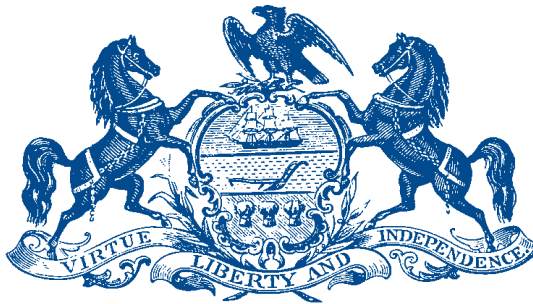


IOLTA

ANNUAL REPORT 2010



Supreme Court of Pennsylvania
Pennsylvania Interest on
Lawyers Trust Account Board

P.O. Box 62445
Harrisburg, Pennsylvania 17106-2445
(717) 238-2001 • FAX (717) 238-2003
www.paiolta.org

TABLE OF CONTENTS

	<i>Page</i>
Who is Helped	1
The PA IOLTA Board	2
Grants	
Legal Services Organizations	3
Law Schools	6
Pro Bono Initiative	7
Depository Institutions	8
Facts and Figures	11
Audited Financial Statements	12
Including Annual Highlights	

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.

A 36 year old woman, her husband and 6 children resided in a home that was being foreclosed upon. The client fell behind because she became disabled and had applied for, but had not received social security prior to the foreclosure action being filed. She is now receiving social security benefits. The foreclosure complaint was wholly inadequate and preliminary objections were prepared and filed with the court by Legal Aid. Because the client later had some means to pay the mortgage she was advised to seek a loan modification. As argument on the preliminary objections approached, counsel for the bank agreed to allow the objections to be continued while a workout was in progress. An agreement was reached to withdraw the objections, with the condition that they could be re-filed if the loan modification did not go through. The loan modification was finally approved and the foreclosure was settled and discontinued. The clients kept their house and remained in their home to raise their children.

Legal Aid represented Ms. M, a 77 year old woman who requires a motorized wheelchair to move around her apartment which is in a Housing Authority building for the elderly and disabled. She had extreme difficulty leaving and entering the building through its doorways and had gotten no response to her complaints from the Housing Authority. On Ms. M's behalf, Legal Aid requested a reasonable accommodation and negotiated with staff members of the Housing Authority as well as the Housing Authority's Executive Director and legal counsel. Through Legal Aid's efforts and with the support of the Housing Authority, they obtained funding and completed a new entranceway, complete with remote controlled access so that the elderly, disabled woman can easily enter or leave her home.

Mr. J is an 82-year-old veteran who served in the Korean War in the Army's last segregated infantry division, While serving in combat, Mr. J suffered frost bite and was evacuated to a hospital in Japan, As he became older, Mr. J developed severe arthritis and deformations of the hands and feet which are characteristic results of the injuries. He applied for service-connected disability benefits, but was denied. The VA informed him that his medical records had been destroyed in a fire in the early 1970s, so there was no evidence that he had ever suffered an injury while in service.

Mr. J, had been forced to retire early from his construction laborer jobs because of his arthritis. He was living on a small Social Security benefit. His mortgage had been in foreclosure and he was unable to fix the serious plumbing problems that sometimes caused water to flow down the walls of his row home. Over a period of several years, Mr. J had unsuccessfully pursued several levels of appeal without any legal representation, By the time he came to Legal Aid, his case had reached the Court of Veterans' Appeals, where attorney fees are greatly limited. Legal Aid successfully got the case remanded for a new determination and gathered evidence from his medical providers to show that he was in fact entitled to benefits. Mr. J was thrilled to receive retroactive veterans' benefits. Now that Mr. J is receiving veterans' benefits, his monthly income has nearly tripled and he has access to a wider array of health care services.

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, 2010 were:

William P. Carlucci, Esquire
Williamsport, PA
Chair

Michael H. Reed, Esquire
Philadelphia, PA
Vice-Chair

Michele Goldfarb, Esquire
Philadelphia, 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

Bryan S. Neft, Esquire
Pittsburgh, PA

GRANTS

LEGAL SERVICES ORGANIZATIONS.

Pennsylvania Legal Aid Network. The Pennsylvania IOLTA Board distributed \$11,707,667 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, \$9,998,967 is derived from the Access to Justice Act, and \$1,708,700 from other IOLTA administered 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, 2010, the PLAN, Inc. handled 95,118 cases, maintained 73 offices, employed 266 attorneys and 112 paralegals, and from all sources was funded at about \$49.2 million dollars. The PA IOLTA Board's funding administered through the PLAN, Inc. provided about 24% 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

(continued)

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, the IOLTA Board's zone grants supported specialized legal service delivery efforts to targeted groups of people such as those most affected by the recession, non-English speaking communities, and victims of domestic violence. Zone grants for the fiscal year ended June 30, 2010 totaled \$1,883,464.

(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 \$1,630,251.

