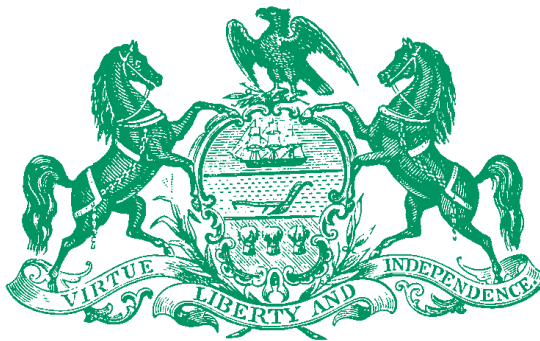


IOLTA

ANNUAL REPORT 2013



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

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Who Is Helped?

The Pennsylvania IOLTA Board awards grants to legal services organizations, pro bono programs, and law schools to support civil legal assistance for those without the financial means to retain counsel. The cases below exemplify the type of help that is provided by the grant recipients.

Philadelphia Legal Assistance (“PLA”) helped a non-English-speaking Vietnamese client protect herself and her children from an abuser. Several years ago, when the client was nine months pregnant, the father of her children assaulted her. He was arrested and sentenced to jail for this offense. When he was released from prison less than a year later, the client obtained a protection from abuse (“PFA”) order against him (which soon expired). The client came to PLA after the abuser threatened to kill her if she ever mentioned his girlfriend to the children. He also threatened to take the children to Vietnam, where she would have few legal options to get her children back. Given the abuser's propensity for violence, his history of cocaine use, his threats, and his limited ability to care for the children (including one which suffered from severe epileptic seizures), the client did not want the abuser to have unsupervised custody of the children. PLA negotiated a three-year PFA order prohibiting the abuser from contacting the client. PLA also obtained an expedited temporary custody order limiting the abuser's contact with the children and requiring him to undergo a mental health examination. As a result of PLA's advocacy, the client obtained a final custody order granting her primary physical and legal custody, and limiting the abuser's custody to monthly day visits. PLA also filed for support, winning an order of \$500 per month.

Community Legal Services (“CLS”) represented Ms. S, who inherited her mother's house including its extensive storm damage and legacy of daunting utility bills. Ms. S had received Federal Emergency Management Agency funds to make the needed repairs, but in order to work out an agreement to pay the bills she had inherited, she needed to get the deed in her name. In a Catch-22 situation, Ms. S was denied help with the title transfer because of the poor condition of the house. Ms. S came to CLS where her attorney brought the title current. Without CLS' intervention, Ms. S and her kids would have lost the property to sheriff's sale, and would have had to enter a homeless shelter. Now Ms. S has restored the property, making her house a home where her children can grow up.

In late summer of 2012, Laurel Legal Services referred in-home-care workers to the Community Justice Project (“CJP”) regarding complaints that the workers were either not being paid on time or not being paid at all. CJP investigated and learned that these clients were among two thousand low-wage workers across the state not being paid as they had been promised. Each worker was engaged by a Medicaid recipient whose care was paid for by Pennsylvania Department of Public Welfare Medicaid funds. These funds were administrated by a contractor, who was paid a fee to keep track of the hours worked, make payments of wages, and do tax withholding and reporting. CJP filed a class action lawsuit

against the contractor and sought immediate relief. After a hearing, the court ordered appointment of a receiver to take over the wage payment operation. The receiver marshaled assets, paid class members back wages owed, and began making timely payments. CJP is now pursuing their damage claims under Pennsylvania’s Wage Payment and Collection Law.

The Pennsylvania Health Law Project (“PHLP”) represented Helen, a 12-year-old girl who was in danger of losing the skilled nursing care that she had relied on for years. Helen has a gastrostomy tube which delivers nutrition and medicine directly to her stomach. A nurse visits Helen’s home daily to clean and change her tube, but her health insurer was attempting to drop Helen’s skilled nursing coverage. This would have put Helen at risk of hospitalization. PHLP worked with Helen’s medical provider and her family to assemble the documentation proving Helen’s skilled nursing care is a medical necessity. On the eve of the court hearing, the health insurer reversed its position, and granted Helen’s family the necessary skilled nursing hours.

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 Accounts 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 a Chairman. Members of the IOLTA Board at June 30, 2013 were:

Andrew F. Susko, Esquire
Philadelphia, PA
Chair

James C. Schwartzman, Esquire
Philadelphia, PA
Vice-Chair

Irwin W. Aronson, Esquire
Harrisburg, PA

Ourania Papademetriou, Esquire
Philadelphia, PA

Hon. Justin M. Johnson
Pittsburgh, PA

Hon. Margherita Patti Worthington
Stroudsburg, PA

Hon. Kathy M. Manderino
Philadelphia, PA

Bryan S. Neft, Esquire
Pittsburgh, PA

(one vacancy)

*Stephanie S. Libhart
Executive Director

**Alfred J. Azen
Executive Director

**Ms. Libhart served as Assistant Director since December 2008. She officially became Executive Director on March 6, 2013.*

***Mr. Azen served as Executive Director from the inception of the statutory IOLTA program which began January 1989. He retired December, 2012.*

Grants

LEGAL SERVICES ORGANIZATIONS

Pennsylvania Legal Aid Network. The Pennsylvania IOLTA Board distributed \$12,689,299 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, \$9,659,805 is derived from the Access to Justice Act, and \$3,029,494 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, 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, 2013, PLAN handled 74,696 cases, maintained 66 offices, employed 237 attorneys and 86 paralegals, and from all sources was funded at about \$53.1 million dollars (and additionally received in kind and pro bono support valued at \$4.5 million). The PA IOLTA Board's funding administered through PLAN, Inc. provided about 22% of the total annual financial funding for PLAN.

The Homeowner Assistance Settlement Act (HASA), Act 70 of 2012, related to the settlement agreement between the Attorney General of the Commonwealth and the leading mortgage serving companies, allocated \$900,000 for fiscal year ended June 30, 2013 to the Access to Justice Account for civil legal assistance related to housing issues. The Pennsylvania IOLTA Board allocated \$891,000 of this fund in 2012-2013 to PLAN, Inc. for the representation of homeowners at risk of or in foreclosure of a primary residence or in a bankruptcy filing that was intended to save the home from foreclosure. PLAN handled 1068 cases with HASA funds.

Zone Grants. The unmet civil legal needs of the poor are addressed not only by 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 PLAN organizations are restricted from providing because of government 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 attracts additional support by rallying interest around their special issues or client populations.

