Michigan State Bar Foundation Report on Financial Statements

Years Ended September 30, 2009 and 2008

Independent Auditors' Report

Board of Trustees
Michigan State Bar Foundation
Lansing, Michigan

We have audited the accompanying statements of financial position of Michigan State Bar Foundation as of September 30, 2009 and 2008, and the related statements of activities and cash flows 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan State Bar Foundation as of September 30, 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.

Maner Costerisan, P.C.
Certified Public Accountants
Lansing, Michigan
January 11, 2010

MICHIGAN STATE BAR FOUNDATION STATEMENTS OF FINANCIAL POSITION

September 30, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	$ 829,992	$ 2,139,990
Marketable debt and equity securities	7,938,372	7,658,042
Accounts receivable—IOLTA	92,018	297,972
Accounts receivable	48,438	42,468
Unconditional promises to give	190,579	161,167
Accrued interest receivable	48,148	60,240
Prepaid expenses	4,633	4,571
TOTAL CURRENT ASSETS	9,152,180	10,364,450
UNCONDITIONAL PROMISES TO GIVE, less current portion	214,477	270,837
LONG-TERM INVESTMENTS	1,955,622	1,879,245
EQUIPMENT, net	25,266	31,552
TOTAL ASSETS	$ 11,347,545	$12,546,084

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES:		
Accounts payable:		
General	$ 37,463	$ 31,093
State Bar	34,161	16,563
Grants payable	2,052,658	2,625,784
IOLTA payable	1,286,740	1,327,906
TOTAL CURRENT LIABILITIES	3,411,022	4,001,346
NET ASSETS:		
Unrestricted	739,798	705,276
Unrestricted, board designated	500,000	500,000
Total unrestricted	1,239,798	1,205,276
Temporarily restricted	4,741,103	5,460,217
Permanently restricted	1,955,622	1,879,245
TOTAL NET ASSETS	7,936,523	8,544,738
TOTAL LIABILITIES AND NET ASSETS	$ 11,347,545	$12,546,084

See notes to financial statements.

Notes to Financial Statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Michigan State Bar Foundation have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP), and the AICPA Industry Audit and Accounting Guide for Not-for-Profit Organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation—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 and are explained as follows.

- Unrestricted net assets represent the portion of expendable funds available for support of Foundation operations and unrestricted contributions. Currently, the board has designated $500,000 for future uses.
- Temporarily restricted net assets consist of contributions or earnings, which have been restricted by the donor. Unexpended amounts are included in temporarily restricted net assets. These resources originate from IOLTA activities, the Access to Justice Campaign, gifts, grants, bequests, contracts, emergency appeals and investment income earned on investments related to these activities. IOLTA revenue is directly affected by changes in interest rates.

Michigan State Bar Foundation Statements of Activities

Years Ended September 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUE AND OTHER SUPPORT:								
Contributions—IOLTA—net (See Note 9)	$	$ 1,246,723	$	$ 1,246,723	$	$ 3,345,620	$	$3,345,620
Fellows memberships		80,450		80,450		59,633		59,633
Access to Justice Fund contributions		473,471	76,377	549,848		861,441	742,938	1,604,379
Disability Assistance Program		144,846		144,846		14,800		14,800
Filing fees reimbursement	72,007			72,007	78,436			78,436
Regular memberships	275			275	275			275
Interest	28,264	318,001		346,265	61,588	433,872		495,460
Contributions and memorials	1,390	1,000		2,390	9,572	8,101		17,673
Realized gain (loss) on investments	(15,810)	31,714		15,904	56,149	93,911		150,060
Net assets released from restrictions	3,183,396	(3,183,396)			4,817,139	(4,817,139)		
TOTAL REVENUE AND OTHER SUPPORT	3,269,522	(887,191)	76,377	2,458,708	5,023,159	239	742,938	5,766,336
EXPENSES:								
Program services:								
IOLTA Grants	2,010,162			2,010,162	3,600,574			3,600,574
IOLTA Program	443,163			443,163	419,228			419,228
Fellows Program	27,013			27,013	25,518			25,518
Filing fees	100,482			100,482	107,505			107,505
Cohn Endowment Program	5,447			5,447				
Access to Justice Program	514,753			514,753	715,412			715,412
Disability Assistance Program	144,846			144,846	14,800			14,800
Other programs	1,000			1,000	5,000			5,000
TOTAL PROGRAM SERVICES	3,246,866			3,246,866	4,888,037			4,888,037
Management and general	28,388			28,388	26,376			26,376
Fundraising	8,143			8,143	27,376			27,376
TOTAL EXPENSES	3,283,397			3,283,397	4,941,789			4,941,789
Change in net assets before unrealized gain (loss) on current marketable equity securities	(13,875)	(887,191)	76,377	(824,689)	81,370	239	742,938	824,547
UNREALIZED GAIN (LOSS) ON MARKETABLE EQUITY SECURITIES	48,397	168,077		216,474	(452,827)	(549,994)		(1,002,821)
CHANGE IN NET ASSETS	34,522	(719,114)	76,377	(608,215)	(371,457)	(549,755)	742,938	(178,274)
NET ASSETS, beginning of year	1,205,276	5,460,217	1,879,245	8,544,738	1,576,733	6,009,972	1,136,307	8,723,012
NET ASSETS, end of year	$1,239,798	$4,741,103	$1,955,622	$7,936,523	$1,205,276	$5,460,217	$1,879,245	$8,544,738

