

# **THE CLIENT PROTECTION FUND OF THE BAR OF MARYLAND**



## **Annual Report**

### **July 1, 2024 through June 30, 2025**

#### Our Mission

The purpose of the Client Protection Fund shall be to maintain the integrity and protect the good name of the legal profession by reimbursing clients for losses caused by defalcation by lawyers, to the extent authorized by rule and deemed proper and reasonable by the trustees of the Fund. Reimbursement covers losses caused by misappropriation of funds by members of the Maryland Bar acting either as attorneys or as fiduciaries (except to the extent to which they are bonded) and by out-of-state attorneys who have been authorized to practice in Maryland.

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Annapolis, Maryland 21401  
(410) 630-8140**

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**THE CLIENT PROTECTION FUND OF THE BAR OF MARYLAND**  
**Annual Report**  
**July 1, 2024 through June 30, 2025**

The CLIENT PROTECTION FUND OF THE BAR OF MARYLAND (“the Fund”) was created by Order of the Supreme Court of Maryland (formerly the Court of Appeals of Maryland) on July 1, 1966. It hereby submits its annual report to the Supreme Court of Maryland as required by the Maryland Rules.

The Fund operates on a fiscal year beginning July 1 and ending June 30. The Fund’s net assets as of June 30, 2025 and 2024 were \$20,023,233 and \$18,893,229, respectively.

**ORGANIZATION**

At their meeting on July 17, 2024, the Trustees voted to accept the current officers to serve during the fiscal year ending June 20, 2025:

Douglas M. Bregman, Esquire – Chair

Joseph B. Chazen, Esquire – Vice Chair

Tracy C. Miller, Esquire – Secretary

David Weiss – Treasurer

The Trustees met on three occasions during FY25. They met at the location of the Client Protection Fund in Annapolis, Maryland on July 17, 2024, December 12, 2024, and June 11, 2025.

**ASSESSMENTS**

The FUND is funded by mandatory annual assessments. The Supreme Court of Maryland, upon recommendation of the Trustees, has established the annual assessment as \$130.00 (\$110.00 for AGC and \$20.00 for Fund) for all active attorneys.

In an effort to reduce delinquencies and temporary suspensions of attorneys for non-payment, the Court approved the following schedule of charges for late payment of assessments:

\$25.00 late charge if assessment not paid by September 10

\$50.00 late charge if any balance remains unpaid on January 10

On July 10, 2024, there were 43,240 active attorneys subject to the annual assessment. There were also 23 full (\$130.00) voluntary contributors and 301 partial (\$20.00) voluntary contributors.

### **REVENUE DERIVED FROM ASSESSMENTS**

Assessments collected by the Fund were \$863,569 and \$862,481 during the years ended June 30, 2025 and 2024, respectively. The Fund also collected late fees and reinstatement fees for the same periods in the amount of \$265,406 and \$264,220, respectively.

### **INVESTMENT INCOME**

Investment Income as of June 30, 2025 and 2024 were \$893,376 and \$872,661, respectively.

### **OTHER INCOME**

By Administrative Order dated March 14, 2014, the Supreme Court (formerly the Court of Appeals) ordered that AGC shall maintain an annual carryover balance in their fund consisting of an operational float and an emergency reserve totaling 75% of its prior fiscal year expenditures. On March 3, 2023, the Court issued an Administrative Order Revising the Operating Procedure for the AGG and the Fund was issued. It ordered that AGC may retain 25% - 50% of the prior year expenditures as a float. Any amount in excess of 50% is to be distributed to the FUND. If AGC's balance is below 25% then they must certify to the Fund the amount it fell short and the Fund shall transfer up to 25% to AGC. If AGC's balance is between 25% and 50% there will be no fund transfers.

After AGC completed their annual audit for FY25, it was determined that their balance was below 75%, but above 25% and there would be no transfer for FY25. In comparison, at the end of FY24, \$815,726 was transferred to the Fund.

### **EXPENDITURES**

Total expenditures (excluding claim payments) as of June 30, 2025 and 2024 were \$572,895 and \$642,096, respectively. A detailed breakdown of these expenditures is set forth in the Financial Statements prepared by Ellin & Tucker, Certified Public Accountants, attached to this report.

