemung Canal Trust Co.

Citibank, N.A.

Citizens and Northern Bank

Citizens Bank of Pennsylvania

Citizens National Bank - Myersdale

CITY NAT. BANK OF NEW JERSEY

Clarion County Community Bank

CLEARFIELD BANK & TRUST CO.

Clearview Federal Credit Union

CNB Bank

Coatesville Savings Bank

Colonial American Bank

Commercial Bank and Trust of Pennsylvania

Community Bank & Trust Co.

COMMUNITY BANK, N.A.

Community First Bank

Community National Bank of Northwestern PA

Community State Bank of Orbisonia

CONESTOGA BANK

Continental Bank

Dime Bank (The)

DNB First, N.A.

Dollar Bank

Eagle National Bank

EARTHSTAR BANK

East River Bank

East Stroudsburg Savings Assoc.

Elderton State Bank

Embassy Bank

Enterprise Bank

Ephrata National Bank (The)

ERIEBANK, a division of CNB Bank

ESB BANK, F.S.B.

ESQUIRE BANK

Eureka Bank

Farmers & Merchants Trust

Farmers & Merchants Bank of Western PA

FARMERS NATIONAL BANK

OF EMLENTON

Fidelity Bank

Fidelity Deposit & Discount Bank

FIFTH THIRD BANK

First Citizens National Bank

First Columbia Bank & Trust Co.

FIRST COMMONWEALTH BANK

First Cornerstone Bank

DEPOSITORY INSTITUTION HONOR ROLL

(As of November, 2009)

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First Federal of Bucks County
First Federal Savings & Loan Assoc.
of Greene County
FIRST FEDERAL SAVINGS BANK
First Keystone Bank
FIRST KEYSTONE NATIONAL BANK
First Liberty Bank & Trust
First Merit Bank, N.A.
**FIRST NATIONAL BANK &
TRUST CO. OF NEWTOWN**
**FIRST NATIONAL BANK OF
CHESTER COUNTY**
First National Bank of Fredericksburg
First National Bank of Marysville
First National Bank of Mercersburg (The)
First National Bank of Mifflintown (The)
**FIRST NATIONAL BANK OF
MINERSVILLE (THE)**
First National Bank of Palmerton (The)
First National Bank of Pennsylvania
First National Bank of Port Allegheny (The)
FIRST NATIONAL COMMUNITY BANK
First National Community Bank - Midland
First Niagara Bank
First Priority Bank
FIRST RESOURCE BANK
First Savings Bank of Perkasio
First Star Savings Bank
First Summit Bank
First United National Bank
Firsttrust Bank
Fleetwood Bank
FNB BANK, N.A.
Fox Chase Bank
Franklin Mint Federal Credit Union
FRANKLIN SECURITY BANK
FULTON BANK
Gateway Bank of Pennsylvania

Gratz National Bank (The)
GRAYSTONE TOWER BANK
Greenville Savings Bank
HALIFAX NATIONAL BANK
Hamlin Bank and Trust Co.
Harleysville National Bank
Harleysville Savings Bank
Herndon National Bank (The)
Home Savings & Loan Co.
Honesdale National Bank (The)
HSBC Bank of USA
HUNTINGDON VALLEY BANK
HUNTINGDON NATIONAL BANK
HYPERION BANK
Indiana First Savings Bank
Integrity Bank
Investment Savings Bank
Iron Workers Bank
Jersey Shore State Bank
Jim Thorpe National Bank
JONESTOWN BANK AND TRUST CO.
JUNIATA VALLEY BANK (THE)
Kish Bank
LAFAYETTE AMBASSADOR BANK
Landmark Community Bank
Luzerne National Bank
M & T Bank
Mainline National Bank
Malvern Federal Savings Bank
Marion Center Bank
Marquette Savings Bank
Mars National Bank (The)
Mauch Chunk Trust Co.
Mercer County State Bank
Merchants National Bank of Bangor (The)
Metro Bank
Mid Penn Bank
MIFFLINBURG BANK & TRUST CO.

DEPOSITORY INSTITUTION HONOR ROLL

(As of November, 2009)

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Milton Savings Bank	Somerset Trust Co.
Miners Bank	Sovereign Bank, FSB
MORE BANK	St. Edmonds Federal Savings Bank
MUNCY BANK & TRUST CO.	Standard Bank, PASB
National City Bank of Pennsylvania	Stonebridge Bank
National Penn Bank	SunTrust
Neffs National Bank (The)	Susquehanna Bank
New Century Bank	SWINEFORD NATIONAL BANK
New Tripoli Bank	TD BANKNORTH
NEXTIER BANK	TEAM CAPITAL BANK
North Penn Bank	Third Federal Bank
NORTHUMBERLAND NATIONAL BANK	Union Bank and Trust Co.
Northwest Savings Bank	UNION NATIONAL BANK
NOVA BANK	OF MOUNT CARMEL (THE)
OMEGA Federal Credit Union	Union National Community Bank
Orrstown Bank	United Bank of Philadelphia
PARKE BANK	United Savings Bank
Parkvale Bank	Unity Bank
Parkview Community Federal Credit Union	Univest National Bank & Trust Co.
PENN LIBERTY BANK	Valley Green Bank
Penn Security Bank & Trust Co.	VANTAGE POINT BANK
Pennstar Bank	Victory Bank
PeoplesBank, A Codorus Valley Co.	VIST Financial
Peoples National Bank	Wachovia
Peoples State Bank (The)	Washington Federal Savings Bank
Philadelphia Federal Credit Union	Wayne Bank
Phoenixville Federal Bank & Trust	WesBanco Bank
PNC Bank, N.A.	WEST MILTON STATE BANK
Prudential Savings Bank	West View Savings Bank
Public Savings Bank	William Penn Bank
QNB BANK	Wilmington Trust of PA
RELIANCE BANK	Woodlands Bank
Republic First Bank	Woori America Bank
Royal Bank America	
S & T Bank	
Scottdale Bank & Trust Co. (The)	
Sharon Savings Bank	
Slovenian Savings & Loan Assoc. of Franklin	