See notes to financial statements.

Notes to Financial Statements (continued)

• Permanently restricted net assets are gift instruments requiring the principal be maintained intact in perpetuity and only the income be used for purposes specified by the donor.

Functional Expenses—Expenses are classified on a functional basis as program services and management and general.

The following is a definition of the Foundation's significant program services:

• IOLTA Grants and IOLTA Program—Grants and related expenses regarding improvements in the administration of justice and civil legal services to the poor.

• Fellows Program—A membership program that generates revenue for the Foundation's public service activities.

• Filing fees—Funds expended to provide grants for civil legal services to the poor.

• Cohn Endowment Program—Grants from endowment earnings have typically supported law related education.

• Access to Justice Program—Grants and related expenses regarding civil legal services to the poor.

• Disability Assistance Program—Contract revenues from the Michigan Department of Human Services are distributed to legal services organizations to provide representation for clients seeking to qualify for federal disability income.

• Other Programs—Miscellaneous programs administered by the Foundation.

Cash and cash equivalents consist of cash accounts and money market funds.

Investments—Investments in equity securities and debt securities with readily determinable fair values are reported at fair value with gains and losses included in the statement of activities. Amounts on deposit for investment purposes are not considered cash equivalents for cash flows purposes. Losses on investments of permanently restricted net assets in excess of the original gift reduce unrestricted net assets. Subsequent related gains are recorded as increases in unrestricted net assets until the gain offsets the amount of losses previously recorded as decreases in unrestricted net assets.

Accounts Receivable—Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad

MICHIGAN STATE BAR FOUNDATION STATEMENTS OF CASH FLOWS

Years Ended September 30, 2009 and 2008

	2009	2008
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	$ (608,215)	$ (178,274)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,899	7,634
Realized loss on sale of marketable equity securities	15,904	150,060
Unrealized (gain) loss on marketable equity securities	(216,474)	1,002,821
Permanently restricted contributions	(76,377)	(742,938)
Accounts receivable	199,984	217,101
Unconditional promise to give	26,948	(63,745)
Accrued interest receivable	12,092	(6,390)
Prepaid expenses	(62)	270
Accounts payable and IOLTA payable	(17,198)	266,012
Grants payable	(573,126)	1,420,772
Total adjustments	(620,410)	2,251,597
Net cash provided (used) by operating activities	(1,228,625)	2,073,323
Cash flows from investing activities:		
Purchase of investments	(7,965,379)	(10,106,468)
Sale of investments	7,809,244	7,567,102
Purchase of property and equipment	(1,615)	(28,568)
Net cash used by investing activities	(157,750)	(2,567,934)
Cash flows from financing activities:		
Donations of permanently restricted funds	76,377	742,938
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,309,998)	248,327
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,139,990	1,891,663
End of year	$ 829,992	$2,139,990

See notes to financial statements.

