

**THE FLORIDA BAR FOUNDATION, INC.
AND THE FLORIDA BAR
FOUNDATION ENDOWMENT TRUST**

Orlando, Florida

**COMBINED FINANCIAL STATEMENTS,
COMPLIANCE SECTION,
AND SUPPLEMENTARY DATA**

Years Ended June 30, 2011 and 2010



**AVERETT
WARMUS
DURKEE
OSBURN
HENNING**

Certified Public Accountants and Business Advisors

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

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Independent Auditors' Report

To the Board of Directors
The Florida Bar Foundation, Inc.
Orlando, Florida

To the Trustees
The Florida Bar Foundation Endowment Trust
Orlando, Florida

We have audited the accompanying combined statements of financial position of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust as of June 30, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the management of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust as of June 30, 2011 and 2010, and the combined changes in their net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of The Florida Bar Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

To the Board of Directors
The Florida Bar Foundation, Inc.

To the Trustees
The Florida Bar Foundation Endowment Trust

Our audits were conducted for the purpose of forming an opinion on the combined financial statements of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust as a whole. The accompanying schedule of expenditures of state financial assistance by The Florida Bar Foundation, Inc. is presented for purposes of additional analysis as required by Chapter 10.650, Rules of the Auditor General, State of Florida, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Querett Warmus Durkee Osburn Henning

Orlando, Florida
November 23, 2011

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Combined Statements of Financial Position

Assets	June 30,	
	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 1,782,796	\$ 649,923
Receivables:		
IOTA contributions	570,000	495,800
Other contributions, current portion	2,772	8,550
Contracts receivable	49,570	2,114,592
Notes receivable	520,330	523,970
Interest and dividends	87,198	184,395
Due from broker	53,511	20,628
Other	6,757	23,532
Investments	66,888,176	90,732,831
Prepaid and reimbursable expenses	156,801	190,534
Total current assets	70,117,911	94,944,755
Equipment, Furniture and Fixtures, and Software:		
Office equipment	133,629	133,629
Computer equipment	75,276	57,681
Furniture and fixtures	196,074	196,074
Software	623,685	648,635
Total cost	1,028,664	1,036,019
Less accumulated depreciation	(523,387)	(339,690)
Net equipment, furniture and fixtures, and software	505,277	696,329
Other Assets:		
Restricted cash – charitable gift annuities	19,349	15,083
Permanently restricted investments	1,917,102	1,810,898
Fellows contributions receivable	190,622	170,074
Other contributions receivable	42,773	115,814
Deposits	17,505	17,505
Total other assets	2,187,351	2,129,374
Total assets	\$ 72,810,539	\$ 97,770,458

Liabilities and Net Assets	June 30,	
	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Current portion of obligations under capital leases	\$ 18,611	\$ 16,598
Accounts payable	80,131	230,290
Grants payable	10,430,817	14,759,054
Deferred revenue	1,029,565	2,114,592
Accrued expenses	<u>168,244</u>	<u>208,319</u>
Total current liabilities	<u>11,727,368</u>	<u>17,328,853</u>
Other Non-Current Liabilities:		
Liability for payments to annuitants		
under charitable gift annuities, less current portion	15,670	12,562
Long-term obligations under capital leases	<u>32,120</u>	<u>50,731</u>
Total non-current liabilities	<u>47,790</u>	<u>63,293</u>
Total liabilities	<u>11,775,158</u>	<u>17,392,146</u>
Net Assets:		
Unrestricted	58,612,529	78,138,726
Temporarily restricted	272,355	142,800
Permanently restricted	<u>2,150,497</u>	<u>2,096,786</u>
Total net assets	<u>61,035,381</u>	<u>80,378,312</u>
Total liabilities and net assets	<u>\$ 72,810,539</u>	<u>\$ 97,770,458</u>

See accompanying notes.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Combined Statements of Activities

	Unrestricted	Year Ended Temporarily Restricted
Revenues, Gains, and Other Support:		
Contributions:		
Interest on trust accounts	\$ 5,811,339	\$ -
Fellows pledges	-	-
Other	38,027	268,639
Contract revenue	4,071,837	-
Contributions from specialty license plate purchases	-	43,049
Return of unspent grant funds	1,087,526	-
Investment income, net of investment fees of \$323,144 and \$412,344	1,262,991	12,643
Net unrealized and realized gains on investments	7,112,584	106,736
Loss on uncollectible pledges	-	-
Change in value of split-interest agreements	(566)	-
Other	23,695	-
Net assets released from restrictions:		
Satisfaction of program restrictions	301,512	(301,512)
Total revenues, gains, and other support	19,708,945	129,555
Expenses:		
Program:		
Legal assistance for the poor	33,956,786	-
Administration of justice	1,292,615	-
Law student assistance	519,855	-
Total program	35,769,256	-
Management and general, including depreciation expense of \$183,697 and \$163,800	3,048,690	-
Fund raising	417,196	-
Total expenses	39,235,142	-
Change in Net Assets	(19,526,197)	129,555
Net Assets, Beginning of Year	78,138,726	142,800
Net Assets, End of Year	\$ 58,612,529	\$ 272,355

June 30, 2011		Year Ended June 30, 2010			
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 5,811,339	\$ 5,420,993	\$ -	\$ -	\$ 5,420,993
105,522	105,522	-	-	110,462	110,462
20,189	326,855	60,523	208,475	114,281	383,279
-	4,071,837	3,030,701	-	-	3,030,701
-	43,049	-	44,011	-	44,011
-	1,087,526	99,928	-	-	99,928
-	1,275,634	1,910,011	8,845	-	1,918,856
-	7,219,320	6,067,857	63,524	-	6,131,381
(72,000)	(72,000)	-	-	-	-
-	(566)	(614)	-	-	(614)
-	23,695	16,258	-	-	16,258
-	-	308,916	(308,916)	-	-
<u>53,711</u>	<u>19,892,211</u>	<u>16,914,573</u>	<u>15,939</u>	<u>224,743</u>	<u>17,155,255</u>
-	33,956,786	36,361,391	-	-	36,361,391
-	1,292,615	852,564	-	-	852,564
-	519,855	869,663	-	-	869,663
-	<u>35,769,256</u>	<u>38,083,618</u>	-	-	<u>38,083,618</u>
-	3,048,690	3,173,051	-	-	3,173,051
-	417,196	521,738	-	-	521,738
-	<u>39,235,142</u>	<u>41,778,407</u>	-	-	<u>41,778,407</u>
53,711	(19,342,931)	(24,863,834)	15,939	224,743	(24,623,152)
<u>2,096,786</u>	<u>80,378,312</u>	<u>103,002,560</u>	<u>126,861</u>	<u>1,872,043</u>	<u>105,001,464</u>
<u>\$ 2,150,497</u>	<u>\$ 61,035,381</u>	<u>\$ 78,138,726</u>	<u>\$ 142,800</u>	<u>\$ 2,096,786</u>	<u>\$ 80,378,312</u>

See accompanying notes.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Combined Statements of Cash Flows

	Years Ended June 30,	
	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ (19,342,931)	\$ (24,623,152)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	183,697	163,800
Provision for bad debts	15,200	11,800
Loss on uncollectible pledges	72,000	-
Loss on disposal of asset	37,425	-
Net unrealized and realized gains on investments	(7,219,320)	(6,131,381)
Change in value of split-interest agreements	(566)	(614)
(Increase) decrease in:		
IOTA contributions receivable	(74,200)	119,200
Other contributions receivable	5,778	54,036
Contracts receivable	2,065,022	(24,644)
Notes receivable	(11,560)	(86,890)
Interest and dividends receivable	97,197	190,352
Other receivables	17,816	(71,961)
Prepaid and reimbursable expenses	21,258	(47,915)
Restricted cash - charitable gift annuities	(4,266)	675
Fellows contributions receivable	(20,548)	10,992
Deposits	-	22,505
Increase (decrease) in:		
Accounts payable	(150,159)	141,705
Grants payable	(4,328,237)	931,898
Deferred revenue	(1,085,027)	74,951
Accrued expenses	(40,075)	9,144
Charitable gift annuities	3,674	-
Net cash used in operating activities	(29,757,822)	(29,255,499)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	46,857,468	65,755,602
Purchase of investments	(15,932,580)	(37,003,964)
Purchase of equipment, furniture and fixtures, and software	(17,595)	(116,103)
Net cash provided by investing activities	30,907,293	28,635,535
Cash Flows From Financing Activities:		
Principal payments under capital lease obligations	(16,598)	(11,224)
Net cash used in financing activities	(16,598)	(11,224)
Net Increase (Decrease) in Cash and Cash Equivalents	1,132,873	(631,188)
Cash and Cash Equivalents, Beginning of Year	649,923	1,281,111
Cash and Cash Equivalents, End of Year	\$ 1,782,796	\$ 649,923
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 7,054	\$ 12,428
Cash paid for income taxes	\$ -	\$ -
	See accompanying notes.	

