

ATTORNEY GRIEVANCE COMMISSION
OF MARYLAND
Crownsville, Maryland

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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HEIMLANTZ

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Commissioners
Attorney Grievance Commission of Maryland

We have audited the accompanying balance sheet of Attorney Grievance Commission of the Maryland Court of Appeals of the State of Maryland as of June 30, 2008, and the related statements of budget, receipts, expenditures and fund balance for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Attorney Grievance Commission of Maryland as of June 30, 2007 were audited by other auditors whose report dated September 15, 2007 on those statements was qualified because of the departures from generally accepted accounting principles described in the third paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Commission declined to present statements of cash flows for the years ended June 30, 2008 and 2007. Presentation of such statement summarizing the Commission's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America. In addition, as more fully described in Note 1, the Commission has expensed property and equipment at the date of purchase. In our opinion, property and equipment should be recorded at cost, if purchased, or at fair value, if received by donation or contribution, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Attorney Grievance Commission of Maryland as of June 30, 2008 and 2007, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HeimLantz, P.C.

Annapolis, Maryland
October 3, 2008

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**ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
BALANCE SHEETS
June 30, 2008 and 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 85,032	\$ 177,144
Investments - U.S. Treasury Bills	4,916,897	3,574,528
Due from Client Protection Fund	<u>66,357</u>	<u>74,136</u>
TOTAL ASSETS	<u><u>\$ 5,068,286</u></u>	<u><u>\$ 3,825,808</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES		
Accounts payable and other current liabilities	\$ 6,489	\$ 12,185
Accrued compensated absences	<u>177,037</u>	<u>149,288</u>
Total liabilities	183,526	161,473
FUND BALANCE		
Undesignated	<u>4,884,760</u>	<u>3,664,335</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,068,286</u></u>	<u><u>\$ 3,825,808</u></u>

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

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
STATEMENTS OF BUDGET, RECEIPTS, EXPENDITURES AND FUND BALANCE
Years Ended June 30, 2008 and 2007

	2008			2007		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
RECEIPTS						
Attorney assessments	\$ 3,694,000	\$ 3,912,493	\$ 218,493	\$ 3,562,900	\$ 3,687,054	\$ 124,154
Investment income	85,000	213,867	128,867	60,000	163,769	103,769
Recovered court costs	15,000	13,939	(1,061)	13,000	49,317	36,317
Fees from CPF - administrator	114,863	110,936	(3,927)	100,155	99,393	(762)
Fees from CPF - secretarial	53,401	52,932	(469)	99,158	97,480	(1,678)
Fees from CPF - administrative assistant	69,545	69,858	313	63,783	15,746	(48,037)
Total receipts	4,031,809	4,374,026	342,217	3,898,996	4,112,759	213,763
EXPENDITURES						
Salary - bar counsel	120,592	120,592	-	115,954	115,954	-
- deputy bar counsel	98,500	98,500	-	94,568	94,568	-
- assistant bar counsel	494,422	483,925	10,497	509,502	458,088	51,414
- investigators	360,707	360,977	(270)	423,898	339,012	84,886
- office mgr. & admn. assistant	111,080	111,080	-	99,720	99,720	-
- paralegal	87,719	90,987	(3,268)	81,421	81,421	-
- secretaries	325,493	310,662	14,831	332,787	271,855	60,932
- CPF - secretarial	32,971	32,971	-	70,435	72,471	(2,036)
- CPF - administrator	82,638	82,638	-	71,188	71,188	-
- CPF - administrative assistant	44,985	59,659	(14,674)	42,443	-	42,443
- Lawyer counseling	111,613	111,438	175	114,311	114,311	-
- Executive secretary	93,998	93,998	-	86,411	86,411	-
FICA	118,154	112,604	5,550	122,031	103,778	18,253
Medicare	27,632	26,619	1,013	28,540	24,560	3,980
Employee benefits	645,848	538,825	107,023	611,466	493,078	118,388
Telephone	20,000	10,435	9,565	20,000	11,854	8,146
Photocopy	10,000	10,516	(516)	10,000	7,211	2,789
Postage meter	6,000	4,450	1,550	5,700	5,160	540
Office supplies	30,000	22,170	7,830	30,000	22,258	7,742
Postage	30,000	23,147	6,853	25,000	18,181	6,819
Insurance and bonds	11,500	10,383	1,117	11,500	8,475	3,025
Travel and mileage	50,000	50,507	(507)	45,000	51,487	(6,487)
Equipment maintenance	9,100	3,932	5,168	7,300	6,739	561

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

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
STATEMENTS OF BUDGET, RECEIPTS, EXPENDITURES AND FUND BALANCE
Years Ended June 30, 2008 and 2007
(Continued)

