

REPORT OF
MISSOURI LAWYER TRUST
ACCOUNT FOUNDATION
DECEMBER 31, 2008

INDEPENDENT AUDITORS' REPORT

To the Supreme Court
of the State of Missouri

We have audited the accompanying statements of assets and net assets - cash basis of the Missouri Lawyer Trust Account Foundation (the Foundation) as of December 31, 2008 and 2007, and the related statements of revenues collected, expenses paid and changes in net assets for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 of the Notes to Financial Statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets arising from cash transactions of the Missouri Lawyer Trust Account Foundation as of December 31, 2008 and 2007, and its revenues collected and expenses paid, and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

The accompanying information shown on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our audit of the financial statements was made for the purpose of forming an opinion on those statements taken as a whole. The accompanying information has been subjected to the procedures applied in the audit of the financial statements. In our opinion, the accompanying information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Williams - Keepers LLC

June 8, 2009

MISSOURI LAWYER TRUST ACCOUNT FOUNDATION

STATEMENTS OF ASSETS AND NET ASSETS

(Cash Basis)

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
ASSETS		
Cash	\$ 8,873	\$ 748
Money market	686,595	258,994
Certificates of deposit	759,372	543,809
Investment securities, at cost (Note 2)	<u>688,538</u>	<u>608,170</u>
Total assets	<u>\$ 2,143,378</u>	<u>\$ 1,411,721</u>
NET ASSETS		
NET ASSETS - UNRESTRICTED	<u>\$ 2,143,378</u>	<u>\$ 1,411,721</u>

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

MISSOURI LAWYER TRUST ACCOUNT FOUNDATION

**STATEMENTS OF REVENUES COLLECTED, EXPENSES PAID,
AND CHANGES IN NET ASSETS**

(Cash Basis)

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES COLLECTED		
Interest on lawyers' trust accounts	\$ 2,346,024	\$ 1,548,798
Interest and dividends	63,882	56,448
Gain on sale of investment securities	26,590	22,851
Total revenues collected	<u>2,436,496</u>	<u>1,628,097</u>
EXPENSES PAID		
Grants (Notes 3 and 6)	1,401,019	1,243,223
Payroll related	195,175	136,063
General and administrative	108,645	80,313
Total expenses paid	<u>1,704,839</u>	<u>1,459,599</u>
Excess of revenues collected over expenses paid	731,657	168,498
Net assets, beginning of year	<u>1,411,721</u>	<u>1,243,223</u>
Net assets, end of year	<u>\$ 2,143,378</u>	<u>\$ 1,411,721</u>

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

MISSOURI LAWYER TRUST ACCOUNT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Missouri Lawyer Trust Account Foundation (the Foundation) is a not-for-profit corporation organized exclusively for charitable and educational purposes and specifically to provide civil legal assistance to the poor, improve the administration of justice, and promote such other programs for the benefit of the public as are specifically approved by the Missouri Supreme Court exclusively for public purposes. The Foundation is primarily funded through interest earned on lawyers' trust accounts which is recorded as income when received by the Foundation from the various lawyers' trust fund depository accounts. The Foundation operates the Interest On Lawyers' Trust Accounts (IOLTA) program for the State of Missouri.

Basis of Presentation: These financial statements are presented on the basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the Foundation's financial position and results of operations in conformity with U.S. generally accepted accounting principles.

Concentration of credit risk: Periodically, the Foundation maintains cash on deposit at financial institutions in excess of amounts insured by the U.S. Federal Deposit Insurance Corporation (FDIC).

Investment Securities: Debt and equity securities are carried at cost. Due to the short-term nature of most debt securities and consistent with the cash receipts and disbursements basis of accounting, premiums and discounts are not amortized.

Financial Statement Presentation: The Foundation reports information regarding its net assets and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Foundation has only unrestricted net assets as of December 31, 2008 and 2007. The Foundation's board designated \$713,674 of the unrestricted net assets at December 31, 2008 as a temporary reserve for future grant funding.

Tax Status: The Foundation is a not-for-profit organization as defined under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to federal or state income tax.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. INVESTMENT SECURITIES

Cost, gross unrealized gains and losses, and fair value of investment securities at December 31 are presented in the following table. The fair values disclosed are based on quoted prices in active markets for identical assets.