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies:

Organization

The Florida Bar Foundation, Inc. (the “Foundation”) is a non-profit, tax exempt corporation established in 1956 by Florida lawyers and the Supreme Court of Florida for the purpose of providing greater access to justice. The Foundation accomplishes this mission through funding of programs which expand and improve representation and advocacy on behalf of low-income persons in civil legal matters, improve the fair and effective administration of justice, and promote service to the public by members of the legal profession by making public service an integral component of the law school experience.

The Florida Bar Foundation Endowment Trust (the “Endowment”) is a non-profit, tax exempt trust established in 1992. The Endowment was created solely to benefit the exempt purposes of the Foundation by providing income to fund its charitable activities from the investment of endowment contributions. The Endowment has no employees and is managed by Foundation personnel. Distributions from the Endowment to the Foundation are at the discretion of the Trustees of the Endowment. Use of Endowment distributions for Foundation charitable activities is determined by the Board of Directors of the Foundation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include the accrual of Interest on Trust Accounts (“IOTA”) contributions receivable, allowances for uncollectible promises to give and notes receivable, the discount amount related to contributions receivable, fair value estimates of certain financial instruments, the useful lives of long-lived assets, and the liability for payments to charitable gift annuitants.

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All intercompany accounts and transactions between the Foundation and the Endowment have been eliminated in combination. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and the Endowment and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation or the Endowment and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

1. Summary of Significant Accounting Policies – Continued:

Basis of Presentation – Continued

- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the net assets be held and invested in perpetuity.

The combined financial statements of the Foundation and the Endowment include their program services and supporting activities. Program expenses include primarily grants to other organizations for the purpose of accomplishing the objectives of the Foundation's grant programs and program-related expenses in support of those programs. Such expenses include staff salaries and related costs, professional services, meeting expenses, and other costs to support accomplishment of the programs described below. Management and general expenses include staff salaries and related costs, accounting and other professional services expense, insurance, office facility expenses, and other expenses in support of the operations of the Foundation and the Endowment. Fund raising expenses include staff salaries and related costs, printing, mail costs, professional services, travel and meetings, and other expenses of soliciting contributions to support the programs of the Foundation and the Endowment.

The Foundation's primary source of funding is the Interest on Trust Accounts program which represents unrestricted net assets for expenditures in support of the Foundation's exempt purposes. IOTA contributions to the Foundation are made by participating attorneys through financial institution remittances of interest earned on nominal or short-term deposits in participants' client trust accounts.

The Endowment's primary source of funding is the Fellows program. To become a life member and Fellow of the Foundation, participants pledge to pay \$1,000 over a five or ten-year term. All payments are invested in perpetuity and income earned thereon may be unrestricted or donor restricted to specific Foundation programs.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions receivable are reduced to the amount estimated to be realized by an allowance for uncollectible contributions. Contributions to be received in future periods greater than one year are generally discounted to their present value in the year the contribution is made.

Contributions of assets other than cash are recorded at fair market value at the date of donation. Contributed services received, other than those rendered by members of the Board of Directors and the Trustees, are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Foundation.

Contract Revenue

Revenue from the cost reimbursement contracts with the Florida Department of Community Affairs is recognized as costs are incurred in accordance with the terms of the contract. Amounts accrued or received prior to such costs being incurred are included in the combined statements of financial position as deferred revenue.

Revenue from the mortgage foreclosure grant disbursement contract with the Florida Attorney General is similarly recognized as costs are incurred in accordance with the terms of the contract. Amounts accrued or received prior to such costs being incurred are also included in the combined statements of financial position as deferred revenue.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

1. Summary of Significant Accounting Policies – Continued:

Cash Equivalents

The Foundation and the Endowment consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents except for such instruments held by the investment custodians.

Investments

Investments in marketable securities are stated at fair value. At dates other than their audited year end, alternative investments are stated at fair value as determined by the investment managers of the individual components of such investments. All unrealized and realized gains and losses attributable to investments and all investment income are accounted for as changes in unrestricted net assets, except for investment income related to certain endowment investments which the donors have restricted to specific Foundation programs (see Note 9). Cost is determined by the specific identification method or the average cost method in computing realized gains and losses on sales of investments.

Equipment, Furniture and Fixtures, and Software

Office equipment, computer equipment, furniture and fixtures, and software are stated at cost less accumulated depreciation and are accounted for as unrestricted net assets. Any gain or loss on disposition of such assets is included in the change in unrestricted net assets. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Office equipment	5 years
Computer equipment	5 years
Furniture and fixtures	6 – 8 years
Software	5 years

Grants Payable

Grants unconditionally approved for payment by the Foundation's Board of Directors are recorded as grants payable. Grants conditionally approved, pending satisfaction of a contingency by the grantee, are not recognized until the contingency is satisfied (see Note 10).

Charitable Gift Annuities

The liability for payments to annuitants under irrevocable charitable gift annuities are originally recorded at their present value based on the life expectancy of the donors and an appropriate discount rate. The difference between the assets received and the recognized liability is recorded as unrestricted, temporarily restricted, or permanently restricted contributions depending and based on the absence or presence of donor stipulations in the underlying agreement.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

1. Summary of Significant Accounting Policies – Continued:

Income Taxes

The Foundation and the Endowment are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The Foundation and the Endowment have been determined to be other than a private foundation under the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the accompanying combined financial statements.

The Foundation and the Endowment have implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, “Income Taxes.” Under those provisions, tax positions initially need to be recognized in financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. Adoption of this guidance has not resulted in the recognition of any unrecognized tax benefits. Management continually analyzes the Foundation’s and the Endowment’s various federal and state filing positions and believes that their income tax filing positions and exemption status are well documented and supported. Additionally, management believes that no accruals for tax liabilities related to uncertain income tax positions are required. Therefore, no reserves for uncertain income tax positions have been recorded by either the Foundation or the Endowment at June 30, 2011.

There have been no increases or decreases in unrecognized tax benefits since the date of adoption. Further, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as a component of management and general expenses. The periods that remain open to examination under federal statute are 2008 through 2011.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation and the Endowment have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

1. Summary of Significant Accounting Policies – Continued:

Fair Value Measurements

Fair value is measured using a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments and liabilities measured and reported at fair value are classified and disclosed in levels that represent a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The three broad levels are described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical investments as of the reporting date. The types of Foundation and Endowment financial instruments in Level 1 include common stocks, real estate investment trust equities (quoted in active markets), U.S. Treasury securities, and some state and municipal fixed-income securities.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. The types of Foundation and Endowment financial instruments that are included in this category are cash and money market funds that are held in a proprietary money trust of the investment custodian, most U.S. government sponsored enterprises, most corporate and other fixed income securities, most state and municipal fixed income securities, and equity mutual funds.
- Level 3 – Unobservable inputs are used when little or no market data is available. The inputs into the determination of fair value include assessments of each underlying investment, comparable transactions, market outlooks, and inputs provided from fund managers, among other factors. The fair value hierarchy gives the lowest priority to Level 3 inputs. The types of Foundation and Endowment financial instruments included in this category are alternative investment funds and some fixed income securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

2. Investments:

Investments consist of the following:

	June 30, 2011	
	Cost	Fair Value
Foundation Current Operating Account:		
Cash and money market funds	\$ 15,876,306	\$ 15,876,306
Foundation Mid-Term Investment Account:		
Cash and money market funds	1,705,720	1,705,720
Common stocks	3,194,333	3,627,335
Real estate investment trusts	241,613	288,872
Fixed income obligations (fair values: state and municipal \$651,728, corporate and other \$2,683,727, U.S. Treasuries and government sponsored enterprises \$5,373,745)	8,668,518	8,709,200
	13,810,184	14,331,127
Foundation Long-Term Investment Account:		
Cash and money market funds	1,923,775	1,923,775
Common stocks	12,144,043	13,914,606
Equity mutual funds	2,173,153	2,583,938
Real estate investment trusts	775,581	908,582
Fixed income mutual funds	2,503,178	2,681,808
Fixed income obligations (fair values: state and municipal \$467,364, corporate and other \$2,134,871, U.S. Treasuries and government sponsored enterprises \$3,269,406)	5,501,240	5,871,641
Alternative investment funds	3,982,618	4,045,572
	29,003,588	31,929,922
	2011	
	Cost	Fair Value
Endowment Trust Investment Account:		
Cash and money market funds	350,285	350,285
Common stocks	3,185,712	3,653,839
Equity mutual funds	446,983	521,579
Real estate investment trusts	230,648	275,314
Mid-term fixed income mutual funds	1,191,716	1,272,171
Alternative investment funds	558,000	594,735
	5,963,344	6,667,923
	\$ 64,653,422	\$ 68,805,278