IOLTA FACTS AND FIGURES

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>
Attorney Participation					
Attorneys Licensed to Practice in Pennsylvania	61,100	60,678	60,530	58,422	57,084
Estimated Number of Attorneys Eligible to Participate	34,874	34,838	34,335	33,092	32,314
Attorneys Participating	31,083	30,732	30,148	29,113	28,236
Rate of Participation	89%	88%	88%	88%	87%
Compliant Non-participating Attys	3,220	3,551	3,730	3,775	3,854
Rate of Compliance		98%	99%	99%	99%
Estimated Eligible Non-Compliant Attorneys	571	600	457	205	224
Depository Institutions					
Participating Depository Institutions	216	219(c)	221	221	223
Bank Charges as a Percent of IOLTA Revenues	4%	3%	2%	3%	4%
Bank Reported Accounts	13,246	12,946	12,781	12,911	12,591
	<u>7/1/08 - 6/30/09</u>	<u>7/1/07 - 6/30/08</u>	<u>7/1/06 - 6/30/07</u>	<u>7/1/05 - 6/30/06</u>	<u>7/1/04 - 6/30/05</u>
Financial					
Revenues					
IOLTA	\$5,283,264	\$9,998,166	\$12,179,121	\$10,132,675	\$6,233,446
Access to Justice Act	\$8,858,922	\$9,413,589	\$9,690,273	\$10,112,786	\$7,488,907
Pro Bono Contributions	\$35,711	\$62,811	\$86,284	\$ 66,204	\$87,177
Pro Hac Vice	\$203,400	\$119,501			
Other	\$101,497	\$517,248	\$625,357	\$ 276,677	\$93,563
Grant Awards					
Legal Services Organizations	\$14,581,900	\$22,010,202	\$18,711,550	\$10,790,131	\$10,676,994
Law Schools	\$1,634,847	\$1,195,993	\$1,410,212	\$ 1,369,584	\$1,400,000
Pro Bono Initiative	\$66,700	\$58,468	\$101,374	\$58,608	\$54,700
Administrative Expenses	\$685,396	\$575,566	\$471,966	\$507,254	\$460,775
Eligible Clients Served *					
New Cases	22,072	30,372	27,224	19,519	17,006
Handled Cases	31,307	40,916	35,783	27,224	24,566

* Reflects the case data funded through the PLAN statewide system. Other services also funded by IOLTA are not reflected in the data.
(c) Corrected from original Reporting in 2008 Report.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pennsylvania Interest on Lawyers Trust Account Board
Harrisburg, Pennsylvania

We have audited the accompanying balance sheets of the Pennsylvania Interest on Lawyers Trust Account Board, a component unit of the Supreme Court of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennsylvania Interest on Lawyers Trust Account Board as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

September 29, 2009
Mechanicsburg, Pennsylvania



HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the Pennsylvania Interest on Lawyers Trust Account Board (IOLTA Board) is to provide an introduction and understanding of the basic financial statements of the IOLTA Board for the fiscal year ending June 30, 2009 with selected comparative information for the fiscal year ending June 30, 2008. This discussion has been prepared by management, is not audited; and should be read in conjunction with the financial statements and their notes, which follow this section.

An Interest on Lawyers Trust Account (IOLTA) Program exists in each state and the District of Columbia. In some states, the underlying authority for the program is a state statute; however, in most, it is by rule promulgated by the state's highest court. In Pennsylvania, the IOLTA Program was initially established by statute in 1989, but in 1996, the Supreme Court of Pennsylvania suspended the statute, assumed jurisdiction for the program in accordance with Pennsylvania's constitution, and made participation in the program mandatory by all eligible licensed Pennsylvania lawyers.

The concept of the IOLTA program is simple. Clients and others frequently transfer money to lawyers to hold. When the amount is large or if the funds will be held for an extended period of time, lawyers invest them for the benefit of the client or third party. However, when the funds are small or expected to be held for a short time, they cannot practically be invested to benefit the owner. Pennsylvania Rule of Professional Conduct (RPC) 1.15 requires lawyers to maintain nominal and short term fiduciary funds in interest-bearing IOLTA accounts at financial institutions. Lawyers who infrequently handle fiduciary funds can request an exemption from the IOLTA requirements of the RPC 1.15. The lawyer's bank transfers the interest earned on IOLTA accounts to the IOLTA Board. Upon approval by the Supreme Court of Pennsylvania, the IOLTA Board distributes the IOLTA funds raised to non-profit organizations, law school administered clinical and externship programs, and administration of justice projects all of which provide civil legal services free of charge to low-income and disadvantaged Pennsylvania residents.

Until the fiscal year ended June 30, 2003, the IOLTA Board's single major source of revenue had been the collection of interest earned on IOLTA accounts. Revenue generated by IOLTA accounts is dependent on the interest rate(s) credited by financial institutions on IOLTA accounts, service charges offset against the IOLTA interest, and the principal amount of funds maintained in the IOLTA accounts. Although IOLTA revenue can also be affected by the extent of lawyer compliance with the RPC 1.15, compliance is and has been nearly 100%.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Effective November 1, 2002, a second significant revenue source was established. A statute, Act 122 of 2002, a section of which is known as the Access to Justice Act (AJA), provides for the assessment and collection of a surcharge on all civil filings, as well as the recording of deeds and mortgages and their related filings, and criminal filings where a conviction or a guilty plea is obtained (see Note 5 to the financial statements). For the fiscal year ending June 30, 2009, \$8.9 million and for the fiscal year ending June 30, 2008 \$9.4 million of such charges were earmarked for the IOLTA Board's grants program targeted to civil legal services provided by non-profit legal aid organizations. The amount of the surcharge that is earmarked for the IOLTA Board is scheduled for legislative review before November 1, 2012 under a sunset provision of the statute.

