

ATTORNEY GRIEVANCE COMMISSION
OF MARYLAND
Crownsville, Maryland

FINANCIAL STATEMENTS
June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

Commissioners
Attorney Grievance Commission of Maryland

We have audited the accompanying balance sheets of Attorney Grievance Commission of the Maryland Court of Appeals of the State of Maryland as of June 30, 2009 and 2008, and the related statements of budget, receipts, expenditures and fund balance for the years 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.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A 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, 2009 and 2008, 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 12, 2009

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**ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
BALANCE SHEETS
June 30, 2009 and 2008**

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 124,174	\$ 85,032
Investments	6,161,279	4,916,897
Attorney assessments receivable	7,925	-
Due from Client Protection Fund - salary and benefits	<u>93,561</u>	<u>66,357</u>
TOTAL ASSETS	<u><u>\$ 6,386,939</u></u>	<u><u>\$ 5,068,286</u></u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 4,331	\$ 6,489
Accrued compensated absences	<u>179,350</u>	<u>177,037</u>
Total liabilities	183,681	183,526
FUND BALANCE		
Unrestricted	<u>6,203,258</u>	<u>4,884,760</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 6,386,939</u></u>	<u><u>\$ 5,068,286</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, 2009 and 2008

	2009			2008		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
RECEIPTS						
Attorney assessments	\$ 3,950,520	\$ 4,162,283	\$ 211,763	\$ 3,694,000	\$ 3,912,493	\$ 218,493
Investment income	120,000	120,967	967	85,000	213,867	128,867
Recovered court costs	15,000	28,278	13,278	15,000	13,939	(1,061)
Fees from CPF - administrator	109,732	118,604	8,872	114,863	110,936	(3,927)
Fees from CPF - secretarial	45,898	54,165	8,267	53,401	52,932	(469)
Fees from CPF - administrative assistant	62,049	70,344	8,295	69,545	69,858	313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	4,303,199	4,554,641	251,442	4,031,809	4,374,026	342,217
EXPENDITURES						
Salary - bar counsel	123,004	123,004	-	120,592	120,592	-
- deputy bar counsel	102,389	102,389	-	98,500	98,500	-
- assistant bar counsel	514,980	514,980	-	494,422	483,925	10,497
- investigators	422,085	393,085	29,000	360,707	360,977	(270)
- office mgr. & admn. assistant	116,590	118,137	(1,547)	111,080	111,080	-
- paralegal	91,800	77,218	14,582	87,719	90,987	(3,268)
- secretaries	324,245	283,799	40,446	325,493	310,662	14,831
- CPF - secretarial	34,481	34,481	-	32,971	32,971	-
- CPF - administrator	86,547	86,547	-	82,638	82,638	-
- CPF - administrative assistant	47,080	47,080	-	44,985	59,659	(14,674)
- Legal secretary	45,355	45,355	-	43,341	43,341	-
- Executive secretary	97,797	97,797	-	93,998	93,998	-
FICA	120,105	116,786	3,319	118,154	112,604	5,550
Medicare	28,089	26,251	1,838	27,632	26,619	1,013
Employee benefits	587,989	586,456	1,533	645,848	538,825	107,023
Telephone	20,000	10,025	9,975	20,000	10,435	9,565
Photocopy	10,000	10,207	(207)	10,000	10,516	(516)
Postage meter	6,000	4,740	1,260	6,000	4,450	1,550
Office supplies	30,000	24,653	5,347	30,000	22,170	7,830
Postage	30,000	21,949	8,051	30,000	23,147	6,853
Insurance and bonds	12,000	11,471	529	11,500	10,383	1,117
Travel and mileage	60,000	49,576	10,424	50,000	50,507	(507)
Equipment maintenance	9,100	4,562	4,538	9,100	3,932	5,168

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, 2009 and 2008
(Continued)