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

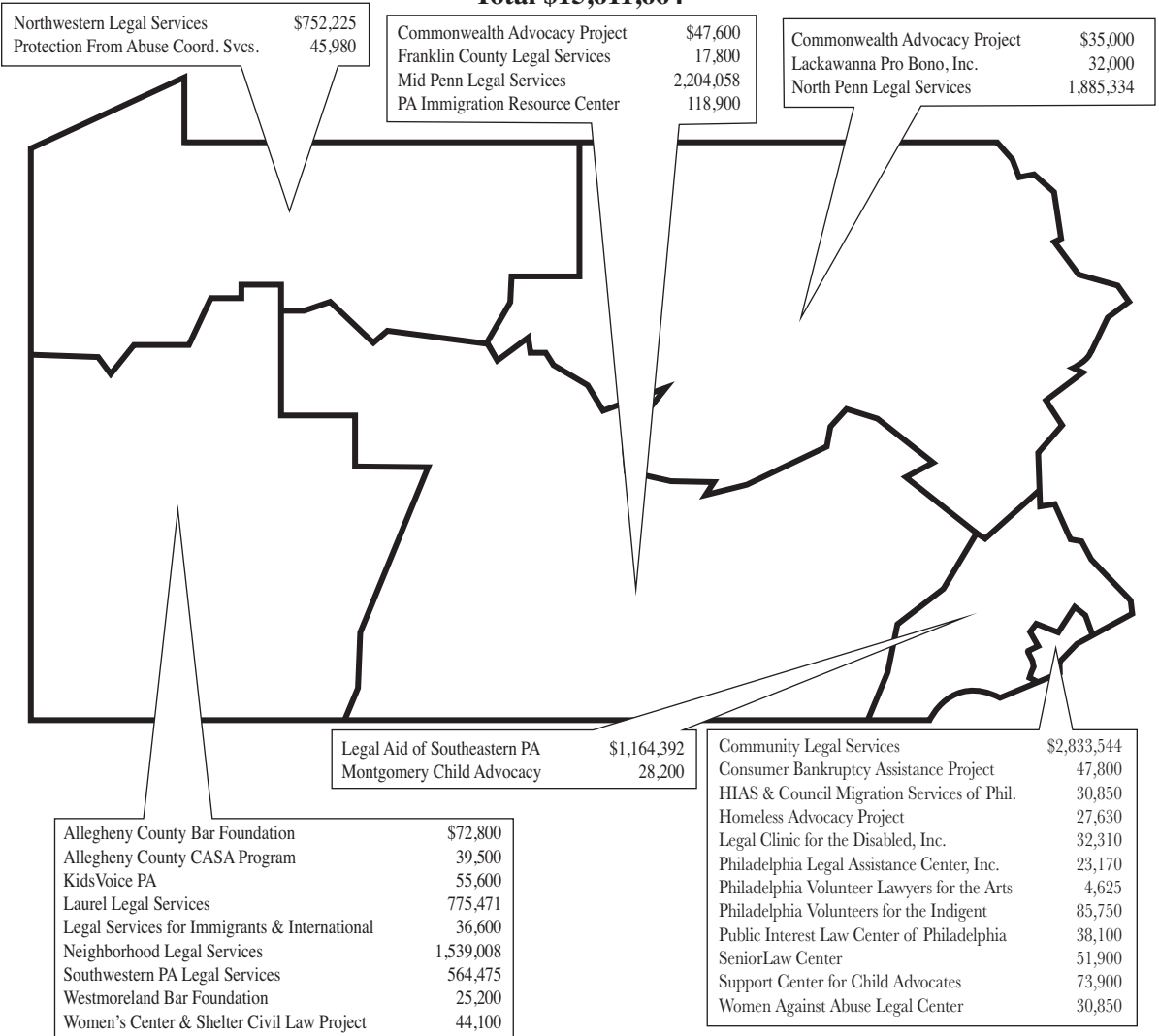
The Board has a “statewide” zone since some of the non-PLAN organizations offer their services to clients throughout the state. Some of the organizations use statewide toll free help-lines. Often, advice and counsel can be provided to callers, and if the particular issues of the caller meet the case 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 the disabled, non-English speaking communities, and victims of domestic violence. Zone grants for the fiscal year ending June 30, 2013 totaled \$2,031,365.

(continued)

“Legal Services Organization Grants”

Total \$15,611,664



STATEWIDE			
AIDS Law Project	\$32,100	Juvenile Law Center	\$38,500
Commonwealth Advocacy Project	279,674	PA Health Law Project	308,645
Community Legal Services	84,962	PA Institutional Law Project	453,933
Disability Rights Network of PA	45,700	PA Legal Aid Network	726,154
Education Law Center - PA	44,800	Regional Housing Legal Services	572,679
Friends of Farmworkers	259,845		

(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 \$1,586,629.

Law School Grants

School of Law	<u>IOLTA</u>	<u>FUNDED</u>
	Student Hours in Client Representation	Staff/Faculty Hours in Rep. & Supervision
Pennsylvania State University, Dickinson		
Family Law Clinic	473	309
Community Law Clinic	629	371
Children's Advocacy Clinic	445	495
Pro Bono Matching Program	149	136
IOLTA Fellowships	6,289	479
Drexel University		
Civil Litigation Clinics	2,726	594
Pro Bono Projects	3,511	1,312
Duquesne University		
Unemployment Compensation Clinic	1,555	385
Civil & Family Justice Law Clinic	1,076	561
Summer Public Interest Fellowships	1,712	568
University of Pennsylvania		
Sparer Summer Fellowship Program	4,000	0
Civil Practice Clinic	2,314	1,873
University of Pittsburgh		
Elder Law Clinic	1,251	296
Health Law Clinic	1,252	388
NLSA Practicum	1,499	1,240
SPLAS Practicum	692	170
Temple University		
Immigration Law Project	744	198
Family Law Litigation	629	577
Elderly Law Project	403	444
Legal Advocacy for Patients	634	432
Villanova University		
Civil Justice & Farmworker Clinic	4,581	1,101
Legal Aid Externships	122	0
Widener University		
Civil Law Clinic	1,060	1,044
	37,746	12,973

(continued)

Pro Bono Initiative. Pro bono, as envisioned by this initiative, means the provisions 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 efforts to mobilize pro bono volunteer attorneys. Pro bono initiative grants for the year totaled \$52,500.

Pro Bono Initiative Grants

	Grant Amount	Projected Volunteers
Butler County Bar Association Supported a Pro Bono Coordinator to organize volunteers for semi-monthly credit conciliation conferences of the Butler County Court of Common Pleas.	\$6,000	24
Chester County Bar Association Provided volunteer attorneys with USB drives containing instructions and forms necessary to assist with family law custody and protection from abuse cases.	\$2,500	172
Cumberland County Bar Association Hired a Pro Bono Coordinator to administer the CCBA Pro Bono Program and to recruit attorneys to participate in the county's newly developed Mortgage Foreclosure Diversion Program.	\$10,000	135
Delaware County Bar Association Hired a Pro Bono Coordinator to administer the bar association's pro bono program, monitor member compliance, assess pro bono needs in custody and PFA cases, and plan and implement CLE training programs.	\$14,000	100
Face-to-Face Legal Center (Philadelphia) Increased volunteers to serve the legal needs of clients of a soup kitchen in the evenings and on weekends.	\$5,000	60
Monroe County Bar Association Created a self-help document library and provided a pro bono conference and three-credit CLE to attorney volunteers.	\$10,000	40
Washington County Bar Association Trained attorney volunteers in family law and civil law areas through CLE seminar development and initiated a new referral program for military veterans.	\$5,000	46

(continued)

Loan Repayment Assistance Program (LRAP). The LRAP is administered by the Pennsylvania Bar Foundation (PBF) under a three year grant funded by pro hac vice admission fees. Attorneys employed in good standing with IOLTA funded legal services organizations, who are also in good standing with lenders of their student loans, and who earn annual compensation of \$64,000 or less, are eligible for a LRAP loan. The loans are provided on a calendar year basis, and if the attorney remains in qualified employment through the end of the calendar year, the loan will be forgiven. In the initial year of the LRAP, qualified attorneys could receive a LRAP loan of up to \$3,500. In the second year of LRAP participation, qualified attorneys could receive a LRAP loan of up to \$4,500. In the third year of LRAP participation, qualified attorneys could receive a LRAP loan of up to \$6,000.