Law Schools Grants

School of Law	<u>I O L T A F U N D E D</u>	
	Student Hours in Client Representation	Staff/Faculty Hours in Rep. & Supervision
Pennsylvania State University, Dickinson		
Family Law Clinic	130	81
Elderly Law Clinic	2,571	2,989
IOLTA Fellowships	2,779	500
Drexel University		
Civil Litigation Clinics	4,222	893
Pro Bono Projects	5,841	3,208
Duquesne University		
Unemployment Compensation Clinic	702	264
Civil and Family Justice Law Clinic	899	506
Summer Public Interest Fellowships	2,675	471
University of Pennsylvania		
Sparer Summer Fellowship Program	226	1
Civil Practice Clinic	532	389
University of Pittsburgh		
Elderly Law Clinic	1,541	141
Health Law Clinic	1,463	247
NLSA Practicum	1,162	880
SPLAS Practicum	855	190
Temple University		
Immigration Law Externship	832	456
Family Law Litigation	1,049	517
Elderly Law Project	446	600
Legal Advocacy of Patients	471	432
Villanova University		
Civil Justice & Farmworkers Clinic	3,684	1,321
Legal Aid Externships	101	0
Widener University		
Civil Law Clinic	1,793	924
	33,974	15,010

(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 \$36,393.

Pro Bono Initiative Grants

	Grant Amount	Projected Volunteers
Blair County Bar Association Return of unspent funds from 2008-2009.	\$ (5,157)	n/a
Chester County Bar Association Continued to offer free CLE programs for attorneys accepting pro bono cases and developed a pro bono section on their website.	\$ 5,000	129
Monroe County Bar Association Offered a free CLE/Pro Bono conference on Creditor's Rights and Foreclosure Proceedings for attorneys accepting pro bono cases.	\$ 2,500	25
Pennsylvania Bar Association Administered statewide website tools to manage pro bono requests and distribute them to a network of pro bono attorneys. Additionally, 25 one day mini-clinics with pro bono lawyers were held.	\$ 22,050	6,000
Washington County Bar Association Trained attorney-volunteers in family law areas in exchange for taking a case pro bono.	\$ 12,000	70

DEPOSITORY INSTITUTION HONOR ROLL

(As of December, 2010)

The **HIGHLIGHTED FINANCIAL INSTITUTIONS** are PLATINUM LEADER BANKS — institutions that go above and beyond eligibility requirements to foster the goals of the IOLTA Program. These institutions pay a net yield of the higher of 1 percent or 75 percent of the Federal Funds Target Rate. 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 Landisburg

Beaver Valley Federal Credit Union

BELCO Community Credit Union

BENEFICIAL BANK

Berkshire Bank

BNY Mellon, N.A.

BRENTWOOD BANK

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

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

Customers USA 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)

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 December, 2010)

The **HIGHLIGHTED FINANCIAL INSTITUTIONS** are PLATINUM LEADER BANKS — institutions that go above and beyond eligibility requirements to foster the goals of the IOLTA Program. These institutions pay a net yield of the higher of 1 percent or 75 percent of the Federal Funds Target Rate. They are committed to ensuring the success of the IOLTA program and increased funding for legal aid.

First Federal of Bucks County
First Federal Savings & Loan Assoc.
of Greene County
FIRST FEDERAL SAVINGS 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
Firstrust 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 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 Bank of Bangor (The)
Metro Bank
Mid Penn Bank
MIFFLINBURG BANK & TRUST CO.
Milestone Bank

DEPOSITORY INSTITUTION HONOR ROLL

(As of December, 2010)

The **HIGHLIGHTED FINANCIAL INSTITUTIONS** are PLATINUM LEADER BANKS — institutions that go above and beyond eligibility requirements to foster the goals of the IOLTA Program. These institutions pay a net yield of the higher of 1 percent or 75 percent of the Federal Funds Target Rate. They are committed to ensuring the success of the IOLTA program and increased funding for legal aid.

Milton Savings Bank

Miners Bank

MORE BANK

MUNCY BANK & TRUST CO.

National Penn Bank

Neffs National Bank (The)

New Tripoli Bank

NEXTIER BANK

North Penn Bank

NORTHUMBERLAND NATIONAL BANK

Northwest Savings Bank

NOVA BANK

OMEGA Federal Credit Union

Orrstown Bank

PARKE BANK

Parkvale Bank

Parkview Community Federal Credit Union

PENN LIBERTY BANK

Penn Security Bank & Trust Co.

Pennstar Bank

PeoplesBank, A Codorus Valley Co.

Peoples Neighborhood Bank

Peoples State Bank (The)

Philadelphia Federal Credit Union

Phoenixville Federal Bank & Trust

PNC Bank, N.A.

Prudential Savings Bank

Public Savings Bank

QNB BANK

RELIANCE BANK

Republic First Bank

Royal Bank America

S & T Bank

Scottdale Bank & Trust Co. (The)

Sharon Savings Bank

Slovenian Savings & Loan Assoc. of Franklin

Somerset Trust Co.

Sovereign Bank, FSB

St. Edmonds Federal Savings Bank

Standard Bank, PASB

Stonebridge Bank

SunTrust

Susquehanna Bank

SWINEFORD NATIONAL BANK

TD BANK

TEAM CAPITAL BANK

Third Federal Bank

Union Bank and Trust Co.

