

**DAVID G. FAW**  
CERTIFIED PUBLIC  
ACCOUNTANT

**PHILADELPHIA BAR FOUNDATION**

**FINANCIAL STATEMENTS**

**December 31, 2010**

**PHILADELPHIA BAR FOUNDATION  
TABLE OF CONTENTS  
For the year ended December 31, 2010**

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position (with comparative totals as of December 31, 2009)	2
Statement of Activities (with comparative totals for the year ended December 31, 2009)	3
Statement of Cash Flows (with comparative totals for the year ended December 31, 2009)	4
Statement of Functional Expenses (with comparative totals for the year ended December 31, 2009)	5
Notes to Financial Statements	6 - 11

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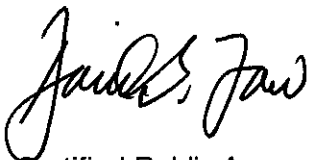
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Philadelphia Bar Foundation  
Philadelphia, Pennsylvania

I have audited the accompanying statement of financial position of the Philadelphia Bar Foundation (a nonprofit corporation) as of December 31, 2010 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior-year summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in my report dated April 6, 2010, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Bar Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant  
April 5, 2011

**PHILADELPHIA BAR FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2010**  
**(with comparative totals as of December 31, 2009)**

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and equivalents	\$ 444,401	\$ 635,224
Contributions receivable	76,375	64,583
Prepaid expense	16,496	24,344
Investment in marketable securities	5,456,873	5,040,540
Equipment	<u>6,461</u>	<u>12,538</u>
Total assets	<u>\$ 6,000,606</u>	<u>\$ 5,777,229</u>
 <u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 78,563	\$ 45,836
Due to Philadelphia Bar Association	25,806	55,650
Deferred revenue	<u>16,633</u>	<u>16,678</u>
Total liabilities	<u>121,002</u>	<u>118,164</u>
 <u>Net assets</u>		
Unrestricted	11,481	60,369
Board designated	<u>5,544,004</u>	<u>5,279,750</u>
Total unrestricted net assets	5,555,485	5,340,119
Temporarily restricted	<u>324,119</u>	<u>318,946</u>
Total net assets	<u>5,879,604</u>	<u>5,659,065</u>
Total liabilities and net assets	<u>\$ 6,000,606</u>	<u>\$ 5,777,229</u>

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

PHILADELPHIA BAR FOUNDATION  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2010  
(with comparative totals for the year ended December 31, 2009)

	Unrestricted		Temporarily <u>Restricted</u>	Total <u>2010</u>	Total <u>2009</u>
	<u>Designated</u>	<u>Undesignated</u>			
<u>Support and revenue</u>					
Contributions and grants	\$ 76,285	\$ 347,229	\$ 14,425	\$ 437,939	\$ 683,324
Andrew Hamilton Gala	-	114,805	-	114,805	69,550
Andrew Hamilton Gala sponsorships	-	238,000	-	238,000	206,500
Other fundraising events	-	153,458	-	153,458	129,296
Interest and dividend income	163,303	-	8,848	172,151	179,749
Gain on investments	288,666	-	-	288,666	612,613
Contributed services and facilities	-	158,966	-	158,966	205,740
Net assets released from restrictions:					
Satisfaction of program or time restrictions	-	18,100	(18,100)	-	-
	<u>528,254</u>	<u>1,030,558</u>	<u>5,173</u>	<u>1,563,985</u>	<u>2,086,772</u>
Total support and revenue					
<u>Expenses</u>					
Program expense	264,000	619,906	-	883,906	904,769
Management and general	-	172,886	-	172,886	197,240
Fundraising	-	286,654	-	286,654	294,031
	<u>264,000</u>	<u>1,079,446</u>	<u>-</u>	<u>1,343,446</u>	<u>1,396,040</u>
Total expenses					
Change in net assets	264,254	(48,888)	5,173	220,539	690,732
Net assets at beginning of year	<u>5,279,750</u>	<u>60,369</u>	<u>318,946</u>	<u>5,659,065</u>	<u>4,968,333</u>
Net assets at end of year	<u>\$ 5,544,004</u>	<u>\$ 11,481</u>	<u>\$ 324,119</u>	<u>\$ 5,879,604</u>	<u>\$ 5,659,065</u>

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

**PHILADELPHIA BAR FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2010  
(with comparative totals for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 220,539	\$ 690,732
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,077	5,511
Gain on investment	(288,666)	(612,613)
Changes in assets and liabilities:		
Prepaid expenses	7,849	(4,395)
Contributions receivable	(11,792)	(25,759)
Donated artwork	-	17,500
Accounts payable and accrued expenses	32,727	(12,589)
Deferred revenue	(45)	(2,967)
Due to Philadelphia Bar Association	<u>(29,844)</u>	<u>15,809</u>
Net cash (used in) provided by operating activities	<u>(63,155)</u>	<u>71,229</u>
<u>Cash flows from investing activities</u>		
Purchases of marketable securities	(342,653)	(1,196,383)
Proceeds from sales of marketable securities	214,985	1,236,893
Purchase of equipment	<u>-</u>	<u>(11,125)</u>
Net cash (used in) provided by investing activities	<u>(127,668)</u>	<u>29,385</u>
(Decrease) increase in cash and equivalents	(190,823)	100,614
Cash and equivalents at beginning of year	<u>635,224</u>	<u>534,610</u>
Cash and equivalents at end of year	<u>\$ 444,401</u>	<u>\$ 635,224</u>
<u>Cash and equivalents comprised of:</u>		
Cash in bank	\$ 130,314	\$ 133,939
Money market funds	314,087	501,285
	<u>\$ 444,401</u>	<u>\$ 635,224</u>