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

2. Investments – Continued:

	June 30, 2010	
	Cost	Fair Value
Foundation Current Operating Account:		
Cash and money market funds	\$ 31,254,961	\$ 31,254,961
Foundation Mid-Term Investment Account:		
Cash and money market funds	3,177,685	3,177,685
Common stocks	7,472,173	7,410,563
Real estate investment trusts	342,929	378,738
Fixed income obligations (fair values: state and municipal \$1,280,496, corporate and other \$7,714,569 U.S. Treasuries and government sponsored enterprises \$8,765,511)	17,460,399	17,760,576
	28,453,186	28,727,562
Foundation Long-Term Investment Account:		
Cash and money market funds	981,728	981,728
Common stocks	11,839,598	11,864,925
Equity mutual funds	996,986	940,915
Real estate investment trusts	547,060	558,447
Fixed income mutual funds	2,308,004	2,300,368
Fixed income obligations (fair values: state and municipal \$777,939 corporate and other \$3,151,811 U.S. Treasuries and government sponsored enterprises \$2,626,950)	6,176,479	6,556,700
Alternative investment funds	4,125,884	3,991,475
	26,975,739	27,194,558
Endowment Trust Investment Account:		
Cash and money market funds	343,082	343,082
Common stocks	2,901,796	2,902,615
Equity mutual funds	217,239	195,583
Real estate investment trusts	198,452	204,660
Mid-term fixed income mutual funds	1,126,852	1,177,276
Alternative investment funds	558,000	543,432
	5,345,421	5,366,648
	\$ 92,029,307	\$ 92,543,729

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

2. Investments – Continued:

Investments are classified in the combined statements of financial position based on their availability for expenditure as follows:

	June 30,	
	2011	2010
Current Assets (available for expenditure):		
Investments	\$ 66,888,176	\$ 90,732,831
Other Assets (not available for expenditure):		
Permanently restricted investments	1,917,102	1,810,898
	\$ 68,805,278	\$ 92,543,729

The current operating account was established to provide funding for the Foundation’s operating expenses, as well as near term capital and grant commitments in support of the Foundation’s charitable activities. Consequently, the investment objectives for the current operating account are to provide for preservation of principal value, high liquidity, and current income. To provide for current and future funding of grant programs, operational, and capital needs, the Foundation has established the mid-term investment and long-term investment accounts. The investment objectives for the mid-term and long-term investment accounts are to provide current income, as well as mid-term and long-term capital growth, respectively, and protection of principal. The investment objective of endowment investments to be held in perpetuity is to provide long-term capital growth.

Amounts due from broker of \$53,511 and \$20,628 in the combined statements of financial position represent the net receivable for unsettled trades of marketable securities at June 30, 2011 and 2010, respectively. For purposes of the combined statements of cash flows, such unsettled amounts are considered noncash investing activities.

The combined investment return of the Foundation and the Endowment is comprised of the following:

	Years Ended June 30,	
	2011	2010
Investment Income		
Interest	\$ 772,022	\$ 1,593,659
Dividends	826,756	737,541
	1,598,778	2,331,200
Net Gains		
Realized	3,581,886	1,603,171
Unrealized	3,637,434	4,528,210
	7,219,320	6,131,381
Total Return Excluding Investment Fees	\$ 8,818,098	\$ 8,462,581

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

3. Fair Value Measurements:

In determining fair value, the Foundation and Endowment use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation also obtains fair value quotes of fixed income securities from a third party security pricing vendor. The Foundation and Endowment believe that the valuations used in the combined financial statements are reasonable and are appropriately classified in the fair value hierarchy.

The following tables set forth by level, within the fair value hierarchy, the Foundation's and Endowment's investments at fair value:

	June 30, 2011			Total
	Level 1	Level 2	Level 3	
Current operating assets:				
Cash and money market funds	\$ -	\$ 15,876,306	\$ -	\$ 15,876,306
Total current operating assets at fair value	-	15,876,306	-	15,876,306
Mid-Term investment accounts:				
Cash and money market funds	-	1,705,720	-	1,705,720
Common stocks	3,627,335	-	-	3,627,335
Real estate investment trusts	288,872	-	-	288,872
Fixed income obligations:				
State and municipal	651,728	-	-	651,728
Corporate and other	-	2,683,727	-	2,683,727
U.S. Treasuries	1,640,338	-	-	1,640,338
U.S. Government sponsored enterprises	-	3,733,407	-	3,733,407
Total mid-term investments at fair value	6,208,273	8,122,854	-	14,331,127
Long-term investment accounts:				
Cash and money market funds	-	1,923,775	-	1,923,775
Common stocks	13,914,606	-	-	13,914,606
Equity mutual funds	-	2,583,938	-	2,583,938
Real estate investment trusts	908,582	-	-	908,582
Fixed income mutual funds	-	2,681,808	-	2,681,808
Fixed income obligations:				
State and municipal	467,364	-	-	467,364
Corporate and other	-	2,134,871	-	2,134,871
U.S. Treasuries	2,333,847	-	-	2,333,847
U.S. Government sponsored enterprises	-	935,559	-	935,559
Alternative investment funds	-	-	4,045,572	4,045,572
Total long-term investments at fair value	17,624,399	10,259,951	4,045,572	31,929,922

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

3. Fair Value Measurements – Continued:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and money market funds	-	350,285	-	350,285
Common stocks	3,653,839	-	-	3,653,839
Equity mutual funds	-	521,579	-	521,579
Real estate investment trusts	275,314	-	-	275,314
Mid-term fixed income mutual funds	-	1,272,171	-	1,272,171
Alternative investment funds	-	-	594,735	594,735
Total endowment investments at fair value	<u>3,929,153</u>	<u>2,144,035</u>	<u>594,735</u>	<u>6,667,923</u>
Total investments at fair value	<u>\$ 27,761,825</u>	<u>\$ 36,403,146</u>	<u>\$ 4,640,307</u>	<u>\$ 68,805,278</u>
	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Current operating assets:				
Cash and money market funds	\$ -	\$ 31,254,961	\$ -	\$ 31,254,961
Total current operating assets at fair value	<u>-</u>	<u>31,254,961</u>	<u>-</u>	<u>31,254,961</u>
Mid-Term investment accounts:				
Cash and money market funds	-	3,177,685	-	3,177,685
Common stocks	7,410,563	-	-	7,410,563
Real estate investment trust	378,738	-	-	378,738
Fixed income obligations:				
State and municipal	1,280,496	-	-	1,280,496
Corporate and other	-	7,286,046	428,523	7,714,569
U.S. Treasuries	3,780,969	-	-	3,780,969
U.S. Government sponsored enterprises	-	4,984,542	-	4,984,542
Total mid-term investments at fair value	<u>12,850,766</u>	<u>15,448,273</u>	<u>428,523</u>	<u>28,727,562</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

3. Fair Value Measurements – Continued

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Long-term investment accounts:				
Cash and money market funds	-	981,728	-	981,728
Common stocks	11,864,925	-	-	11,864,925
Equity mutual funds	-	940,915	-	940,915
Real estate investment trust	558,447	-	-	558,447
Fixed income mutual funds	-	2,300,368	-	2,300,368
Fixed income obligations:				
State and municipal	-	777,939	-	777,939
Corporate and other	-	2,925,393	226,418	3,151,811
U.S. Treasuries	-	1,577,446	-	1,577,446
U.S. Government sponsored enterprises	-	1,021,976	27,528	1,049,504
Alternative investment funds	-	-	3,991,475	3,991,475
Total long-term investments at fair value	<u>12,423,372</u>	<u>10,525,765</u>	<u>4,245,421</u>	<u>27,194,558</u>
Endowment investments:				
Cash and money market funds	-	343,082	-	343,082
Common stocks	2,902,615	-	-	2,902,615
Equity mutual funds	-	195,583	-	195,583
Real estate investment trust	204,660	-	-	204,660
Mid-term fixed income mutual funds	-	1,177,276	-	1,177,276
Alternative investment funds	-	-	543,432	543,432
Total endowment investments at fair value	<u>3,107,275</u>	<u>1,715,941</u>	<u>543,432</u>	<u>5,366,648</u>
Total investments at fair value	<u>\$ 28,381,413</u>	<u>\$ 58,944,940</u>	<u>\$ 5,217,376</u>	<u>\$ 92,543,729</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