UNION NATIONAL BANK

OF MOUNT CARMEL (THE)

Union National Community Bank

United Bank of Philadelphia

United Savings Bank

Unity Bank

Univest National Bank & Trust Co.

Valley Green Bank

VANTAGE POINT BANK

Victory Bank

VIST Financial

Wachovia

Washington Financial Bank

Wayne Bank

WesBanco Bank

WEST MILTON STATE BANK

West View Savings Bank

William Penn Bank

WILMINGTON TRUST FSB

Woodlands Bank

Woori America Bank

York Traditions Bank

IOLTA FACTS AND FIGURES

	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>
Attorney Participation					
Attorneys Licensed to Practice in Pennsylvania	62,257	61,100	60,678	60,530	58,422
Estimated Number of Attorneys Eligible to Participate	34,572	34,874	34,838	34,335	33,092
Attorneys Participating	30,846	31,083	30,732	30,148	29,113
Rate of Participation	89%	89%	88%	88%	88%
Compliant Non-participating Attys	3,085	3,220	3,551	3,730	3,775
Rate of Compliance	98%	98%	98%	99%	99%
Estimated Eligible Non-Compliant Attorneys	641	571	600	457	205
Depository Institutions					
Participating Depository Institutions	214	216	219(c)	221	221
Bank Charges as a Percent of IOLTA Revenues	5%	4%	3%	2%	3%
Bank Reported Accounts	13,658	13,246	12,946	12,781	12,911
	<u>7/1/09 - 6/30/10</u>	<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>
Financial					
Revenues					
IOLTA	\$4,091,718	\$5,283,264	\$9,998,166	\$12,179,121	\$10,132,675
Access to Justice Act	\$9,368,177	\$8,858,922	\$9,413,589	\$9,690,273	\$10,112,786
Pro Bono Contributions	\$49,537	\$35,711	\$62,811	\$86,284	\$ 66,204
Pro Hac Vice	\$260,300	\$203,400	\$119,501		
Attorney Assessment	\$1,507,300	-	-	-	-
Other	\$37,208	\$101,497	\$517,248	\$625,357	\$ 276,677
Grant Awards					
Legal Services Organizations	\$13,591,131	\$14,581,900	\$22,010,202	\$18,711,550	\$10,790,131
Law Schools	\$1,630,251	\$1,634,847	\$1,195,993	\$1,410,212	\$ 1,369,584
Pro Bono Initiative	\$36,393	\$66,700	\$58,468	\$101,374	\$58,608
Administrative Expenses	\$633,544	\$685,396	\$575,566	\$471,966	\$507,254
Eligible Clients Served *					
New Cases	16,565	22,072	30,372	27,224	19,519
Handled Cases	23,878	31,307	40,916	35,783	27,224

* 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 financial statements of the governmental activities 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, 2010 and 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Pennsylvania Interest on Lawyers Trust Account Board as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 17 and 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 15, 2010

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, 2010 AND 2009

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, 2010 with selected comparative information for the fiscal year ending June 30, 2009. This discussion which 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 funds of clients in interest-bearing IOLTA accounts at approved financial institutions. Lawyers who infrequently handle clients' 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, 2010 AND 2009

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, 2010, \$8.5 million and for the fiscal year ending June 30, 2009 \$8.9 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. On October 9, 2009, the governor signed into law a temporary increase in the filing fee surcharge known as the Access to Justice Act (AJA). An additional \$1 was added to the existing surcharge on all civil filings, as well as the recording of deeds and mortgages and their related filings, and criminal filings where a conviction, guilty plea or Accelerated Rehabilitative Disposition (ARD) is obtained. However, unlike the regular AJA surcharge, the \$1 additional temporary surcharge is not applied to traffic citations. For the fiscal year ending June 30, 2010, \$900,000 of temporary surcharges were earmarked for the IOLTA Board. Annually, the temporary fee is anticipated to generate approximately \$2.9 million. The temporary fee was implemented December 9, 2009 and will expire in 25 months, on January 8, 2012. The combined regular plus the temporary surcharge raised \$9.4 million during the fiscal year ending June 30, 2010.

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.

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 currently average about \$21,700 monthly are used to fund a Loan Repayment Assistance Program (LRAP) that provides forgivable loans to eligible attorneys employed by qualified legal services organizations. The loans are forgiven if the attorney remains employed in qualified employment.

(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Effective April 2, 2009, Rule of Professional Conduct 1.15 was amended to increase the annual attorney registration fee assessment by \$25, with the increased amount dedicated to help fund the mission of the IOLTA Board. The increase was implemented with the 2009-2010 assessment year, and raises approximately \$1.5 million annually. The funding is available to the IOLTA Board until further order of the Court directs otherwise.

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.

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 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.