Effective February 1, 2005, the Supreme Court of Pennsylvania required judicial officials of the Minor Judiciary to establish IOLTA-like accounts for their custodial accounts. The program is referred to as the Minor Judiciary Interest on Trust Accounts (MJ-IOTA) program. The MJ-IOTA program is similar to the IOLTA program. Judicial officials maintain custodial accounts to hold the collection of fees and fines, collateral and cash bonds, restitution for victims of crime and other similar amounts, until the funds are ultimately transferred to the owners. Essentially, all of the funds handled by the minor judiciary are qualified funds, that is, funds which are nominal in amount or will be held for a short period of time.

The IOLTA Board also receives some limited annual funding from voluntary contributions from lawyers. A solicitation is made for contributions to support the establishment or expansion of organized pro bono representation for indigent Pennsylvania residents by lawyers in private practice. Pro bono representation is the provision of legal assistance for the public good by lawyers without the expectation of a fee for the services.

Effective September 4, 2007, an admission fee of \$100 per case applicable to out-of-state attorneys who wished to appear in a Pennsylvania Court was established. The admission fee proceeds which average about \$16,950 monthly are dedicated to the mission of the IOLTA Board.

IOLTA BOARD'S ACTIVITY HIGHLIGHTS

National and other studies have concluded that only one of five indigent persons needing civil legal assistance actually receives the needed legal help. As a result, legal

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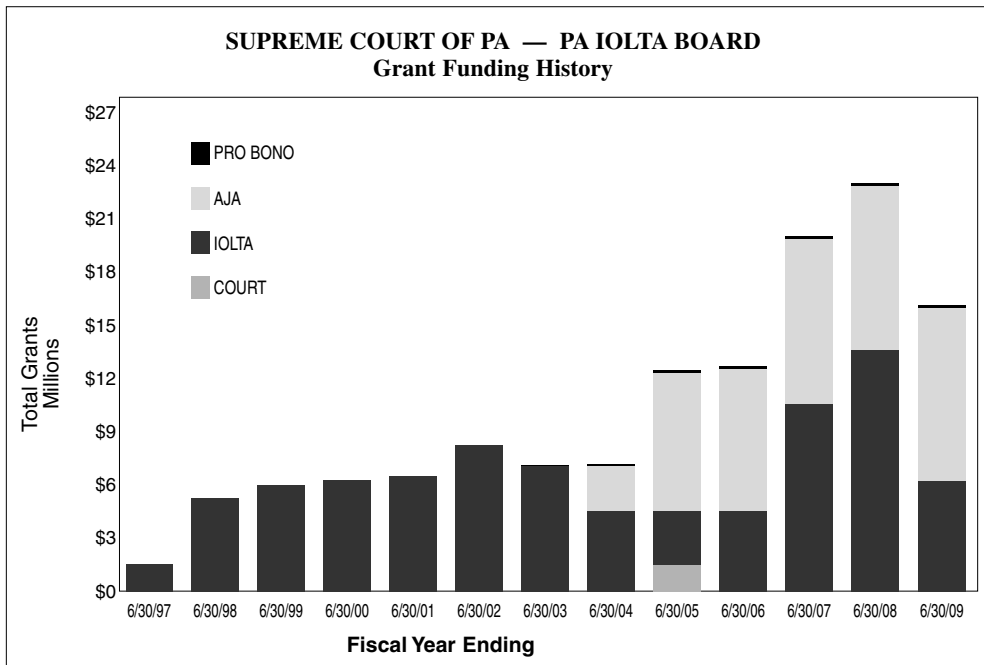
PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

assistance is often rationed to those whose needs are determined the greatest, such as victims of domestic violence, tenants and homeowners facing the loss of housing, and families facing the loss of income.

All of the IOLTA Board's grants are directed to maintaining and increasing the access to and provision of civil legal assistance for Pennsylvania residents who need civil legal help, but who cannot afford to pay for the assistance of a lawyer. An additional objective of its grants to law schools and pro bono programs is to instill a public service, pro bono ethic in the law students and lawyer participants of the programs.

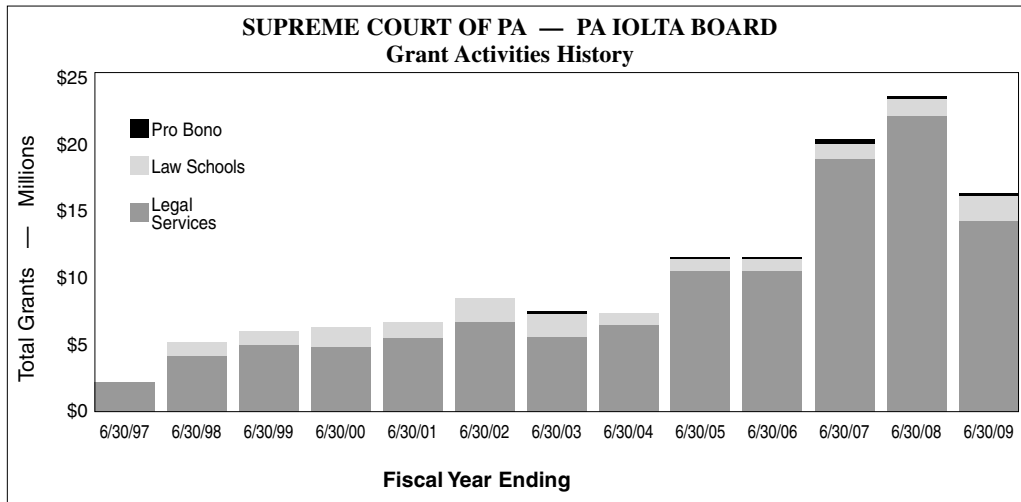
The IOLTA Board also seeks to increase the amount of revenue it has available for such grants. Finally, the IOLTA Board monitors lawyer compliance with the IOLTA requirements of RPC 1.15.