3. Fair Value Measurements – Continued

Level 3 Gains and Losses

The tables below set forth a summary of changes in the fair value of the Foundation’s level 3 financial instruments. Management has reevaluated the observable and unobservable inputs used in the determination of the fair value of financial instruments in the prior year. As part of this reevaluation, management has determined that a reclassification to level two is necessary and is reflected below:

	Year Ended June 30, 2011			
	Corporate and Other	U.S. Government Sponsored Enterprises	Alternative Investment Funds	Total
Foundation Mid-Term Investment Account:				
Beginning balance	\$ 428,523	\$ -	\$ -	\$ 428,523
Total gains and (losses):				
Realized	1,163	-	-	1,163
Unrealized	8,702	-	-	8,702
Purchases, sales, issuances, and settlements, net	(169,108)	-	-	(169,108)
Reclassification	<u>(269,280)</u>	<u>-</u>	<u>-</u>	<u>(269,280)</u>
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foundation Long-Term Investment Account:				
Beginning balance	226,418	27,528	3,991,475	4,245,421
Total gains and (losses):				
Realized	(4,317)	(54)	(73,735)	(78,106)
Unrealized	4,341	823	326,878	332,042
Purchases, sales, issuances, and settlements, net	(43,117)	(1,518)	(199,046)	(243,681)
Reclassification	<u>(183,325)</u>	<u>(26,779)</u>	<u>-</u>	<u>(210,104)</u>
Ending balance	<u>-</u>	<u>-</u>	<u>4,045,572</u>	<u>4,045,572</u>
Endowment Investment Account:				
Beginning balance	-	-	543,432	543,432
Total gains and (losses):				
Realized	-	-	-	-
Unrealized	-	-	51,303	51,303
Purchases, sales, issuances, and settlements, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>-</u>	<u>-</u>	<u>594,735</u>	<u>594,735</u>
Total ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,640,307</u>	<u>\$ 4,640,307</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

3. Fair Value Measurements – Continued

Level 3 Gains and Losses – Continued

	Year Ended June 30, 2010			
	Corporate and Other	U.S. Government Sponsored Enterprises	Alternative Investment Funds	Total
Foundation Mid-Term Investment Account:				
Beginning balance	\$ 879,410	\$ 137,660	\$ -	\$ 1,017,070
Total gains and (losses):				
Realized	631	-	-	631
Unrealized	(142,983)	-	-	(142,983)
Purchases, sales, issuances, and settlements, net	(98,283)	-	-	(98,283)
Reclassification	(210,252)	(137,660)	-	(347,912)
Ending balance	<u>428,523</u>	<u>-</u>	<u>-</u>	<u>428,523</u>
Foundation Long-Term Investment Account:				
Beginning balance	803,672	52,174	1,452,699	2,308,545
Total gains and (losses):				
Realized	313	(71)	(149,834)	(149,592)
Unrealized	6,572	1,362	245,293	253,227
Purchases, sales, issuances, and settlements, net	48,417	(1,981)	2,443,317	2,489,753
Reclassification	(632,556)	(23,956)	-	(656,512)
Ending balance	<u>226,418</u>	<u>27,528</u>	<u>3,991,475</u>	<u>4,245,421</u>
Endowment Investment Account:				
Beginning balance	-	-	-	-
Total gains and (losses):				
Realized	-	-	-	-
Unrealized	-	-	(14,568)	(14,568)
Purchases, sales, issuances, and settlements, net	-	-	558,000	558,000
Ending balance	<u>-</u>	<u>-</u>	<u>543,432</u>	<u>543,432</u>
Total ending balance	<u>\$ 654,941</u>	<u>\$ 27,528</u>	<u>\$ 4,534,907</u>	<u>\$ 5,217,376</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

4. Notes Receivable:

The Foundation has established a loan repayment assistance program. This program provides law school educational debt repayment assistance to law school graduates employed by qualified legal aid organizations. The assistance is in the form of loans equal to 80% of annual law school debt payments up to \$7,500 per year for a maximum of ten years. The one-year loans are paid to the program participants in semiannual installments and are forgiven annually provided the staff attorney remains employed on a full-time basis by the IOTA-funded legal assistance organization. The regular program is funded 80% by the Foundation and 20% by reductions in Foundation grants to participating legal assistance organizations. In addition, the Foundation has established a supplemental loan repayment assistance program for staff attorneys of IOTA-funded legal assistance organizations. This supplemental program is funded 20% by the Foundation and 80% by reductions in Foundation grants to participating legal assistance organizations. Loan principal of \$1,053,989 and \$875,591 was forgiven during the years ended June 30, 2011 and 2010, respectively.

The unforgiven balance of the loan due from a participant who terminates qualified employment becomes payable in twelve equal monthly installments, including interest at 3%. As of June 30, 2011 and 2010, participants with outstanding loan balances of \$45,037 and \$78,884, respectively, had ceased to qualify under the program's guidelines and their loans are being repaid under the above terms. Interest on the loans is recorded as income when received. The Foundation provides an allowance for uncollectible loans based on its collection experience.

As of June 30, 2011 and 2010, management determined the allowance for uncollectible loans for all notes receivable to be \$84,737 and \$85,300, respectively. Loans are only written-off after management has exhausted all reasonable collection efforts. Bad debt expense was \$15,200 and \$11,800 for the years ended June 30, 2011 and 2010, respectively.

5. Contributions Receivable:

Fellows contributions receivable are collectible over five or ten year terms and have been recorded net of a discount to reflect the present value of the estimated future cash flows to be received. Fellows contributions receivable are also recorded net of an estimated allowance for uncollectible pledges, which is based on collection experience. Other contributions of a significant amount to be received in future periods greater than one year are similarly recorded. Discount rates for five and ten year pledges were 2.01% and 3.3% and 2.69% and 3.85% for the years ended June 30, 2011 and 2010, respectively. They are included in the combined statements of financial position as follows:

	June 30,	
	2011	2010
Fellows Contributions Receivable:		
Total pledges receivable	\$ 311,854	\$ 376,447
Allowance for uncollectible pledges	(90,903)	(177,703)
Unamortized discount	(30,329)	(28,670)
	\$ 190,622	\$ 170,074

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

5. Contributions Receivable – Continued:

	June 30,	
	2011	2010
Other Contributions Receivable:		
Other endowment contributions	\$ 65,140	\$ 148,375
Allowance for uncollectible contributions	(3,259)	(10,174)
Unamortized discount	(19,108)	(22,387)
	42,773	115,814
Non-discounted amounts due within one year	2,772	8,550
	\$ 45,545	\$ 124,364

Future collections of all contributions (before allowances and discounts) are estimated to be as follows:

	June 30, 2011		
	Less Than One Year	One to Five Years	Over Five Years
IOTA contributions receivable	\$ 570,000	\$ -	\$ -
Fellows and other endowment contributions receivable	186,880	170,064	20,050
Other contributions receivable	2,772	-	-
	\$ 759,652	\$ 170,064	\$ 20,050
	June 30, 2010		
	Less Than One Year	One to Five Years	Over Five Years
IOTA contributions receivable	\$ 495,800	\$ -	\$ -
Fellows and other endowment contributions receivable	274,179	233,993	16,650
Other contributions receivable	8,550	-	-
	\$ 778,529	\$ 233,993	\$ 16,650

Management analyzes the outstanding contributions receivable to estimate the amount considered uncollectible based on past experience. The loss on uncollectible pledges of \$72,000 for the year ended June 30, 2011, represents a revision of management's estimate of the collectability of pledges made prior to July 1, 2010. No revision of prior years' estimates was considered necessary by management during the year ended June 30, 2010.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

6. Accrued Compensated Absences:

Vacation benefits earned but unused by Foundation employees are accrued during the period earned and employees may carry over a maximum of thirty days of unused vacation. The Foundation does not accrue sick leave benefits as they are not paid unless used. Accrued vacation compensation of \$111,654 and \$117,113 is included in accrued expenses as of June 30, 2011 and 2010, respectively.

