

THE SUPREME COURT OF PENNSYLVANIA
PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY
REPORT ON 2006 - 2007 OPERATIONS

The Pennsylvania Lawyers Fund for Client Security (the "Fund") was established by Order of the Supreme Court of Pennsylvania dated April 30, 1982. The Fund was originally established as the "Pennsylvania Client Security Fund." The name was changed to the "Pennsylvania Lawyers Fund for Client Security" by Supreme Court Order dated March 11, 1993. The Fund operates under Pennsylvania Rules of Disciplinary Enforcement, Section 501, et seq.

The Fund was established to reimburse clients who have suffered losses as a result of a misappropriation of funds by their Pennsylvania attorney. There must have been an attorney/client relationship or a fiduciary relationship between the client and the attorney. Funding is received through an annual assessment paid by every licensed Pennsylvania attorney. For the fiscal year ending June 30, 2007, the assessment was \$45. For the 2007-2008 fiscal year, the assessment will be \$35. The Fund does not have jurisdiction over malpractice or negligence claims.

In accordance with Pennsylvania Rule of Disciplinary Enforcement 502(d), an independent audit of the Pennsylvania Lawyers Fund for Client Security has been conducted by a certified public accountant and a copy of such audit has been filed with the Supreme Court of Pennsylvania and is a part of this Report.

This Annual Report is prepared and published for the Supreme Court of Pennsylvania and all members of the Pennsylvania Judiciary and Bar. The period covered by this Annual Report is for the Fund's fiscal year July 1, 2006 through June 30, 2007.¹

A. As of the Start of the 2006-2007 Fiscal Year

The Fund commenced the 2006-2007 fiscal year with 181 pending claims, involving 86 attorneys, carrying an award potential of \$2,882,746. This dollar amount is calculated after applying the Fund's \$75,000 award limitation. There were 19 claims in excess of \$75,000 among the pending claims and the gross total amount claimed of the Fund was \$6,321,307.

B. During the Fiscal Year

The Fund received a total of 183 claims from July 1, 2006 through June 30, 2007, alleging a total loss of \$53,978,960.² This was a decrease of 38 claims from the amount received during the prior fiscal year. 11 of these claims alleged losses in excess of \$75,000. 115 lawyers were accused of dishonest conduct.

During the 2006-2007 fiscal year, the Fund disposed of 204 claims, awarding \$1,708,948 as a result of 114 claims. The dollar amount awarded reflects a decrease of \$770,106 which was awarded to 4 fewer claimants than the prior fiscal year. Seven claimants received the Fund's maximum award of \$75,000. Seventy-three claims with an aggregate alleged loss of \$1,449,144 were denied. Seventeen claims with an aggregate alleged loss of \$102,189 were discontinued. There were 6 fewer denials this year than in the previous fiscal year. The number of discontinued claims increased by 4.

C. As of the End of the Fiscal Year

On June 30, 2007, the Fund had 160 pending claims alleging an aggregate total loss in the amount of \$55,657,501. Fifteen of these claims exceed the \$75,000 maximum reimbursement limit and seek \$54,309,917 in awards. The Fund's potential maximum exposure from these pending claims is approximately \$1,347,583.

¹ This Annual Report has not been submitted to the Supreme Court of Pennsylvania for prior review.

² One claim which has been filed alleges a loss of \$50 million.

Since the establishment of the Fund in April 1982, through the period ending June 30, 2007, the Fund has approved 3,640 awards in the aggregate amount of \$37,900,394 as a result of the actions of 633 attorneys.

The assistance provided by the Offices of Disciplinary Counsel of the Disciplinary Board of the Supreme Court of Pennsylvania permits the Fund's processing of its claims within a customary 12 month time period.

D. Claims Experience

1. Fiduciary Funds - Theft of (a) estate funds and (b) trust/escrow funds continues to be the largest categories of claims. During the 2006-2007 fiscal year, these two types of theft cost the Fund \$906,826 or 53.07% of its total award dollars. 41 claimants who alleged attorney theft from estate or trust/escrow monies received awards. \$231,000, or 25.48%, of the total awards approved in this category were approved to 4 former clients of one attorney.

