

MAINE BAR FOUNDATION
FINANCIAL STATEMENTS
WITH
ACCOUNTANTS' REVIEW REPORT
SEPTEMBER 30, 2009 (REVIEWED)
SEPTEMBER 30, 2008 (AUDITED)

ACCOUNTANTS' REVIEW REPORT

Board of Directors
Maine Bar Foundation:

We have reviewed the accompanying statements of assets, liabilities and net assets - cash basis of the Maine Bar Foundation (a nonprofit organization) as of September 30, 2009, and the related statements of revenues, expenses and other changes in net assets - cash basis and general and administrative expenses - cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of the Foundation's management.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion on the 2009 financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying statements in order for them to be in conformity with the cash basis of accounting, as described in Note 1.

The 2008 financial statements were audited by us, and our report thereon, dated January 12, 2009, stated the statements presented fairly, in all material respects, the assets, liabilities, and net assets of Maine Bar Foundation as of September 30, 2008, and the changes in its net assets for the year then ended, on the basis of accounting described in Note 1 of the September 30, 2008 statements.

Auburn, Maine

January 11, 2010

MAINE BAR FOUNDATION
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 SEPTEMBER 30, 2009 AND 2008

| <u>ASSETS</u> | 2009 (Reviewed) | 2008 (Audited) |
|---|--------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents: | | |
| Operating | \$ 38,931 | 274,767 |
| Frank Coffin Fellowship | 73,367 | 68,333 |
| Campaign for Justice | <u>57,484</u> | <u>90,264</u> |
| Total cash and cash equivalents | 169,782 | 433,364 |
| Deposits | <u>-0-</u> | <u>744</u> |
| Total current assets | <u>169,782</u> | <u>434,108</u> |
| PROPERTY AND EQUIPMENT: | | |
| Land, building and improvements | 169,955 | 169,955 |
| Equipment and leasehold improvements | <u>24,725</u> | <u>24,725</u> |
| Total property and equipment | 194,680 | 194,680 |
| Less accumulated depreciation | <u>58,384</u> | <u>53,626</u> |
| Net property and equipment | <u>136,296</u> | <u>141,054</u> |
| OTHER ASSETS - Investments | <u>1,376,052</u> | <u>1,878,576</u> |
| | <u>\$1,682,130</u> | <u>2,453,738</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES - Due to Campaign for Justice | \$ <u>67,300</u> | <u>81,778</u> |
| NET ASSETS: | | |
| Unrestricted net assets: | | |
| Unrestricted - long-term reserves | 1,219,777 | 1,216,363 |
| Unrestricted - available for operations | <u>285,373</u> | <u>1,062,686</u> |
| Total unrestricted net assets | 1,505,150 | 2,279,049 |
| Temporarily restricted | 89,680 | 72,911 |
| Permanently restricted | <u>20,000</u> | <u>20,000</u> |
| Total net assets | <u>1,614,830</u> | <u>2,371,960</u> |
| | <u>\$1,682,130</u> | <u>2,453,738</u> |

See accompanying notes to financial statements.

MAINE BAR FOUNDATION
 STATEMENTS OF REVENUES EXPENSES AND OTHER
 CHANGES IN NET ASSETS - CASH BASIS
 YEARS ENDED SEPTEMBER 30, 2009 AND 2008