	2008			2007		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)						
Dues/professional organizations	\$ 8,000	\$ 5,239	\$ 2,761	\$ 8,000	\$ 4,518	\$ 3,482
Investigator/related costs	55,000	85,946	(30,946)	55,000	36,764	18,236
Depositions and transcripts	23,000	20,297	2,703	23,000	22,151	849
Expenses - commission	14,000	11,709	2,291	13,000	10,250	2,750
Peer Review Committee	98,552	62,641	35,911	92,281	52,810	39,471
Audit	9,600	11,100	(1,500)	9,000	9,000	-
Outside services	5,000	10,175	(5,175)	5,000	2,485	2,515
Office furniture and equipment	25,000	82,433	(57,433)	25,000	16,562	8,438
Training seminars	10,000	(498)	10,498	7,000	1,783	5,217
Law library	12,000	12,166	(166)	11,000	11,547	(547)
Legal secretary	43,341	43,341	-	39,912	39,912	-
Office supplies	1,800	917	883	1,800	1,627	173
Mailing costs	2,500	5,000	(2,500)	2,500	1,064	1,436
Equipment purchases	5,500	-	5,500	5,500	-	5,500
Equipment maintenance	4,800	4,273	527	4,800	3,865	935
Telephone	3,000	-	3,000	3,000	180	2,820
Miscellaneous	500	97	403	-	-	-
Compensated absences	-	27,749	(27,749)	-	5,923	(5,923)
Total Expenditures	\$ 3,244,545	\$ 3,153,601	\$ 90,944	\$ 3,264,968	\$ 2,778,221	\$ 486,747
EXCESS OF RECEIPTS OVER EXPENDITURES	\$ 787,264	\$ 1,220,425	\$ 251,273	\$ 634,028	\$ 1,334,538	\$ 700,510
UNDESIGNATED NET ASSETS, BEGINNING OF YEAR		\$ 3,664,335			\$ 2,329,797	
UNDESIGNATED NET ASSETS, END OF YEAR		\$ 4,884,760			\$ 3,664,335	

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

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PROCEDURES

Nature of the Organization

The Commission was authorized and created by the Court of Appeals of Maryland on February 10, 1975 to supervise and administer the discipline and inactive status of attorneys under Maryland Rules of Procedure - Chapter 1100. Significant accounting policies followed by the Commission are presented below.

Basis of Accounting

As an instrumentality of the State of Maryland, the Commission maintains its accounting records on a basis consistent with a governmental special revenue fund. These funds are used to account for the proceeds of revenue sources that are restricted to expenditures for specific purposes. These financial statements reflect only the activity of this fund.

Attorney Assessments

Attorney assessments are received through payments made by attorneys to the Client Protection Fund of the Bar of Maryland on a billing which includes assessment for both the Fund and the Commission.

The assessment for the Commission for the years ended June 30, 2008 and 2007 was \$115 and \$110, respectively, for each attorney in practice. The number of practicing attorneys assessed during the years ended June 30, 2008 and 2007 was 33,934 and 33,698, respectively.

Income Tax Status

The Commission is an instrumentality of the State of Maryland and as such is not subject to income taxes. Accordingly, no provision has been made.

Cash and Equivalents

Cash and equivalents represent cash held in checking, savings and money market accounts.

Estimates

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

Property and Equipment

As an instrumentality of the State of Maryland, the Commission customarily budgets for and expenses property and equipment in the year of purchase. The historical cost of these assets still on hand amounted to \$496,428 at June 30, 2008 and \$412,274 at June 30, 2007.

Investments

The Commission invests in US Government securities, including Treasury Bills and Treasury notes. Investments are recorded at market value as of the balance sheet date.

This information is an integral part of the financial statements.

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PROCEDURES - (continued)

Compensated Absences

The entity accrues a liability for annual leave which has been earned but not taken by the employees. Employees can earn a maximum of 25 days for annual leave a year. Annual leave can be accumulated up to 35 days. There is no requirement that annual leave be taken in the year earned. Upon termination, employees are paid for any accumulated annual leave. Employees hired after 1988 are not reimbursed for accumulated sick leave. Payments made to employees for sick leave are recorded as expenses when paid.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Commission has significant transactions with the Client Protection Fund of the Bar of Maryland, an instrumentality of the State of Maryland. All assessments of the Client Protection Fund of the Bar of Maryland and the Attorney Grievance Commission of Maryland are billed and collected by the Client Protection Fund of the Bar of Maryland and the Commission's portion is transferred periodically by a bank transfer.

At June 30, 2008 and 2007, the Client Protection Fund of the Bar of Maryland owed the Commission \$58,432 and \$74,136, respectively, for assessments and fees not yet remitted. They also incurred fees in the amount of \$233,727 and \$212,619 to the Commission for labor used in the billing and collection process for the years ending June 30, 2008 and 2007, respectively.

NOTE 3 - BOND

The Commission has a \$3,000,000 blanket crime protection insurance policy in effect for employee dishonesty.

NOTE 4 - PENSION PLAN

A defined contribution pension plan for full-time employees of the Commission was adopted with an effective date of July 1, 1976.

Contributions to the plan during the years ended June 30, 2008 and 2007 were \$266,156 and \$256,414, respectively. This amount is equal to 15% of the participant's compensation.

All contributions due have been paid and no prior service liability existed at June 30, 2008 and 2007.

This information is an integral part of the financial statements.

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 5 – INVESTMENTS

For the years ending June 30, 2008 and 2007, investment income consisted of the following:

<u>Year ending</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Interest Income	\$ 223,516	\$ 156,446
Realized Gain/(Loss)	(313)	-
Unrealized Gain/(Loss)	<u>(9,336)</u>	<u>7,323</u>
Total Investment Income	<u>\$ 213,867</u>	<u>\$ 163,769</u>

This information is an integral part of the financial statements.