7. Charitable Gift Annuities:

The Foundation had received irrevocable, unrestricted charitable gift annuities totaling \$30,000 and \$20,000 as of June 30, 2011 and 2010, respectively. Under the annuity agreements, the Foundation is required to pay quarterly payments totaling \$480 for the lives of the annuitants. The present value of these liabilities is based on discount rates ranging from 2.0% to 3.8%, and the life expectancies of the donors and is classified between current and non-current liabilities. As of June 30, 2011 and 2010, the aggregate present values of the liabilities are \$17,590 and \$13,712, respectively. Amounts recorded in other unrestricted contributions representing the difference between the assets received and liabilities incurred were \$5,107 for the year ended June 30, 2011.

Restricted cash represents the present value of the liability for payments to annuitants plus a reserve. The State of Florida requires such amounts to be held in a segregated interest-bearing account to provide for the future obligations to the annuitants.

8. Temporarily Restricted Net Assets:

As of June 30, 2011 and 2010, temporarily restricted net assets of \$272,355 and \$142,800, respectively, were available to support Foundation grant programs as described in Note 1.

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

	Years Ended June 30,	
	2011	2010
Legal assistance for the poor	\$ 285,289	\$ 300,507
Administration of justice	400	100
Law student assistance	15,823	8,309
	\$ 301,512	\$ 308,916

9. Endowment:

The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of the Foundation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

9. Endowment – Continued:

The State of Florida has adopted its version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) to be effective July 1, 2012. Accounting principles generally accepted in the United States of America will require accumulated investment income, attributable to permanently restricted net assets originally classified as unrestricted net assets in the absence of donor imposed restrictions, to be reclassified as temporarily restricted net assets until appropriated for expenditure by the Trustees. The Trustees of the Endowment and the Board of Directors of the Foundation will consider their interpretation of relevant law and the endowment spending policy under the provisions of UPMIFA. Management will determine the effect of these changes on net assets in the combined financial statements when the law becomes effective.

Interpretation of Relevant Law

The Trustees of the Endowment and the Board of Directors of the Foundation have interpreted the Florida Uniform Management of Institutional Funds Act (“FUMIFA”), as requiring the preservation of the original value of the 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 Trustees and the Board of Directors classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. In accordance with FUMIFA, the Trustees consider the following factors in making a determination to expend Endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation’s request for distribution
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Endowment
- Other resources of the Foundation

Return Objectives and Risk Parameters

The Trustees have adopted investment and spending policies for Endowment assets that attempt to provide future funding to Foundation programs supported by the Endowment funds. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity, as well as Board-designated funds. Under these policies, as approved by the Trustees, the Endowment assets are invested in a manner that is intended to provide a total return primarily emphasizing capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment 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.

Endowment Spending Policy

The Endowment’s policy is to not distribute funds annually, but to consider, on a case-by-case basis, individual requests from the Foundation’s Board. In reviewing a request for distribution, the Trustees consider the importance of the Foundation’s need considering its other resources, as well as the objective of providing additional real growth for future funding through accumulations of investment returns.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

9. Endowment – Continued:

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 193,681	\$ 2,150,497	\$ 2,344,178
Board-designated endowment funds	<u>4,568,406</u>	<u>-</u>	<u>-</u>	<u>4,568,406</u>
Total funds	<u>\$ 4,568,406</u>	<u>\$ 193,681</u>	<u>\$ 2,150,497</u>	<u>\$ 6,912,584</u>

Change in endowment net assets for the fiscal year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,485,561	\$ 74,302	\$ 2,096,786	\$ 5,656,649
Investment return:				
Investment income	148,334	12,643	-	160,977
Net appreciation (realized and unrealized)	934,511	106,736	-	1,041,247
Contributions	-	-	125,711	125,711
Loss on Uncollectible Pledges	<u>-</u>	<u>-</u>	<u>(72,000)</u>	<u>(72,000)</u>
Endowment net assets, end of year	<u>\$ 4,568,406</u>	<u>\$ 193,681</u>	<u>\$ 2,150,497</u>	<u>\$ 6,912,584</u>

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 74,302	\$ 2,096,786	\$ 2,171,088
Board-designated endowment funds	<u>3,485,561</u>	<u>-</u>	<u>-</u>	<u>3,485,561</u>
Total funds	<u>\$ 3,485,561</u>	<u>\$ 74,302</u>	<u>\$ 2,096,786</u>	<u>\$ 5,656,649</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

9. Endowment – Continued:

Change in endowment net assets for the fiscal year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,903,515	\$ 1,933	\$ 1,872,043	\$ 4,777,491
Investment return:				
Investment income	106,540	8,845	-	115,385
Net appreciation (realized and unrealized)	475,506	63,524	-	539,030
Contributions	<u>-</u>	<u>-</u>	<u>224,743</u>	<u>224,743</u>
Endowment net assets, end of year	<u>\$ 3,485,561</u>	<u>\$ 74,302</u>	<u>\$ 2,096,786</u>	<u>\$ 5,656,649</u>

10. Net Asset Commitments:

As of June 30, 2011 and 2010, the Board of Directors had designated a certain amount of the Foundation's unrestricted net assets for specific uses and had approved grants contingent on the recipient's meeting certain conditions specified in the grant agreements as follows:

	June 30,	
	<u>2011</u>	<u>2010</u>
Legal assistance for the poor conditional grants	\$ 1,478,736	\$ 1,454,167
Administration of justice conditional grants	<u>147,500</u>	<u>411,481</u>
Total conditional grants	1,626,236	1,865,648
Future building fund reserve	3,000,000	3,000,000
Legal assistance for the poor disaster relief	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 5,626,236</u>	<u>\$ 5,865,648</u>

Net asset commitments also include the Board-designated endowment funds as described in Note 9.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

11. State Financial Assistance:

Contract Revenue

Florida Access to Civil Legal Assistance Contracts

During 2002, the Florida legislature passed the Florida Access to Civil Legal Assistance Act. The purpose of the Act is to promote the availability of civil legal assistance to the poor in Florida. In the year ended June 30, 2011, the Foundation entered into two cost reimbursement contracts with the Florida Department of Community Affairs to administer selection of subrecipients under the two programs' guidelines, allocate available funds to the selected legal aid organizations, and monitor their accomplishment of the two programs' goals. In the year ended June 30, 2010, the Foundation entered into one cost reimbursement contract with the Florida Department of Community Affairs.

During the years ended June 30, 2011 and 2010, \$1,900,000 and \$991,060, respectively, attributable to the contracts, are included in legal assistance for the poor program expenses. During the years ended June 30, 2011 and June 30, 2010, there were \$8,940 and \$8,941 of administrative costs attributable to the prior year's contract which have been included in management and general expense. For the year ended June 30, 2011, management and general expense includes \$57,245 of administrative costs attributable to the current year's contracts. At June 30, 2011 and 2010, \$49,570 and \$8,940, respectively, of requested expense reimbursements are included in contracts receivable. Expense reimbursements of \$29,565 and \$8,940 to be received for the years ended June 30, 2011 and 2010, respectively, are recorded as deferred revenue attributable to administrative expenses accrued subsequent to year end. These amounts are recognized as revenue when the related expenses are incurred.

Florida Attorney General Mortgage Foreclosure Grant Disbursement Contract

During 2009, the Attorney General of Florida obtained a consent judgment against Countrywide Financial Corporation which, among other provisions, provided approximately \$4,061,000 of funding, plus accrued interest, to be utilized to provide legal assistance and representation to single family occupant homeowners in Florida who are in foreclosure proceedings or are in danger of facing foreclosure. During the year ended June 30, 2009, the Foundation entered into a grant disbursement contract with the Attorney General of Florida to administer selection of subrecipients under the program's guidelines, allocate available funds to the selected legal and not-for-profit organizations, and monitor their accomplishment of the program's goals.

During the years ended June 30, 2011 and 2010, \$2,105,652 and \$2,030,700 attributable to the contract, are included in legal assistance for the poor program expenses, and no amounts were expended on administrative costs. At June 30, 2010, approved funding plus accrued interest, together totaling \$2,105,652, were included in contracts receivable and recorded as deferred revenue.