| | 2009 <u>(Reviewed)</u> | 2008 <u>(Audited)</u> |
|---|---------------------------|--------------------------|
| CHANGE IN UNRESTRICTED NET ASSETS: | | |
| SUPPORT: | | |
| IOLTA contributions | \$ 984,013 | 1,410,052 |
| Fellows program contributions | 20,650 | 21,200 |
| JAG program contributions | 15,350 | 7,500 |
| Other contributions | <u>4,266</u> | <u>650</u> |
| Total support | <u>1,024,279</u> | <u>1,439,402</u> |
| OTHER REVENUE: | | |
| Investment income | 42,723 | 56,171 |
| Interest income | 1,006 | 7,244 |
| Rental income | 9,375 | 8,400 |
| Other income | <u>6,615</u> | <u>5,460</u> |
| Total other revenue | <u>59,719</u> | <u>77,275</u> |
| Total support and other revenue | 1,083,998 | 1,516,677 |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>117,211</u> | <u>120,587</u> |
| Total support, other revenue and net assets released from restrictions | <u>1,201,209</u> | <u>1,637,264</u> |
| EXPENSES AND LOSSES: | | |
| Program service expenses: | | |
| Annual grants | 746,029 | 507,984 |
| Discretionary grants | 160,725 | 134,625 |
| Volunteer Lawyers Project | 440,590 | 256,770 |
| Frank Coffin Fellowship | 121,878 | 120,587 |
| JAG program | 30,479 | 29,946 |
| Other program grants | <u>96,717</u> | <u>98,250</u> |
| Total program service expenses | 1,596,418 | 1,148,162 |
| Supporting services - General and administrative | <u>327,282</u> | <u>295,024</u> |
| Total expenses | 1,923,700 | 1,443,186 |
| Investment losses | <u>51,408</u> | <u>264,069</u> |
| Total expenses and losses | <u>1,975,108</u> | <u>1,707,255</u> |
| Change in unrestricted net assets | (773,899) | (69,991) |
| Unrestricted net assets at beginning of year | <u>2,279,049</u> | <u>2,349,040</u> |
| UNRESTRICTED NET ASSETS AT END OF YEAR | <u>\$1,505,150</u> | <u>2,279,049</u> |

See accompanying notes to financial statements.

MAINE BAR FOUNDATION
 STATEMENTS OF REVENUES EXPENSES AND OTHER
 CHANGES IN NET ASSETS - CASH BASIS, CONTINUED
 YEARS ENDED SEPTEMBER 30, 2009 AND 2008

| | 2009 <u>(Reviewed)</u> | 2008 <u>(Audited)</u> |
|---|---------------------------|--------------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS: | | |
| Frank Coffin Fellowship contributions | \$ 125,492 | 127,317 |
| Justice Howard H. Dana Fund contributions | 5,000 | -0- |
| Investment income | 3,488 | 3,365 |
| Net assets released from restrictions | <u>(117,211)</u> | <u>(120,587)</u> |
| Change in temporarily restricted assets | 16,769 | 10,095 |
| Temporarily restricted net assets at beginning of year | <u>72,911</u> | <u>62,816</u> |
| TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR | <u>\$ 89,680</u> | <u>72,911</u> |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS: | | |
| Change in permanently restricted net assets | \$ -0- | -0- |
| Permanently restricted net assets at beginning of year | <u>20,000</u> | <u>20,000</u> |
| PERMANENTLY RESTRICTED NET ASSETS AT END OF YEAR | <u>\$ 20,000</u> | <u>20,000</u> |

See accompanying notes to financial statements.

MAINE BAR FOUNDATION
STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES - CASH BASIS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

| | 2009 <u>(Reviewed)</u> | 2008 <u>(Audited)</u> |
|----------------------------------|---------------------------|--------------------------|
| Salaries and wages | \$140,611 | 133,447 |
| Pension plan contributions | 9,844 | 9,618 |
| Other employee benefits | 30,165 | 29,560 |
| Payroll taxes | 11,168 | 10,624 |
| Property taxes | 1,116 | 974 |
| Consulting fees | 46,314 | 15,306 |
| Accounting fees | 11,054 | 5,644 |
| Temporary staffing | 1,825 | 8,923 |
| Investment fees | 10,683 | 12,673 |
| Advertising | 1,000 | 1,188 |
| Supplies | 2,027 | 4,352 |
| Telephone | 4,831 | 5,113 |
| Postage | 3,366 | 3,812 |
| Occupancy | 14,846 | 8,564 |
| Equipment rental and maintenance | 6,407 | 4,762 |
| Printing and publications | 3,366 | 6,972 |
| Travel | 11,879 | 15,739 |
| Conferences and meetings | 1,962 | 1,708 |
| Depreciation | 4,758 | 5,061 |
| Insurance | 2,239 | 2,814 |
| Awards | 3,767 | 3,791 |
| Membership and subscriptions | 2,723 | 2,831 |
| Continuing education | 514 | 155 |
| Miscellaneous | <u>817</u> | <u>1,393</u> |
| | <u>\$327,282</u> | <u>295,024</u> |

See accompanying notes to financial statements.