Notes to Financial Statements (continued)

debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. See Note 5 for changes in the valuation allowance.

Contributions—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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.

Promises to Give—Unconditional promises to give are recognized as revenue in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Long-term unconditional promises to give are initially recorded as temporarily restricted assets.

Prepaid expenses consist primarily of advance payments for insurance and maintenance agreements.

Equipment is stated at cost. Depreciation is computed over the estimated useful lives of the assets on the straight-line method and the Foundation's capitalization policy is $1,000.

Contract services for personnel consist of reimbursement to other entities for services provided to the Foundation. These personnel are covered under the benefit plans of their respective entities.

NOTE 2—ORGANIZATION, RISKS AND UNCERTAINTIES

The Michigan State Bar Foundation was formed on September 30, 1947 as a non-profit corporation under U.S. Internal Revenue Code Section 501(c)(3). Created in recognition of the legal profession's responsibilities to the public, the Foundation provides financial assistance to educational, research and public service projects that promote advancements in the administration of justice, further a better understanding of our legal system and improve relations among the legal profession, the courts and the public, and further the delivery of legal services to the poor. No provision for income taxes is required due to the Foundation's tax-exempt status.

Credit Risk—The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and investments, promises to give and accounts receivable.

The Foundation places its cash and investments with financial institutions. Although such investments and cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Foundation evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

NOTE 3—INVESTMENTS

Investments consist of traded securities on the New York Stock Exchange and U.S. Governmental Securities.

	Cost basis	Market value	Unrealized gain (loss)
Investments:			
September 30, 2009:			
Government securities, corporate debt securities and mutual funds	$ 7,374,403	$7,422,131	$ 47,728
Equities	2,813,319	2,471,863	(341,456)
Total	$10,187,722	$9,893,994	$(293,728)
September 30, 2008:			
Government securities, corporate debt securities and mutual funds	$ 7,659,813	$7,531,785	$(128,028)
Equities	2,387,674	2,005,502	(382,172)
Total	$10,047,487	$9,537,287	$(510,200)

Investments are presented in the statements of financial position as follows:

	2009	2008
Marketable debt and equity securities	$ 7,938,372	$7,658,042
Long-term investments	1,955,622	1,879,245
	$9,893,994	$9,537,287

NOTE 4—FAIR VALUE MEASUREMENTS

The Foundation is subject to the provisions of a new accounting standard for the year ending September 30, 2009. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The following is a market value summary by the level of the inputs used, as of September 30, 2009 and 2008, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Description	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total September 30, 2009
Valued on a recurring basis:				
Government and corporate securities	$ —	$6,381,338	$ —	$ 6,381,338
Corporate mutual funds	1,040,793	—	—	1,040,793
Equities	2,471,863	—	—	2,471,863
Unconditional promises to give	—	405,056	—	405,056
Total	$3,512,656	$6,786,394	$ —	$10,299,050

Description	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total September 30, 2008
Valued on a recurring basis:				
Government and corporate securities	$ —	$6,265,953	$ —	$6,265,953
Corporate mutual funds	1,265,832	—	—	1,265,832
Equities	2,005,502	—	—	2,005,502
Unconditional promises to give	—	432,004	—	432,004
Total	$3,271,334	$6,697,957	$ —	$9,969,291

NOTE 5—UNCONDITIONAL PROMISES TO GIVE

	2009 Access to Justice	2009 Fellows program	2009 Total	2008
Gross amounts due in:				
Less than one year	$136,412	$ 55,250	$191,662	$162,750
One to five years	29,752	195,600	225,352	303,012
More than five years		47,000	47,000	45,525
Total	$166,164	$297,850	$464,014	$511,287
Current portion—net	$136,412	$ 54,167	$190,579	$ 161,167
Long-term portion—net	22,708	191,769	214,477	270,837
Total—net	$159,120	$245,936	$405,056	$432,004

The discount rate used to determine the net amounts above was 2% and 3%, which amounted to $25,285 and $40,693 for 2009 and 2008, respectively.

The above net amounts are net of an allowance for uncollectible amounts of $33,673 and $38,606 at September 30, 2009 and 2008, respectively.