### **CLAIMS PAID DURING THE FISCAL YEAR**

During the fiscal year ending June 30, 2025, the Trustees disposed of fifty-four (54) claims. They approved payment of twenty-two (22) claims for a total of \$1,182,725.00. Included in those figures are two claims totaling \$136,610.00 that remain unpaid at the close of the year pending further information. The Trustees denied twenty-five (25) claims and seven (7) claims were withdrawn. The details of the approved claims are shown in the Financial Statement, prepared by Ellin & Tucker, attached. There were fourteen (14) Maryland lawyers responsible for the defalcations leading to the twenty-two (22) approved claims.

### **PENDING CLAIMS**

In the fiscal year ending June 30, 2025, the Fund received forty-six (46) claims for an aggregate amount of \$1,553,488.01. In the prior fiscal year (FY24) the Fund received forty (40) claims for an aggregate amount of \$15,422,202.89.

As of June 30, 2025, there were thirty-one (31) claims pending resolution. These claims seek a total of approximately \$2.5 million dollars. These claims are in the process of investigation.

### **RESTITUTION OF CLAIMS PAID**

The Fund obtains subrogation rights from all claimants. Attempts are made to obtain restitution on all claims paid by the Fund. During the fiscal year ending June 30, 2025, the Fund recovered \$47,347 in restitution.

### **CLAIM FILES**

All claim files are maintained in the administrative office of the Fund pursuant to the Fund's Document Record Retention and Destruction Policy.

### **LOCATION OF THE CLIENT PROTECTION FUND**

The Fund leases office space at 200 Harry S Truman Parkway, Suite 350, Annapolis, Maryland 21401.

### **AUDIT OF THE CLIENT PROTECTION FUND OF THE BAR OF MARYLAND**

Attached to this report is the audit of the Fund as required by Rule 19-604(a) as prepared by Ellin & Tucker, Certified Public Accountants. The report covers the fiscal year from July 1, 2024 through June 30, 2025.

**THE TRUSTEES OF THE FUND**

(as of June 30, 2025)

Douglas M. Bregman, Esq., Chair  
Joseph B. Chazen, Esq., Vice Chair  
Tracy C. Miller, Esq., Secretary  
David Weiss, Treasurer  
James W. Almand, Esq.  
Charles Bagley, IV, Esq.  
Aaron B. DeGraffenreidt, Esq.  
Richard M. Karceski, Esq.  
Kathleen M. Werner, Esq.

**CLIENT PROTECTION FUND STAFF**

Melissa Higdon, Executive Director  
Belinda Bowen-Gross, Membership Manager  
Roxanne Trueblood, Attorney Account Representative

**CONTRACT EMPLOYEES**

Jim Longo, Accountant  
Harold Stanford, Investigator  
Marc Fiedler, Investigator

**CLIENT PROTECTION FUND OF THE BAR OF MARYLAND**  
Annapolis, Maryland

**AUDITED FINANCIAL STATEMENTS**  
June 30, 2025 and 2024

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**June 30, 2025 and 2024**

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## INDEPENDENT AUDITORS' REPORT

To the Trustees of  
The Client Protection Fund of the Bar of Maryland

### OPINION

We audited the accompanying financial statements of The Client Protection Fund of the Bar of Maryland (Fund), which comprise the Statements of Financial Position as of June 30, 2025 and 2024, the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2025 and 2024 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## OTHER MATTER

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the accompanying Schedules of General and Administrative Expenses for the years ended June 30, 2025 and 2024, the Schedule of Assessments, Investment Income, and Claims Disbursed for the year ended June 30, 2025, the Schedule of Claims Disbursed for the year ended June 30, 2025, and the Schedule of Claims Payable as of June 30, 2025 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information was subjected to the auditing procedures applied in the audits of the financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other 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 financial statements as a whole.



ELLIN & TUCKER  
Certified Public Accountants

Baltimore, Maryland  
October 27, 2025

**STATEMENTS OF FINANCIAL POSITION**  
**The Client Protection Fund of the Bar of Maryland**  
**June 30, 2025 and 2024**