During 2011, the State of Florida Office of the Attorney General, (the "Attorney General") supplemented the above funds by directing a \$1,000,000 payment to the Foundation by a Florida law firm to settle an investigation. The Foundation's agreement with the Attorney General stipulates the funds are to be used for the purpose of continuing the Florida Attorney General Mortgage Foreclosure Grant program. As of June 30, 2011, the Foundation had not expended any of the funds and the amount is included in deferred revenue.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

11. State Financial Assistance – Continued:

Contributions from Specialty License Plate Purchases

Beginning in 2005, Florida vehicle owners could purchase a “Kids Deserve Justice” specialty license plate from the Florida Department of Highway Safety and Motor Vehicles. The \$25 additional cost of the specialty license plate, net of an administrative fee, is accounted for as a restricted contribution from the purchaser to the Foundation. The program requires the Foundation use the contributions to fund legal services for children through legal assistance for the poor grants. Contributions received from this program during the years ended June 30, 2011 and 2010, were \$43,049 and \$44,011, respectively. Expenditures of prior years’ contributions during the years ended June 30, 2011 and 2010, were \$44,011 and \$45,186, respectively. Accounts payable include \$476 and \$689 in administrative fees due to the State for sales through June 30, 2011 and 2010, respectively.

12. Employee Retirement Plan:

The Foundation has adopted a defined contribution retirement plan for all eligible employees. The plan provides for employee contributions through elective salary deferrals and for employer contributions after meeting a two-year length of service requirement. The nonforfeitable benefits are provided through the purchase of annuity or custodial contracts. Contributions by the employer are either 12% or 15% of a participant’s annual salary, but may not exceed the amount permissible under the Internal Revenue Code. Employer contributions are funded at least annually and amounted to \$177,425 and \$135,165 for the years ended June 30, 2011 and 2010, respectively.

13. Allocation of Joint Costs:

For years ended June 30, 2011 and 2010, \$20,625 and \$39,433, respectively, of payroll and related expenses were allocated to legal assistance for the poor program expense for grantee program performance assessment with the remainder allocated to management and general expense.

For the years ended June 30, 2011 and 2010, professional services, printing, postage, office supplies, and travel expenses were allocated to Foundation fund raising expense in connection with production of the Foundation’s annual report (\$248 and \$12,575 allocated of total expense of \$3,692 and \$41,916 in 2011 and 2010, respectively), quarterly newsletters (\$1,701 and \$1,696 allocated of total expense of \$15,465 and \$33,916 in 2011 and 2010, respectively), and in connection with maintenance of its internet website (\$909 and \$1,442 allocated of total expense of \$4,093 and \$12,536 in 2011 and 2010, respectively), with the remainder of the total expense of each communication allocated to management and general expense.

14. Commitments and Contingencies:

Employment Contract

The Foundation is obligated under an employment contract with its Executive Director. The contract automatically continues in effect for additional terms of one year unless the Foundation or the Executive Director gives notice to the other party. The contract specifies an annual base salary of \$150,401 for the year ending June 30, 2012, which is to be reviewed annually and may be increased by the Board of Directors, and also provides retirement, health, disability, and life insurance benefits to the Executive Director. The agreement permits termination by the Foundation without cause provided the Executive Director is paid severance pay equivalent to six-months salary.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

14. Commitments and Contingencies – Continued:

Concentration of Credit Risk

Financial instruments which potentially expose the Foundation and the Endowment to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, include bank and brokerage cash and cash equivalent accounts in excess of federally insured balances of approximately \$21,000,000 in national financial institutions at June 30, 2011. In management's opinion, the capitalization and operating history of these financial institutions is such that the likelihood of loss is remote.

Loan Guarantees

The Foundation has guaranteed a portion of mortgage loans for certain legal assistance for the poor grantees. In the event of a default, the guarantee agreements permit the Foundation to recover any funds it would be required to pay the mortgage lenders by reducing future Foundation grants to the grantees. The guaranteed amounts are as follows:

	June 30,	
	<u>2011</u>	<u>2010</u>
Community Legal Services of Mid-Florida, Inc.	\$ 200,000	\$ 250,000
Florida Legal Services, Inc.	-	20,488
Florida Institutional Legal Services	302,929	313,124

Management has not accrued a liability for the fair value of the guarantees in the combined financial statements.

Risks and Uncertainties

The Foundation and the Endowment invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. In addition, alternative investment funds are not subject to audit other than at their fiscal year end and there are no published market prices for such investments to establish their fair value at intervening dates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment account balances and the amounts reported in the combined statements of financial position.

Concentration of Revenue

A substantial portion of the Foundation's revenues are derived from contributions related to the Interest on Trust Accounts program described in Note 1. IOTA programs similar to Florida's have been established in every state, the District of Columbia, and the U.S. Virgin Islands. Legal challenges to IOTA programs have been initiated over the years in a number of federal jurisdictions, including Florida. The federal court challenges have ended in the wake of the U.S. Supreme Court's decision in Brown v. Legal Foundation of Washington, 538 U.S. 216, (2003), which found that Washington State's program did not violate the Fifth Amendment. Presently, there are no asserted claims concerning the constitutionality of Florida's IOTA program.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

14. Commitments and Contingencies – Continued:

Lease Commitments

Operating Leases:

The Foundation leases its office space under a six-year operating lease which expires in May 2013. The lease contains an escalation provision whereby the rent is increased 3% for each year of the lease term and a renewal option for an additional five year term at market rates. In years after the base year, contingent rents are payable based on increases in certain building operating costs and were not significant for the years ended June 30, 2011 and 2010. Rent expense is calculated on the straight-line basis over the lease term. The aggregate difference of \$54,293 and \$72,539 as of June 30, 2011 and 2010, respectively, between recognized rent expense and scheduled rent payments is included in accrued expenses as accrued rent. The Foundation also rents parking spaces for its employees and miscellaneous office equipment under month-to-month operating leases.

The future minimum rental payments for office space under this operating lease are as follows:

Year Ending June 30,		
2012	\$	237,123
2013		<u>223,364</u>
	\$	<u><u>460,487</u></u>

Total rent expense under all operating leases, including month-to-month rentals, was \$242,129 and \$238,160 for the years ended June 30, 2011 and 2010, respectively. During the years ended June 30, 2011 and 2010, no contingent rents have been paid.

Capital Leases:

The Foundation accounts for the lease of certain office equipment as capital leases, which have expirations from November 2013 through February 2014. Capitalized costs and related accumulated depreciation under capital leases included in equipment, furniture and fixtures, and software on the combined statement of financial position are as follows:

	June 30,	
	<u>2011</u>	<u>2010</u>
Capitalized costs	\$ 88,723	\$ 88,723
Accumulated depreciation	<u>(45,841)</u>	<u>(28,096)</u>
Net equipment held under capital leases	<u><u>\$ 42,882</u></u>	<u><u>\$ 60,627</u></u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

Notes to Combined Financial Statements – Continued

14. Commitments and Contingencies – Continued:

Lease Commitments – Continued

Capital Leases – Continued:

The following amounts related to equipment held under capital leases were included in management and general expense:

	Years Ended June 30,	
	2011	2010
Depreciation expense	\$ 17,745	\$ 17,745
Interest expense	7,054	12,428

Future minimum lease payments under these capital leases are as follows:

Year Ending June 30,		
2012		\$ 23,652
2013		23,652
2014		11,457
		58,761
Less amount representing interest (1.35% to 18.12%)		(8,030)
Total obligation under capital leases		50,731
Less current portion of obligations under capital leases		(18,611)
Long-term portion of obligations under capital leases		\$ 32,120

Internal Information Technology System

The Foundation has completed a project for the purchase, installation, and training related to an integrated information technology system encompassing grant management, financial reporting, fund raising, and contact management. The project cost approximately \$781,000 including the purchase of hardware and software. Approximately \$17,595 and \$250,000 had been incurred in the years ended June 30, 2011 and 2010, respectively.

Legal Services Case Management System

During the year ended June 30, 2010, the Foundation completed a project to fund the purchase, installation, and training of a computerized legal case management system for its legal aid grantees that provide civil legal assistance to low-income Florida residents. The project cost approximately \$2,538,000 including the purchase of hardware, development of software, and project management to oversee all phases of implementation of the project. Approximately \$588,000 of the costs were incurred during the fiscal year ended June 30, 2010.

15. Subsequent Events:

The Foundation and the Endowment have evaluated events and transactions for potential recognition or disclosure through November 23, 2011, the date the combined financial statements were available to be issued.