	2013	2012	2011
Number of Applicants	89	90	80
Number of Loans	80	84	75
Average Compensation	\$48,750	\$48,504	\$47,553
Average Student Debt	\$119,737	\$90,729	\$90,106
Number of Organizations	26	29	25

Depository Institution Honor Roll

(As of December, 2013)

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.

ACNB Bank
Allegheny Valley Bank of Pittsburgh
Alliance Bank
Altoona First Savings Bank
Ambler Savings Bank
AMERICAN BANK
American FSB
AMERISERV FINANCIAL
Apollo Trust Company
ARC Federal Credit Union
Bancorp Bank (The)
Bank of America
Bank of Landisburg
Beaver Valley Federal Credit Union
BELCO Community Credit Union
Beneficial Bank
BNY Mellon, NA
Brentwood Bank
Bryn Mawr Trust Company
Bucks County Bank
C & G Savings Bank
Capital Bank
CENTRIC BANK
CHARLEROI FEDERAL SAVINGS BANK
Chemung Canal Trust Company
Citibank, NA
Citizens & Northern Bank
Citizens Bank of Pennsylvania
Citizens National Bank, Meyersdale
City National Bank of New Jersey
Clarion County Community Bank
Clearfield Bank & Trust Company
Clearview Federal Credit Union
CNB Bank

Coatesville Savings Bank
Commercial Bank and Trust of Pennsylvania
COMMUNITY BANK (NY)
Community Bank, NA
Community First Bank
Community National Bank of Northwestern PA
Community State Bank of Orbisonia
Conestoga Bank
Continental Bank
Cresson Community Bank
Customers Bank
Dime Bank (The)
DNB First, NA
Dollar Bank
Eagle National Bank
EAST RIVER BANK
East Stroudsburg Savings Association
Elderton State Bank
Embassy Bank
Enterprise Bank
Ephrata National Bank (The)
ESB BANK, FSB
ESQUIRE BANK
Eureka Bank
Farmers & Merchants Bank of Western PA, NA
Farmers & Merchants Trust Company
Farmers National Bank of Emlenton
Fidelity Deposit & Discount Bank
Fifth Third Bank
First Citizens Community Bank
First Columbia Bank & Trust Company
First Commonwealth Bank
First Cornerstone Bank
First Federal of Bucks County

Depository Institution Honor Roll

(As of December, 2013)

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First Federal S & L Assoc. of Greene County

FIRST FEDERAL SAVINGS BANK

First Keystone Community Bank

First Merit Bank, NA

First National Bank & Trust Co. of Newtown (The)

First National Bank of Fredericksburg

First National Bank of Mercersburg

First National Bank of Mifflintown

FIRST NATIONAL BANK OF MINERSVILLE

First National Bank of Pennsylvania

First National Bank of Port Allegheny

First National Community Bank

First Niagara Bank

First Northern Bank and Trust Company

First Priority Bank

First Savings Bank of Perkasio

First Summit Bank

First United National Bank

Firsttrust Bank

Fleetwood Bank

FNB BANK, NA

Fox Chase Bank

Franklin Mint Federal Credit Union

FRANKLIN SECURITY BANK

FULTON BANK

Greenville Savings Bank

Halifax Bank

Hamlin Bank & Trust Company

Harleysville Savings Bank

Home Savings & Loan Company

Hometown Bank of Pennsylvania

Honesdale National Bank (The)

HSBC Bank of USA

HUNTINGDON VALLEY BANK

Huntington 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 & Trust Company

JUNIATA VALLEY BANK (THE)

Kish Bank

LAFAYETTE AMBASSADOR BANK

Landmark Community Bank

Luzerne National Bank

M & T Bank

Malvern Federal Savings Bank

Marion Center Bank

Marquette Savings Bank

Mars National Bank

Marysville Bank

Mauch Chunk Trust Company

MCS Bank

Mercer County State Bank

Merchants Bank of Bangor

Meridian Bank

Metro Bank

Mid Penn Bank

MIFFLINBURG BANK & TRUST COMPANY

Milestone Bank

Milton Savings Bank

Miners Bank

Monument Bank

MUNCY BANK & TRUST COMPANY

National Penn Bank

Depository Institution Honor Roll

(As of December, 2013)

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.

Neffs National Bank

New Tripoli Bank

NexTier Bank

Northumberland National Bank

Northwest Savings Bank

OMEGA Federal Credit Union

Orrstown Bank

PARKE BANK

Parkview Community Federal Credit Union

PENN LIBERTY BANK

Penn Security Bank & Trust Company

Pennstar Bank

Peoples Neighborhood Bank

PeoplesBank

Philadelphia Federal Credit Union

Phoenixville Federal Bank & Trust

PNC Bank, NA

Polonia Bank

Prudential Savings Bank

PS Bank

QNB Bank

Reliance Bank

Republic Bank

Royal Bank America

S & T Bank

Santander Bank, NA

Scottsdale Bank & Trust Company

Sharon Savings Bank

Slovenian Savings & Loan

Somerset Trust Company

STANDARD BANK, PASB

Stonebridge Bank

SUN NATIONAL BANK

SunTrust Bank

Susquehanna Bank

SWINEFORD NATIONAL BANK

TD Bank

Team Capital Bank

The Gratz Bank

Third Fed Bank

UNB BANK

Union Bank and Trust Company

Union National Community Bank

United Bank

United Bank of Philadelphia

United Savings Bank

Unity Bank

Univest Bank & Trust Company

Valley Green Bank

Victory Bank

VIST Financial

Washington Federal Savings Bank

Wayne Bank

Wells Fargo

WesBanco Bank

WEST MILTON STATE BANK

West View Savings Bank

William Penn Bank

Woodlands Bank

WOORI AMERICA BANK

WSFS Bank, FSB

York Traditions Bank

IOLTA Facts And Figures

Attorney Participation	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/09</u>
Attorneys Licensed to Practice in Pennsylvania	63,673	63,830	62,801	62,257	61,100
Estimated Number of Attorneys Eligible to Participate	34,690	34,849	35,129	34,572	34,874
Attorneys Participating	30,921	31,095	31,318	30,846	31,083
Rate of Participation	89%	89%	89%	89%	89%
Compliant Non-participating Attorneys	2,702	2,834	2,977	3,085	3,220
Rate of Compliance	97%	97%	98%	98%	98%
Estimated Eligible Non-compliant Attorneys	1,067	920	834	641	571
Depository Institutions					
Participating Depository Institutions	203	204	210	214	216
Bank Charges as a Percent of IOLTA Revenues	7%	6%	5%	5%	4%
Bank Reported Accounts	14,389	14,271	13,941	13,658	13,246
	<u>7/1/12-</u>	<u>7/1/11-</u>	<u>7/1/10-</u>	<u>7/1/09-</u>	<u>7/1/08-</u>
Financial	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/09</u>
Revenue					
IOLTA	\$3,086,362	\$3,484,675	\$4,084,341	\$4,091,718	\$5,283,264
Access to Justice Act Fees	\$10,569,953	\$10,314,545	\$10,760,087	\$9,368,177	\$8,858,922
Pro Bono Initiative Contributions	\$38,108	\$44,282	\$48,526	\$49,537	\$35,711
Pro Hac Vice	\$338,800	\$370,800	\$413,000	\$260,300	\$203,400
Attorney Assessment Fees	\$2,214,175	\$1,552,500	\$1,696,400	\$1,507,300	\$0
Class Action Residuals	\$78,010	\$1,728,060	\$0	\$0	\$0
Homeowner Assistance Settlement Act	\$900,000	\$0	\$0	\$0	\$0
Other	\$34,469	\$27,621	\$28,217	\$37,208	\$101,497
Total Revenue	\$17,259,877	\$17,522,483	\$17,030,571	\$15,314,240	\$14,482,794
Grant Awards					
Legal Services Organizations	\$15,611,664	\$14,451,470	\$14,715,963	\$13,591,131	\$14,581,900
Law Schools	\$1,586,629	\$1,600,000	\$1,599,478	\$1,630,251	\$1,634,847
Pro Bono Initiative	\$52,500	\$47,500	\$50,000	\$36,393	\$66,700
Loan Repayment Assistance Program	\$0	\$564,430	\$510,000	\$0	\$0
Administrative Expenses	\$716,902	\$838,004	\$696,098	\$633,544	\$685,396
Total Expenses	\$17,967,695	\$17,501,404	\$17,571,539	\$15,891,319	\$16,968,843
Eligible Clients Served*					
New Cases	16,201	18,751	19,538	16,565	22,072
Handled Cases	22,269	25,882	27,556	23,878	31,307