<b><u>ASSETS</u></b>		
	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 20,480,207	\$ 19,260,853
Prepaid Expenses	11,685	13,814
Total Current Assets	20,491,892	19,274,667
<b>PROPERTY AND EQUIPMENT, NET (Note 2)</b>	22,360	19,348
<b>RIGHT-OF-USE ASSET (Note 6)</b>	296,295	35,272
Total Assets	<b><u>\$ 20,810,547</u></b>	<b><u>\$ 19,329,287</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 151,152	\$ 151,119
Claims Payable (Note 4)	136,610	53,520
Operating Lease Liability (Note 6)	21,234	27,317
Total Current Liabilities	308,996	231,956
<b>LONG-TERM LIABILITIES</b>		
Operating Lease Liability (Note 6)	275,610	7,955
Deferred Compensation (Note 7)	202,708	196,147
Total Long-Term Liabilities	478,318	204,102
Total Liabilities	787,314	436,058
<b>NET ASSETS (Note 1)</b>	<b><u>20,023,233</u></b>	<b><u>18,893,229</u></b>
Total Liabilities and Net Assets	<b><u>\$ 20,810,547</u></b>	<b><u>\$ 19,329,287</u></b>

*(See Independent Auditors' Report and Accompanying Notes)*

**STATEMENTS OF ACTIVITIES**  
**The Client Protection Fund of the Bar of Maryland**  
**For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUE</b>		
Assessments From Members of the Bar of Maryland	\$ 5,589,188	\$ 5,584,336
Less: Amounts Remitted to the Attorney Grievance Commission	<u>(4,725,619)</u>	<u>(4,721,855)</u>
Net Assessments	863,569	862,481
Late Fees	263,206	261,720
Restitution on Claims Paid	47,347	66,445
Reinstatement Fees	<u>2,200</u>	<u>2,500</u>
Total Operating Revenue	<u>1,176,322</u>	<u>1,193,146</u>
<b>OPERATING EXPENSES</b>		
Claims (Note 4)	1,182,725	152,377
General and Administrative	<u>572,895</u>	<u>642,096</u>
Total Operating Expenses	<u>1,755,620</u>	<u>794,473</u>
Operating (Loss) Income	<u>(579,298)</u>	<u>398,673</u>
<b>NON-OPERATING REVENUE</b>		
Investment Income	893,376	872,661
Other Revenue (Note 3)	<u>815,926</u>	<u>1,713,575</u>
Total Non-Operating Revenue	<u>1,709,302</u>	<u>2,586,236</u>
Change in Net Assets	1,130,004	2,984,909
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>18,893,229</u>	<u>15,908,320</u>
<b>NET ASSETS – END OF YEAR</b>	<u><u>\$ 20,023,233</u></u>	<u><u>\$ 18,893,229</u></u>

*(See Independent Auditors' Report and Accompanying Notes)*

**STATEMENTS OF CASH FLOWS**  
**The Client Protection Fund of the Bar of Maryland**  
**For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,130,004	\$ 2,984,909
<b>Adjustments to Reconcile Change in Net Assets to Net</b>		
<b>Cash Provided by Operating Activities:</b>		
Depreciation	5,279	4,379
Non-Cash Lease Expense	549	-
<b>Net Changes in:</b>		
Prepaid Expenses	2,129	7,707
Claims Payable	83,090	53,520
Accounts Payable and Accrued Expenses	33	28,817
Deferred Compensation	6,561	36,559
<b>Net Cash Provided by Operating Activities</b>	<u>1,227,645</u>	<u>3,115,891</u>
<b>INVESTING ACTIVITIES</b>		
Redemptions of Certificates of Deposits	-	13,199,214
Purchases of Property and Equipment	<u>(8,291)</u>	<u>(15,732)</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(8,291)</u>	<u>13,183,482</u>
<b>Net Change</b>	<u>1,219,354</u>	<u>16,299,373</u>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>19,260,853</u>	<u>2,961,480</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u><u>\$ 20,480,207</u></u>	<u><u>\$ 19,260,853</u></u>

*(See Independent Auditors' Report and Accompanying Notes)*

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations***

The Client Protection Fund of the Bar of Maryland (Fund) was established by an act of the Maryland Legislature in 1965. The Supreme Court of Maryland was empowered to provide by rule for the operation of the Fund and require from each lawyer an annual assessment as a condition precedent to the practice of law in Maryland. The Fund reimburses losses caused by defalcations of members of The Bar of the State of Maryland, acting as either attorneys or as fiduciaries, to the extent deemed proper and reasonable by the Board of Trustees. These financial statements report only the activity of the Fund.

***Accounting Standards Codification***

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

***Basis of Accounting and Presentation***

The Fund uses the accrual basis of accounting for financial reporting purposes. Revenue is recorded in the period earned, and expenses are recorded in the period incurred. Net assets, revenues, and expenses are classified based on the existence or absence of restrictions. The Fund did not have any net assets with restrictions as of June 30, 2025 and 2024.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Fund considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

The Fund maintains substantially all cash in a bank investment program, which invests only in federally insured deposits. The Fund believes it is not exposed to any significant credit risk on cash and cash equivalents.