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization - The Maine Bar Foundation (the Foundation) is a nonprofit organization established to increase access to justice for indigent and vulnerable populations, and to support, encourage, and implement the legal profession's commitment to law-related public service. The Foundation is supported primarily through the Interest on Lawyers' Trust Accounts Program (IOLTA). The Foundation receives IOLTA funds and distributes grants to other organizations, which provide legal services, education, or otherwise meet the Foundation's mission.

Basis of presentation - The financial statements of the Foundation have been prepared on the cash basis of accounting. Under this basis, revenue is recognized when collected rather than earned, and expenditures are generally recognized when paid rather than when incurred, except for depreciation on fixed assets, recording investments at market value rather than cost, and accruals for amounts due to other agencies. These statements do not purport to show the financial position and results of operations or changes in net assets in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis of accounting - The Foundation's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation or by passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

Use of estimates - Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - All highly liquid savings deposits and investments with maturities of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents consist of cash deposits and amounts in short-term cash managements accounts.

Property and equipment - Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investments - Investments are held in trust and stated at fair market value as of the date of the statement of assets, liabilities and net assets. Any increases or decreases in fair market value subsequent to the year-end have not been included in these statements.

Income taxes - The Foundation is a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code and is exempt federal and state income taxes. The Foundation does not believe it is subject to unrelated business income tax during the current year or previous year; therefore has not filed a tax return.

Subsequent event - The Foundation has evaluated events, if any, that have occurred subsequent to September 30, 2009 through January 11, 2010, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. CONCENTRATION OF CREDIT RISK

Credit risk - The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these account balances.

Market value risk - The Foundation also invests in stocks, mutual funds and fixed income securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

3. INVESTMENTS

The cost, market value and unrealized appreciation of the investment accounts are as follows:

| | 2009 | | |
|--------------------|--------------------|---------------------|--------------------------------|
| | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Appreciation</u> |
| Money market funds | \$ 189,851 | 189,851 | -0- |
| U.S. obligations | 136,505 | 148,133 | 11,628 |
| Corporate bonds | 158,047 | 161,415 | 3,368 |
| Corporate stock | 488,790 | 540,343 | 51,553 |
| Mutual funds | <u>293,278</u> | <u>336,310</u> | <u>43,032</u> |
| | <u>\$1,266,471</u> | <u>1,376,052</u> | <u>109,581</u> |
| | | | |
| | 2008 | | |
| | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Appreciation</u> |
| Money market funds | \$ 654,644 | 654,644 | -0- |
| U.S. obligations | 236,224 | 246,136 | 9,912 |
| Corporate bonds | 102,356 | 90,101 | (12,255) |
| Corporate stock | 677,298 | 675,094 | (2,204) |
| Mutual funds | <u>213,565</u> | <u>212,601</u> | <u>(964)</u> |
| | <u>\$1,884,087</u> | <u>1,878,576</u> | <u>(5,511)</u> |

Investment return activity is as follows:

| | 2009 | 2008 |
|--------------------------------|--------------------|------------------|
| Additions | \$ 29,916 | 101,069 |
| Interest & dividends | 42,998 | 56,171 |
| Net realized gains (losses) | (163,847) | (22,206) |
| Net change in unrealized gains | 115,092 | (240,007) |
| Distributions | (516,106) | (40,000) |
| Investment fees | <u>(10,577)</u> | <u>(12,673)</u> |
| Change in investments | (502,524) | (157,646) |
| Beginning investments | <u>1,878,576</u> | <u>2,036,222</u> |
| Ending investments | <u>\$1,376,052</u> | <u>1,878,576</u> |

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. FAIR VALUE

Fair value is defined as the price at which an asset could be exchanged or a liability transferred (an exit price) in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied.