COMPLIANCE SECTION



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Florida Bar Foundation, Inc.
Orlando, Florida

We have audited the combined financial statements of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust (both non-profit organizations) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and our audit of The Florida Bar Foundation, Inc. was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Florida Bar Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Florida Bar Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Florida Bar Foundation, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in Section II-1 of the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
The Florida Bar Foundation, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the combined financial statements of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust are free of material misstatement, we performed tests of The Florida Bar Foundation, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Florida Bar Foundation, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Florida Bar Foundation, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Querett Warmus Durkee Osburn Henning

Orlando, Florida
November 23, 2011



**Independent Auditors' Report on Compliance With Requirements Applicable to
Each Major State Project and on Internal Control Over Compliance in Accordance
with Chapter 10.650, Rules of the Auditor General, State of Florida**

To the Board of Directors
The Florida Bar Foundation, Inc.
Orlando, Florida

Compliance

We have audited The Florida Bar Foundation, Inc.'s compliance with the types of compliance requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement* that are applicable to its major state projects for the year ended June 30, 2011. The Florida Bar Foundation, Inc.'s major state projects are the Florida Access to Civil Legal Assistance Act contracts with the State of Florida Department of Community Affairs, which is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs – State Projects. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major state projects is the responsibility of The Florida Bar Foundation, Inc.'s management. Our responsibility is to express an opinion on The Florida Bar Foundation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Auditor General, State of Florida. Those standards and Chapter 10.650, Rules of the Auditor General, State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state projects identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about The Florida Bar Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Florida Bar Foundation, Inc.'s compliance with those requirements.

In our opinion, The Florida Bar Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

To the Board of Directors
The Florida Bar Foundation, Inc.

Internal Control Over Compliance

Management of The Florida Bar Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered The Florida Bar Foundation, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, State of Florida, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Florida Bar Foundation, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Florida Department of Community Affairs, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Auerett Warmus Durkee Osburn Henning

Orlando, Florida
November 23, 2011

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2011**

<u>State of Florida Agency</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Department of Community Affairs	52.026	11CL-8Q- 12-00-08- 001	\$ 1,000,000	\$ 973,272
Department of Community Affairs	52.026	11CL-8R- 12-00-08- 002	\$ 1,000,000	\$ 983,973
Department of Highway Safety and Motor Vehicles	76.078	N/A	\$ 43,049	\$ -

Note to Schedule of Expenditures of State Financial Assistance

This schedule of expenditures of state projects is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General, State of Florida; therefore, some amounts in this schedule may differ from amounts presented in, or used in preparation of the combined financial statements.

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Findings and Questioned Costs – State Projects
Year Ended June 30, 2011**

I. Summary of Auditors' Results:

1. Financial Statements:

- | | |
|---|-------------|
| a. The type of auditors' report issued on the combined financial statements | Unqualified |
| b. Internal control over financial reporting: | |
| 1) Material weaknesses identified? | No |
| 2) Significant deficiencies identified not considered to be material weaknesses | Yes |
| c. Noncompliance that is material to the financial statements reported? | No |

2. State Project:

- | | |
|--|---|
| a. Internal control over state project: | |
| 1) Material weaknesses identified? | No |
| 2) Significant deficiencies identified not considered to be material weaknesses | No |
| b. The type of auditors' report issued on compliance for state project | Unqualified |
| c. Any audit findings that are required to be reported under Chapter 10.650, Rules of the Auditor General, State of Florida? | No |
| d. Identification of major state projects | Department of Community Affairs: CSFA
52.026 |
| e. Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Findings and Questioned Costs – State Projects – Continued
Year Ended June 30, 2011**

II. Findings and Questioned Costs:

1. Findings and Questioned Costs for Financial Reporting:

<u>Findings</u>	<u>The Florida Bar Foundation, Inc.’s Response</u>
Significant Deficiency: We noted that management does not have an adequate process for independently ascertaining the fair values of alternative investments. The absence of such a process could result in more than inconsequential inaccuracies in management’s assertion regarding the valuation of these securities. Typically, the alternative investment industry will not disclose the detail of underlying investments and, individual fund managers will not disclose their methodology of arriving at fair values at dates other than their audited year end. Consequently, there is no established process for substantiating fair value or auditing these investments. At June 30, 2011, we considered the risk of a material misstatement in the combined financial statements related to such investments to not be material based on the total balance of investments, net assets, and the change in net assets. Due to the above factors, we recommend the investment in alternative investments not be further increased without consideration of such risk.	There is no satisfactory methodology or independent source to substantiate the fair value of these investments. We are doing as much as we can do with the available information by reviewing the December 31 audits of the alternative investment funds. In addition, we review the monthly account statements and performance reports provided to us. The fund managers will not provide any other information regarding the underlying assets, which we understand is standard practice with these types of alternative investments. We will continue the procedures we are currently practicing and as before, the risk factors will continue to be considered if expanding this asset class.

2. Findings and Questioned Costs for Major State Projects:

<u>Findings</u>	<u>The Florida Bar Foundation, Inc.’s Response</u>
None noted	

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Findings and Questioned Costs – State Projects – Continued
Year Ended June 30, 2011**

III. Prior Year Audit Findings and Questioned Costs:

1. Findings and Questioned Costs for Financial Reporting:

Findings	The Florida Bar Foundation, Inc.'s Response	Current Status
Significant Deficiency:		
<p>We noted that management does not have an adequate process for independently ascertaining the fair values of alternative investments. The absence of such a process could result in more than inconsequential inaccuracies in management's assertion regarding the valuation of these securities. Typically, the alternative investment industry will not disclose the detail of underlying investments and, individual fund managers will not disclose their methodology of arriving at fair values at dates other than their audited year end. Consequently, there is no established process for substantiating fair value or auditing these investments. At June 30, 2010, we considered the risk of a material misstatement in the combined financial statements related to such investments to not be material based on the total balance of investments, net assets, and the change in net assets. Due to the above factors, we recommend the investment in alternative investments not be increased without consideration of such risk.</p>	<p>We are doing as much as we can do with the available information by reviewing the December 31 audits of the alternative investment funds. In addition, we review the monthly account statements and performance reports provided to us. The fund managers will not provide any other information regarding the underlying assets, which we understand is standard practice with these types of alternative investments. We will continue the procedures we are currently practicing and as before, the risk factors will continue to be considered if expanding this asset class.</p>	<p>There is still no satisfactory methodology or independent source to enable the Foundation's management to substantiate the fair value of the alternative investments at interim dates.</p>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Findings and Questioned Costs – State Projects – Continued
Year Ended June 30, 2011**

III. Prior Year Audit Findings and Questioned Costs – Continued:

2. Findings and Questioned Costs for Major State Projects:

Findings	The Florida Bar Foundation, Inc.'s Response	Current Status
None noted		

IV. The Rules of the Auditor General (Section 10.654(1)(e)) require disclosure in a management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the combined financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditors. Our audit disclosed no such matters required to be disclosed and, therefore, a separate management letter was not prepared.

SUPPLEMENTARY DATA



Independent Auditors' Report on the Supplementary Data

To the Board of Directors
The Florida Bar Foundation, Inc.
Orlando, Florida

To the Trustees
The Florida Bar Foundation Endowment Trust
Orlando, Florida

We have audited the combined financial statements of The Florida Bar Foundation, Inc. and The Florida Bar Foundation Endowment Trust as of June 30, 2011 and 2010, and for the years then ended, and have issued our report thereon dated November 23, 2011, which contained an unqualified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary data on pages 42 through 45 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. This information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Averett Warmus Durkee Osburn Henning

Orlando, Florida
November 23, 2011

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Combined Schedules of Expenses
Years Ended June 30, 2011 and 2010**

	2011	2010
Program:		
Legal assistance for the poor:		
Grants	\$ 33,630,299	\$ 35,392,318
Related expenses	326,487	969,073
Administration of justice:		
Grants	1,287,615	850,061
Related expenses	5,000	2,503
Law student assistance:		
Grants	507,970	850,565
Related expenses	11,885	19,098
Total program	35,769,256	38,083,618
Management and General:		
Accounting and auditing	115,717	132,777
Awards	2,014	2,428
Bank service charges	5,356	5,942
Charitable contributions	-	50,000
Computer	59,015	62,625
Copying	4,716	2,781
Cultivation/recognition	9,275	5,270
Depreciation	183,697	163,800
Dues, subscriptions, and education	25,594	29,659
Employee retirement benefits	156,754	116,265
Equipment expenses	4,990	2,898
Group insurance	152,393	160,076
Insurance	29,577	29,900
Interest	7,054	12,428
Meetings	86,465	90,195
Miscellaneous	574	1,626
Office rent	239,015	235,483
Office supplies and expenses	28,252	46,222
Other professional services	286,561	451,069
Payroll and temporary help	1,379,521	1,276,976
Payroll taxes	109,035	94,759
Personnel recruitment expenses	480	275
Postage and mail preparation	20,994	44,610
Printing	10,843	34,506
Reimbursed expenses	48,108	45,618
Repairs and maintenance	3,315	3,164
Telephone	14,917	17,409
Training	5,539	749
Travel	58,919	53,541
Total management and general	3,048,690	3,173,051
Fund Raising:		
Bank service charges	2,690	-
Awards/cultivation/recognition	30,708	31,872
Payroll and related expenses	302,411	308,837
Personnel recruitment expenses	1,110	-
Postage and mail preparation	8,701	27,812
Printing	2,148	47,851
Professional services	31,882	66,368
Travel, meetings, and other	37,546	38,998
Total fund raising	417,196	521,738
	\$ 39,235,142	\$ 41,778,407

