

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY SCHEDULES**

June 30, 2001 and 2000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Trust Account Foundation, Inc.
Madison, Wisconsin

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Wisconsin Trust Account Foundation, Inc. as of June 30, 2001 and 2000, and the related statements of revenue, expenses and changes in net assets – modified cash basis and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of Wisconsin Trust Account Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Wisconsin Trust Account Foundation, Inc. as of June 30, 2001 and 2000, and its revenue, expenses and changes in net assets and its cash flows for the years then ended on the basis of accounting described in Note 1.

The accompanying schedules of grant awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
September 25, 2001

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 649,998	\$ 452,095
Prepaid expenses	3,012	2,094
Prepaid grant awards	-	14,353
	<hr/>	<hr/>
Total current assets	653,010	468,542
EQUIPMENT		
Equipment	14,934	12,934
Less accumulated depreciation	7,180	4,320
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Equipment - net	7,754	8,614
OTHER ASSETS		
Investments	1,158,124	1,106,142
Security deposit	500	500
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Total other assets	1,158,624	1,106,642
	<hr/>	<hr/>
Total assets	\$ 1,819,388	\$ 1,583,798
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES	\$ -	\$ -
NET ASSETS		
Unrestricted	963,388	590,580
Board designated	856,000	993,218
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Total net assets	1,819,388	1,583,798
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,819,388	\$ 1,583,798
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See accompanying notes.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
Years ended June 30, 2001 and 2000

	2001	2000
UNRESTRICTED NET ASSETS		
REVENUE		
Trust account interest income	\$ 2,104,251	\$ 1,987,073
Equal Justice Coalition contribution	-	292,500
Department of Workforce Development grant	100,000	100,000
Investment income - net	223,728	40,996
Dues check-off and other income	152	4,804
 Total revenue	 2,428,131	 2,425,373
EXPENSES		
Program services		
Grant awards	1,956,571	2,313,774
Support services		
Personnel	149,126	143,085
Occupancy	18,025	15,722
Office expenses	9,134	12,067
Telephone	3,627	4,622
Board expenses	14,655	11,623
Training and conferences	10,146	7,816
Professional services	8,564	12,731
Special projects	1,529	8,002
Equipment maintenance and support	7,196	5,751
Bank charges	4,237	3,979
Publicity and public relations	3,967	1,821
Insurance	1,916	662
Depreciation	2,860	2,592
Miscellaneous	988	4,737
 Total support services	 235,970	 235,210
 Total expenses	 2,192,541	 2,548,984
 Increase (decrease) in net assets	 235,590	 (123,611)
 Net assets - beginning of year	 1,583,798	 1,707,409
 Net assets - end of year	 \$ 1,819,388	 \$ 1,583,798

See accompanying notes.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS -
MODIFIED CASH BASIS
Years ended June 30, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 235,590	\$ (123,611)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	2,860	2,592
Realized (gains) losses on sales of investments	(22,785)	49,605
Unrealized (gains) on investments	(161,015)	(47,636)
(Increase) decrease in assets		
Prepaid expenses	(918)	(652)
Prepaid grant awards	14,353	(14,353)
Net cash provided (used) by operating activities	68,085	(134,055)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(2,000)	-
Purchases of investments	(505,537)	(2,751,594)
Proceeds from the sales of investments	637,355	2,757,801
Net cash provided by investing activities	129,818	6,207
Net increase (decrease) in cash	197,903	(127,848)
Cash - beginning of year	452,095	579,943
Cash - end of year	\$ 649,998	\$ 452,095

See accompanying notes.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2001 and 2000

The mission of Wisconsin Trust Account Foundation, Inc. (WisTAF) is dedicated to equal access to the civil justice system; funding legal services for low-income persons through the fair and effective administration of interest from lawyers' trust accounts (IOLTA) and other sources. WisTAF is a nonprofit corporation created to administer the IOLTA program throughout the state of Wisconsin and to disburse the funds collected under this program. Beginning January 1, 1987, the IOLTA program required lawyers to remit the interest income earned on clients' nominal trust account balances to WisTAF. These funds are distributed by WisTAF to provide legal aid to the poor and to fund programs for the benefit of the public as may be approved by the Supreme Court for exclusively public purposes. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from U.S. generally accepted accounting principles because WisTAF has not recognized accounts receivable from trust accounts, accrued interest on investments, and accounts payable to vendors and grantees and their related effects on earnings. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WisTAF and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets – Unrestricted net assets subject to self-imposed limits by action of the Board of Directors for grant awards to be paid in the future.