Financial assets recorded at fair value in the accompanying financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by US GAAP, and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are other than quoted prices included in Level 1, which are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | <u>Fair value measurements are reporting date using</u> | | | |
|-------------|---|---|--|---|
| | <u>2009</u> | Quoted prices in active markets for identical assets <u>(Level 1)</u> | Significant other observable inputs <u>(Level 2)</u> | Significant unobservable inputs <u>(Level 3)</u> |
| Investments | \$ <u>1,376,052</u> | <u>1,376,052</u> | <u>-0-</u> | <u>-0-</u> |

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. ENDOWMENT FUNDS AND BOARD-DESIGNATED RESERVES

The Foundation's net assets include both donor-restricted endowment funds and funds designated by the Board of Directors as reserves. As required by US GAAP, net assets associated with donor-restricted endowment funds and funds designated by the Board of Directors as reserves, are classified and reported on the existence or absence of donor-imposed restrictions.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Maine and effective as of July 1, 2009, and its own governing policies for donor-restricted endowment funds and board-designated reserves. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent donor-restricted endowment, (b) the original value of subsequent gifts to the permanent donor-restricted endowment, and (c) accumulations to the permanent donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance, with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Foundation

Return objectives and risk parameters - The Foundation's investment and spending policies for donor-restricted endowment assets and board-designated reserves, which have not yet been formally approved by the Board, attempt to provide a predictable stream of funding to programs supported by its donor-restricted endowment and board-designated reserves while seeking to maintain the purchasing power of the donor-restricted endowment assets and board-designated reserves. Donor-restricted endowment assets and board-designated reserves are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, including dividends, for equities and the Intermediate Treasury Bond Index for fixed income investments while assuming a moderate level of investment risk. To satisfy its long-term, rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. ENDOWMENT FUNDS AND BOARD-DESIGNATED RESERVES, CONTINUED

Spending policy and how investment objectives relate to spending policy - The Foundation has two donor-restricted funds, one funded by annual gifts for the Coffin Fellowship and the other a permanent endowment known as the Wernick Fund. Coffin gifts are temporarily restricted until disbursed to Pine Tree Legal Assistance to pay the costs of two Coffin Fellowships. Actual earnings on the Wernick Fund are temporarily restricted funds pending disbursement for the purposes of the Fund. The Foundation also holds a gift (the Dana Fund) that is classified as temporarily restricted pending further direction from the donor.

Except for the forgoing, all net assets of the Foundation are unrestricted and available for its operations. All unrestricted net assets, other than \$285,373, the amount that the Board has budgeted for expenditure in 2010, are classified as a long term reserve. The Executive Committee of the Board has since determined that an additional \$50,765 of reserves should be budgeted to cover anticipated expenditures in 2010.

This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets to be held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Donor-restricted endowment funds and board-designated reserves net asset composition by type of fund as of September 30, 2009:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ -0- | 17,500 | 20,000 | 37,500 |
| Board-designated reserves | <u>1,338,552</u> | <u>-0-</u> | <u>-0-</u> | <u>1,338,552</u> |
| | <u>\$1,338,552</u> | <u>17,500</u> | <u>20,000</u> | <u>1,376,052</u> |

Changes in endowment funds and board-designated reserves net assets for the year ended September 30, 2009:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds and board-designated reserves net assets, beginning of year | <u>\$1,853,595</u> | <u>4,981</u> | <u>20,000</u> | <u>1,878,576</u> |
| Investment return: | | | | |
| Investment income | 41,615 | 1,383 | -0- | 42,998 |
| Net (depreciation) appreciation (realized and unrealized) | <u>(50,223)</u> | <u>1,468</u> | <u>-0-</u> | <u>(48,755)</u> |
| Total investment return | <u>(8,608)</u> | <u>2,851</u> | <u>-0-</u> | <u>(5,757)</u> |
| Contributions | <u>20,248</u> | <u>9,668</u> | <u>-0-</u> | <u>29,916</u> |
| Appropriation of donor-restricted endowment funds and board-designated reserves assets for expenditure | <u>(526,683)</u> | <u>-0-</u> | <u>0-</u> | <u>(526,683)</u> |
| Donor-restricted endowment funds and board-designated reserves net assets, end of year | <u>\$1,338,552</u> | <u>17,500</u> | <u>20,000</u> | <u>1,376,052</u> |

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. ENDOWMENT FUNDS AND BOARD-DESIGNATED RESERVES, CONTINUED

Donor-restricted endowment funds and board-designated reserves net asset composition by type of fund as of September 30, 2008:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ -0- | 4,981 | 20,000 | 24,981 |
| Board-designated reserves | <u>1,853,595</u> | <u>-0-</u> | <u>-0-</u> | <u>1,853,595</u> |
| | <u>\$1,853,595</u> | <u>4,981</u> | <u>20,000</u> | <u>1,878,576</u> |