Overall Grant Activities

Since the inception of the IOLTA Board in Pennsylvania through June 30, 2010, about \$162.5 million of grants have been awarded (about \$146.8 million of which was

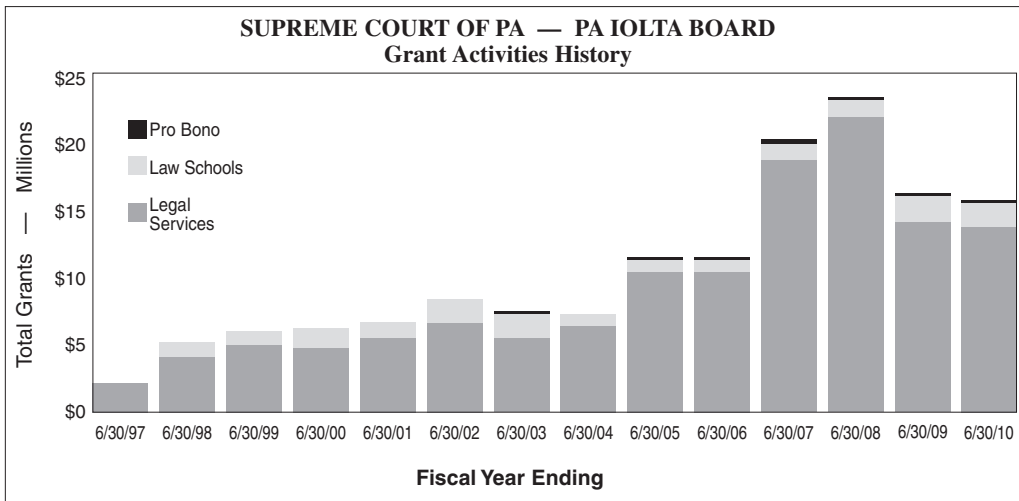
(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

awarded while the IOLTA Board was under the jurisdiction of the Supreme Court). 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 as a result of the “great recession of 2008” however, have caused a significant reduction in grants in recent years.



Since the IOLTA Board came under the jurisdiction of the Supreme Court of PA, most grants, \$128.7 million, have gone to legal services organizations, almost \$17.6 million to law school clinical and externship programs, and about \$491,100 to establish or expand pro bono efforts.

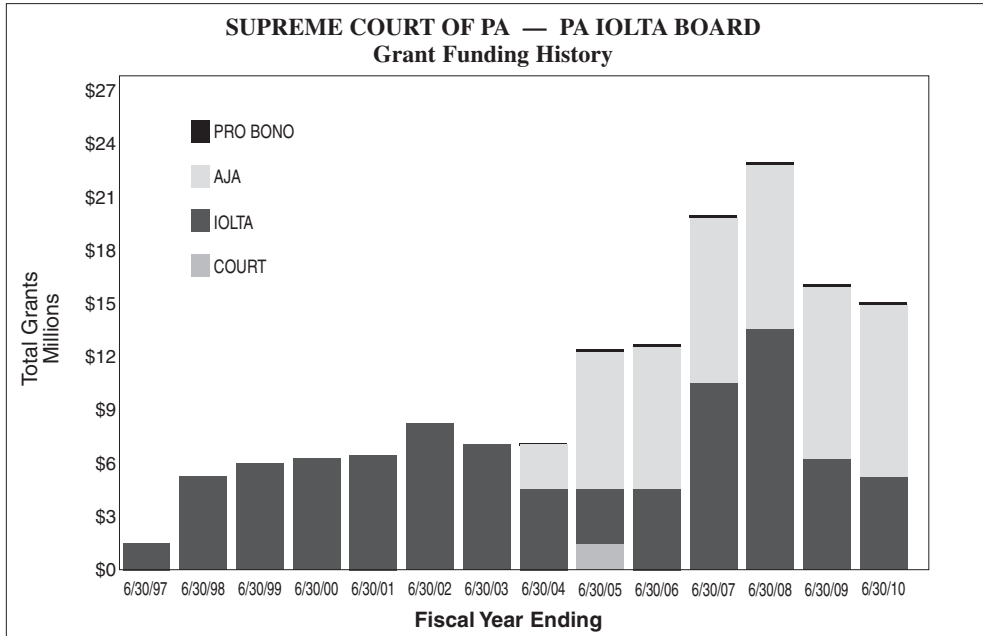
These grants over the years have been funded \$87.3 million from the IOLTA funding stream, \$56.2 million from the AJA fees, \$2.9 million from Court funding, and \$.5 million from private contributions (see Grant Funding History graph).

(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009



Revenue Enhancement

The Pennsylvania legislature passed, and the governor signed, a temporary increase in the filing fee surcharge which helps fund civil legal assistance. The statute was implemented December 9, 2009 and will expire in 25 months, January 8, 2012. During the six months of the current fiscal year about \$900,000 was received from the new, temporary filing fee surcharge.