*Reflects the case data funded through the PLAN statewide system. Other services also funded by IOLTA are not reflected in the data.

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 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Pennsylvania Interest on Lawyers Trust Account Board as of June 30, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in

(continued)

accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplementary information presented on pages 20-22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of the management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 4, 2013

Mechanicsburg, Pennsylvania



HAMILTON & MUSSER, P.C.

Certified Public Accountants

Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 ended June 30, 2013 with selected comparative information for the fiscal year ended June 30, 2012. 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 interest collected 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%.

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Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Introduction Continued

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 6 to the financial statements). The amount of the surcharge that is earmarked for the IOLTA Board underwent a legislative review and on June 30, 2012 the governor signed into law Act 79 of 2012 extending the sunset date of Act 122 until November 1, 2017.

On October 9, 2009, the governor signed into law Act 49 of 2009, a supplemental increase in the AJA filing fee surcharge. 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. The temporary fee was implemented December 9, 2009 and originally was scheduled to expire on January 8, 2012. On July 7, 2011 the expiration date of the temporary surcharge was extended to December 31, 2014. The combined regular (Act 122) plus the supplemental (Act 49) surcharges raised nearly \$10.6 million during the fiscal year ended June 30, 2013.

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 each out-of-state attorney who wished to appear in a Pennsylvania Court was established. Per Supreme Court order, the *pro hac vice* admission fee was increased to \$200 per case, per attorney effective September 24, 2010. The admission fee proceeds averaged about \$28,233 monthly for the fiscal year ended June 30, 2013, and 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 annually if the attorney remains in qualified employment.

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Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 civil legal aid for the poor. The increase was implemented with the 2009-2010 assessment year, and raises approximately \$1.6 million annually. The funding is available to the IOLTA Board until further order of the Court directs otherwise. On April 9, 2012, the Supreme Court of Pennsylvania ordered a one-year \$10 increase in the amount of the annual attorney registration fee directed to the PA IOLTA Board, which represented about \$660,000, for 2012-2013.

On May 11, 2012, the Supreme Court of Pennsylvania amended Rule of Civil Procedure 1716 to provide that at least 50% of residual funds in class action lawsuits in Pennsylvania Courts be directed to the PA IOLTA Board to help fund civil legal aid for the poor. The rule became effective on July 1, 2012, making Pennsylvania the ninth state to use class action residual proceeds to help fund civil legal assistance for the poor. In fiscal year ended June 30, 2013, \$78,010 was received as a result of this source.

On June 22, 2012, Governor Tom Corbett signed into law Act 70 of 2012, the Homeowner Assistance Settlement Act ("HASA"), related to the settlement agreement between the Attorney General of the Commonwealth and the leading mortgage serving companies. The Act allocated \$900,000 for fiscal year ended June 30, 2013 and \$600,000 for each of the next four years to the Access to Justice Account for civil legal assistance related to housing issues.

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.

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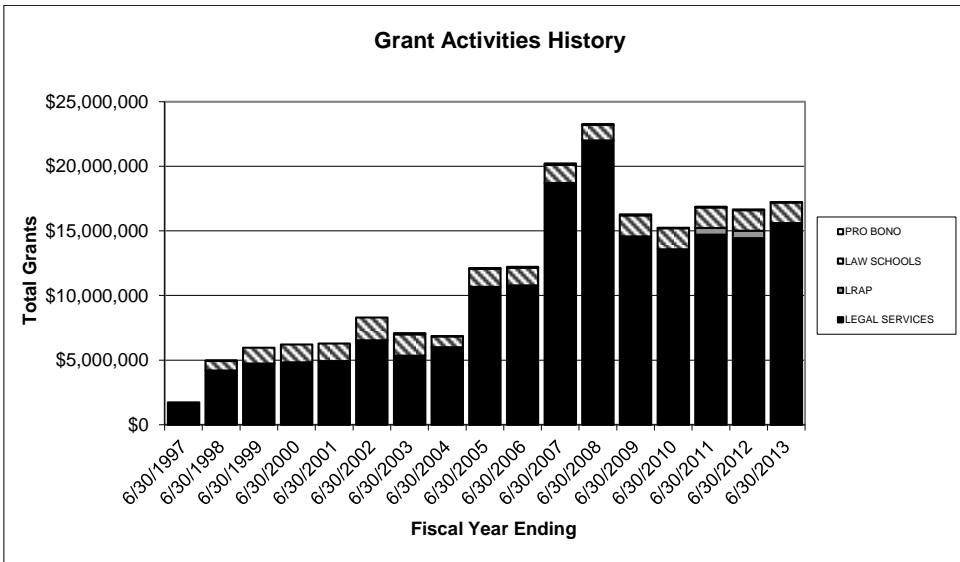
Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

The IOLTA Board also seeks to increase the amount of revenue it has available for such grants. Finally, the IOLTA Board monitors lawyer and financial institution compliance with the IOLTA requirements of Pennsylvania Rule of Professional Conduct 1.15.

Overall Grant Activities

Since the inception of the IOLTA Board in Pennsylvania through June 30, 2013, about \$213.3 million of grants have been awarded (about \$197.6 million of which was 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, \$173.5 million, have gone to legal services organizations, almost \$22.4 million to law school clinical and externship programs, and about \$656,100 to establish or expand pro bono efforts.