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

**PHILADELPHIA BAR FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2010  
(with comparative totals for the year ended December 31, 2009)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2010</u>	<u>Total 2009</u>
Salaries	\$ 139,200	\$ 39,977	\$ 50,497	\$ 229,674	\$ 264,410
Payroll taxes	9,425	3,142	3,968	16,535	20,401
Employee benefits	41,283	13,761	17,383	72,427	67,921
Pension expense	8,088	2,696	3,406	14,190	14,178
<b>Total salaries and related expenses</b>	<b>197,996</b>	<b>59,576</b>	<b>75,254</b>	<b>332,826</b>	<b>366,910</b>
Andrew Hamilton Gala expenses	-	-	80,800	80,800	84,010
Awards and assistance	18,100	-	-	18,100	17,292
Contributed services	49,275	49,275	30,716	129,266	176,040
Contributed facilities	16,929	5,643	7,128	29,700	29,700
Depreciation	3,464	1,155	1,458	6,077	5,511
Grants	563,000	-	-	563,000	563,000
Investment fee	-	38,023	-	38,023	33,462
Marketing	7,940	2,647	5,561	16,148	13,929
Office expenses	27,202	9,067	11,454	47,723	26,582
Other direct fundraising expenses	-	-	74,283	74,283	72,104
Professional fees	-	7,500	-	7,500	7,500
<b>Total expenses</b>	<b>\$ 883,906</b>	<b>\$ 172,886</b>	<b>\$ 286,654</b>	<b>\$ 1,343,446</b>	<b>\$ 1,396,040</b>

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

**PHILADELPHIA BAR FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

Note 1 - General

The Philadelphia Bar Foundation (Foundation) was incorporated under the Nonprofit Corporation Laws of the Commonwealth of Pennsylvania and is exempt from Federal Income Taxes under Section 501 (c) (3) of the Internal Revenue Code. The Foundation is separately chartered and operates independently of the Philadelphia Bar Association (Association) although it receives staff support and assistance from the Association – see note 3.

The Foundation was formed to accept and disburse money and property for good and worthy law-related causes and charitable purposes. In that pursuit it has made and will continue to make grants to qualifying recipients in accordance with its charter and for the general need and advancement of the administration of justice. The Foundation receives the bulk of its funding from the Philadelphia legal community.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets are described in note 7. The Foundation has no permanently restricted net assets.

Contributions Receivable

All contributions are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. Allowances for uncollectible amounts are recorded based on management's estimate of realizability of the underlying pledges. All contributions receivable are due within one year and are expected to be fully realizable.

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Foundation regularly receives contributed services from unpaid volunteer officers, committee members and others. However, the value of these types of services is not required to be recognized in the financial statements.

**PHILADELPHIA BAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

Note 2 - Summary of Significant Accounting Policies (continued)

Unrestricted Net Assets

Undesignated – Unrestricted resources representing the portion of expendable funds that are available for support of program, general and administrative or fundraising operations.

Board Designated – Beginning in 1974, the Foundation's Trustees created a Board designated investment fund that was designed to function like an endowment, although not one officially. Proceeds from giving programs such as the Hamilton Circle, Advocates of Justice, and certain others were used to fund the account. While the funds are not permanently or temporarily restricted, the Foundation's by-laws and written investment policy limits withdrawals from the fund for grant making purposes depending on available general operating funds. It is Board policy to preserve principal for long term purposes.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Statement of Cash Flows

The Foundation utilizes the indirect method for reporting the increase or decrease in cash and cash equivalents. Cash equivalents are defined by the Foundation as short term, highly liquid investments with original maturities of less than three months.

Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and contributions receivable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Equipment

Equipment is carried at cost less accumulated depreciation. Equipment is depreciated over five year periods using the straight-line method. The Foundation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000.

Estimates

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

**PHILADELPHIA BAR FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation qualifies as tax-exempt under the provisions of Section 501 (c) (3) of the Internal Revenue Code and, accordingly, no provision has been recorded for federal or state income taxes. The Foundation is not classified as a private foundation. The Foundation adopted the income tax standard for uncertain tax positions on January 1, 2009. The implementation of the standard had no effect on the net assets of the Organization. Should the tax-exempt status be challenged in the future, the Foundation's 2007, 2008 and 2009 tax years are open for examination by the IRS.

Note 3 - Contributed Facilities and Services

The Foundation has recognized a total of contributed facilities and services valued at \$158,966 in 2010. The value of office space, equipment usage, insurance and employee time donated by the Philadelphia Bar Association, a related party, was \$128,251 in 2010.