Changes in donor-restricted endowment funds and board-designated reserves net assets for the year ended September 30, 2008:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds and board-designated reserves net assets, beginning of year | <u>\$2,013,097</u> | <u>3,125</u> | <u>20,000</u> | <u>2,036,222</u> |
| Investment return: | | | | |
| Investment income | 55,005 | 1,166 | -0- | 56,171 |
| Net (depreciation) appreciation (realized and unrealized) | <u>(262,903)</u> | <u>690</u> | <u>-0-</u> | <u>(262,213)</u> |
| Total investment return | <u>(207,898)</u> | <u>1,856</u> | <u>-0-</u> | <u>(206,042)</u> |
| Contributions | <u>101,069</u> | <u>-0-</u> | <u>-0-</u> | <u>101,069</u> |
| Appropriation of donor-restricted endowment funds and board-designated reserves assets for expenditure | <u>(52,673)</u> | <u>-0-</u> | <u>-0-</u> | <u>(52,673)</u> |
| Donor-restricted endowment funds and board-designated reserves net assets, end of year | <u>\$1,853,595</u> | <u>4,981</u> | <u>20,000</u> | <u>1,878,576</u> |

6. RESTRICTIONS ON USE OF NET ASSETS

| | | |
|--|-----------------|---------------|
| Temporarily restricted net assets are restricted to: | <u>2009</u> | <u>2008</u> |
| Frank Coffin Fellowship | \$72,180 | 67,930 |
| Sidney W. Wernick Lecture Fund (income) | 6,881 | 4,981 |
| Justice Howard H. Dana Fund | <u>10,619</u> | <u>-0-</u> |
| | <u>\$89,680</u> | <u>72,911</u> |
| Permanently restricted net assets are restricted to: | | |
| Sidney W. Wernick Lecture Fund (corpus) | <u>\$20,000</u> | <u>20,000</u> |

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. IOLTA CONTRIBUTIONS

The Foundation is supported primarily through income earned from the Interest on Lawyers' Trust Accounts (IOLTA). Under Maine's IOLTA Program, participating attorneys receiving certain client trust funds, which would not otherwise earn distributive interest, are deposited in a special pooled account. The interest earnings from the accounts are paid to the Foundation and represent IOLTA revenue. Approximately 90% and 93% of the Foundation's total support and other revenue for the years ended September 30, 2009 and 2008, respectively, came from interest earned on IOLTA accounts.

8. GRANTS

The Foundation distributes grants to organizations, which provide legal services, education or other services that fall within the Foundation's mission.

| The following annual grants were made for the years ended September 30: | <u>2009</u> | <u>2008</u> |
|---|------------------|----------------|
| Pine Tree Legal Assistance | \$190,201 | 136,139 |
| Legal Services for the Elderly | 150,347 | 100,581 |
| Cumberland County Legal Clinic | 64,543 | 43,179 |
| Maine Equal Justice Project | 201,222 | 134,616 |
| Immigrant Legal Advocacy Project | <u>139,716</u> | <u>93,469</u> |
| | <u>\$746,029</u> | <u>507,984</u> |

| The following discretionary grants were made for the years ended September 30: | <u>2009</u> | <u>2008</u> |
|--|------------------|----------------|
| Coastal Enterprises | \$ 19,750 | 26,250 |
| Kids First Center | 10,000 | -0- |
| Legal Services for the Elderly | 4,125 | 12,375 |
| Maine Coalition to End Domestic Violence | 7,500 | 22,500 |
| Cumberland Legal Aid Clinic | 41,250 | 24,750 |
| Pine Tree Legal Assistance | 17,500 | 22,500 |
| York County Shelter Programs | 31,250 | 18,750 |
| Court Alternate Dispute Resolution Services | 12,500 | 7,500 |
| Maine Equal Justice Project | 10,000 | -0- |
| University of Maine | 4,950 | -0- |
| Immigrant Legal Advocacy Program | <u>1,900</u> | <u>-0-</u> |
| | <u>\$160,725</u> | <u>134,625</u> |

9. DUE TO CAMPAIGN FOR JUSTICE

In February 2004 the Foundation entered into an operational agreement with certain Maine legal services providers (Providers) to act as fiscal agent for the Campaign for Justice, a fundraising campaign to raise money for providers of legal services in Maine. The providers consist of Pine Tree Legal Assistance, Legal Services for the Elderly, Maine Equal Justice Partners, Immigrant Legal Advocacy Project, the Cumberland Legal Aid Clinic and the Volunteer Lawyers Project. The net activity related to the Campaign is recorded as a liability at September 30, 2009 in accordance with US GAAP.