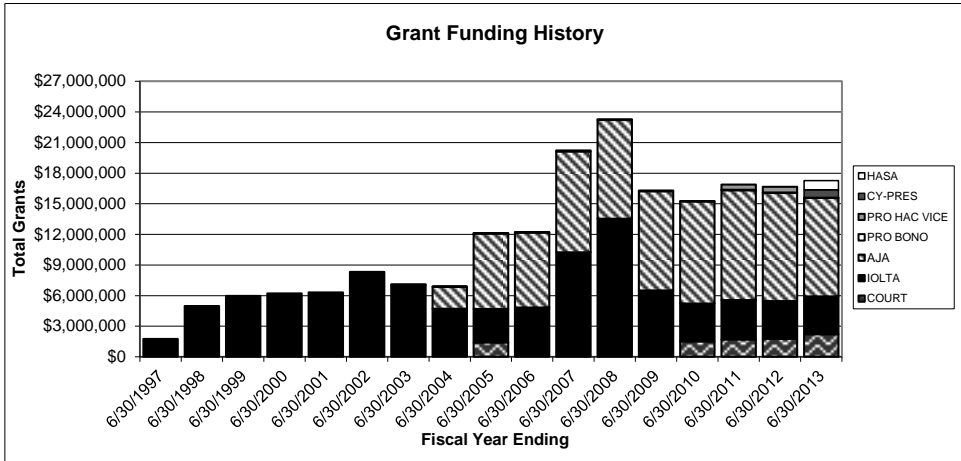
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Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

In the fiscal year ended June 30, 2010 the Supreme Court of Pennsylvania authorized a Loan Repayment Assistance Program (LRAP) to help lawyers better manage their student loans while in the employment of qualified legal aid organizations. Since its inception, \$1.1 million had been used for the LRAP.

These grants under the jurisdiction of the Supreme Court of Pennsylvania over the years have been funded \$98.5 million from the IOLTA funding stream, \$87.2 million from the AJA fees, \$891,000 from the HASA fund, \$738,746 from an out-of-state class action residual award, \$8.6 million from Court funding, \$641,000 from private contributions, and \$1.1 million from *pro hac vice* admission fees.



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 reviews trust account information lawyers report to the Disciplinary Board of the Supreme Court of Pennsylvania to locate IOLTA accounts established by lawyers at their financial institutions but not being reported to the IOLTA Board by the financial institutions. Contact also is made with lawyers who report trust 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, 2013 AND 2012

Comments On Financial Statements

Condensed financial data extracted from the basic financial statements for the fiscal years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Capital assets	\$ 78,867	\$ 102,526
Other assets	<u>14,585,580</u>	<u>15,197,686</u>
Total assets	<u>\$ 14,664,447</u>	<u>\$ 15,300,212</u>
Total current liabilities	<u>\$ 1,308,602</u>	<u>\$ 1,236,549</u>
Invested in capital assets	78,867	102,526
Restricted net assets	9,330,360	8,553,494
Unrestricted net assets	<u>3,946,618</u>	<u>5,407,643</u>
Total net assets	<u>13,355,845</u>	<u>14,063,663</u>
Total liabilities and net assets	<u>\$ 14,664,447</u>	<u>\$ 15,300,212</u>
IOLTA interest, net of service charges	\$ 3,086,362	\$ 3,484,675
Access to Justice fees	<u>10,569,953</u>	<u>10,314,545</u>
Total operating revenues	<u>13,656,315</u>	<u>13,799,220</u>
Program administration	<u>716,902</u>	<u>838,004</u>
Grant awards		
Legal service organizations	15,611,664	14,451,470
Loan Repayment Assistance Program	-	564,430
Law schools	1,586,629	1,600,000
Pro bono grants	<u>52,500</u>	<u>47,500</u>
Total grant awards	<u>17,250,793</u>	<u>16,663,400</u>
Total operating expenses	<u>17,967,695</u>	<u>17,501,404</u>
Total non-operating revenues	<u>3,603,562</u>	<u>3,723,263</u>
Change in net assets	(707,818)	21,079
Net assets – July 1	14,063,663	14,215,409
Prior period adjustment	-	<u>(172,825)</u>
Net assets – June 30	<u>\$ 13,355,845</u>	<u>\$ 14,063,663</u>

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Financial Statement Overview

As between the reported years, grants were increased by 3.5%. The increase resulted from the Homeowner Assistance Settlement Act (Act 70 of 2012) and a class action residuals award received in fiscal year ended June 30, 2012 from a class action case titled *Jerry Cooper, Inc. v. Lifequotes of America* which had been litigated in Washington State. IOLTA and AJA revenues continue to decline due to lower interest remittance receipts and fewer court filings, respectively.

Legal Services Organization Grants

Grants totaling \$15,611,664 and \$14,451,470 were awarded in fiscal years ended June 30, 2013 and 2012, respectively, to thirty-seven 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, \$13,580,299, 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 which is staffed by poverty law lawyers. That grant sought to provide general and specialized civil legal assistance in over 18,700 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, three PLAN programs were able to expand access by offering legal advice and brief service by phone in the evening to eligible clients who work during regular business hours. Regional Housing Legal Services continued to help the residents of manufactured home parks address the unique legal challenges they face, which undermine the security of their home ownership.

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 \$1,586,629 and \$1,600,000 in fiscal years ended June 30, 2013 and 2012, respectively. Each of the Pennsylvania law schools received a grant of \$200,000. Twelve clinics operated by the law

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Pennsylvania Interest On Lawyers Trust Account Board

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

schools received IOLTA grant support. IOLTA support for each clinic ranges from 12.1% to 100% 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. The law students spent about 35,000 IOLTA-funded hours in the direct representation of indigent clients in the fiscal year ended June 30, 2013.

Pro Bono Initiative

This year organized pro bono programs were funded in seven counties at the level of \$52,500. The grants were expected to help mobilize nearly 580 lawyer volunteers to provide civil legal assistance for the indigent.

Loan Repayment Assistance Program

In 2010, the IOLTA Board awarded a three-year, \$1,074,430 grant to the Pennsylvania Bar Foundation (PBF) to administer the IOLTA Loan Repayment Assistance Program (LRAP). The program is funded by admission fees paid by out-of-state attorneys who will petition a Pennsylvania court to enter their appearance *pro hac vice*. The goal of the LRAP is to assist IOLTA-funded legal services organizations in recruiting and retaining the best and brightest attorneys to serve the civil legal needs of poor Pennsylvanians. Since the inception of the program, 229 legal aid lawyers (72 in the first year, 80 in the second year, and 77 in the third year) received a loan which was or will be forgiven when the lawyer completes a full year of legal aid employment. Eligible lawyers may participate in the LRAP for up to 10 years. For administrative purposes, the IOLTA Board extended the three-year grant with PBF by six-months. The grant originally scheduled to end on June 30, 2013 now will end on December 31, 2013.