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Combined Schedule of Revenue by Funding Source
Year Ended June 30, 2011**

	Unrestricted				Temporarily Restricted			Permanently Restricted		Total	
	Unallocated	Florida Civil Legal Assistance Act Contract	Florida Civil Mortgage Foreclosure Funds Contract	Florida Attorney General Mortgage Foreclosure Contract	Legal Assistance for the Poor	Law Student Assistance	Administration of Justice	Samuel S. Smith Endowment	The Florida Bar Foundation Endowment Trust		Samuel S. Smith Endowment
Revenue:											
IOTA contributions	\$ 5,811,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,811,339
Fellows' contributions	-	-	-	-	-	-	-	-	105,522	-	105,522
Lawyers' Challenge for Children contributions:											
Florida Bar Fee statement contributions	-	-	-	-	142,191	-	-	-	-	-	142,191
Other	-	-	-	-	21,452	-	-	-	-	-	21,452
Contributions in support of Statewide Pro Bono	-	-	-	-	50,000	-	-	-	-	-	50,000
Contributions in support of the Equal Justice Works fellowships	-	-	-	-	25,000	-	-	-	-	-	25,000
Legal Services Summer Fellowship program contributions	-	-	-	-	-	25,823	-	-	-	-	25,823
Kids Deserve Justice license plate sales	-	-	-	-	43,049	-	-	-	-	-	43,049
Other contributions	27,745	-	-	-	3,325	48	150	-	19,939	250	51,457
Loss on uncollectible pledges	-	-	-	-	-	-	-	-	(72,000)	-	(72,000)
Change in value of charitable gift annuity split-interest agreements	(566)	-	-	-	-	-	-	-	-	-	(566)
Cy Pres awards	3,560	-	-	-	-	-	-	-	-	-	3,560
Charitable Gift Annuity	5,107	-	-	-	-	-	-	-	-	-	5,107
Memorial/honorary gifts	5,175	-	-	-	300	-	350	-	-	-	5,825
Contract revenue	-	982,212	983,973	2,105,652	-	-	-	-	-	-	4,071,837
Return of unspent grant funds	1,087,526	-	-	-	-	-	-	-	-	-	1,087,526
Net investment income	8,375,575	-	-	-	84,508	2,144	4,039	28,688	-	-	8,494,954
Annual dinner ticket revenue	15,121	-	-	-	-	-	-	-	-	-	15,121
Other	5,015	-	-	-	-	-	-	-	-	-	5,015
Total revenue	\$ 15,335,597	\$ 982,212	\$ 983,973	\$ 2,105,652	\$ 369,825	\$ 28,015	\$ 4,539	\$ 28,688	\$ 53,461	\$ 250	\$ 19,892,212

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Combined Schedule of Expenses by Funding Source
Year Ended June 30, 2011**

	Legal Assistance for the Poor			
	Foundation Funded	Florida Civil Legal Assistance Act Contract	Florida Civil Legal Assistance Act Mortgage Foreclosure Funds Contract	Florida Attorney General Mortgage Foreclosure Contract
Expenses:				
Program:				
Legal Assistance for the Poor grants:				
General support	\$ 18,851,237	\$ -	\$ -	\$ -
Staff attorney salary supplementation	4,820,860	-	-	-
Children's legal services	2,236,082	-	-	-
Florida Access to Civil Legal Assistance	-	950,000	950,000	-
Florida Attorney General Mortgage Foreclosure Funds	-	-	-	2,105,652
Affordable Housing Advocacy Project	1,230,270	-	-	-
Regional	521,729	-	-	-
Pilot Pro Bono	589,724	-	-	-
Loan Repayment Assistance Program	839,067	-	-	-
Emergency Haitian Temporary Protected Status	50,000	-	-	-
Small program special needs	142,000	-	-	-
Statewide Language Line Project	29,074	-	-	-
Legal research for grantee programs	42,104	-	-	-
Equal Justice Works Fellowship Program	272,500	-	-	-
Administration of Justice grants:				
Regular	-	-	-	-
Law Student Assistance grants:				
Public Service Fellows	-	-	-	-
2011 Legal Services Summer Fellowship Program	-	-	-	-
Law School Civil Clinics	-	-	-	-
Program-related expenses:				
Legal Assistance for the Poor:				
Legal Services Case Management Project	74,549	-	-	-
Grantee attorney training and leadership development	68,648	-	-	-
Grantee program performance assessments	105,000	-	-	-
Pro bono legal services study follow-up consultation	27,126	-	-	-
Grantee regional technical assistance	18,590	-	-	-
Grantee Loan Repayment Assistance Program loan costs	17,650	-	-	-
Children's Legal Services conferences and leadership meetings	2,143	-	-	-
Grant program design and evaluation	1,645	-	-	-
Grantee meetings on pro bono	9,056	-	-	-
Statewide special training/scholarships	1,060	-	-	-
Evaluation of salary supplementation grant program	1,020	-	-	-
Administration of Justice:				
Grantee program performance assessment	-	-	-	-
Law Student Assistance:				
2011 Legal Services Summer Fellowship Program training	-	-	-	-
Total program	<u>29,951,134</u>	<u>950,000</u>	<u>950,000</u>	<u>2,105,652</u>
Management and general	-	32,212	33,973	-
Fund raising expenses	-	-	-	-
Total expenses	<u>\$ 29,951,134</u>	<u>\$ 982,212</u>	<u>\$ 983,973</u>	<u>\$ 2,105,652</u>

<u>Administration of Justice</u>	<u>Law Student Assistance</u>	<u>Unallocated</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 18,851,237
-	-	-	4,820,860
-	-	-	2,236,082
-	-	-	1,900,000
-	-	-	2,105,652
-	-	-	1,230,270
-	-	-	521,729
-	-	-	589,724
-	-	-	839,067
-	-	-	50,000
-	-	-	142,000
-	-	-	29,074
-	-	-	42,104
-	-	-	272,500
1,287,615	-	-	1,287,615
-	124,570	-	124,570
-	158,400	-	158,400
-	225,000	-	225,000
-	-	-	74,549
-	-	-	68,648
-	-	-	105,000
-	-	-	27,126
-	-	-	18,590
-	-	-	17,650
-	-	-	2,143
-	-	-	1,645
-	-	-	9,056
-	-	-	1,060
-	-	-	1,020
5,000	-	-	5,000
-	11,885	-	11,885
<u>1,292,615</u>	<u>519,855</u>	<u>-</u>	<u>35,769,256</u>
-	-	2,982,505	3,048,690
-	-	<u>417,196</u>	<u>417,196</u>
<u>\$ 1,292,615</u>	<u>\$ 519,855</u>	<u>\$ 3,399,701</u>	<u>\$ 39,235,142</u>

**THE FLORIDA BAR FOUNDATION, INC. AND
THE FLORIDA BAR FOUNDATION ENDOWMENT TRUST**

**Schedule of Activity for the State of Florida
Department of Community Affairs Civil Legal Assistance Programs
Year Ended June 30, 2011**

	General Civil Legal Assistance	Foreclosure Civil Legal Assistance
2011 Contract Awards	\$ 1,000,000	\$ 1,000,000
Amount of administrative expenses under budget and not used	(11,136)	(2,054)
	988,864	997,946
Contract Costs:		
Subrecipient grants – 2011 contracts	(950,000)	(950,000)
Administrative expenses – 2011 contracts	(38,864)	(47,946)
	\$ -	\$ -
Expenditures:		
Subrecipient grants - 2011 contracts	\$ 950,000	\$ 950,000
Administrative expenses – 2011 contracts	23,272	33,973
	973,272	983,973
Administrative expenses – 2010 Contracts	8,940	-
	\$ 982,212	\$ 983,973
Reimbursements Requested But Not Received - 2011 Contracts	\$ 25,927	\$ 23,643
Deferred Revenue Attributable to Expenses Accrued - 2011 Contracts	\$ 15,592	\$ 13,973