2. Embezzlement of Lawsuit Settlement Proceeds - The Fund approved awards totaling \$467,617 to 14 claimants resulting from the misappropriation of lawsuit settlements. The misappropriation of lawsuit settlement funds accounted for 27.37% of the awards approved by the Fund during the 2006-2007 fiscal year. Claims of misappropriation of lawsuit settlement funds often occur when an attorney settles a lawsuit without the knowledge or consent of the client. The attorney would then receive the funds and fail to remit them to the client. Claims involving an attorney who withholds funds from settlement proceeds to pay the client's medical providers and fails to disburse the money to the medical providers also fall under this category. \$281,631, or 60.23%, of the total approved awards in this category were approved to 9 former clients of one attorney.

3. Conversion of Real Estate Settlement Funds - A misappropriation of funds involved in real estate settlements represents the third highest payment category, with approved awards totaling \$159,387. Awards were approved to 5 claimants, with the awards paid in this category representing 9.33% of the Fund's total approved awards for the fiscal year. A typical claim in this category results from the closing attorney's failure to forward the payoff of the existing mortgage to that lender. \$100,822, or 63.26%, of the total approved awards in this

category were approved to 2 former clients of one attorney.

Notwithstanding the award amounts reported herein, it should be noted that claims are filed against less than one percent of all Pennsylvania licensed attorneys. This very small percentage speaks highly of the integrity of the Pennsylvania Bar.

E. Lawyers Concerned for Lawyers

During the 2006-2007 fiscal year, the Fund provided \$277,875 for the activities of Lawyers Concerned for Lawyers, as directed by the Supreme Court of Pennsylvania. The funding assistance provided to Lawyers Concerned for Lawyers complements the Fund's mission to ameliorate losses resulting from attorney dishonesty. Often times when an attorney converts client funds, the conduct is related to substance abuse. The financial support for Lawyers Concerned for Lawyers helps to mitigate the losses by providing a resource for impaired attorneys. The Fund anticipates that it will continue to support Lawyers Concerned for Lawyers during the fiscal year 2007-2008 in the amount of \$280,700.

F. Mandatory Overdraft Notification

Pennsylvania Rule of Disciplinary Enforcement 221 was promulgated by the Supreme Court of Pennsylvania on April 24, 1995, requiring financial institutions to report the occurrence of an item being presented against insufficient funds, when the item involves an attorney trust account. The fiscal year began with 0 pending notices. The Fund received 166 overdraft notices during the 2006-2007 fiscal year, which resulted in 37 overdraft notices being referred to the Office of Disciplinary Counsel for further inquiry. 124 overdraft notices were reviewed, dismissed with a satisfactory explanation, and scheduled for destruction six months thereafter. The fiscal year ended with 5 overdraft notices pending.

G. Restitution and Subrogation Efforts

The Fund recovered \$157,399 in restitution payments during the 2006-2007 fiscal year.

H. Board Meetings and Locations

The Board of the Fund continued during the 2006-2007 fiscal year to make a high priority of educating the legal community and Pennsylvania citizenry about the Fund, its mission

and activities. During this fiscal year, the Board of the Fund met in Hershey, Pittsburgh and Philadelphia. Invitations to the Fund's informational dinners, which are held on the eve of the Board's meetings, were extended to the Judiciary, Bar leaders and prominent local citizens from the county where the Board met, as well as from the surrounding counties.

To date, the Fund has held its informational dinners and meetings in the following counties: Allegheny County (1983, 1986-1989, 1991, 1993-1998, 2000-2007); Cambria County (1998); Centre County (1995); Chester County (1990, 1998); Cumberland County (1998, 2002-2003); Dauphin County (1984 -1985, 1989, 1991, 1993, 1996-1997, 1999, 2001, 2004-2006); Delaware County (1994, 1997 and 2002); Erie County (1989, 1992, 1994 and 2000); Fayette County (1992); Lackawanna County (1990, 1999); Lancaster County (1990 and 2000); Lehigh County (1989); Luzerne County (1996); Monroe County (1992); Montgomery County (1999); Northampton County (1994); and, Philadelphia County (1982-1988, 1990-1993, 1995-1996, 1998, 2001, 2003-2007).