Pennsylvania Interest On Lawyers Trust Account Board

STATEMENT OF NET ASSETS
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 720,606	\$ 6,125,445
Restricted to Access to Justice Program	6,284,534	6,393,907
Investments, Short Term (Note 3)	580,850	-
Deferred Compensation Asset (Note 13)	158,248	199,451
Accounts Receivable		
IOLTA Interest	314,997	311,298
Access to Justice	2,140,959	2,159,587
Other	250	250
Prepaid Expenses	<u>6,001</u>	<u>7,748</u>
Total Current Assets	10,206,445	15,197,686
Capital Assets, Net (Note 4)	78,867	102,526
Investments, Long Term (Note 3)	<u>4,379,135</u>	<u>-</u>
Total Assets	<u>\$ 14,664,447</u>	<u>\$ 15,300,212</u>
 Current Liabilities		
Accounts Payable	\$ 21,861	\$ 476,348
Accrued Expenses	59,338	162,020
Deferred Compensation Liability (Note 13)	158,248	199,451
Deferred Revenue	<u>1,069,155</u>	<u>398,730</u>
Total Current Liabilities	<u>1,308,602</u>	<u>1,236,549</u>
 Net Assets		
Unrestricted to IOLTA Program	3,215,746	5,001,179
Invested in Capital Assets	78,867	102,526
Restricted to Access to Justice Program	9,330,360	8,553,494
Unrestricted to Pro Bono	99,501	113,893
Unrestricted to Pro Hac Vice	<u>631,371</u>	<u>292,571</u>
Total Net Assets	<u>13,355,845</u>	<u>14,063,663</u>
Total Liabilities and Net Assets	<u>\$ 14,664,447</u>	<u>\$ 15,300,212</u>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenue		
IOLTA Interest, Net of Service Charges of \$218,586 and \$219,694 (Note 5)	\$ 3,086,362	\$ 3,484,675
Access to Justice Fees (Note 6)	<u>10,569,953</u>	<u>10,314,545</u>
Total Operating Revenue	<u>13,656,315</u>	<u>13,799,220</u>
Operating Expenses		
Program Administration	<u>716,902</u>	<u>838,004</u>
Grant Awards		
Legal Service Organizations	15,611,664	14,451,470
Law Schools	1,586,629	1,600,000
Pro Bono Grants	52,500	47,500
Loan Repayment Assistance Program	<u>-</u>	<u>564,430</u>
Total Grant Awards (Note 10)	<u>17,250,793</u>	<u>16,663,400</u>
Total Operating Expenses	<u>17,967,695</u>	<u>17,501,404</u>
Operating Income (Loss)	<u>(4,311,380)</u>	<u>(3,702,184)</u>
Non-Operating Revenue		
Pro Bono Initiative Contributions (Note 7)	38,108	44,282
Pro Hac Vice (Note 8)	338,800	370,800
Lawyers Assessment Fees (Note 5)	2,214,175	1,552,500
Class Action Residuals (Note 5)	78,010	1,728,060
Homeowner Assistance Settlement Act (Note 9)	900,000	-
Investment Income (Note 3)	15,659	-
Other Interest and Service Charges, Net	<u>18,810</u>	<u>27,621</u>
Total Non-Operating Revenue	<u>3,603,562</u>	<u>3,723,263</u>
Change in Net Assets	(707,818)	21,079
Net Assets, Beginning of Year	14,063,663	14,215,409
Prior Period Adjustment (Note 15)	<u>-</u>	<u>(172,825)</u>
Net Assets, End of Year	<u>\$ 13,355,845</u>	<u>\$ 14,063,663</u>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
IOLTA Interest Received	\$ 3,082,663	\$ 3,547,688
Access to Justice Fees Received	10,588,581	10,217,782
Cash Paid to Grant Recipients	(17,709,458)	(16,464,735)
Cash Paid to Suppliers	(392,873)	(426,384)
Cash Paid to Employees	<u>(422,137)</u>	<u>(350,874)</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(4,853,224)</u>	<u>(3,476,523)</u>
Cash Flows from Non-Operating Activities		
Pro Bono Initiative Contributions	38,108	44,282
Pro Hac Vice	338,800	370,800
Lawyers Assessment Fees	2,884,600	1,778,305
Class Action Residuals	78,010	1,728,060
Homeowner Assistance Settlement Act	900,000	-
Investment Income Received	5,712	-
Other Interest and Service Charges, Net	<u>18,810</u>	<u>27,621</u>
Net Cash and Cash Equivalents Provided by Non-Operating Activities	<u>4,264,040</u>	<u>3,949,068</u>
Cash Flows from Investing Activities		
Change in Investments for Deferred Compensation Asset	41,203	(58,647)
Purchase of Capital Assets	(16,193)	(9,812)
Purchase of Investments	(6,855,000)	-
Proceeds from Sale of Investments	<u>1,904,782</u>	<u>-</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(4,925,208)</u>	<u>(68,459)</u>
Increase (Decrease) in Cash and Cash Equivalents	(5,514,392)	404,086
Cash and Cash Equivalents, Beginning of Year	<u>12,519,532</u>	<u>12,115,266</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,005,140</u>	<u>\$ 12,519,352</u>
Reconciliation of Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Operating Income	\$ (4,311,380)	\$ (3,702,184)
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Used by Operating Activities		
Depreciation Expense	39,852	48,358
Changes in Assets and Liabilities:		
Accounts Receivable	14,929	(33,750)
Prepaid Expenses	1,747	(458)
Accounts Payable	(454,487)	164,328
Accrued Expenses	(102,682)	(11,464)
Deferred Compensation Liability	<u>(41,203)</u>	<u>58,647</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>\$ (4,853,224)</u>	<u>\$ (3,476,523)</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, 2013 AND 2012

NOTE 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 the Commonwealth 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 Supreme Court 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.

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Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Accounts Receivable:

Consistent with industry practice among governmental finance entities, the Board uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management. Management determined that all outstanding balances owed at June 30, 2013 and 2012 are collectible and therefore have not established an allowance account.

Use of Estimates:

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

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, and computer software 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 non-operating revenue for the period. The cost of maintenance and repairs is charged to expense 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

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 years 2013 or 2012. There were no significant claims in the current year or the two prior years.

Revenues and Expenses:

The Board distinguishes between operating and non-operating revenues and expenses. Operating revenues of the Board consist of interest earned on client funds held by Pennsylvania attorneys and a portion of PA court filings and other filing fees and surcharges. Operating expenses include grants to other organizations and program administration expenses, including depreciation. All other revenues and expenses are reported as non-operating.

Investments:

Investments are valued at fair market value on a recurring basis in the Statements of Net Assets.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments with quoted market prices in active markets, the Board uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Board's own determinations of the assumptions that a market participant would use in pricing the asset.

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in unrestricted net assets if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risk in the near term would materially affect investment assets reported in the Statements of Net Assets and Revenue, Expenses, and Changes in Net Assets.

Tax Status:

The Board is exempt from Federal Income Tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for Federal Income Tax purposes for contributions made to the Board in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Board earns income considered to be unrelated business income. The Board conducted no activities that are subject to income tax.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association. Management evaluated the tax positions taken and concluded that the Association had taken no uncertain tax positions that require recognition or disclosure in the financial statements. No provision or benefit for income taxes has been included in these financial statements. With few exceptions, the Board is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before June 30, 2010.

NOTE 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 the total Board cash and deposits is provided by the Federal Deposit

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Insurance Corporation (FDIC) as well as by qualified securities pledged by the institution holding the assets.

The carrying amounts of the Board's deposits were \$7,005,140 and \$12,519,352, and the bank balances were \$6,973,255 and \$12,600,045, for the years ended June 30, 2013 and 2012, 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.

NOTE 3 INVESTMENTS

Investments are summarized as follows at June 30, 2013 and 2012:

	June 30, 2013		<u>Unrealized</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain (Loss)</u>
Brokered Certificate of Deposit	\$ 4,958,703	\$ 4,959,985	\$ 1,282
Total	<u>\$ 4,958,703</u>	<u>\$ 4,959,985</u>	<u>\$ 1,282</u>
	June 30, 2012		<u>Unrealized</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain (Loss)</u>
Brokered Certificate of Deposit	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of investments are summarized as follows at June 30, 2013 and 2012:

	June 30, 2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered Certificate of Deposit	\$ -	\$ -	\$ 4,959,985	\$ 4,959,985
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,959,985</u>	<u>\$ 4,959,985</u>
	June 30, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered Certificate of Deposit	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Level 3 – Brokered Certificate of Deposit

The Board invests in multiple Brokered Certificate of Deposit (CD) through Fulton Financial Advisors. This CD is covered by FDIC insurance. Brokered Certificates of Deposit are not publically traded or quoted on active markets. The agreement provides for 100% principal protection if the investment is held to maturity. The Board will receive the current market value of the CD (which may be less than the initial offering price) minus any early redemption fees if redeemed prior to maturity. Fair value is determined by calculations performed by Fulton Financial Advisors.