NOTE 6—EQUIPMENT AND DEPRECIATION

Equipment at September 30 consists of the following.

	2009	2008
Computers and equipment	$63,954	$62,339
Office furniture	15,378	15,378
	79,332	77,717
Less accumulated depreciation	54,066	46,165
Equipment—net	$25,266	$31,552
Depreciation expense	$ 7,899	$ 7,634

NOTE 7—NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes.

Purpose and time restrictions accomplished and other items.

	2009	2008
IOLTA—grants	$2,010,162	$3,600,574
IOLTA expenses	443,163	419,228
Fellows memberships	64,025	67,125
Cohn Endowment Program	5,447	
Access to Justice Program grants and expenses	514,753	715,412
Disability Assistance Programs	144,846	14,800
Special programs	1,000	
	$3,183,396	$4,817,139

Temporarily restricted net assets at year-end consist of the following.

	2009	2008
IOLTA program	$3,916,533	$4,700,904
Fellows memberships to be collected	245,936	229,511
Franck program	89,232	80,374
Cohn Endowment Program	3,064	8,068
Access to Justice Program time and purpose restrictions	482,338	429,259
Special programs	4,000	12,101
	$4,741,103	$5,460,217

Permanently restricted net assets at year-end consist of the following.

	2009	2008
Access to Justice Program	$1,905,622	$1,829,245
Cohn Endowment Program	50,000	50,000
	$1,955,622	$1,879,245

NOTE 8—ENDOWMENT

The Foundation's endowment consists of two individual donor-restricted funds established for the following purposes.

Cohn Endowment Program—The principal of the Irwin I. Cohn Endowment Fund shall be kept intact under all circumstances. Any income or capital gains generated from the principal may be used.

Access to Justice—This program seeks to increase resources for civil legal services for low-income persons. The principal is permanently restricted by option of the donor. Income and capital gains are restricted for the purpose of the program.

As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (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 classified as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 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 of 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 Foundation 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 Foundation
7. The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of September 30, 2009.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	$62,406	$1,955,622	$2,018,028

Changes in endowment net assets for the year ending September 30, 2009 were as follows.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year, October 1, 2008	$(24,492)	$ —	$1,879,245	$1,854,753
Investment return:				
Investment income	—	43,381	—	43,381
Net appreciation (realized and unrealized)	—	50,253	—	50,253
Total investment return	—	93,634	—	93,634
Contributions	—	—	76,377	76,377
Appropriation of endowment assets for expenditure	—	(6,736)	—	(6,736)
Other changes:				
Transfers	24,492	(24,492)	—	—
Endowment net assets, end of year, September 30, 2009	$ —	$62,406	$1,955,622	$2,018,028

Endowment Net Asset Composition by Type of Fund as of September 30, 2008.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$(24,492)	$ —	$1,879,245	$1,854,753

Changes in endowment net assets for the year ending September 30, 2008 were as follows.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year, October 1, 2007	$ —	$ 356,670	$1,136,307	$1,492,977
Investment return:				
Investment income	—	85,282	—	85,282
Net depreciation (realized and unrealized)	(18,156)	(441,952)	—	(460,108)
Total investment return	(18,156)	(356,670)	—	(374,826)
Contributions	—	—	742,938	742,938
Appropriation of endowment assets for expenditure	(6,336)	—	—	(6,336)
Endowment net assets, end of year, September 30, 2008	$(24,492)	$ —	$1,879,245	$1,854,753

	2009	2008
The portion of perpetual endowment funds that is to be retained permanently either by explicit donor stipulation or by UPMIFA	$1,955,622	$1,879,245

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets as of September 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Foundation. There were no such deficiencies as of September 30, 2009.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce the following results.

Strategies Employed for Achieving Objectives

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 return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment funds available for spending are determined by the Foundation using total return system. The spending policy will use the average of the market value of the fund as of September 30 for the previous five years.

At the end of each successive fiscal year, the most recent year will be added and the initial year will be dropped. The calculation is as follows:

a. Each year a five-year rolling average of the market value is determined as of September 30.
b. The amount which can be spent will be up to 5% of the average market value calculated in "a" above.