	2008			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$ 1,579	\$ -	\$ (306)	\$ 1,273
U.S. Government agencies	5,990	1,828	-	7,818
Bond securities	338,472	-	(72,273)	266,199
Equity securities	342,497	-	(150,730)	191,767
Total investment securities	<u>\$ 688,538</u>	<u>\$ 1,828</u>	<u>\$ (223,309)</u>	<u>\$ 467,057</u>

	2007			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$ 1,619	\$ -	\$ (302)	\$ 1,317
U.S. Government agencies	6,886	2,200	(225)	8,861
Bond securities	311,467	-	(27,982)	283,485
Equity securities	288,198	17,280	-	305,478
Total investment securities	<u>\$ 608,170</u>	<u>\$ 19,480</u>	<u>\$ (28,509)</u>	<u>\$ 599,141</u>

3. GRANTS

During 2008 and 2007, the Foundation awarded and paid grants to the following organizations:

	<u>2008</u>	<u>2007</u>
Legal Aid to the Poor:		
Legal Services of Eastern Missouri	\$ 575,010	\$ 492,945
Legal Aid of Western Missouri	424,981	394,373
Legal Services of Southern Missouri	269,679	243,676
Mid-Missouri Legal Services	<u>61,299</u>	<u>50,068</u>
Total Legal Aid to the Poor	<u>1,330,969</u>	<u>1,181,062</u>
Administration of Justice:		
Public Interest Litigation Clinic	14,010	17,899
St. Louis Bar Foundation, The Resource Center for Law- Related Education	28,020	20,881
Kansas City Bar Association, Domestic Violence Project	28,020	20,881
M.A.R.C.H.	<u>-</u>	<u>2,500</u>
Total Administration of Justice	<u>70,050</u>	<u>62,161</u>
Total grants	<u>\$ 1,401,019</u>	<u>\$ 1,243,223</u>

4. FUNCTIONAL EXPENSE ALLOCATION

Expenses allocated by function for the years ended December 31 are as follows:

	<u>2008</u>		
	<u>Direct</u>	<u>Payroll Related</u>	<u>Total</u>
Grants	\$ 1,401,019	\$ 14,638	\$ 1,415,657
General and administrative	108,645	180,537	289,182
Total	<u>\$ 1,509,664</u>	<u>\$ 195,175</u>	<u>\$ 1,704,839</u>
	<u>2007</u>		
	<u>Direct</u>	<u>Payroll Related</u>	<u>Total</u>
Grants	\$ 1,243,223	\$ 6,803	\$ 1,250,026
General and administrative	80,313	129,260	209,573
Total	<u>\$ 1,323,536</u>	<u>\$ 136,063</u>	<u>\$ 1,459,599</u>

5. DEFINED CONTRIBUTION PLAN

The Foundation maintains a simplified employee pension (SEP) plan for employees who are at least twenty-one years old and have completed one year of employment. The one-year requirement was waived for the Executive Director who began employment with the Foundation during 2008. Employees are 100% vested at the time of contribution. The annual contribution made by the Foundation is 15% of the employee's compensation. The total contribution for 2008 and 2007 was \$16,300 and \$5,740, respectively.

6. COMMITMENTS

During its November 2008 meeting, the Board of Directors approved five "Administration of Justice" grants totaling \$89,801 and four "Legal Aid to the Poor" grants totaling \$1,706,223 to be disbursed in equal, quarterly payments during 2009.

MISSOURI LAWYER TRUST ACCOUNT FOUNDATION

SCHEDULE OF OPERATING EXPENDITURES

BUDGET TO ACTUAL

(Cash Basis)

Year Ended December 31, 2008

	Budget	Actual	Variance Favorable/ (Unfavorable)
PAYROLL RELATED			
Staff	\$ 154,500	\$ 154,266	\$ 234
Payroll taxes	10,000	12,050	(2,050)
Fringe benefits - pension	18,000	16,300	1,700
Fringe benefits - insurance	14,000	12,559	1,441
Total payroll related	<u>196,500</u>	<u>195,175</u>	<u>1,325</u>
GENERAL AND ADMINISTRATIVE			
Accounting and audit fees	3,000	4,435	(1,435)
Board expenses	2,000	1,500	500
Certification report	6,000	6,000	-
Equipment and furniture	4,000	14,094	(10,094)
Insurance	400	2,669	(2,269)
Photocopies	400	246	154
Postage	2,000	790	1,210
Rent and utilities	9,600	9,853	(253)
Software subscription	3,000	3,000	-
Supplies	2,600	564	2,036
Telephone	7,500	6,398	1,102
Travel	9,000	4,134	4,866
Other	4,000	3,917	83
Comparability	10,000	51,045	(41,045)
Total general and administrative	<u>63,500</u>	<u>108,645</u>	<u>(45,145)</u>
Total operating expenditures	<u>\$ 260,000</u>	<u>\$ 303,820</u>	<u>\$ (43,820)</u>