(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008



Overall Grant Activities

Since the inception of the IOLTA Board in Pennsylvania through June 30, 2009, about \$147.2 million of grants have been awarded (about \$131.6 million of which was awarded while the IOLTA Board was under the jurisdiction of the Supreme Court – see graph). As can be observed from the graph displaying the grant funding history, while the IOLTA Board was under the jurisdiction of the Supreme Court, grants have generally increased over the years. Significantly reduced interest rates, however, have caused a 30% reduction in grants this year.

Since the IOLTA Board came under the jurisdiction of the Supreme Court of PA, most grants, \$115.1 million, have gone to legal services organizations, almost \$16 million to law school clinical and externship programs, and about \$454,700 to establish or expand pro bono efforts.

These grants over the years have been funded \$83.5 million from the IOLTA funding stream, \$46.2 million from the AJA fees, \$1.6 million from Court funding, and \$.5 million from private contributions (see graph on preceding page).

Revenue Enhancement

As a result of the unprecedented low interest rates paid on IOLTA accounts and their effect on grants to legal aid programs, on April 2, 2009, the Supreme Court of

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Pennsylvania amended RPC 1.15 to require each actively licensed Pennsylvania attorney to pay an additional \$25 per year to support the mission of the IOLTA program. Those payments which will be received in the next fiscal year are expected to total approximately \$1.5 million annually.

Attorney Compliance

Each year, the IOLTA Board notifies approximately 1,500 newly licensed Pennsylvania lawyers of their IOLTA responsibilities. Additionally, each year, the IOLTA Board compares escrow account information lawyers report to the Disciplinary Board of the Supreme Court of Pennsylvania attempting to locate IOLTA accounts established by lawyers at their financial institutions but which are not being reported to the IOLTA Board by the financial institutions. Contact also is made with lawyers who report escrow accounts that should be established as IOLTA accounts, but which have not yet been so established by the lawyer.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

COMMENTS ON FINANCIAL STATEMENTS

Condensed financial data extracted from the basic financial statements for the fiscal years ended June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Capital assets	\$ 101,298	\$ 65,606
Other assets	<u>15,738,373</u>	<u>18,115,714</u>
Total assets	<u>\$ 15,839,671</u>	<u>\$ 18,181,320</u>
Total current liabilities	<u>\$ 506,215</u>	<u>\$ 361,815</u>
Invested in capital assets	101,298	65,606
Restricted net assets	10,004,356	10,965,358
Unrestricted net assets	<u>5,227,802</u>	<u>6,788,541</u>
Total net assets	<u>15,333,456</u>	<u>17,819,505</u>
Total liabilities and net assets	<u>\$ 15,839,671</u>	<u>\$ 18,181,320</u>
IOLTA interest, net of service charges	\$ 5,283,264	\$ 9,998,166
Access to Justice fees	<u>8,858,921</u>	<u>9,413,589</u>
Total operating revenues	<u>14,142,186</u>	<u>19,411,755</u>
Program administration	<u>685,396</u>	<u>575,566</u>
Grant awards		
Legal service organizations	14,581,900	22,010,202
Law schools	1,634,847	1,195,993
Pro bono grants	<u>66,700</u>	<u>58,468</u>
Total grant awards	<u>16,283,447</u>	<u>23,264,663</u>
Total operating expenses	<u>16,968,843</u>	<u>23,840,228</u>
Total non-operating revenues	<u>340,608</u>	<u>699,560</u>
Change in net assets	(2,486,049)	(3,728,914)
Net assets - July 1	<u>17,819,505</u>	<u>21,548,419</u>
Net assets - June 30	<u>\$ 15,333,456</u>	<u>\$ 17,819,505</u>

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Financial Statement Overview

As between the reported years, grants were reduced by about \$7 million, or 30%. The reductions resulted primarily because of reduced revenues of about \$5.3 million. Most of the revenue reduction is attributable to steeply reduced interest rates paid on IOLTA accounts because of the recessionary economy. As between the years, IOLTA revenues are down \$4.7 million or 47%. To fully fund the grants that were awarded required the use of \$2.5 million from accumulated net assets.

Legal Services Organization Grants

Grants totaling \$14,581,900 and \$22,010,202 were awarded in fiscal years ended June 30, 2009 and 2008 to thirty-seven non-profit organizations that facilitate and/or provide civil legal assistance to the indigent and disadvantaged residents of Pennsylvania. The largest grant this past year, over \$12.4 million, was awarded to Pennsylvania Legal Aid Network, Inc. which is an administrative and support organization that oversees a statewide system of legal aid programs (the Pennsylvania Legal Aid Network) which is staffed by poverty law lawyers. That grant sought to provide general and specialized civil legal assistance in over 37,109 cases for indigent persons in Pennsylvania.

Direct grants were made to some of the organizations of the Pennsylvania Legal Aid Network targeted to increase the access to civil legal help by assisting the organizations to implement and maintain region-wide telephone "help lines". Help lines make use of a toll-free number that callers from the area served by the program can use to seek legal assistance. After financial eligibility for service is determined, callers requiring direct representation are routed to the appropriate service office to schedule an appointment. Clients needing legal advice are immediately transferred to lawyers and paralegals staffing the telephone help line. Other grants were awarded to defend mortgage foreclosure cases, combat predatory lending practices, and to defend against sub prime credit card abuses for low-income consumers. Another project funded with an IOLTA grant provided outreach to the Hispanic community to focus specifically on public benefits education and advocacy.

Grants were also awarded to civil legal service organizations that are specially organized to represent the homeless, disabled, victims of abuse, elderly, or to provide specialized legal help for education, immigration, bankruptcy and other areas.