Equipment

Acquisitions of equipment in excess of \$500 are capitalized. Purchases of equipment are recorded at cost. Donations of equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, WisTAF reports expirations of donor restrictions when the donated or acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided using the straight-line method over five years, the estimated useful lives of the assets.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2001 and 2000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

WisTAF carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of assets, liabilities and net assets – modified cash basis. Unrealized gains and losses are included in the change in net assets in the accompanying statements of revenue, expenses and changes in net assets – modified cash basis.

Trust Account Interest Income

Trust account interest income consists of funds transferred from IOLTA accounts throughout the state of Wisconsin. Revenue is recognized when received in accordance with the modified cash basis of accounting.

Government Grants

The Wisconsin Family Law Project of WisTAF is funded by a service contract with the Wisconsin Department of Workforce Development. Revenue from this contract is based upon the actual cost of providing such services up to the maximum amount specified in the contract. Costs are allocated to the project in accordance with established procedures and are subject to audit by the Wisconsin Department of Workforce Development. No determination has been made regarding the effect, if any, such an audit could have on the financial statements.

Functional Expenses

The costs of administering the program and other activities have been summarized on a functional basis in the statements of revenue, expenses and changes in net assets – modified cash basis.

Income Taxes

WisTAF is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal and state income or franchise taxes.

Estimates

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

WisTAF maintains cash balances at two financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$100,000. WisTAF had uninsured cash balances of \$528,526 and \$339,933 at June 30, 2001 and 2000.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2001 and 2000

NOTE 3 – INVESTMENTS

Investments consisted of the following at June 30, 2001 and 2000:

2001	<u>Basis</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 19,894	\$ -	\$ 19,894
Fixed income	244,829	12,312	257,141
Equities	<u>732,386</u>	<u>148,703</u>	<u>881,089</u>
Investments	<u>\$ 997,109</u>	<u>\$ 161,015</u>	<u>\$ 1,158,124</u>
2000	<u>Basis</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Money market funds	\$ 18,610	\$ -	\$ 18,610
Fixed income	371,446	(3,380)	368,066
Equities	<u>668,450</u>	<u>51,016</u>	<u>719,466</u>
Investments	<u>\$ 1,058,506</u>	<u>\$ 47,636</u>	<u>\$ 1,106,142</u>

The investments are uninsured and are subject to changes in economic market conditions. WisTAF's investment policy attempts to minimize the risk of credit exposure through portfolio diversification.

Investment income in the statements of revenue, expenses and changes in net assets – modified cash basis consisted of the following for fiscal 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Operational interest	\$ 21,746	\$ 21,172
Reserve interest and dividends	26,660	32,034
Realized gains (losses)	22,785	(49,605)
Unrealized gains	<u>161,015</u>	<u>47,636</u>
Investment income	232,206	51,237
Less investment fees	<u>8,478</u>	<u>10,241</u>
Investment income - net	<u>\$ 223,728</u>	<u>\$ 40,996</u>

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2001 and 2000

NOTE 4 – CONTINGENCY

In 1996, the Fifth Circuit Court of Appeals reversed a federal district court holding that clients do not have a cognizable property interest in the interest earned on their deposits on IOLTA accounts. The United States Supreme Court accepted review of this decision. See *Washington Legal Found. v. Texas Equal Access to Justice Found.*, 94F.3d 996, (1996) rev'g in part 873 F. Supp 1 (W.D. Tex. 1995), cert. granted sub nom. *Phillips v. Washington Legal Found.* 117 S. Ct. 2535 (1997).

In June 1998, the United States Supreme Court affirmed the Fifth Circuit's conclusion that clients have a "property interest" in the interest generated from their attorney's IOLTA trust accounts. However, the Supreme Court has sent the case back to the lower court for a decision on whether a taking has occurred and what, if any, just compensation is due. In May 2000, Washington Legal Foundation filed an appeal with the Fifth Circuit Court.