***Property and Equipment***

Property and equipment are stated at cost and depreciated on the straight-line method over their

*(See Independent Auditor's Report)*

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

estimated useful lives. It is the Fund's policy to capitalize expenditures for property and equipment in excess of \$1,500. Lesser amounts are expensed.

***Revenue Recognition***

Assessments for the Fund are deemed to be earned and recognized as revenue only when collected; therefore, there were no accounts receivable on these financial statements for uncollected assessments.

***Attorney Assessments***

Amounts are collected from all attorneys who desire to be enrolled to practice law in the state of Maryland on an annual basis for the Fund and the Attorney Grievance Commission of Maryland (Attorney Grievance Commission). Cash is transferred regularly from the Fund to the Attorney Grievance Commission based on data processing records of payments. The assessment for the Fund for each of the years ended June 30, 2025 and 2024 was \$20 for each attorney in practice. Late payment fees are also assessed for delinquent accounts and remain income for the Fund.

***Functional Allocation of Expenses***

The costs of providing the various programs and activities were summarized on a functional basis. Accordingly, certain costs were allocated among the benefiting programs and supporting services based upon estimates of actual time or resources devoted to each functional category.

***Income Tax Status***

The Fund is an instrumentality of the state of Maryland and, as such, is not subject to income taxes. Accordingly, no provision was made for income taxes in the financial statements.

***Leases***

The Fund determines if an arrangement is a lease at inception. Short-term leases are leases that, at lease commencement, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that the Fund is reasonably certain to exercise. With the exception of short-term leases, operating leases are included as right-of-use (ROU) assets and operating lease liabilities in the Statements of Financial Position. ROU assets represent the Fund's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Fund uses a risk-free rate in determining the present value of lease payments for all leases. The operating lease ROU asset includes any lease payments made and excludes any lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Fund will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

*(See Independent Auditor's Report)*

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

**Subsequent Events**

The Fund evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 27, 2025, the date the financial statements were available to be issued.

**NOTE 2 PROPERTY AND EQUIPMENT**

At June 30, 2025 and 2024, the cost and accumulated depreciation of assets were as follows:

	<u>2025</u>	<u>2024</u>
Property and Equipment	\$ 44,492	\$ 36,201
Less: Accumulated Depreciation	<u>22,132</u>	<u>16,853</u>
Total	<u>\$ 22,360</u>	<u>\$ 19,348</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$5,279 and \$4,379, respectively.

**NOTE 3 RELATED-PARTY TRANSACTIONS**

The Fund conducts significant transactions with its affiliate, the Attorney Grievance Commission. All assessments of the Fund and the Attorney Grievance Commission are jointly billed and collected by the Fund. All revenues are deposited into a bank account maintained by the Fund. The Fund remits the Attorney Grievance Commission's portion of assessments via periodic bank transfers. Late fees collected are retained entirely by the Fund to offset the cost of billing and collection. The Fund reimburses the Attorney Grievance Commission on a quarterly basis for salaries and benefits for the Fund's employees that are paid collectively by the Attorney Grievance Commission.

Assessments collected on behalf of and remitted to the Attorney Grievance Commission were \$4,725,619 and \$4,721,855 during the years ended June 30, 2025 and 2024, respectively. The Fund also paid \$361,860 and \$347,138 in 2025 and 2024, respectively, to the Attorney Grievance Commission for reimbursement of salaries and benefits.

During the years ended June 30, 2025 and 2024, the Fund was awarded \$815,926 and \$1,713,575, respectively, from the Attorney Grievance Commission. This funding was made pursuant to an administrative order by the Supreme Court of Maryland requiring the Attorney Grievance Commission to maintain a net asset balance of at least 25% but not more than 50% of its prior period's expenditures. Under this order, if net assets are under 25% of prior period's expenditures, the Fund is to transfer the deficit amount to the Attorney Grievance Commission. If net assets are over 50%, the Attorney Grievance Commission is to transfer the excess amount to the Fund. If net assets are between 25% and 50%, no transfers are required. Funds received are transferred to the Fund's money market account. This amount is included in other revenue in the Statement of Activities for the years ended June 30, 2025 and 2024.

