

MASSACHUSETTS IOLTA COMMITTEE

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006



MASSACHUSETTS IOLTA COMMITTEE

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FEELEY & DRISCOLL, P.C.
Certified Public Accountants/Business Consultants

To the Members
Massachusetts IOLTA Committee
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statements of financial position of Massachusetts IOLTA Committee (the "Committee") as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts IOLTA Committee as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 4, 2008

Feeley & Driscoll, P.C.

MASSACHUSETTS IOLTA COMMITTEE

Statements of Financial Position

December 31, 2007 and 2006

Assets

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 2,118,958	\$ 1,729,670
Other receivables	49,461	18,109
Total current assets	<u>2,168,419</u>	<u>1,747,779</u>
 Total assets	 <u>\$ 2,168,419</u>	 <u>\$ 1,747,779</u>

Liabilities and Net Assets

Current liabilities:		
Entities payable	\$ 1,866,254	\$ 1,482,090
Other payables	49,461	18,109
Total current liabilities	<u>1,915,715</u>	<u>1,500,199</u>
 Net assets -		
Unrestricted	 <u>252,704</u>	 <u>247,580</u>
 Total liabilities and net assets	 <u>\$ 2,168,419</u>	 <u>\$ 1,747,779</u>

See accompanying notes to financial statements.

MASSACHUSETTS IOLTA COMMITTEE

Statements of Activities

For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue:		
IOLTA receipts	\$ 31,820,361	\$ 17,248,130
Administrative fee income	520,081	479,865
Interest income	113,854	62,270
Total operating revenue	<u>32,454,296</u>	<u>17,790,265</u>
Operating expenses:		
IOLTA distributions	31,928,996	17,298,611
Administrative expense	520,081	479,865
Bank fees	95	1,135
Total operating expenses	<u>32,449,172</u>	<u>17,779,611</u>
Change in net assets	5,124	10,654
Net assets, beginning of year	<u>247,580</u>	<u>236,926</u>
Net assets, end of year	<u>\$ 252,704</u>	<u>\$ 247,580</u>

See accompanying notes to financial statements.

MASSACHUSETTS IOLTA COMMITTEE

Statements of Cash Flows

For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,124	\$ 10,654
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase in other receivables	(31,352)	(4,940)
Increase (decrease) in entities payable	384,164	(45,337)
Increase in other payables	31,352	4,940
Net cash provided by (used in) operating activities	<u>389,288</u>	<u>(34,683)</u>
Cash flows from investing activities -		
Proceeds from investments	-	220,223
Net cash provided by investing activities	<u>-</u>	<u>220,223</u>
Net increase in cash and cash equivalents	389,288	185,540
Cash and cash equivalents, beginning of year	<u>1,729,670</u>	<u>1,544,130</u>
Cash and cash equivalents, end of year	<u>\$ 2,118,958</u>	<u>\$ 1,729,670</u>

See accompanying notes to financial statements.

MASSACHUSETTS IOLTA COMMITTEE

Notes to Financial Statements

December 31, 2007 and 2006

Note 1 - Nature of Activities

The Massachusetts IOLTA Committee (the "Committee") was established and members appointed by the Massachusetts Supreme Judicial Court to provide for the operation of the comprehensive IOLTA (Interest on Lawyers Trust Accounts) program, as adopted by the order of the Supreme Judicial Court, dated September 26, 1989.

IOLTA income is the result of interest earned on pooled client fund accounts, which are used by attorneys to hold client funds which are either so nominal in amount, or expected to be held for such a short period of time, that it would not be practical to establish individual accounts. There are currently more than 200 banks and over 20,000 attorneys participating in this program which helps to fund improvements in the administration of justice and delivery of legal services to low income clients.

Prior to January 1, 1993, interest earned on IOLTA accounts was paid by banks to one (1) of three (3) charities, as designated by the attorney. Effective January 1, 1993, the court amended its rule so that the Massachusetts IOLTA Committee was the initial recipient of all IOLTA funds throughout the state. The Committee then distributes all of the available funds to the three (3) charitable entities based on percentages set up in the Court Rule and Order as follows:

Boston Bar Foundation	7%
Massachusetts Bar Foundation	26%
Massachusetts Legal Assistance Corporation	67%

IOLTA funds are used by each of the three (3) entities to provide grants to providers of direct legal services for the poor and other not-for-profit organizations throughout the state. Each of the three (3) entities is required by the court order to absorb the costs of the Committee in the same proportion by which they receive funds. Monthly, the entities are charged 1/12 of the Committee's annual operating budget. At year-end, the fees are reconciled to the actual expenses, and the difference between budgeted and actual expenses is either paid to or collected from the entities subsequent to year-end.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Committee in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation - Revenue from IOLTA receipts is recorded when received. All other income and expenses are recorded when incurred. Net assets are classified into unrestricted, temporarily restricted and permanently restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations and may be designated for specific purposes by action of the Members.

MASSACHUSETTS IOLTA COMMITTEE

Notes to Financial Statements - Continued

December 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies - Continued

Temporarily Restricted - Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by the actions of the Committee. The Committee has no temporarily restricted net assets.

Permanently Restricted - Reflects the historical cost of gifts subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes. The Committee has no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Committee considers all highly liquid investments with an initial maturity of three (3) months or less to be cash equivalents.

Investments - Investments are recorded at fair value based on quoted market prices. Investment income is recorded on the accrual basis. Investment gains (losses) and income are reported as increases (decreases) to unrestricted net assets.

Use of 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Taxes - IOLTA is not subject to federal income taxes because it is an integral part of the Commonwealth of Massachusetts constituted under the Supreme Judicial Court. They do not require exemption under Section 501 of the Code as an exempt organization.

Note 3 - Concentration of Credit Risk

The Committee maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The total uninsured amount was \$1,805,452 and \$1,537,042 as of December 31, 2007 and 2006, respectively.

MASSACHUSETTS IOLTA COMMITTEE

Notes to Financial Statements - Continued

December 31, 2007 and 2006

Note 4 - Related Party

A monthly administrative fee is paid to the Massachusetts Legal Assistance Corporation ("MLAC") based on 1/12 of the annual operating budget as approved by the Committee. MLAC provides services to the Committee including payroll, purchasing, rent and other accounting and administrative services. The budget is reconciled to actual expenses at year-end, and the difference between the two is either paid to or received from MLAC subsequent to year-end. These amounts were \$49,461 and \$18,109 in 2007 and 2006, and were included in receivables and payables, respectively.

Additionally, the nine (9) member committee appointed by the Supreme Judicial Court that oversees IOLTA is composed of three (3) members nominated by each of the three (3) charitable entities that are beneficiaries; Boston Bar Foundation, Massachusetts Bar Foundation, and the Massachusetts Legal Assistance Corporation.