The funds that may be spent under this spending policy for a particular endowment fund may be drawn from both ordinary income earned (i.e., dividends, interest, rents, royalties, etc.) and capital appreciation, both realized and unrealized, for that endowment fund. All income and appreciation not needed to meet spending needs for a particular endowment fund is credited directly to that fund and reinvested. A designated endowment recipient may elect to reinvest the spending amount available rather than receive payment.

NOTE 9—RESTRICTED ACTIVITIES

• *Disability Assistance Program*—In 2008 the Michigan State Bar Foundation entered into a contract with the Michigan Department of Human Services covering three fiscal years to receive and distribute to legal services organizations funds appropriated by the Legislature for the purpose of providing representation for clients seeking to qualify for federal disability income.

• *Franck Program*—(Michael Franck Fund for Professional Responsibility) The income and principal are restricted to the furtherance of professional responsibility.

• *IOLTA Program* (Interest on Lawyer's Trust Accounts)—The Michigan Supreme Court issued Administrative Order 1990-2 that the Board of Trustees of the Michigan State Bar Foundation would administer the IOLTA Program established pursuant to amendment of Rule 1.15 of the Michigan Rules of Professional Conduct (MRPC). Administrative Order 1997-9, effective November 14, 1997, modified Order 1990-2. The Michigan Supreme Court also adopted amendments to MRPC 1.15, effective October 18, 2005.

After administrative expenses, the IOLTA funds are to be distributed by the Foundation consistent with administrative orders issued by the Michigan Supreme Court. Under the current order, IOLTA funds distributed to the Michigan Supreme Court for Gender/Racial/Ethnic related issues and to the Michigan Supreme Court Historical Society are reported in an agency capacity.

The following is a summary of the IOLTA activity for the years ended September 30.

	2009	2008
IOLTA funds (accrual basis)—net of bank service charges	$1,450,666	$3,927,985
Less allocation for Gender/Racial/Ethnic Related Issues and Supreme Court Historical Society	(203,943)	(582,365)
IOLTA revenue—net of funds received in an agency capacity	$1,246,723	$3,345,620

Calculation of funds received in an agency capacity:

	2009	2008
IOLTA funds (accrual basis)	$1,450,666	$3,927,985
Administrative expenses and investment activity	(389,631)	(373,352)
IOLTA funds—net	$1,061,035	$3,554,633

IOLTA revenues presented in the Statement of Activities are reported net of any applicable fees charged by financial institutions. For the years ended September 30, 2009 and 2008, fees charged by institutions were $72,727 and $38,891, respectively.

2009

	Gender/ Racial/Ethnic Related Issues	Supreme Court Historical Society	Total IOLTA Payable
IOLTA funds—net	$ 1,061,035	$1,061,035	$1,061,035
Allocation per administrative order	10%	5%	15%
	106,103	53,052	159,155
Allocation of accumulated funds at beginning of year	1,142,965	184,941	1,327,906
Interest earned	41,608	3,181	44,789
Total funds available	1,290,676	241,174	1,531,850
Payments made	(60,170)	(184,940)	(245,110)
IOLTA payable, end of year	$ 1,230,506	$ 56,234	$1,286,740

2008

	Gender/ Racial/Ethnic Related Issues	Supreme Court Historical Society	Total IOLTA Payable
IOLTA funds—net	$ 3,554,633	$3,554,633	$3,554,633
Allocation per administrative order	10%	5%	15%
	355,463	177,732	533,195
Allocation of accumulated funds at beginning of year	818,226	237,072	1,055,298
Interest earned	41,962	7,209	49,171
Total funds available	1,215,651	422,013	1,637,664
Payments made	(72,686)	(237,072)	(309,758)
IOLTA payable, end of year	$ 1,142,965	$ 184,941	$1,327,906

NOTE 10—LEASED FACILITIES

Facilities are leased under agreements running through September 30, 2010. Rental expense for the year ended September 30, 2009 and 2008 was approximately $34,754 and $33,741, respectively. Minimum future rental amounts are calculated on the base monthly rent amount. The rent payment is adjusted annually by the Consumer Price Index. The maximum annual increase per adjustment is 10%.

Minimum future rentals under this lease are as follows.

Year ending September 30,	
2010	$31,744