	2009			2008		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)						
Dues/professional organizations	\$ 8,000	\$ 4,350	\$ 3,650	\$ 8,000	\$ 5,239	\$ 2,761
Investigator/related costs	63,000	96,783	(33,783)	55,000	85,946	(30,946)
Depositions and transcripts	23,000	11,582	11,418	23,000	20,297	2,703
Expenses - commission	15,000	8,231	6,769	14,000	11,709	2,291
Peer Review Committee	98,552	59,273	39,279	98,552	62,641	35,911
Audit	10,500	10,366	134	9,600	11,100	(1,500)
Bank fees	-	374	(374)	(900)	-	(900)
Outside services	15,000	13,228	1,772	5,000	10,175	(5,175)
Outside services - Conservatorship costs	-	90,000	(90,000)	-	-	-
Office furniture and equipment	25,000	16,535	8,465	25,000	82,433	(57,433)
Training seminars	7,000	1,649	5,351	10,000	(498)	10,498
Law library	14,000	10,695	3,305	12,000	12,166	(166)
Lawyer counseling	114,563	114,263	300	111,613	111,438	175
Office supplies	1,800	1,346	454	1,800	917	883
Mailing costs	2,500	-	2,500	2,500	5,000	(2,500)
Equipment purchases	5,500	535	4,965	5,500	-	5,500
Equipment maintenance	4,800	3,382	1,418	4,800	4,273	527
Telephone	3,000	-	3,000	3,000	-	3,000
Miscellaneous	500	690	(190)	500	97	403
Compensated absences	-	2,313	(2,313)	-	27,749	(27,749)
Total Expenditures	\$ 3,331,351	\$ 3,236,143	\$ 95,208	\$ 3,243,645	\$ 3,153,601	\$ 90,044
EXCESS OF RECEIPTS OVER EXPENDITURES	\$ 971,848	\$ 1,318,498	\$ 156,234	\$ 788,164	\$ 1,220,425	\$ 432,261
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR		\$ 4,884,760			\$ 3,664,335	
UNRESTRICTED NET ASSETS, END OF YEAR		\$ 6,203,258			\$ 4,884,760	

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

THE ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2009 and 2008

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2009</u>	<u>2008</u>
Increase in unrestricted net assets:	\$ 1,318,498	\$ 1,220,425
Adjustments to reconcile increase in unrestricted net assets to cash provided by operating activities		
(Increase) decrease in:		
Attorney assessments receivable	(7,925)	-
Due from Client Protection Fund	(27,204)	15,704
Increase (decrease) in:		
Accounts payable	(2,158)	(4,287)
Accrued compensated absences	2,313	27,749
	<u>(34,974)</u>	<u>39,166</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(34,974)	39,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(1,244,382)</u>	<u>(1,351,705)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(1,244,382)	(1,351,705)
NET INCREASE (DECREASE) IN CASH	<u>39,142</u>	<u>(92,114)</u>
CASH AT BEGINNING OF YEAR	<u>85,032</u>	<u>177,146</u>
CASH AT END OF YEAR	<u><u>\$ 124,174</u></u>	<u><u>\$ 85,032</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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. There are no permanently or temporarily restricted net assets.

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, 2009 and 2008 was \$120 and \$115, respectively, for each attorney in practice. The number of practicing attorneys assessed during the years ended June 30, 2009 and 2008 was 34,852 and 33,934, 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 \$512,963 at June 30, 2009 and \$496,428 at June 30, 2008.

Investments

The Commission invests in US Government securities and certificates of deposit, 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, 2009 and 2008

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.

During the years ending June 30, 2009 and 2008 the Client Protection Fund of the Bar of Maryland incurred fees for salaries and benefits used in the billing and collection process in the amount of \$243,113 and \$233,727, respectively. At June 30, 2009 and 2008, the Client Protection Fund of the Bar of Maryland owed these fees to the Commission in the amount of \$93,561 and \$66,357, respectively. In addition, the Client Protection Fund of the Bar of Maryland owed to the Commission attorney assessments in the amount of \$7,925 and \$0, at June 30, 2009 and 2008, 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, 2009 and 2008 were \$298,115 and \$266,156, 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, 2009 and 2008.

This information is an integral part of the financial statements.

ATTORNEY GRIEVANCE COMMISSION OF MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 5 – INVESTMENTS

For the years ending June 30, 2009 and 2008, investment income consisted of the following:

<u>Year ending</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Interest Income	\$ 114,756	\$ 223,516
Realized Gain/(Loss)	-	(313)
Unrealized Gain/(Loss)	<u>6,212</u>	<u>(9,336)</u>
Total Investment Income	<u>\$ 120,968</u>	<u>\$ 213,867</u>

At June 30, 2009 and 2008, investments consisted of the following:

<u>Year ending</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Certificates of Deposit	\$ 3,500,000	\$ -
US Government Securities	2,655,067	4,926,233
Unrealized Gain/(Loss)	<u>6,212</u>	<u>(9,336)</u>
Total Investments	<u>\$ 6,161,279</u>	<u>\$ 4,916,897</u>

This information is an integral part of the financial statements.