Law School Clinics and Internship Programs

Grants were awarded to each of the eight Pennsylvania law schools to help fund clinical programs that provide practical, supervised representational experiences for law

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

students, as well as, civil legal help for the indigent. The total IOLTA grant awards to the law schools, net of refunds of grant under-spending from prior years, were \$1,634,847 and \$1,195,993 in fiscal years ended June 30, 2009 and 2008. Each of the Pennsylvania law schools received a grant of at least \$200,000. Fourteen clinics operated by the law schools received IOLTA grant support. IOLTA support for a clinic ranges from a low of 4% of the total cost of operating the clinic, to 100% of the costs for some externship programs. At one law school, the IOLTA grant helped it initiate a farm workers' clinic, the first of its kind in the United States. At another school, the IOLTA funding helped it initiate an immigration law clinic. Externships at poverty law offices were also planned for students who will provide civil legal representation under the supervision of experienced poverty law practitioners. The law students and faculty planned to spend about 36,000 hours in the direct representation of indigent clients in the fiscal year ending June 30, 2009.

Pro Bono Initiative

This year organized pro bono programs were funded in six counties and one statewide effort at the level of \$66,700. The grants were expected to help mobilize nearly 6,400 lawyer volunteers to provide civil legal assistance for the indigent.

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

BALANCE SHEETS
JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
Current Assets		
Cash and Cash Equivalents	\$ 5,237,163	\$ 6,721,828
Deferred Compensation Asset (Note 9)	56,111	44,547
Accounts Receivable		
IOLTA Interest	441,727	727,531
Access to Justice	9,961,304	10,523,634
Other	2,908	88,555
Prepaid Expenses	10,888	9,619
Note Receivable (Note 10)	28,272	-
Total Current Assets	15,738,373	18,115,714
Capital Assets (Note 3)	233,736	175,256
Less – Accumulated Depreciation (Note 3)	(132,438)	(109,650)
Total Capital Assets	101,298	65,606
Total Assets	\$ 15,839,671	\$ 18,181,320

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	304,769	197,414
Accrued Expenses	145,335	119,854
Deferred Compensation Liability (Note 9)	56,111	44,547
Total Current Liabilities	506,215	361,815
Net Assets		
Unrestricted to IOLTA Program	4,799,460	6,532,610
Invested in Capital Assets	101,298	65,606
Restricted to Access to Justice Program	10,004,356	10,965,358
Unrestricted to Pro Bono	105,441	136,430
Unrestricted to Pro Bono Hac Vice	322,901	119,501
Total Net Assets	15,333,456	17,819,505
Total Liabilities and Net Assets	\$ 15,839,671	\$ 18,181,320

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenue		
IOLTA Interest, Net of Service Charges of \$215,053 and \$277,604	\$ 5,283,264	\$ 9,998,166
Access to Justice Fees	8,858,922	9,413,589
Total Operating Revenue	14,142,186	19,411,755
Operating Expenses		
Program Administration	685,396	575,566
Grant Awards		
Legal Service Organizations	14,581,900	22,010,202
Law Schools	1,634,847	1,195,993
Pro Bono Grants	66,700	58,468
Total Grant Awards	16,283,447	23,264,663
Total Operating Expenses	16,968,843	23,840,229
Operating Income (Loss)	(2,826,657)	(4,428,474)
Non-Operating Revenue		
Pro Bono Initiative Contributions	35,711	62,811
Pro Hac Vice	203,400	119,501
Other Interest and Service Charges, Net	101,497	517,248
Total Non-Operating Revenue	340,608	699,560
Change in Net Assets	(2,486,049)	(3,728,914)
Net Assets, Beginning of Year	17,819,505	21,548,419
Net Assets, End of Year	\$ 15,333,456	\$ 17,819,505

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
IOLTA Interest Received	\$ 5,537,370	\$ 10,288,313
Access to Justice Fees Received	9,421,252	9,727,130
Other Cash Receipts	85,647	(82,158)
Cash Paid to Grant Recipients	(16,283,447)	(23,264,663)
Cash Paid to Suppliers	(110,006)	(13,407)
Cash Paid to Employees	(406,045)	(325,858)
Net Cash and Cash Equivalents Used by Operating Activities	(1,755,229)	(3,670,643)
Cash Flows from Non-Capital Financing Activities		
Pro Bono Initiative Contributions	35,711	62,811
Pro Hac Vice	203,400	119,501
Other Interest and Service Charges, Net	101,497	517,248
Net Cash and Cash Equivalents Provided by Non-Operating Activities	340,608	699,560
Cash Flows from Investing Activities		
Purchase of Investments for Deferred Compensation Asset	(11,564)	(14,345)
Acquisitions of Capital Assets	(58,480)	(66,239)
Net Cash and Cash Equivalents Used by Investing Activities	(70,044)	(80,584)
Decrease in Cash and Cash Equivalents	(1,484,665)	(3,051,667)
Cash and Cash Equivalents, Beginning of Year	6,721,828	9,773,495
Cash and Cash Equivalents, End of Year	\$ 5,237,163	\$ 6,721,828
Reconciliation of Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Operating Income	\$ (2,826,657)	\$ (4,428,474)
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Depreciation Expense	22,788	15,632
Changes in Assets and Liabilities:		
Accounts Receivable	905,509	521,530
Prepaid Expenses	(1,269)	(834)
Accounts Payable	107,355	167,353
Accrued Expenses	37,045	54,150
Net Cash and Cash Equivalents Used by Operating Activities	\$ (1,755,229)	\$ (3,670,643)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The IOLTA program was established by statute (P.L. 373, No. 59) on April 29, 1988. The statute permitted attorneys to establish IOLTA accounts for qualified funds they handled. On July 17, 1996, the Supreme Court of Pennsylvania suspended the statute and amended Rule 1.15 of the Pennsylvania Rules of Professional Conduct which governs Pennsylvania attorneys' handling of fiduciary funds. The amendment requires that substantially all Pennsylvania attorneys place all fiduciary funds they handle in interest-bearing accounts and that the interest earned inure to the benefit of clients, qualifying third parties, or is given to the IOLTA program. Effective September 1, 1996, the Pennsylvania Interest on Lawyers Trust Account Board (the Board) was established to administer this program through a nine-member Board, all of whom are appointed by the Supreme Court.