Beginning Balance		\$	-
Purchases			6,855,000
Sales			(1,904,782)
Accrued Interest			8,703
Unrealized Gain			1,282
Realized Loss			(218)
Ending Balance			<u>\$ 4,959,985</u>

Investment income consisted of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>		<u>2012</u>
Accrued Interest	\$ 8,703	\$	-
Investment Fees	(7,657)		-
Dividends & Interest	13,549		-
Realized Loss on Sale of Investments	(218)		-
Unrealized Gain (Loss) on Investments	<u>1,282</u>		-
Total	<u>\$ 15,659</u>	\$	<u>-</u>

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance <u>6/30/12</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/13</u>
Furniture and Equipment	\$ 76,655	\$ 16,193	\$ -	\$ 92,848
Software	<u>221,510</u>	<u>-</u>	<u>-</u>	<u>221,510</u>
	<u>\$ 298,165</u>	<u>\$ 16,193</u>	<u>\$ -</u>	<u>314,358</u>
Less: Accumulated Depreciation				<u>(235,491)</u>
Capital Assets, Net				<u>\$ 78,867</u>

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 CAPITAL ASSETS CONTINUED

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance <u>6/30/11</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/12</u>
Furniture and Equipment	\$ 75,356	\$ 1,299	\$ -	\$ 76,655
Software	<u>212,997</u>	<u>8,513</u>	-	<u>221,510</u>
	<u>\$ 288,353</u>	<u>\$ 9,812</u>	<u>\$ -</u>	<u>298,165</u>
Less: Accumulated Depreciation				<u>(195,639)</u>
Capital Assets, Net				<u>\$ 102,526</u>

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

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

Depreciation expense of \$39,852 and \$48,358 was recorded for the years ended June 30, 2013 and 2012, respectively.

NOTE 5 IOLTA REVENUE

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 cannot 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.

Lawyers Assessment Fees Revenue and Class Action Residuals Revenue are court-directed revenues and as such are treated as IOLTA Revenue.

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6 ACCESS TO JUSTICE REVENUE

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

AJA (Act 49) was signed into law in October of 2009, and provides a supplemental (temporary) filing fee of \$1 on the same courthouse filings as Act 122, excluding traffic citations.

Act 122 is scheduled to sunset on November 1, 2017 and Act 49 is scheduled to sunset on December 31, 2014. Funds in the AJA are distributed monthly 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 \$10,569,953 and \$10,314,545 relating to the AJA during the years ended June 30, 2013 and 2012, respectively.

NOTE 7 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 \$38,108 and \$44,282 as a result of the appeal during the years ended June 30, 2013 and 2012, respectively. Grants to pro bono programs (included in amounts in Note 5) by the Board totaled \$52,500 and \$47,500 during the years ended June 30, 2013 and 2012, respectively.

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 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 \$200 for each case for which pro hac vice admission is sought. The admission fee covers the attorney for the case of its proceedings in Pennsylvania courts, including through appeals.

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. During July 2011, the Board increased the LRAP grant to \$1,074,430. During 2013, the Board extended the grant’s end date to December 31, 2013.

NOTE 9 HOMEOWNER ASSISTANCE SETTLEMENT ACT (HASA)

In June 2012, the Homeowner Assistance Settlement Act (“HASA”), Act 70 of 2012, became law. The Act allocated \$900,000 for fiscal year ended June 30, 2013 and \$600,000 for each of the next four years to the Access to Justice Account for civil legal assistance related to housing issues. The funding flows through the Access to Justice Account but is accounted for separately.

NOTE 10 TOTAL GRANT AWARDS

Total grants awarded by the Board, net of rescissions, amounted to \$17,250,793 and \$16,663,400, during the years ended June 30, 2013 and 2012, respectively. During March 2012, the Board recommended, and during June 2012, the Supreme Court of Pennsylvania approved grant awards totaling \$15,235,213 for grant year ended June 30, 2013. Adjustments to grant awards were made in November 2012 with the Court’s approval.

The following revenue sources and amounts financed the grant awards for the grant year ended June 30, 2013:

IOLTA Revenues	\$ 6,647,488
AJA Revenues	9,659,805
HASA Revenues	891,000
Pro Bono Initiative Contributions	<u>52,500</u>
Total	<u>\$ 17,250,793</u>

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 11 LEASES

The Board rents office space in the Pennsylvania Judicial Center. The Board was assessed shared occupancy costs totaling \$34,901 and \$34,901 for the years ended June 30, 2013 and 2012, respectively. The Board is assessed a monthly occupancy fee which includes rent and related occupancy costs.

NOTE 12 RETIREMENT PLAN

The Board sponsors a 403(b) retirement plan for employees. There were employer contributions of \$49,377 and \$55,609 to the plan for the years ended June 30, 2013 and 2012, respectively.

NOTE 13 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 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 \$158,248 and \$199,451 for the agreement as of June 30, 2013 and 2012, respectively. In 2012, the Executive Director retired and was paid the first installment in the amount of \$79,372.

NOTE 14 ADVERTISING

The Board expenses advertising costs as incurred. Advertising costs were \$928 and \$0 for the years ended June 30, 2013 and 2012, respectively.

NOTE 15 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2013, management determined that Lawyers Assessment Fees should not be treated as contributions that are recorded as revenue when received, rather they should be treated as revenue in the year the assessment is due. Therefore, the June 30, 2012 Statements of Activities and Financial Position were restated to reflect a change in deferred revenue of \$398,230 and a prior period adjustment of \$172,825.

NOTE 16 SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2013, which is the date the financial statements were available to be issued.

Pennsylvania Interest On Lawyers Trust Account Board

SCHEDULE OF PROGRAM ADMINISTRATION EXPENSES AND PROPERTY ACQUISITIONS - BUDGET & ACTUAL FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>General</u>	<u>Access to Justice</u>	<u>Property</u>	<u>Total</u>	<u>Budget (Unaudited)</u>
Program Administration Expenses					
Personnel					
Wages	\$ 263,631	\$ 73,807	\$ -	\$ 337,438	\$ 420,013
Fringe Benefits	<u>95,545</u>	<u>21,304</u>	<u>-</u>	<u>116,849</u>	<u>141,466</u>
Total Personnel	<u>359,176</u>	<u>95,111</u>	<u>-</u>	<u>454,287</u>	<u>561,479</u>
Operating Expenses					
Advertising	733	195	-	928	2,000
Consultants & Contract Services	62,040	16,491	-	78,531	74,750
Office Supplies	3,659	972	-	4,631	8,000
Postage	2,549	678	-	3,227	4,800
Printing & Promotion	4,899	16,563	-	21,462	7,600
Rent	27,572	7,329	-	34,901	37,200
Telephone	4,807	1,278	-	6,085	6,000
Travel & Meetings	31,728	8,434	-	40,162	36,000
Depreciation	-	-	39,852	39,852	47,000
Insurance	6,609	1,757	-	8,366	8,250
Other	<u>19,331</u>	<u>5,139</u>	<u>-</u>	<u>24,470</u>	<u>17,350</u>
Total Operating Expenses	<u>163,927</u>	<u>58,836</u>	<u>39,852</u>	<u>262,615</u>	<u>248,950</u>
Total Program Administration Expenses	<u>\$ 523,103</u>	<u>\$ 153,947</u>	<u>\$ 39,852</u>	<u>\$ 716,902</u>	<u>\$ 810,429</u>
Property Acquisitions					
Furniture, Equipment & Leaseholds Purchased	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,193</u>	<u>\$ 16,193</u>	<u>\$ 35,000</u>