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)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

COMMENTS ON FINANCIAL STATEMENTS

Condensed financial data extracted from the basic financial statements for the fiscal years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Capital assets	\$ 92,280	\$ 101,298
Other assets	<u>14,934,157</u>	<u>15,738,373</u>
Total assets	<u>\$ 15,026,437</u>	<u>\$15,839,671</u>
Total current liabilities	\$ 270,060	\$ 506,215
Invested in capital assets	92,280	101,298
Restricted net assets	9,256,665	10,004,356
Unrestricted net assets	<u>5,407,432</u>	<u>5,227,802</u>
Total net assets	<u>14,756,377</u>	<u>15,333,456</u>
Total liabilities and net assets	<u>\$ 15,026,437</u>	<u>\$15,839,671</u>
IOLTA interest, net of service charges	\$ 4,091,718	\$ 5,283,264
Access to Justice fees	9,368,177	8,858,922
Total operating revenues	<u>13,459,895</u>	<u>14,142,186</u>
Program administration	<u>633,544</u>	<u>685,396</u>
Grant awards		
Legal service organizations	13,591,131	14,581,900
Law schools	1,630,251	1,634,847
Pro bono grants	<u>36,393</u>	<u>66,700</u>
Total grant awards	<u>15,257,775</u>	<u>16,283,447</u>
Total operating expenses	<u>15,891,319</u>	<u>16,968,843</u>
Total non-operating revenues	<u>1,854,345</u>	<u>340,608</u>
Change in net assets	(577,079)	(2,486,049)
Net assets - July 1	<u>15,333,456</u>	<u>17,819,505</u>
Net assets - June 30	<u>\$ 14,756,377</u>	<u>\$15,333,456</u>

(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Financial Statement Overview

As between the reported years, grants were reduced by about \$1 million, or about 6%. This represents the second consecutive year of grant reductions. The reduction resulted primarily because of reduced IOLTA revenues of about \$1.1 million attributable to steeply reduced interest rates paid on IOLTA accounts because of the recessionary economy.

Legal Services Organization Grants

Grants totaling \$13,591,131 and \$14,581,900 were awarded in fiscal years ended June 30, 2010 and 2009 to thirtyseven non-profit organizations that facilitate and/or provide civil legal assistance to the indigent and disadvantaged residents in Pennsylvania. The largest grant this past year, \$11,707,667 million, was awarded to the 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 23,875 cases for indigent persons in Pennsylvania.

Direct grants were made to some of the organizations of the Pennsylvania Legal Aid Network for special projects aimed at increasing access to legal assistance in targeted legal areas. For example, recession-related legal services focused on unemployment compensation, food stamp and utility shut-off issues and improved access to Temporary Aid to Needy Families (TANF) benefits. A Consumer Law Team defended mortgage foreclosure cases, combated other forms of abusive, predatory lending such as payday lending and refund anticipation loans, and defended against sub prime credit card abuses for low-income consumers. Another project served the broad range of civil legal needs for newcomers (refugees) to the northeast region of the state, including direct representation and community legal education.

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 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 \$1,630,251 and \$1,634,847 in fiscal years ended June 30, 2010 and 2009. Each of the Pennsylvania law

(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

schools received a grant of at least \$200,000. Fourteen clinics operated by the law schools received IOLTA grant support. IOLTA support for each clinic ranges from 2% to 94% of the total cost of operating the clinic. Many of the law schools offer externships at poverty law offices for students to provide civil legal representation under the supervision of experienced poverty law practitioners. IOLTA funding supports these externship opportunities, as well. One law school uses the IOLTA grant to fund pro bono projects that support the school's requirement that all students complete at least 50 hours of pro bono service before graduation. At another school, the IOLTA funding supports an award winning unemployment compensation clinic. The law students spent about 34,000 hours in the direct representation of indigent clients in the fiscal year ending June 30, 2010.

Pro Bono Initiative

This year organized pro bono programs were funded in three counties and one statewide effort at the level of \$36,393, net of refunds of grant under-spending from prior years. The grants were expected to help mobilize nearly 6,250 lawyer volunteers to provide civil legal assistance for the indigent.

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

BALANCE SHEETS
JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets		
Cash and Cash Equivalents		
Restricted to Access to Justice Program	\$ 7,083,197	\$ 43,052
Unrestricted	5,170,868	5,194,111
Deferred Compensation Asset (Note 9)	87,886	56,111
Accounts Receivable		
IOLTA Interest	409,897	441,727
Access to Justice	2,171,615	9,961,304
Other	6,076	2,908
Prepaid Expenses	4,618	10,888
Note Receivable (Note 10)	-	28,272
Total Current Assets	14,934,157	15,738,373
Capital Assets (Note 3)	204,894	233,736
Less – Accumulated Depreciation (Note 3)	(112,614)	(132,438)
Total Capital Assets	92,280	101,298
Total Assets	\$ 15,026,437	\$ 15,839,671

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 24,180	\$ 304,769
Accrued Expenses	157,994	145,335
Deferred Compensation Liability (Note 9)	87,886	56,111
Total Current Liabilities	270,060	506,215
Net Assets		
Unrestricted to IOLTA Program	4,705,646	4,799,460
Invested in Capital Assets	92,280	101,298
Restricted to Access to Justice Program	9,256,665	10,004,356
Unrestricted to Pro Bono	118,585	105,441
Unrestricted to Pro Hac Vice	583,201	322,901
Total Net Assets	14,756,377	15,333,456
Total Liabilities and Net Assets	\$ 15,026,437	\$ 15,839,671