*(See Independent Auditor's Report)*

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

Amounts are not considered payable to the Fund until declared and approved by the Supreme Court of Maryland.

During the years ended June 30, 2025 and 2024, the Fund incurred approximately \$25,000 and \$37,000, respectively, in fees to a professional services firm of which a board member is a partner.

**NOTE 4 CLAIMS**

Claims totaling \$136,610 and \$53,520 were approved by the Trustees but remained unpaid at June 30, 2025 and 2024, respectively. The total of claims expensed during the years ended June 30, 2025 and 2024 was \$1,182,725 and \$152,377, respectively. Claims must be approved by the Trustees for both the amount of the loss and for validity before they can be considered liabilities. Pending claims are not reflected in these financial statements because the dollar amount, if any, that may be approved by the Trustees cannot be reasonably estimated. In January 2011, the Fund amended its policy to state that the maximum cumulative amounts that shall be paid in respect to any one claim or multiple claims by a single claimant arising from the same attorney involved in either a client or fiduciary relationship shall not exceed 5% of the corpus of the Fund as of the close of the month immediately preceding the meeting in which the claim is presented.

**NOTE 5 RETIREMENT PLAN**

The Attorney Grievance Commission sponsors a defined contribution pension plan covering all of the Fund's full-time employees meeting minimum age and service requirements. The Fund makes contributions to the plan equal to 15% of a participant's compensation. During the years ended June 30, 2025 and 2024, the Fund made contributions of \$39,452 and \$37,941, respectively.

**NOTE 6 LEASE COMMITMENTS**

The Fund operates in an office building currently leased by its affiliate, the Attorney Grievance Commission. The Fund occupies an office of approximately 1,150 square feet at a cost of \$29.25 per square foot.

Additionally, the Fund leases equipment from unrelated parties under lease agreements.

The ROU assets and operating lease liabilities are being amortized over the respective lives of the leases. The weighted average remaining lease term was 9.96 and 1.59 years as of June 30, 2025 and 2024, respectively. The weighted average discount rate was 4.03% and 3.20% as of June 30, 2025 and 2024, respectively. Operating lease expense was approximately \$35,000 for each the years ended June 30, 2025 and 2024, and approximately \$30,000 was attributable to related parties.

*(See Independent Auditor's Report)*

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

Future minimum rental payments due under the above lease arrangements are as follows:

	<u>Related Party</u>	<u>Other</u>	<u>Total</u>
Year Ending June 30, 2026	\$ 29,314	\$ 3,374	\$ 32,688
2027	34,892	3,374	38,266
2028	34,892	1,570	36,462
2029	34,892	-	34,892
2030	34,892	-	34,892
Thereafter	<u>183,184</u>	<u>-</u>	<u>183,184</u>
	352,066	8,318	360,384
Less: Amount Representing Interest	<u>(63,176)</u>	<u>(364)</u>	<u>(63,540)</u>
Present Value of Minimum Lease Payments	<u>\$ 288,890</u>	<u>\$ 7,954</u>	<u>\$ 296,844</u>

**NOTE 7 DEFERRED COMPENSATION**

The Fund has an unfunded health insurance expense reimbursement plan (Plan) to provide eligible retirees and survivors fixed payments until death. Monthly cash payments under the Plan are equal to the lesser of \$437.50 or the actual monthly cost of the participant's health insurance premium. The present value of estimated future payments was recorded as deferred compensation in the accompanying financial statements. During the year ended June 30, 2018, one retiree began to receive benefits under the Plan.

The following table sets forth information about the Plan and amounts recognized in the accompanying financial statements as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Benefits Paid	\$ (4,463)	\$ 4,200
Accrued Deferred Compensation Liability	202,708	196,147
Service Cost	7,299	6,126
Interest	7,456	5,795
Change in Actuarial Assumptions	(3,731)	(9,893)

The weighted average assumptions used to determine the deferred compensation liability for 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Discount Rate	3.97%	3.86%

*(See Independent Auditor's Report)*

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

**NOTE 8 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Fund's financial assets available to meet cash needs for general expenditures within one year of the Statements of Financial Position date were as follows:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 20,480,207	\$ 19,260,853

As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 9 FUNCTIONAL CLASSIFICATIONS OF EXPENSES**