Pennsylvania Interest On Lawyers Trust Account Board

DETAILED SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	General	Access to Justice	Pro Bono Initiative	Pro Hac Vice	Property	Total 2013	Total 2012
Operating Revenue							
IOLTA Interest, Net of Service Charges of \$218,586 and \$219,694	\$ 3,086,362	-	-	-	-	\$ 3,086,362	\$ 3,484,675
Access to Justice Fees	-	10,569,953	-	-	-	10,569,953	10,314,545
Total Operating Revenue	<u>3,086,362</u>	<u>10,569,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,656,315</u>	<u>13,799,220</u>
Operating Expenses							
Program Administration	523,103	153,947	-	-	39,852	716,902	838,004
Grant Awards							
Legal Service Organizations	5,060,859	10,550,805	-	-	-	15,611,664	14,451,470
Law Schools	1,586,629	-	-	-	-	1,586,629	1,600,000
Pro Bono Grants	-	-	52,500	-	-	52,500	47,500
Loan Repayment Assistance Program	-	-	-	-	-	-	564,430
Total Grant Awards	<u>6,647,488</u>	<u>10,550,805</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>17,250,793</u>	<u>16,663,400</u>
Total Operating Expenses	7,170,591	10,704,752	52,500	-	39,852	17,967,695	17,507,404
Operating Income (Loss)	<u>(4,084,229)</u>	<u>(134,799)</u>	<u>(52,500)</u>	<u>-</u>	<u>(39,852)</u>	<u>(4,311,380)</u>	<u>(3,702,184)</u>
Non-Operating Revenue							
Pro Bono Initiative Contributions	-	-	38,108	-	-	38,108	44,282
Pro Hac Vice	-	-	-	338,800	-	338,800	370,800
Lawyers Assessment Fees	2,214,175	-	-	-	-	2,214,175	1,552,500
Class Action Residuals	78,010	-	-	-	-	78,010	1,728,060
Homeowner Assistance Settlement Act	-	900,000	-	-	-	900,000	-
Investment Income (Loss)	15,659	-	-	-	-	15,659	-
Other Interest and Service Charges, Net	3,745	15,065	-	-	-	18,810	27,621
Total Non-Operating Revenue	<u>2,331,589</u>	<u>915,065</u>	<u>38,108</u>	<u>338,800</u>	<u>-</u>	<u>3,603,562</u>	<u>3,723,263</u>
Change in Net Assets	(1,772,640)	780,266	(14,392)	338,800	(39,852)	(707,818)	21,079
Reclassification of Net Assets							
Acquisition of Property	(12,793)	(3,400)	-	-	16,193	-	-
Net Assets, Beginning of Year	5,001,179	8,553,494	113,893	292,571	102,526	14,063,663	14,215,409
Prior Period Adjustment	-	-	-	-	-	-	(172,822)
Net Assets, End of Year	<u>\$ 3,215,745</u>	<u>\$ 9,330,360</u>	<u>\$ 99,501</u>	<u>\$ 631,371</u>	<u>\$ 78,867</u>	<u>\$ 13,355,815</u>	<u>\$ 14,063,663</u>

Pennsylvania Interest On Lawyers Trust Account Board

SCHEDULES OF GRANT RECIPIENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Legal Service Organizations		
AIDS Law Project	\$ 32,100	\$ 32,100
Allegheny County Bar Foundation	72,800	68,700
CASA of Allegheny County	39,500	37,300
Community Justice Project	82,600	77,400
Community Legal Services of Philadelphia	-	51,900
Consumer Bankruptcy Assistance Project	47,800	46,000
Disability Rights Network of Pennsylvania	45,700	44,800
Education Law Center	44,800	44,800
Franklin County Legal Services	17,800	17,800
HIAS & Council Migration Services of Philadelphia	30,850	29,700
Homeless Advocacy Project	27,630	26,600
Juvenile Law Center	38,500	38,500
Kids Voice Pennsylvania, Inc.	55,600	52,500
Lackawanna Pro Bono, Inc.	32,000	28,550
Laurel Legal Services, Inc.	56,500	53,300
Legal Aid of Southeastern PA	136,100	129,600
Legal Clinic for the Disabled, Inc.	32,310	31,100
Legal Services for Immigrants and Internationals	36,600	34,500
Mid-Penn Legal Services	146,000	146,000
Montgomery Child Advocacy Project	28,200	26,800
Neighborhood Legal Services Association	56,500	53,300
North Penn Legal Services	200,000	196,050
Northwestern Legal Services	65,000	34,199
PA Health Law Project	63,800	-
PA Immigration Resource Center	118,900	106,200
Pennsylvania Legal Aid Network, Inc.	13,580,299	12,543,471
Philadelphia Legal Assistance Center, Inc.	23,170	22,300
Philadelphia Volunteer Lawyers for the Arts	4,625	4,450
Philadelphia Volunteers for the Indigent Program	85,750	82,500
Protection from Abuse Coordinated Services, Inc.	45,980	41,800
Public Interest Law Center of Philadelphia	38,100	35,700
Regional Housing Legal Services	43,700	43,700
Senior Law Center	51,900	46,350
Southwestern Pennsylvania Legal Services, Inc.	56,500	53,300
Support Center Child Advocates	73,900	71,200
Westmoreland Bar Foundation	25,200	25,200
Women Against Abuse Legal Center	30,850	29,700
Women's Center & Shelter Civil Law Project	<u>44,100</u>	<u>44,100</u>
Total Legal Services Organizations	<u>15,611,664</u>	<u>14,451,470</u>

(continued)

Pennsylvania Interest On Lawyers Trust Account Board

SCHEDULES OF GRANT RECIPIENTS CONTINUED
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Law Schools		
Pennsylvania State University, Dickinson School of Law	200,000	200,000
Drexel University, Earle Mack School of Law	200,000	200,000
Duquesne University School of Law	200,000	200,000
Temple University, Beasley School of Law	200,000	200,000
University of Pennsylvania School of Law	200,000	200,000
University of Pittsburgh School of Law	186,629	200,000
Villanova University School of Law	200,000	200,000
Widener University School of Law	<u>200,000</u>	<u>200,000</u>
Total Law Schools	<u>1,586,629</u>	<u>1,600,000</u>
Pro Bono Grants		
Butler County Bar Association	6,000	12,000
Chester County Bar Association	2,500	-
Cumberland County Bar Association	10,000	13,000
Delaware County Bar Association	14,000	-
Face-to-Face Legal Center	5,000	10,000
Monroe County Bar Association	10,000	-
Washington County Bar Association	5,000	9,500
Westmoreland Bar Foundation	<u>-</u>	<u>3,000</u>
Total Pro Bono Grants	<u>52,500</u>	<u>47,500</u>
Loan Repayment Assistance Program	<u>-</u>	<u>564,430</u>
Total Grant Awards	<u>\$ 17,250,793</u>	<u>\$ 16,663,400</u>