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, 2010 and 2009

	2010	2009
Operating Revenue		
IOLTA Interest, Net of Service Charges of \$219,831 and \$215,053	\$ 4,091,718	\$ 5,283,264
Access to Justice Fees	9,368,177	8,858,922
Total Operating Revenue	13,459,895	14,142,186
Operating Expenses		
Program Administration	633,544	685,396
Grant Awards		
Legal Service Organizations	13,591,131	14,581,900
Law Schools	1,630,251	1,634,847
Pro Bono Grants	36,393	66,700
Total Grant Awards	15,257,775	16,283,447
Total Operating Expenses	15,891,319	16,968,843
Operating Income (Loss)	(2,431,424)	(2,826,657)
Non-Operating Revenue		
Pro Bono Initiative Contributions	49,537	35,711
Pro Hac Vice	260,300	203,400
Lawyers Assessment Fees	1,507,300	-
Other Interest and Service Charges, Net	37,208	101,497
Total Non-Operating Revenue	1,854,345	340,608
Change in Net Assets	(577,079)	(2,486,049)
Net Assets, Beginning of Year	15,333,456	17,819,505
Net Assets, End of Year	\$ 14,756,377	\$ 15,333,456

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, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
IOLTA Interest Received	\$ 4,123,547	\$ 5,537,370
Access to Justice Fees Received	17,157,866	9,421,252
Other Cash Receipts	31,179	85,647
Cash Paid to Grant Recipients	(15,510,100)	(16,283,447)
Cash Paid to Suppliers	(273,558)	(110,006)
Cash Paid to Employees	(312,664)	(406,045)
Net Cash and Cash Equivalents Used by Operating Activities	<u>5,216,270</u>	<u>(1,755,229)</u>
Cash Flows from Non-Capital Financing Activities		
Pro Bono Initiative Contributions	49,537	35,711
Pro Hac Vice	260,300	203,400
Lawyers Investment Fees	1,507,300	-
Other Interest and Service Charges, Net	37,208	101,497
Net Cash and Cash Equivalents Provided by Non-Operating Activities	<u>1,854,345</u>	<u>340,608</u>
Cash Flows from Investing Activities		
Purchase of Investments for Deferred Compensation Asset	(31,775)	(11,564)
Acquisitions of Capital Assets	(21,938)	(58,480)
Net Cash and Cash Equivalents Used by Investing Activities	<u>(53,713)</u>	<u>(70,044)</u>
Increase (Decrease) in Cash and Cash Equivalents	7,016,902	(1,484,665)
Cash and Cash Equivalents, Beginning of Year	<u>5,237,163</u>	<u>6,721,828</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,254,065</u>	<u>\$ 5,237,163</u>
Reconciliation of Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Operating Income	\$ (2,431,424)	\$ (2,826,657)
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Depreciation Expense	30,956	22,788
Changes in Assets and Liabilities:		
Accounts Receivable	7,846,623	905,509
Prepaid Expenses	6,270	(1,269)
Accounts Payable	(280,589)	107,355
Accrued Expenses	44,434	37,045
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	<u>\$ 5,216,270</u>	<u>\$ (1,755,229)</u>

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, 2010 and 2009

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, 2010 and 2009

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, or 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, 2010 and 2009

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 \$12,254,065 and \$5,237,163, and the bank balances were \$12,259,866 and \$5,256,919, for the years ended June 30, 2010 and 2009, respectively.

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

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

3. CAPITAL ASSETS

Capital assets activity for the year ended June 20, 2010 was as follows:

Capital Assets	
Furniture and Equipment	\$ 71,322
Software	<u>133,572</u>
Total Capital Assets	204,894
Less: Accumulated Depreciation	<u>(112,614)</u>
Capital Assets, Net	<u>\$ 92,280</u>

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	233,736
Less: Accumulated Depreciation	<u>(132,438)</u>
Capital Assets, Net	<u>\$ 101,298</u>

The useful lives for purposes of computing depreciation are as follows:

Furniture and Equipment	3-7 Years
Software	3-5 Years
Leasehold Improvements	5-7 Years

Depreciation expense of \$30,956 and \$22,788 was recorded for the years ended June 30, 2010 and 2009, respectively.

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

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 \$15,257,775 and \$16,283,447, during the years ended June 30, 2010 and 2009, respectively.

During March 2010, the Board recommended, and during June 2010, the Supreme Court of Pennsylvania approved, a total of \$5,554,041 in grants for the grant year July 1, 2010 through June 30, 2011, which included \$3,954,041 in grants to Pennsylvania legal service organizations and \$1,600,000 in grants to Pennsylvania law school clinical and internship 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, 2010 and 2009

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 carried collections totaling \$9,368,177 and \$8,858,922 relating to the AJA during the years ended June 30, 2010 and 2009, respectively, of which \$9,247,580 and \$8,853,117 was available for appropriation for the years ended June 30, 2010 and 2009, respectively.

During March 2010, the Board recommended, and during June 2010, the Supreme Court of Pennsylvania approved, \$11,332,500 in grants to Pennsylvania Legal Aid Network, Inc. for the grant period July 1, 2010 through June 30, 2011.

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 \$49,537 and \$35,711 as a result of the appeal during the years ended June 30, 2010 and 2009, respectively. Grants to pro bono programs (included in amounts in Note 4) by the Board totaled \$36,393 and \$66,700 during the years ended June 30, 2010 and 2009, respectively.