The functional classifications of expenses for the year ended June 30, 2025 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 90,887	\$ 268,231	\$ 359,118
Claims	1,182,725	-	1,182,725
Professional and Administrative Fees	100,766	25,160	125,926
Technology	1,562	14,056	15,618
Printing and Postage	1,415	2,799	4,214
Rent	9,955	23,230	33,185
Meetings and Seminars	3,053	122	3,175
Miscellaneous	12,866	18,793	31,659
Total Expenses	<u>\$ 1,403,229</u>	<u>\$ 352,391</u>	<u>\$ 1,755,620</u>

The functional classifications of expenses for the year ended June 30, 2024 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 101,227	\$ 305,792	\$ 407,019
Claims	152,377	-	152,377
Professional and Administrative Fees	121,936	26,159	148,095
Technology	10,339	14,095	24,434
Printing and Postage	898	2,269	3,167
Rent	9,791	22,845	32,636
Meetings and Seminars	1,282	60	1,342
Miscellaneous	5,820	19,583	25,403
Total Expenses	<u>\$ 403,670</u>	<u>\$ 390,803</u>	<u>\$ 794,473</u>

(See Independent Auditor's Report)

**NOTES TO FINANCIAL STATEMENTS**  
**The Client Protection Fund of the Bar of Maryland**

**NOTE 10** **SUPPLEMENTAL CASH FLOW**

Office space acquired under the operating lease was approximately \$300,000 for the year ended June 30, 2025.

*(See Independent Auditor's Report)*

**SUPPLEMENTARY INFORMATION**

**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**The Client Protection Fund of the Bar of Maryland**  
**For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Salaries and Related Benefits	\$ 359,118	\$ 407,019
Legal Expenses Regarding Claims and Restitutions	49,072	58,061
Administrative	1,431	4,084
Trustee Meeting	3,175	1,342
Refunds	1,300	965
Audit and Accounting	36,344	38,146
Computer Maintenance	15,618	14,619
Utilities	5,798	6,006
Postage	3,303	2,880
Printing and Graphics	911	287
Office Equipment Rental	3,935	3,574
Rent	33,185	32,636
Investigation	40,510	48,738
Escrow Administrative Fees	-	3,150
Depreciation	5,279	4,379
Miscellaneous	13,916	16,210
	<u>\$ 572,895</u>	<u>\$ 642,096</u>

*(See Independent Auditors' Report)*

**SCHEDULE OF ASSESSMENTS, INVESTMENT INCOME, AND CLAIMS DISBURSED**  
**The Client Protection Fund of the Bar of Maryland**  
**For the Year Ended June 30, 2025**

Assessments	\$ 863,569
Investment Income	<u>893,376</u>
Total	1,756,945
Claims Disbursed	<u>(1,046,115)</u>
Total Assessments, Investment Income, and Claims Disbursed	<u><u>\$ 710,830</u></u>

*(See Independent Auditors' Report)*

**SCHEDULE OF CLAIMS DISBURSED**  
**The Client Protection Fund of the Bar of Maryland**  
**For the Year Ended June 30, 2025**

<u>Claim Number</u>	<u>Attorney</u>	<u>Amount</u>
22-0018	Steven Anthony	\$ 70,680
23-0047	Brandon Mead	6,500
23-0049	Rachael Roberts	64,626
24-0005	Matthew Nelson	45,877
24-0008	Matthew Nelson	9,500
24-0014	Sari Kurland	108,146
24-0016	Allyson Goldscher	300
24-0017	Marlene Johnson	1,350
24-0019	Stephen A. Glessner	4,320
24-0021	Brian Kurtyka	672,355
24-0022	Angel Arturo Viladegut	8,000
24-0026	Michael Birch	20,000
24-0027	Tito Castro	1,500
24-0034	Matthew Nelson	7,500
25-0001	Sari Kurland	1,000
25-0002	Sari Kurland	5,000
25-0004	Sari Kurland	3,108
25-0010	Brian Gormley	8,000
25-0019	Sari Kurland	3,353
25-0034	Sari Kurland	5,000
		<u><u>\$ 1,046,115</u></u>

*(See Independent Auditors' Report)*

**SCHEDULE OF CLAIMS PAYABLE**  
**The Client Protection Fund of the Bar of Maryland**  
**June 30, 2025**

<u>Claim Number</u>	<u>Attorney</u>	<u>Amount</u>
24-0009	Justin Winter	\$ 6,250
24-0032	Gary Pisner	130,360
		<u>\$ 136,610</u>

*(See Independent Auditors' Report)*