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. DUE TO CAMPAIGN FOR JUSTICE, CONTINUED

The activity and net liability due to the Campaign for Justice accumulated since the Campaigns inception through the year end September 30, 2008 and for the year ended September 30, 2009 is as follows:

| | <u>Thru</u> <u>2008</u> | <u>2009</u> | <u>Total</u> |
|---|----------------------------|----------------|------------------|
| Contributions received and interest income earned | \$ <u>1,603,824</u> | <u>365,351</u> | <u>1,969,175</u> |
| Expenses: | | | |
| Advertising | 1,138 | -0- | 1,138 |
| Bank charges | 10,180 | 2,782 | 12,962 |
| Consultant | 58,759 | 375 | 59,134 |
| Donations | 6,324 | 2,885 | 9,209 |
| Events | 3,083 | 326 | 3,409 |
| Insurance | 825 | 259 | 1,084 |
| Miscellaneous | 4,146 | 403 | 4,549 |
| Office supplies | 18,574 | 2,282 | 20,856 |
| Postage | 9,246 | 3,337 | 12,583 |
| Printing | 22,113 | 4,487 | 26,600 |
| Salaries and related payroll taxes | 172,967 | 49,724 | 222,691 |
| Telephone | 3,153 | 627 | 3,780 |
| Travel | 3,350 | 2,649 | 5,999 |
| Disbursements | <u>1,208,188</u> | <u>309,693</u> | <u>1,517,881</u> |
| Total expenses | <u>1,522,046</u> | <u>379,829</u> | <u>1,901,875</u> |
| Due to Campaign for Justice | | | \$ <u>67,300</u> |

10. VOLUNTEERS LAWYERS' PROJECT

The Volunteers Lawyers Project is a joint project of the Foundation and Pine Tree Legal Assistance, Inc. to provide a statewide pro bono referral system. Pine Tree Legal Assistance, Inc. has operated the Volunteers Lawyers Project since 1983. The Foundation has entered into an agreement with Pine Tree Legal Assistance to provide annual funding and administrative assistance to the Volunteers Lawyers Project. The Foundation provided annual funding of \$440,590 and \$256,770 for the years ended September 30, 2009 and 2008, respectively.

11. PENSION PLAN

The Foundation has a defined contribution pension plan covering employees meeting certain age and service requirements. Employer contributions are not to exceed 7% of the total compensation earned by plan participants for the year. During the years ended September 30, 2009 and 2008, pension plan expense totaled \$9,844 and \$9,618, respectively.

During 2007, the Foundation adopted a 401(k) plan covering employees meeting certain age and service requirements. This Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation may, at its sole discretion, elect to make employer contributions for any plan year. The Foundation made no discretionary contributions during 2009.

MAINE BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

12. LEASE COMMITMENTS

Lease income - The Foundation leases a portion of the building to a third party tenant. The lease agreement which began in June 2006, is for five years with a monthly rent of \$700 for the first three years after which the rental amount will be negotiated for the final two years. During 2009, through renegotiation, it was agreed to leave the monthly rental amount of \$700 for the remaining two years.

Lease expense - In July 2007, the Foundation entered into a five year, non-cancelable operating lease agreement for a copier. Rent expense for the new copier for the years ended September 30, 2009 and 2008 was \$2,820 and \$2,820, respectively.

Future minimum lease obligations under the operating lease as of September 30, 2009 are as follows.

| | |
|------|----------------|
| 2010 | \$2,820 |
| 2011 | 2,820 |
| 2012 | <u>2,350</u> |
| | <u>\$7,990</u> |

13. RELATED PARTY

The Foundation works in cooperation with Maine State Bar Association (MSBA). The president, president elect, and past president of the MSBA's Board of Directors serve as ex-officio voting members of the Foundation's Board of Directors. Also, The Board of MSBA confirms all members of the Foundation's Board of Directors. There are no financial transactions between the Foundation and MSBA.