I. National Ranking

According to the American Bar Association's Survey of Lawyers' Funds for Client Protection for the years 2002 through 2004, the Fund ranks in the top 4 funds in the United States for claims received and processed during that three year period. The funds in California, New York and Florida received and processed more claims during the same time period.

J. Board Membership and Fund Personnel

Board Chair, Zygmunt R. Bialkowski Jr., Esquire was originally appointed to the Board in April 2002. Mr. Bialkowski was reappointed to the Board in March 2005 and was subsequently appointed as Board Chair in March 2006 when the then Board Chair, Carl D. Buchholz, III, completed a maximum 6 years of service on the Board. Mr. Bialkowski is a partner with Margolis Edelstein in Scranton, Pennsylvania.

Other members of the Board include attorneys Maureen Murphy McBride from West Chester, Robert A. Rovner, from Philadelphia and, Joan Shoemaker and Eric N. Anderson, both from Pittsburgh, Pennsylvania.

By Supreme Court Rule, the Board consists of two non-lawyer members. James M. Mead, President and CEO (retired) from Capital Blue Cross of Camp Hill, PA currently serves as the Vice Chair for the Fund. At the time this Report was prepared, the second non-lawyer appointment had not been filled.

Kathryn J. Peifer, Esquire, Executive Director of the Fund, is in charge of the Fund's headquarters, its daily administrative affairs, the processing and investigation of claims received by the Fund, preparing summaries thereof for Board consideration, scheduling and attending meetings and, when necessary, hearings. The Fund employs one administrative assistant, Susan L. Erdman, who has made a significant contribution to the operations of the Fund through her thoughtful and professional demeanor in dealing with all those who have reason to contact the Fund.

Lisa A. Watkins, Esquire, of Wyncote, Pennsylvania serves as Counsel to the Board. Ms. Watkins reviews summaries of claims with regard to legal issues, oversees the collection and litigation matters involving the Fund, attends meetings and hearings of the Board, as well as advising the Board on all legal matters.

Respectfully submitted,

Zygmunt R. Bialkowski, Jr., Board Chair
Maureen Murphy McBride
James M. Mead
Robert A. Rovner
Joan Shoemaker
Eric N. Anderson

Former Board Chairs

Carl D. Buchholz III, Esquire (2004 – 2006)
Hon. Paul S. Diamond (2003 – 2004)
Hon. William H. Lamb (2001 – 2003)
Robert L. Capoferri (2000 – 2001)
Carl E. Esser, Esquire (1999 – 2000)
Richard A. Zappala, Esquire (1997 – 1999)
Evans Rose, Jr., Esquire (1994 – 1997)
Albert P. Massey, Jr., Esquire (1992 – 1994)
C. Grainger Bowman, Esquire (1991 – 1992)
Walter F. Baczkowski, Esquire (1988 – 1991)
Arthur R. Littleton, Esquire (1982 – 1988)

Former Board Members

Beth Lang
Morris M. Shuster, Esquire
Joseph H. Jacovini, Esquire
Derek C. Hathaway
Kelly Beaudin Stapleton, Esquire
Barry M. Simpson, Esquire
Stuart D. Fiel, Esquire
George J. Amonitti, M.D.
Bernard W. Smalley, Sr., Esquire
Timothy J. Carson, Esquire
Jan R. Van Gorder, Esquire
Hon. Maxwell E. Davison
Rev. Edmund J. Dobbin
Timothy R. Thyreen
Lois H. Lichtenwalner, Esquire
Victor R. Delle Donne, Esquire
Rev. John M. Driscoll
Niara Sudarkasa, M.D.
Janet S. Dickerson
Dean John J. Sciallo
Paula Green Bregman, Esquire
Harold S. Irwin, Esquire
Joseph P. Scottino, Ph.D.
David S. Gifford

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

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HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA
BARRY E. MUSSER, CPA, CFP®

JAMES A. KRIMMEL, MBA, CPA, CFE
ROBERT D. MAST, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Pennsylvania Lawyers Fund for Client Security
Mechanicsburg, Pennsylvania

We have audited the accompanying statements of financial position—modified cash basis of the Pennsylvania Lawyers Fund for Client Security as of June 30, 2007 and 2006, and the related statements of activities—modified cash basis and cash flows—modified cash basis for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennsylvania Lawyers Fund for Client Security as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with the basis of accounting described in Note 1.