Note 4 - Equipment Consists of the Following:

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/09</u>	<u>Depreciation Year End 12/31/10</u>	<u>Net Book Value 12/31/10</u>
Office equipment	\$ <u>24,059</u>	\$ <u>11,521</u>	\$ <u>6,077</u>	\$ <u>6,461</u>

Note 5 - Pension Plan

The Foundation has adopted the Association's noncontributory defined contribution pension plan which covers all employees of the Foundation who meet a one-year minimum service requirement. Under the terms of the plan and depending on years of service, 8.5%, 10% or 13% of the participating employees' compensation is payable by the Foundation to the trustee of the plan. Total pension expense was \$14,190 in 2010.

Note 6 - Investments in Marketable Securities

Investment assets consist primarily of securities traded on the national stock exchanges. Securities are stated at market value in the statement of financial position in the amount of \$5,456,873 as of December 31, 2010.

Market values as of December 31, 2010 consist of the following:

Equities	\$ 3,095,781
Government securities (fixed income)	915,861
Corporate bonds	<u>1,445,231</u>
	<u>\$ 5,456,873</u>

**PHILADELPHIA BAR FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

Note 7 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets, as of December 31, 2010, consist of the following:

	TRNA Balance <u>12/31/2009</u>	Current Interest and Contributions	Released from Restrictions	TRNA Balance <u>12/31/2010</u>
Samuel T. Gomez Fund	\$ 11,483	\$ 576	\$ (600)	\$ 11,459
Louis Apothaker Fund	23,397	23	(2,500)	20,920
Morris M. Shuster Fund	186,138	6,913	(10,000)	183,051
Gimbel Fund	33,690	3,975	-	37,665
Judge Wm. Marutani Scholarship Fund	<u>64,238</u>	<u>11,786</u>	<u>(5,000)</u>	<u>71,024</u>
	<u>\$ 318,946</u>	<u>\$ 23,273</u>	<u>\$ (18,100)</u>	<u>\$ 324,119</u>

The above amounts are restricted by the donor for use in future periods or programs.

Note 8 - Concentration of Credit Risk

The Foundation maintains a portion of its cash management funds in a bank deposit account that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk on its bank deposit account.

The Foundation maintains accounts with three brokerage firms. The accounts contain cash management funds and other securities. The assets held are insured up to \$500,000 by the Security Investor Protection Corporation against potential losses, excluding decreases in market value. The Foundation has not experienced any losses in its cash management funds. Management believes the Foundation is not exposed to any significant credit risk on cash management funds.

Note 9 - Related Party Transactions

The Association provides facilities and support services for the Foundation and has included the Foundation's employees on its payroll, benefit and pension programs. The Foundation reimbursed the Philadelphia Bar Association \$332,826 in 2010 for shared personnel expenses. Amounts payable to the Association under this reimbursement arrangement for the year ended December 31, 2010 were \$25,806.

The Foundation receives donated support service and facilities from the Association. In addition, the Foundation has three designated Trustees on its board, including the Chancellor, Chancellor - Elect, and the Executive Director of the Association.

**PHILADELPHIA BAR FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

Note 10 - Grants

Grants have been summarized in the statement of activities as of December 31, 2010.  
The detail is as follows:

Aids Law Project of Pennsylvania	\$ 20,800
American Civil Liberties Union Foundation of Pennsylvania	9,500
Atlantic Center for Capital Representation	2,500
Community Legal Services	133,000
Consumer Bankruptcy Assistance Project	19,800
Court Appointed Special Advocates	6,000
Custody and Support Assistance Clinic	2,000
Defender Association of Philadelphia	4,000
Disabilities Rights Network of Pennsylvania	4,000
Education Law Center	19,000
Face to Face Legal Center	2,500
Friends of Farm Workers	15,800
HIAS and Council Migration Service of Philadelphia	16,800
Homeless Advocacy Project	23,000
Juvenile Law Center	11,000
Legal Clinic for the Disabled	11,800
Mazzonni Center	12,000
Nationalities Service Center	12,000
Pennsylvania Health Law Project	16,000
Pennsylvania Immigration Resource Center	7,400
Pennsylvania Innocence Project	3,300
Pennsylvania Institutional Law Project	9,500
Pennsylvania Prison Society	2,500
Pennsylvanians for Modern Courts	2,500
Philadelphia Legal Assistance	14,000
Philadelphia VIP, Inc.	65,000
Philadelphia Volunteer Lawyers for the Arts	3,500
Public Interest Law Center of Philadelphia	13,800
Regional Housing Legal Services	5,000
SeniorLAW Center	30,000
Society Created to Reduce Urban Blight	1,500
Support Center for Child Advocates	33,500
Women Against Abuse Legal Center	5,000
Women's Law Project	23,000
Women Organized Against Rape	2,000
	<u>\$ 563,000</u>

**PHILADELPHIA BAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

Note 11 - Prior Year Information

Certain financial statements contained herein include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Note 12 - Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through April 5, 2011, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.