

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA BAR FOUNDATION

FINANCIAL STATEMENTS

December 31, 2009 and 2008

PHILADELPHIA BAR FOUNDATION
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For the years ended December 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Philadelphia Bar Foundation
Philadelphia, Pennsylvania

I have audited the accompanying statements of financial position of the Philadelphia Bar Foundation (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of cash flows for the years then ended and the statement of activities and functional expenses for the year ended December 31, 2008. 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 audits. The prior-year summarized comparative information has been derived from the Foundation's December 31, 2008 financial statements and, in my report dated April 7, 2009, I expressed an unqualified opinion on those financial statements.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 audits provide 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 the Philadelphia Bar Foundation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant
April 6, 2010

**PHILADELPHIA BAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008**

	2009	2008
<u>Assets</u>		
Cash and equivalents	\$ 635,224	\$ 534,610
Prepaid expenses	24,344	19,949
Contributions receivable	64,583	38,824
Donated artwork (net of provision for sales commission of \$ -0- in 2009 and \$17,500 in 2008)	-	17,500
Investments in marketable securities	5,040,540	4,468,437
Equipment	12,538	6,924
Total assets	\$ 5,777,229	\$ 5,086,244
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 45,836	\$ 58,425
Due to the Philadelphia Bar Association	55,650	39,841
Deferred revenue	16,678	19,645
Total liabilities	118,164	117,911
 <u>Net assets</u>		
Unrestricted	91,559	42,510
Board designated	5,279,750	4,639,798
Total unrestricted net assets	5,371,309	4,682,308
Temporarily restricted	287,756	286,025
Total net assets	5,659,065	4,968,333
Total liabilities and net assets	\$ 5,777,229	\$ 5,086,244

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

PHILADELPHIA BAR FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Total</u>	<u>Total</u>
	<u>Designated</u>	<u>Undesignated</u>	<u>Restricted</u>	<u>2009</u>	<u>2008</u>
<u>Support and revenue</u>					
Contributions and grants	97,820 \$	576,700 \$	8,800 \$	683,320 \$	511,627
Andrew Hamilton Gala	-	69,550	-	69,550	119,946
Andrew Hamilton Gala sponsorships	-	206,500	-	206,500	226,500
Other fundraising events	-	129,300	-	129,300	185,597
Interest and dividend income	169,526	-	10,223	179,749	191,989
Gain (loss) on investments	612,613	-	-	612,613	(1,114,343)
Contributed services and facilities	-	205,740	-	205,740	178,632
Net assets released from restrictions: Satisfaction of program restrictions	-	17,292	(17,292)	-	-
Total support and revenue	<u>879,959</u>	<u>1,205,082</u>	<u>1,731</u>	<u>2,086,772</u>	<u>299,948</u>
<u>Expenses</u>					
Program	198,000	706,769	-	904,769	865,734
General and administrative	-	197,240	-	197,240	181,416
Fundraising	-	294,031	-	294,031	337,735
Total expenses	<u>198,000</u>	<u>1,198,040</u>	<u>-</u>	<u>1,396,040</u>	<u>1,384,885</u>
Change in net assets	681,959	7,042	1,731	690,732	(1,084,937)
Net assets, beginning of year	<u>4,597,791</u>	<u>84,517</u>	<u>286,025</u>	<u>4,968,333</u>	<u>6,053,270</u>
Net assets, end of year	<u>\$ 5,279,750</u>	<u>\$ 91,559</u>	<u>\$ 287,756</u>	<u>\$ 5,659,065</u>	<u>\$ 4,968,333</u>

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

PHILADELPHIA BAR FOUNDATION
STATEMENT OF CASH FLOWS
For the years ended December 31, 2009 and 2008

	2009	2008
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 690,732	\$ (1,084,937)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	5,511	3,153
(Gain) loss on investments	(612,613)	1,114,343
<u>Changes in assets and liabilities</u>		
Prepaid expenses	(4,395)	(12,193)
Contributions receivable	(25,759)	87,493
Donated artwork	17,500	-
Accounts payable and accrued expenses	(12,589)	4,839
Deferred revenue	(2,967)	19,645
Due to the Philadelphia Bar Association	15,809	19,516
Net cash provided by operating activities	<u>71,229</u>	<u>151,859</u>
<u>Cash flows from investing activities</u>		
Proceeds from sales of marketable securities	1,236,893	1,425,153
Purchases of marketable securities	(1,196,383)	(1,574,765)
Purchase of equipment	(11,125)	(4,375)
Net cash provided by (used in) investing activities	<u>29,385</u>	<u>(153,987)</u>
Increase (decrease) in cash and equivalents	100,614	(2,128)
Cash and equivalents at beginning of year	<u>534,610</u>	<u>536,738</u>
Cash and equivalents at end of year	<u>\$ 635,224</u>	<u>\$ 534,610</u>
<u>Comprised of:</u>		
Cash in bank	\$ 133,939	\$ 117,907
Money market funds	501,285	416,703
	<u>\$ 635,224</u>	<u>\$ 534,610</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, 2009
(with comparative totals for the year ended December 31, 2008)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2009</u>	<u>Total 2008</u>
Salaries	\$ 150,714	\$ 50,238	\$ 63,458	\$ 264,410	\$ 242,594
Payroll taxes	11,629	3,876	4,896	20,401	19,415
Employee benefits	38,715	12,905	16,301	67,921	48,022
Pension	8,081	2,694	3,403	14,178	5,060
Total salaries and related expenses	209,139	69,713	88,058	366,910	315,091
Andrew Hamilton Gala expenses	-	-	84,010	84,010	128,873
Awards and assistance	17,292	-	-	17,292	19,273
Contributed services	72,177	72,177	31,686	176,040	148,932
Contributed facilities	16,929	5,643	7,128	29,700	29,700
Depreciation	3,141	1,047	1,323	5,511	3,153
Grants	563,000	-	-	563,000	558,000
Investment fee	-	33,462	-	33,462	36,796
Marketing	7,940	2,647	3,342	13,929	-
Office expenses	15,151	5,051	6,380	26,582	30,569
Other direct fundraising expenses	-	-	72,104	72,104	87,247
Professional fees	-	7,500	-	7,500	7,500
Strategic planning	-	-	-	-	19,751
Total expenses	<u>\$ 904,769</u>	<u>\$ 197,240</u>	<u>\$ 294,031</u>	<u>\$ 1,396,040</u>	<u>\$ 1,384,885</u>