In January 2001, the U.S. Court of Appeals for the Ninth Circuit held that IOLTA is property of the clients whose money is deposited into trust and generates the interest, and that a government appropriation of that interest for public purposes is a taking entitling them to just compensation under the Fifth Amendment. Just compensation for the takings may be less than the amount of the interest taken, or nothing, depending on the circumstances. Determination of the remedy for just compensation has been remanded.

Based on representation of counsel, WisTAF believes that the IOLTA program is legal and constitutional and will ultimately prevail in the courts. It is important to note that the decision only addresses one aspect of the Takings Clause.

It is not possible at this time to determine what effect this will ultimately have on WisTAF, if any.

NOTE 5 – RETIREMENT PLAN

WisTAF sponsors a Simplified Employee Pension (SEP) plan. The Board authorized adoption of the plan during fiscal 2000. To be eligible to participate in the plan, employees must be 21 years of age, performed services during at least one of the preceding five years and earned at least the Internal Revenue Service minimum requirement for a SEP during the year. Contributions to the plan are based on 10% of gross salaries of eligible employees. Total contributions to the plan were \$9,650 and \$5,900 for fiscal 2001 and 2000.

NOTE 6 – DESCRIPTION OF LEASING ARRANGEMENTS

WisTAF leases office space in Madison under an operating lease agreement that expires in September 2001. The lease requires monthly payments of \$1,070, with annual increases of about 3% of the base rental. WisTAF leases a copier for use in the operation of its program under an operating lease agreement that expires in October 2001. The lease requires monthly payments of \$160. Total lease expense was \$14,670 and \$14,310 for fiscal 2001 and 2000. Future minimum lease payments are \$3,850 for fiscal 2002.

WISCONSIN TRUST ACCOUNT FOUNDATION, INC.
SCHEDULES OF GRANT AWARDS
Years ended June 30, 2001 and 2000

	Foundation Grants	Special Needs Grants	Wisconsin Family Law Project Grants
Legal Action of Wisconsin	\$ 683,245	\$ -	\$ 31,498
Wisconsin Judicare	322,355	-	11,934
Legal Services of Northeastern Wisconsin	199,913	-	9,173
Western Wisconsin Legal Services	131,955	-	6,000
Centro Legal Por Derechos Humanos	17,500	-	8,000
Wisconsin Coalition for Advocacy	90,500	-	14,874
Legal Aid Society of Milwaukee	123,750	-	14,874
ABC for Health	90,000	-	8,000
Center Against Sexual and Domestic Abuse	66,000	-	-
American Civil Liberties Union	42,500	-	-
Portage County Legal Aid Society	7,000	-	-
Legal Action of Wisconsin - Racine	35,000	-	-
Legal Aid Society of Door County	7,000	-	-
Fair Housing Council of Milwaukee	-	-	-
Wisconsin Law Foundation	22,500	-	-
Coalition of Wisconsin Aging Groups	-	-	-
AIDS Network	10,000	-	-
Equal Justice Coalition	-	3,000	-
Grant awards	<u>\$ 1,849,218</u>	<u>\$ 3,000</u>	<u>\$ 104,353</u>

<u>2001 Grant Awards</u>	<u>Foundation Grants</u>	<u>Equal Justice Coalition Grants</u>	<u>Wisconsin Family Law Project Grants</u>	<u>2000 Grant Awards</u>
\$ 714,743	\$ 723,122	\$ 105,445	\$ 30,356	\$ 858,923
334,289	341,921	49,765	-	391,686
209,086	210,615	30,826	8,840	250,281
137,955	137,810	20,320	5,785	163,915
25,500	17,500	-	6,000	23,500
105,374	91,000	36,964	12,333	140,297
138,624	128,750	51,589	12,333	192,672
98,000	80,000	-	-	80,000
66,000	66,000	-	-	66,000
42,500	47,500	-	-	47,500
7,000	7,000	-	-	7,000
35,000	35,000	-	-	35,000
7,000	7,000	-	-	7,000
-	7,500	-	-	7,500
22,500	25,000	-	-	25,000
-	5,000	-	-	5,000
10,000	12,500	-	-	12,500
3,000	-	-	-	-
<u>\$ 1,956,571</u>	<u>\$ 1,943,218</u>	<u>\$ 294,909</u>	<u>\$ 75,647</u>	<u>\$ 2,313,774</u>