During March 2010, the Board recommended, and during June 2010, the Supreme Court of Pennsylvania approved \$50,000 in Pro Bono grants for the grant period July 1, 2010 through June 30, 2011.

7. LEASES

The Board entered into an operating lease for its former office space. Rent expenditures were \$5,145 and \$24,696 for the years ended June 30, 2010 and 2009, respectively. The Board relocated to the Pennsylvania Judicial Center in September 2009. The Board was assessed shared occupancy costs totaling \$26,176 for the year ending June 30, 2010. It is anticipated that the shared occupancy costs to be paid for the fiscal year ending 2011 will be \$34,901.

8. RETIREMENT PLAN

The Board sponsors a 403(b) retirement plan for employees. There were employer contributions of \$40,635 and \$38,530 to the plan for the years ended June 30, 2010 and 2009, 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, 2010 and 2009

9. DEFERRED COMPENSATION PLAN *(continued)*

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 \$87,886 and \$56,111 for the agreement as of June 30, 2010 and 2009, 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 \$0 and \$28,272 as of June 30, 2010 and 2009, respectively.

Interest received on this note totaled \$388 and \$1,339 during the years ended June 30, 2010 and 2009, respectively.

11. PRO HAC VICE ADMISSIONS AND GRANTS

On 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.

During March 2010, the Board recommended, and during June 2010, the Supreme Court of Pennsylvania approved a three-year \$510,000 grant to The Pennsylvania Bar Foundation to be used for a Loan Repayment Assistance Program (LRAP) for the grant period July 1, 2010 through June 30, 2013.

12. ADVERTISING

The Board expenses advertising costs when incurred. Advertising costs total \$1,608 and \$7,515 for the years ended June 30, 2010 and 2009, respectively.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2010, which is the date the financial statements were available to be issued.

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

DETAILED SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	General	Access to Justice	Pro Bono Initiative	Pro Hac Vice	Property	Total 2010	Total 2009
Operating Revenue							
IOLTA Interest, Net of Service Charges of \$219,831 and \$215,053	\$ 4,091,718	\$ -	\$ -	\$ -	\$ -	\$ 4,091,718	\$ 5,283,264
Access to Justice Fees	<u>-</u>	9,368,177	<u>-</u>	<u>-</u>	<u>-</u>	9,368,177	8,858,922
Total Operating Revenue	<u>4,091,718</u>	<u>9,368,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,459,895</u>	<u>14,142,186</u>
Operating Expenses							
Program Administration	<u>465,847</u>	136,741	<u>-</u>	<u>-</u>	30,956	633,544	685,396
Grant Awards							
Legal Service Organizations	3,592,164	9,998,967	<u>-</u>	<u>-</u>	<u>-</u>	13,591,131	14,581,900
Law Schools	1,630,251	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	1,630,251	1,634,847
Pro Bono Grants	<u>-</u>	<u>-</u>	36,393	<u>-</u>	<u>-</u>	36,393	66,700
Total Grant Awards	<u>5,222,415</u>	<u>9,998,967</u>	<u>36,393</u>	<u>-</u>	<u>-</u>	<u>15,257,775</u>	<u>16,283,447</u>
Total Operating Expenses	<u>5,688,262</u>	<u>10,135,708</u>	<u>36,393</u>	<u>-</u>	30,956	15,891,319	16,968,843
Operating Income (Loss)	<u>(1,596,544)</u>	<u>(767,531)</u>	<u>(36,393)</u>	<u>-</u>	(30,956)	(2,431,424)	(2,826,657)
Non-Operating Revenue							
Pro Bono Initiative Contributions	<u>-</u>	<u>-</u>	49,537	<u>-</u>	<u>-</u>	49,537	35,711
Pro Hac Vice	<u>-</u>	<u>-</u>	<u>-</u>	260,300	<u>-</u>	260,300	203,400
Lawyers Assessment Fees	1,507,300	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	1,507,300	-
Other Interest and Service Charges, Net	<u>12,322</u>	24,886	<u>-</u>	<u>-</u>	<u>-</u>	37,208	101,497
Total Non-Operating Revenue	<u>1,519,622</u>	<u>24,886</u>	<u>49,537</u>	<u>260,300</u>	<u>-</u>	<u>1,854,345</u>	<u>340,608</u>
Change in Net Assets	<u>(76,922)</u>	<u>(742,645)</u>	13,144	260,300	(30,956)	(577,079)	(2,486,049)
Reclassification of Net Assets							
Acquisition of Property	<u>(16,892)</u>	<u>(5,046)</u>	<u>-</u>	<u>-</u>	21,938	-	-
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 4,705,646</u>	<u>\$ 9,256,665</u>	<u>\$ 118,585</u>	<u>\$ 583,201</u>	<u>\$ 92,280</u>	<u>\$ 14,756,377</u>	<u>\$ 15,333,456</u>