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

PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

The Foundation follows the principles of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Foundation 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. Unrestricted net assets have two elements which are described below in detail. Temporarily restricted net assets are described in notes 1 and 7. The Foundation has no permanently restricted net assets.

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 operating or grant making purposes. It is Board policy to preserve principal for long term purposes.

Contributions

The Foundation also follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when a restricted grant or contribution is received and the restrictions are met in the same reporting period, the contribution is recorded as unrestricted.

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, under the provisions of SFAS No. 116, the value of these types of services is not required to be recognized in the financial statements.

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 as prescribed by Statement of Financial Accounting Standards No. 95. 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.

**PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation has qualified for tax exemption under 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.

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.

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.

Note 3 – Contributed Facilities and Services

Pursuant to the provisions of SFAS No. 116, the Foundation has recognized contributed facilities and services valued at \$205,740 in 2009 and \$178,632 in 2008. The value of office space, equipment usage, insurance and employee time donated by the Philadelphia Bar Association, a related party, was \$141,470 in 2009 and \$122,899 in 2008.

Note 4 – Equipment Consists of the Following:

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/08</u>	<u>Depreciation Year End 12/31/09</u>	<u>Net Book Value 12/31/09</u>
Office equipment	\$ 24,059	\$ 6,010	\$ 5,511	\$ 12,538

Note 5 - Pension Plan

As stated in note 10, 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 \$14,178 in 2009 and \$5,060 in 2008.

**PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

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 \$5,040,540 as of December 31, 2009.

Market values as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Equities	\$ 2,822,801	\$ 2,366,575
Government securities (fixed income	708,865	893,114
Corporate bonds	<u>1,508,874</u>	<u>1,208,748</u>
	<u>\$ 5,040,540</u>	<u>\$ 4,468,437</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Samuel T. Gomez Fund	\$ 11,483	\$ 11,500
Louis Apothaker Fund	25,897	28,204
Morris M. Shuster Fund	186,138	187,842
Judge Wm. Marutani Scholarship Fund	<u>64,238</u>	<u>58,479</u>
	<u>\$ 287,756</u>	<u>\$ 286,025</u>

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.

**PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 10 - Grants

Grants have been summarized in the statement of activities as of December 31, 2009 and 2008. The detail is as follows:

	<u>2009</u>	<u>2008</u>
Aids Law Project of Pennsylvania	\$ 20,000	\$ 19,000
American Civil Liberties Union Foundation of Pennsylvania	9,500	9,500
Community Legal Services	140,000	140,000
Consumer Bankruptcy Assistance Project	18,060	15,050
Court Appointed Special Advocates	6,000	5,000
Custody and Support Assistance Clinic	1,000	1,000
Defender Association of Philadelphia	4,000	9,500
Disabilities Rights Network of Pennsylvania	4,000	10,000
Education Law Center	19,000	18,000
Equity Advocates - Pennsylvania	12,000	12,000
Face to Face Legal Center	2,500	-
Friends of Farm Workers	14,400	12,000
HIAS and Council Migration Service of Philadelphia	16,000	15,000
Homeless Advocacy Project	24,200	24,200
Juvenile Law Center	11,000	10,000
Legal Clinic for the Disabled	11,000	10,000
Nationalities Service Center	12,000	12,000
Pennsylvania Health Law Project	16,050	9,500
Pennsylvania Immigration Resource Center	6,600	5,500
Pennsylvania Innocence Project	2,500	-
Pennsylvania Institutional Law Project	9,500	15,050
Pennsylvanians for Modern Courts	1,000	1,000
Philadelphia Legal Assistance	16,050	15,050
Philadelphia VIP, Inc.	69,030	61,825
Philadelphia Volunteer Lawyers for the Arts	3,500	3,500
Public Interest Law Center of Philadelphia	13,000	20,000
Regional Housing Legal Services	4,000	10,215
SeniorLAW Center	31,110	30,110
Society Created to Reduce Urban Blight	1,000	1,000
Support Center for Child Advocates	35,000	33,000
Women Against Abuse Legal Center	5,500	5,000
Women's Law Project	23,000	24,000
Women Organized Against Rape	1,500	1,000
	<u>\$ 563,000</u>	<u>\$ 558,000</u>

**PHILADELPHIA BAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

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 \$366,910 in 2009 and \$315,092 in 2008 for shared personnel expenses. Amounts payable to the Association under this reimbursement arrangement for the year ended December 31, 2009 and 2008 were \$55,650 and \$39,841, respectively.

The Foundation receives donated support service and facilities from the Association as well as cash contributions totaling \$19,035 in 2009 and \$15,358 in 2008. In addition, the Foundation has three designated Trustees on its board, including the Chancellor, Chancellor - Elect, and the Executive Director of the Association.

Note 11 – Donated Artwork

On December 18, 2003, a donation of fine art was received by the Foundation. The painting, Ippolito's Palestrina, was valued based on a prior appraisal at \$35,000, less a provision for an estimated sales commission of \$17,500. The painting was raffled off in 2009 at the annual Andrew Hamilton Ball fundraiser.