Reporting Entity

The Board's financial statements present the financial position and results of operations of the Board only. The Board does not exercise oversight responsibility for any other organization. It is a component unit of the judicial branch of the Commonwealth of Pennsylvania.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Board are prepared in accordance with generally accepted accounting principles. The Board applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Board does not apply FASB pronouncements issued after November 30, 1989.

The Board's financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements under the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Grants

The amendment to the Pennsylvania Rules of Professional Conduct requires that IOLTA interest be used for the following purposes: 1) delivery of civil legal assistance to the poor and disadvantaged in Pennsylvania by non-profit corporations described in Section 501(c)(3) of the Internal Revenue Code; 2) educational legal clinical programs and internships administered by law schools located in Pennsylvania; 3) administration and development of the IOLTA program in Pennsylvania; and 4) the administration of justice in Pennsylvania. Grants are generally awarded on an annual basis and grant payments are disbursed on a semi-annual or quarterly basis. Grants are expensed at the inception of the specified grant period.

Capital Assets

Capital assets consisting of furniture, equipment, computer software, and leasehold improvements are recorded at cost. Depreciation policies reflect the use of the straight-line method with useful lives of three, five and seven years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from the renewals or betterments.

Net Assets

Net assets are classified in the following three components: invested in capital assets; restricted and unrestricted. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted consists of net assets for which constraints are placed thereon by regulations and enabling legislation, less any related liabilities. Unrestricted consists of the net assets of the Board, which are not restricted for any project or other purpose.

Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverage in fiscal year 2009. There were no significant claims in the current year or the two prior years.

Tax Status

The Board is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and from Commonwealth of Pennsylvania corporate taxes.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

2. CASH AND CASH EQUIVALENTS

Under statute, the Board's deposits must be held in insured depositories. The Board may also invest in direct obligations of the U.S. Government and agencies thereof. The Board follows the policy of holding cash deposits in demand deposit and money market accounts of Pennsylvania financial institutions.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to them. The Board does not have a deposit policy for custodial credit risk. Protection of Board cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets.

The carrying amounts of the Board's deposits were \$5,237,163 and \$6,721,828, and the bank balances were \$5,256,919 and \$6,857,354, for the years ended June 30, 2009 and 2008, respectively.

Total balances are covered by federal depository insurance or by the pledge of securities which provide adequate collateral under provisions of Act No. 72.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

3. CAPITAL ASSETS

Capital assets activity for the year ended June 20, 2009 was as follows:

Capital Assets	
Furniture and Equipment	\$ 117,521
Software	112,016
Leasehold Improvements	<u>4,199</u>
Total Capital Assets	<u>233,736</u>
Less: Accumulated Depreciation	<u>(132,438)</u>
Capital Assets, Net	<u>\$ 101,298</u>

Capital assets activity for the year ended June 20, 2008 was as follows:

Capital Assets	
Furniture and Equipment	\$ 65,732
Software	105,325
Leasehold Improvements	<u>4,199</u>
Total Capital Assets	<u>175,256</u>
Less: Accumulated Depreciation	<u>(109,650)</u>
Capital Assets, Net	<u>\$ 65,606</u>

Depreciation expense of \$22,788 and \$15,632 was recorded for the years ended June 30, 2009 and 2008, respectively.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

4. IOLTA REVENUE AND GRANT EXPENSES

Lawyers throughout Pennsylvania have established special interest-bearing IOLTA accounts with their local depository institutions for funds received by the lawyers in a fiduciary capacity which can not practically be invested to benefit the owner of the funds. The depository institutions transfer IOLTA interest earnings, net of service charges, to the Board. The Board uses these funds to make grants to not-for-profit corporations which operate in Pennsylvania, whose primary purpose is to provide civil legal services without charge to eligible clients. The Board can also provide grants to law schools in Pennsylvania for educational legal clinical programs and internships, and administration of justice. All of the Board's grants are directed to the provision of civil legal services for the poor and disadvantaged. Total grants awarded by the Board, net of rescissions, amounted to \$16,283,447 and \$23,264,663, during the years ended June 30, 2009 and 2008, respectively.

During March 2009, the Board recommended, and during May 2009, the Supreme Court of Pennsylvania approved, a total of \$5,233,000 in grants for the grant year July 1, 2009 through June 30, 2010, which included \$3,598,000 in grants to Pennsylvania legal services organizations and \$1,635,000 in grants in Pennsylvania law school clinical and internships programs.

5. ACCESS TO JUSTICE REVENUE AND GRANT EXPENSES

With the passage of Act 122 in 2002, an additional fee of \$10, starting November 1, 2002, was authorized to be charged and collected by prothonotaries, clerks of courts, clerks of orphans' courts, registers of wills, recorders of deeds, and the minor judiciary including district justices, Philadelphia Municipal Court, Philadelphia Traffic Court, and Pittsburgh Magistrates Court, on certain civil and criminal courthouse filings. In criminal matters the additional fee is collected if a conviction is obtained or a guilty plea is entered. Proceeds from the additional fees are transferred by the collecting authority to the Pennsylvania Department of Revenue for deposit into either the Judicial Computer System Augmentation Account (JCSAA) or the Access to Justice Account (AJA). The split of the collections between the two accounts is as follows:

<u>Fiscal Years Ending June 30:</u>	<u>JCSAA</u>	<u>AJA</u>
2004	85%	15%
2005	85%	15%
2006	80%	20%
2007 and Thereafter	80%	20%

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

5. ACCESS TO JUSTICE REVENUE AND GRANT EXPENSES *(continued)*

The AJA is scheduled to sunset on November 1, 2012. Funds in the AJA are distributed annually to the Pennsylvania Interest on Lawyers Trust Account Board for the provision of civil legal assistance for the Commonwealth's poor. The Board earned collections totaling \$8,858,922 and \$9,413,589 relating to the AJA during the years ended June 30, 2009 and 2008, respectively, of which \$8,853,117 and \$9,421,251 was available for appropriation for the years ended June 30, 2009 and 2008, respectively.