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Access to Justice</u>	<u>Property</u>	<u>Total</u>	<u>Budget (Unaudited)</u>
Program Administration Expenses					
Personnel					
Wages	\$ 252,343	\$ 72,980	\$ -	\$ 325,323	\$ 361,078
Fringe Benefits	<u>110,014</u>	<u>33,677</u>	<u>-</u>	<u>143,691</u>	<u>145,127</u>
Total Personnel	<u>362,357</u>	<u>106,657</u>	<u>-</u>	<u>469,014</u>	<u>506,205</u>
Operating Expenses					
Advertising	1,238	370	-	1,608	2,000
Consultants & Contract Services	25,954	7,752	-	33,706	52,510
Office Supplies	8,177	2,442	-	10,619	18,505
Postage	2,916	871	-	3,787	9,300
Printing and Publications	6,176	1,017	-	7,193	18,000
Rent	24,117	7,204	-	31,321	32,611
Telephone	4,685	1,399	-	6,084	8,640
Travel & Meetings	18,170	5,427	-	23,597	32,600
Depreciation	-	-	30,956	30,956	29,098
Insurance	5,874	1,754	-	7,628	6,825
Equipment Maintenance	2,683	802	-	3,485	13,140
Other	<u>3,500</u>	<u>1,046</u>	<u>-</u>	<u>4,546</u>	<u>3,200</u>
Total Operating Expenses	<u>103,490</u>	<u>30,084</u>	<u>30,956</u>	<u>164,530</u>	<u>226,429</u>
Total Program Administration Expenses	<u>\$ 465,847</u>	<u>\$ 136,741</u>	<u>\$ 30,956</u>	<u>\$ 633,544</u>	<u>\$ 732,634</u>
Property Acquisitions					
Furniture, Equipment & Leaseholds Purchased	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,938</u>	<u>\$ 21,938</u>	<u>\$ 139,000</u>

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

SCHEDULES OF GRANT RECIPIENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Legal Service Organizations		
Aids Law Project	\$ 35,300	\$ 39,400
Allegheny County Bar Foundation	42,200	47,100
CASA of Allegheny County	36,100	40,300
Community Impact Legal Services	21,000	23,400
Community Legal Services of Philadelphia	57,900	64,700
Consumer Bankruptcy Assistance Project	45,000	50,200
Disability Rights Network of PA	49,300	55,100
Education Law Center	49,300	55,100
Equality Advocates Pennsylvania	5,300	11,800
Franklin County Legal Services	17,400	19,400
HIAS & Council Migration Services of Philadelphia	32,200	35,900
Homeless Advocacy Project	27,400	30,500
Juvenile Law Project	42,400	47,300
Kids Voice Pennsylvania, Inc.	48,100	53,700
Lackawanna Pro Bono, Inc.	27,600	30,800
Laurel Legal Services, Inc.	57,700	64,400
Legal Aid of Southeastern PA	107,000	119,400
Legal Clinic for the Disabled, Inc.	33,800	37,700
Legal Services of Immigrants and Internationals	34,300	38,200
Mid-Penn Legal Services	150,600	168,500
Montgomery Child Advocate Project	21,000	23,400
Neighborhood Legal Services Association	57,700	64,400
North Penn Legal Services	262,500	292,000
Northwestern Legal Services	61,564	69,300
PA Immigration Resource Center	86,600	96,900
Pennsylvania Legal Aid Network, Inc.	11,707,667	12,474,000
Philadelphia Legal Assistance Center, Inc.	24,100	26,900
Philadelphia Volunteer Lawyers for the Arts	4,800	5,400
Philadelphia Volunteers for the Indigent Program	85,200	95,100
Protection from Abuse Coordinated Services, Inc.	38,800	43,300
Public Interest Law Center of Philadelphia	42,400	47,300
Senior Law Center	43,500	48,500
Southwestern PA Legal Services, Inc.	57,700	64,300
Support Center Child Advocates	77,100	86,100
Westmoreland Bar Foundation	25,600	28,500
Women Against Abuse Legal Center	32,200	35,900
Women's Center & Shelter Civil Law Project	42,800	47,700
Total Legal Services Organizations	\$ 13,591,131	\$ 14,581,900

(continued)

PENNSYLVANIA INTEREST ON LAWYERS TRUST ACCOUNT BOARD

SCHEDULES OF GRANT RECIPIENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Law Schools		
Pennsylvania State University – Dickinson School of Law	\$ 200,000	\$ 200,000
Drexel University, Earle Mack School of Law	233,036	165,000
Duquesne University School of Law	197,215	207,108
Temple University, Beasley School of Law	200,000	200,000
University of Pennsylvania School of Law	200,000	262,739
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	 1,630,251	 1,634,847
 Pro Bono Grants		
Blair County Bar Association	(5,157)	9,800
Chester County Bar Association	5,000	3,500
Franklin County Bar Association	-	8,900
Monroe County Bar Association	2,500	-
Neysa C. Adams Pro Se Assistance and Mediation Clinic	15,000	-
Pennsylvania Bar Association	22,050	22,000
Philadelphia – Tenant Assistance Project	-	10,000
Susquehanna University	(15,000)	-
Washington County Bar Association	12,000	12,500
 Total Pro Bono Grants	 36,393	 66,700
 Total Grant Awards	 \$ 15,257,775	 \$ 16,283,447