September 7, 2007

Mechanicsburg, Pennsylvania

Hamilton & Musser, P.C.
Certified Public Accountants

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Statements of Financial Position – Modified Cash Basis

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$ 1,597,263	\$ 829,937
Investments (Note 2)	<u>10,154,800</u>	<u>9,567,332</u>
Total Assets	<u>\$ 11,752,063</u>	<u>\$ 10,397,269</u>
Liabilities		
Accrued Payroll Taxes	\$ <u>548</u>	\$ <u>335</u>
Total Liabilities	<u>548</u>	<u>335</u>
Net Assets		
Unrestricted	<u>11,751,515</u>	<u>10,396,934</u>
Total Net Assets	<u>11,751,515</u>	<u>10,396,934</u>
Total Liabilities and Net Assets	<u>\$ 11,752,063</u>	<u>\$ 10,397,269</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Statements of Activities – Modified Cash Basis

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenue:		
Annual Fees	\$ 2,957,483	\$ 2,134,130
Restitution	172,778	127,794
Investment Income	43,112	36,235
Realized Gain (Loss) on Investments	144,138	75,190
Unrealized Gain on Investments	<u>1,143,330</u>	<u>563,903</u>
Total Revenue	<u>4,460,841</u>	<u>2,937,252</u>
Expenditures:		
Program:		
Awards	2,329,951	1,871,867
Funding of Lawyers Concerned for Lawyers, Inc.	<u>277,875</u>	<u>267,500</u>
Total Program Expenditures	<u>2,607,826</u>	<u>2,139,367</u>
Management and General	<u>498,434</u>	<u>460,541</u>
Total Expenditures	<u>3,106,260</u>	<u>2,599,908</u>
Increase in Net Assets	1,354,581	337,344
Net Assets, Beginning of Year	<u>10,396,934</u>	<u>10,059,590</u>
Net Assets, End of Year	<u>\$ 11,751,515</u>	<u>\$ 10,396,934</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Statements of Cash Flows – Modified Cash Basis

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 1,354,581	\$ 337,344
Adjustments to Reconcile Increase in Net Assets to		
Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Realized (Gain) Loss on Investments	(144,138)	(75,190)
Unrealized (Gain) Loss on Investments	(1,143,330)	(563,903)
Increase (Decrease) in:		
Accrued Payroll Taxes	<u>213</u>	<u>309</u>
Net Cash and Cash Equivalents		
Provided (Used) by Operating Activities	<u>67,326</u>	<u>(301,440)</u>
Cash Flows From Investing Activities:		
Proceeds from Sale of Investments	1,400,000	1,350,000
Purchase of Investments	<u>(700,000)</u>	<u>(10,278,239)</u>
Net Cash and Cash Equivalents		
Provided (Used) by Investing Activities	<u>700,000</u>	<u>(8,928,239)</u>
Increase (Decrease) in Cash and Cash Equivalents	767,326	(9,229,679)
Cash and Cash Equivalents, Beginning of Year	<u>829,937</u>	<u>10,059,616</u>
Cash and Cash Equivalents, End of Year	\$ <u>1,597,263</u>	\$ <u>829,937</u>
<u>Supplemental Cash Flow Disclosures:</u>	\$ -	\$ -
Interest Paid	-	-
Income Taxes Paid		

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Notes To Financial Statements
For the Years Ended June 30, 2007 and 2006

NOTE 1

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Pennsylvania Lawyers Fund for Client Security (the Fund) was established by the Supreme Court of Pennsylvania to reimburse clients who have suffered a loss of money or other property as a result of the dishonest conduct of Pennsylvania attorneys. The Fund is a remedy for clients who are unable to obtain reimbursement from other sources, such as third parties or the attorney involved.