During March 2009, the Board recommended, and during May 2009, the Supreme Court of Pennsylvania approved, \$9,431,500 in grants to Pennsylvania Legal Aid Network, Inc. for the grant period July 1, 2009 through June 30, 2010.

6. PRO BONO INITIATIVE CONTRIBUTIONS AND GRANT EXPENSES

In June 2001, the Chief Justice of the Supreme Court of Pennsylvania asked lawyers licensed to practice law in Pennsylvania to voluntarily contribute at least \$50 each to help fund the infrastructure necessary for organized county-based pro bono programs. The Board received contributions totaling \$35,711 and \$62,811 as a result of the appeal during the years ended June 30, 2009 and 2008, respectively. Grants to pro bono programs (included in amounts in Note 4) by the Board totaled \$66,700 and \$58,468 during the years ended June 30, 2009 and 2008, respectively.

During March 2009, the Board recommended, and during May 2009, the Supreme Court of Pennsylvania approved \$56,550 in Pro Bono grants for the grant period July 1, 2009 through June 30, 2010.

7. LEASES

The Board leases office space in Harrisburg under a three-year operating lease. Lease expense amounted to \$24,696 and \$ 23,716, for the years ended June 30, 2009 and 2008, respectively.

8. RETIREMENT PLAN

The Board sponsors a 403(b) retirement plan for employees. There were employer contributions of \$38,530 and \$34,312 to the plan for the years ended June 30, 2009 and 2008, respectively.

9. DEFERRED COMPENSATION PLAN

During the year ended June 30, 2004, the Board entered into a deferred compensation agreement with the Executive Director. The deferred compensation is to be paid to the

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Executive Director or his heirs in three substantially equal annual installments equal to the fair market value of the assets in the Rabbi Trust as of that date. The Board has funded \$56,111 and \$44,547 for the agreement as of June 20, 2009 and 2008, respectively.

10. NOTE RECEIVABLE

During the year ended June 30, 2009, a settlement was reached with a participating lawyer for past interest owed. The settlement was in the form of a note receivable in the amount of \$86,933, with an initial payment of \$30,000 due by December 31, 2008. Starting in January 2009, there would be monthly payments of \$5,000 which includes principal and interest of 6%. The principal amount due is \$28,272 as of June 30, 2009.

Interest received on this note totaled \$1,339 during the year ended June 30, 2009.

11. PRO HAC VICE ADMISSIONS

One June 29, 2007, the Supreme Court of Pennsylvania established an admission fee for out-of-state attorneys who wished to make an appearance in a Pennsylvania court. The out-of-state attorneys are not licensed to practice in Pennsylvania, and pro hac vice (PHV) admission allows them to make a limited appearance. PHV is a Latin term meaning “for this particular occasion.” The regulations of the IOLTA Board require each attorney to pay \$100 for each case for which pro hac vice admission is sought. The admission fee covers the attorney for the case for its proceedings in Pennsylvania courts, including through appeals. The PHV proceeds are used to cover the costs of administering the PHV admission process and to supplement the funding of non-profit organizations that provide civil legal assistance to the indigent and disadvantaged, or for similar purposes as authorized by the Supreme Court of Pennsylvania.

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

DETAILED SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	General	Access to Justice	Pro Bono Initiative	Pro Hac Vice	Property	Total 2009	Total 2008
Operating Revenue							
IOLTA Interest, Net of Service Charges of \$215,053 and \$277,604	\$ 5,283,264	\$ -	\$ -	\$ -	\$ -	\$ 5,283,264	\$ 9,998,166
Access to Justice Fees	<u>-</u>	<u>8,858,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,858,922</u>	<u>9,413,589</u>
Total Operating Revenue	<u>5,283,264</u>	<u>8,858,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,142,186</u>	<u>19,411,755</u>
Operating Expenses							
Program Administration	<u>510,962</u>	<u>151,646</u>	<u>-</u>	<u>-</u>	<u>22,788</u>	<u>685,396</u>	<u>575,566</u>
Grant Awards							
Legal Service Organizations	4,872,849	9,709,051	-	-	-	14,581,900	22,010,202
Law Schools	1,634,847	-	-	-	-	1,634,847	1,195,993
Pro Bono Grants	<u>-</u>	<u>-</u>	<u>66,700</u>	<u>-</u>	<u>-</u>	<u>66,700</u>	<u>58,468</u>
Total Grant Awards	<u>6,507,696</u>	<u>9,709,051</u>	<u>66,700</u>	<u>-</u>	<u>-</u>	<u>16,283,447</u>	<u>23,264,663</u>
Total Operating Expenses	<u>7,018,658</u>	<u>9,860,697</u>	<u>66,700</u>	<u>-</u>	<u>22,788</u>	<u>16,968,843</u>	<u>23,840,229</u>
Operating Income (Loss)	<u>(1,735,394)</u>	<u>(1,001,775)</u>	<u>(66,700)</u>	<u>-</u>	<u>(22,788)</u>	<u>(2,826,657)</u>	<u>(4,428,474)</u>
Non-Operating Revenue							
Pro Bono Initiative Contributions	-	-	35,711	-	-	35,711	62,811
Pro Hac Vice	-	-	-	203,400	-	203,400	119,501
Other Interest and Service Charges, Net	<u>47,858</u>	<u>53,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,497</u>	<u>517,428</u>
Total Non-Operating Revenue	<u>47,858</u>	<u>53,639</u>	<u>35,711</u>	<u>203,400</u>	<u>-</u>	<u>340,608</u>	<u>699,560</u>
Change in Net Assets	<u>(1,687,536)</u>	<u>(948,136)</u>	<u>(30,989)</u>	<u>203,400</u>	<u>(22,788)</u>	<u>(2,486,049)</u>	<u>(3,728,914)</u>
Reclassification of Net Assets							
Acquisition of Property	(45,614)	(12,866)	-	-	58,480	-	-
Net Assets, Beginning of Year	<u>6,532,610</u>	<u>10,965,358</u>	<u>136,430</u>	<u>119,501</u>	<u>65,606</u>	<u>17,819,505</u>	<u>21,548,419</u>
Net Assets, End of Year	<u>\$ 4,799,460</u>	<u>\$ 10,004,356</u>	<u>\$ 105,441</u>	<u>\$ 322,901</u>	<u>\$ 101,298</u>	<u>\$ 15,333,456</u>	<u>\$ 17,819,505</u>