Basis of Accounting:

The financial statements of the Fund have been prepared on the modified cash basis of accounting and, consequently, revenue is recognized when received and expenses are recognized when paid. The Fund has elected to record investments and accrued payroll taxes.

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund had no temporarily or permanently restricted net assets.

Revenue Recognition:

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Fund had no temporarily or permanently restricted net assets.

Fixed Assets:

Fixed assets purchased are recorded as an expense at the time of purchase. Accordingly, no depreciation expense has been provided.

Taxation:

The Fund is exempt from Federal Income Tax as provided by Code Section 501(c)(4) of the Internal Revenue Code. Accordingly, no income tax is incurred unless the Fund earns income considered to be unrelated business income. The Fund conducted no activities that were subject to income taxes.

Investments:

The Fund records investments based upon the recommendation of Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The provisions of the standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the balance sheet. The unrealized gain or loss on investments is reflected in the statement of activities.

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Notes To Financial Statements
For the Years Ended June 30, 2007 and 2006

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk:

The Fund maintains all its cash in a money market account which is not insured by the FDIC. This money market account invests in short-term debt instruments consisting of A1/P1 commercial paper, repos and similar investments.

Use of Estimates:

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

Cash and Cash Equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments with an initial maturity date of three months or less.

NOTE 2 INVESTMENTS

Investments consisted of the following at June 30, 2007:

	<u>Cost</u>	<u>Market Value</u>
PA Supreme Court Unitized Asset	\$ 8,447,568	\$ 10,154,800

Investments consisted of the following at June 30, 2006:

	<u>Cost</u>	<u>Market Value</u>
PA Supreme Court Unitized Asset	\$ 9,003,430	\$ 9,567,332

NOTE 3 FUNDING OF LAWYERS CONCERNED FOR LAWYERS, INC.

At the direction of the Supreme Court of Pennsylvania, the Fund has agreed to fund a portion of the 2007 and 2006 operations of Lawyers Concerned for Lawyers, Inc. in the amount of \$277,875 and \$267,500, respectively.

NOTE 4 COMMITMENTS AND CONTINGENCIES

The Fund had the following outstanding commitments at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Awards	\$ 496,290	\$ 975,852

On June 30, 2007, the Fund had 160 pending claims alleging an aggregate total loss in the amount of \$55,657,501. Fifteen of these claims exceed the \$75,000 maximum reimbursement limit and are seeking a total of \$54,309,917 in awards. The Fund's potential maximum exposure from the pending claims, given the \$75,000 maximum award, is approximately \$1,347,583.

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Notes To Financial Statements

For the Years Ended June 30, 2007 and 2006

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

On June 30, 2006, the Fund had 181 pending claims alleging an aggregate total loss in the amount of \$6,321,307. Nineteen of these claims exceed the \$75,000 maximum reimbursement limit and are seeking a total of \$4,863,561 in awards. The Fund's potential maximum exposure from the pending claims, given the \$75,000 maximum award, is approximately \$2,882,746.

NOTE 5 LEASES

The Fund entered into an operating lease for its office space. Rent expenditures were \$45,576 and \$45,715 for the years ended June 30, 2007 and 2006, respectively. Future minimum lease payments are as follows for the years ended June 30:

2008	\$ 47,863
2009	<u>3,996</u>
Total	<u>\$ 51,859</u>

The Fund also leases a mailing machine under an operating lease. Rent expenditures were \$2,213 and \$2,213 for the years ended June 30, 2007 and 2006, respectively. Future minimum lease payments are as follows for the year ended June 30:

2008	\$ <u>1,106</u>
Total	<u>\$ 1,106</u>

The Fund also leases a facsimile machine under an operating lease. Rent expenditures were \$504 and \$504 for the years ended June 30, 2007 and 2006, respectively. Future minimum lease payments are as follows for the years ended June 30:

2008	\$ 504
2009	504
2010	<u>126</u>
Total	<u>\$ 1,134</u>

The Fund also leases a digital copier under an operating lease. Rent expenditures were \$2,760 and \$2,760 for the years ended June 30, 2007 and 2006, respectively. Future minimum lease payments are as follows for the year ended June 30:

2008	\$ <u>2,070</u>
Total	<u>\$ 2,070</u>

PENNSYLVANIA LAWYERS FUND FOR CLIENT SECURITY

Notes To Financial Statements

For the Years Ended June 30, 2007 and 2006

NOTE 6 EXPENDITURES

Expenditures by natural classification for the years ended June 30, 2007 and 2006 were:

	<u>2007</u>	<u>2006</u>
Program:		
Awards	\$ 2,329,951	\$ 1,871,867
Funding of Lawyers Concerned For Lawyers, Inc.	<u>277,875</u>	<u>267,500</u>
Total Program	<u>2,607,826</u>	<u>2,139,367</u>
Management and General:		
Registration and Assessment	48,341	54,116
Travel	21,424	14,962
Salaries	139,096	130,448
Benefits and Taxes	39,436	37,707
Office, Stationery, Supplies, and Postage	40,896	40,715
Telephone	5,522	4,583
Occupancy	49,871	49,904
Bank Custodial Fees and Service Charges	44,824	40,164
Professional Fees:		
General Counsel	49,666	47,250
Other	47,217	31,260
Dues and Publications	1,211	1,018
Insurance	3,801	1,607
Janitorial Expense	4,877	4,502
Investigation	370	464
Advertising	<u>1,882</u>	<u>1,841</u>
Total Management and General	<u>498,434</u>	<u>460,541</u>
Total Expenditures	<u>\$ 3,106,260</u>	<u>\$ 2,599,908</u>

NOTE 7 RELATED-PARTY TRANSACTIONS

The Fund reports to the Supreme Court of Pennsylvania. The Fund's revenues are collected from active members of the Pennsylvania Bar by the Disciplinary Board of the Supreme Court of Pennsylvania, which periodically remits such revenues to the Fund. The Fund was assessed a charge for registration and assessment collection costs by the Disciplinary Board of the Supreme Court of Pennsylvania in the amounts of \$48,341 and \$54,116 for the years ended June 30, 2007 and 2006, respectively.

NOTE 8 EMPLOYEE BENEFIT PLANS

The Fund has a simplified employee pension plan which is available to all employees after one year of employment. The plan permits contributions, including employee and employer, to a maximum of 15% of employee compensation limited to a contribution of \$30,000. The employer contributions were \$13,930 and \$13,045 for the years ended June 30, 2007 and 2006, respectively.

FORMER BOARD CHAIRS

Carl D. Buchholz III, Esquire (2004 – 2006)
Hon. Paul S. Diamond (2003 – 2004)
Hon. William H. Lamb (2001 – 2003)
Robert L. Capoferri (2000 – 2001)
Carl E. Esser, Esquire (1999 – 2000)
Richard A. Zappala, Esquire (1997 – 1999)
Evans Rose, Jr., Esquire (1994 – 1997)
Albert P. Massey, Jr., Esquire (1992 – 1994)
C. Grainger Bowman, Esquire (1991 – 1992)
Walter F. Baczkowski, Esquire (1988 – 1991)
Arthur R. Littleton, Esquire (1982 – 1988)

FORMER BOARD MEMBERS

Beth Lang
Morris M. Shuster, Esquire
Joseph H. Jacovini, Esquire
Derek C. Hathaway
Kelly Beaudin Stapleton, Esquire
Barry M. Simpson, Esquire
Stuart D. Fiel, Esquire
George J. Amonitti, M.D.
Bernard W. Smalley, Sr., Esquire
Timothy J. Carson, Esquire
Jan R. Van Gorder, Esquire
Hon. Maxwell E. Davison
Rev. Edmund J. Dobbin
Timothy R. Thyreen
Lois H. Lichtenwalner, Esquire
Victor R. Delle Donne, Esquire
Rev. John M. Driscoll
Niara Sudarkasa, M.D.
Janet S. Dickerson
Dean John J. Sciuillo
Paula Green Bregman, Esquire

Harold S. Irwin, Esquire
Joseph P. Scottino, Ph.D.
David S. Gifford