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

SCHEDULE OF PROGRAM ADMINISTRATION EXPENSES AND PROPERTY ACQUISITIONS – BUDGET & ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	Budget (Unaudited)	General	Access to Justice	Property	Total
Program Administration Expenses					
Personnel					
Wages	\$ 337,700	\$ 246,685	\$ 74,445	\$ -	\$ 321,130
Fringe Benefits	<u>133,600</u>	<u>96,444</u>	<u>25,516</u>	<u>-</u>	<u>121,960</u>
Total Personnel	<u>471,300</u>	<u>343,129</u>	<u>99,961</u>	<u>-</u>	<u>443,090</u>
Operating Expenses					
Advertising	1,600	5,862	1,653	-	7,515
Consultants & Contract Services	79,300	63,835	24,761	-	88,596
Office Supplies	14,000	13,068	3,686	-	16,754
Postage	10,000	6,623	1,868	-	8,491
Printing and Publications	23,000	11,656	878	-	12,534
Rent	26,000	19,263	5,433	-	24,696
Telephone	8,500	5,377	1,517	-	6,894
Travel & Meetings	28,000	18,599	5,246	-	23,845
Depreciation	7,000	-	-	22,788	22,788
Insurance	9,000	5,913	1,668	-	7,581
Equipment Maintenance	10,500	11,237	3,170	-	14,407
Other	<u>2,700</u>	<u>6,400</u>	<u>1,805</u>	<u>-</u>	<u>8,205</u>
Total Operating Expenses	<u>219,600</u>	<u>167,833</u>	<u>51,685</u>	<u>22,788</u>	<u>242,306</u>
Total Program Administration Expenses	<u>\$ 690,900</u>	<u>\$ 510,962</u>	<u>\$ 151,646</u>	<u>\$ 22,788</u>	<u>\$ 685,396</u>
Property Acquisitions					
Furniture, Equipment & Leaseholds Purchased	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,480</u>	<u>\$ 58,480</u>

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

SCHEDULES OF GRANT RECIPIENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Legal Service Organizations		
Aids Law Project	\$ 39,400	\$ 50,000
Allegheny County Bar Foundation	47,100	110,000
CASA of Allegheny County	40,300	60,000
Community Impact Legal Services	23,400	35,000
Community Legal Services of Philadelphia	64,700	82,100
Consumer Bankruptcy Assistance Project	50,200	66,400
Disability Rights Network of PA	55,100	70,000
Education Law Center	55,100	70,000
Equality Advocates Pennsylvania	11,800	15,000
Franklin County Legal Services	19,400	20,065
HIAS & Council Migration Services of Philadelphia	35,900	92,000
Homeless Advocacy Project	30,500	47,000
Juvenile Law Project	47,300	60,000
Kids Voice	53,700	80,000
Lackawanna Pro Bono, Inc.	30,800	46,100
Laurel Legal Services, Inc.	64,400	-
Legal Aid of Southeastern PA	119,400	178,700
Legal Clinic for the Disabled, Inc.	37,700	50,000
Legal Services of Immigrants and Internationals	38,200	38,100
Mid-Penn Legal Services	168,500	249,000
Montgomery Child Advocate Project	23,400	35,000
Neighborhood Legal Services Association	64,400	24,124
North Penn Legal Services	292,000	414,000
Northwestern Legal Services	69,300	99,100
PA Immigration Resource Center	96,900	180,000
Pennsylvania Legal Aid Network, Inc.	12,474,000	18,883,265
Philadelphia Legal Assistance Center, Inc.	26,900	35,000
Philadelphia Volunteer Lawyers for the Arts	5,400	5,000
Philadelphia Volunteers for the Indigent Program	95,100	135,000
Protection from Abuse Coordinated Services, Inc.	43,300	60,000
Public Interest Law Center of Philadelphia	47,300	60,000
Senior Law Center	48,500	135,000
Southwestern PA Legal Services	64,300	287,900
Support Center Child Advocates	86,100	117,000
Westmoreland Bar Foundation	28,500	42,500
Women Against Abuse Legal Center	35,900	47,000
Women's Center & Shelter Civil Law Project	47,700	30,848
	\$ 14,581,900	\$ 22,010,202

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

SCHEDULES OF GRANT RECIPIENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Law Schools		
Pennsylvania State University – Dickinson School of Law	\$ 200,000	\$ 200,000
Drexel University, Earle Mack School of Law	165,000	45,000
Duquesne University School of Law	207,108	12,970
Temple University, Beasley School of Law	200,000	200,000
University of Pennsylvania School of Law	262,739	138,023
University of Pittsburgh School of Law	200,000	200,000
Villanova University School of Law	200,000	200,000
Widener University School of Law	200,000	200,000
 Total Law Schools	 1,634,847	 1,195,993
 Pro Bono Grants		
Blair County Bar Association	9,800	-
Chester County Bar Association	3,500	5,500
Franklin County Bar Association	8,900	9,968
Lackawanna Pro Bono, Inc.	-	7,000
Pennsylvania Bar Association	22,000	20,000
Philadelphia Bar Foundation	-	10,000
Philadelphia – Tenant Assistance Project	10,000	-
Venago County Bar Association		1,500
Washington County Bar Association	12,500	12,500
Wayne County Bar Association	-	(8,000)
 Total Pro Bono Grants	 66,700	 58,468
 Total Grant Awards	 \$ 16,283,447	 \$ 23,264,663