

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION
FINANCIAL AUDIT
and
COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009
Performed as Special Assistant Auditors for the
Auditor General, State of Illinois

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009**

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**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009**

COMMISSION OFFICIALS

Administration

Administrator	Jerome Larkin
Deputy Administrator	James Grogan
Director of Finance	Vick Paul
Director of Human Resources and Administrative Services	Eva Tramutolo

Commissioners

Chairman	Benedict Schwarz II
Commissioner	Derrick K. Baker
Commissioner	Joan Myers Eagle
Commissioner	John R. Carroll
Commissioner	Robert Michael Henderson
Commissioner	Brian McFadden
Commissioner	James R. Mendillo

Commission offices are located at:

One Prudential Plaza
130 East Randolph Drive, Suite 1500
Chicago, IL 60601

One North Old Capitol Plaza
Suite 333
Springfield, IL 62701



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS
www.iardc.org

One Prudential Plaza
130 East Randolph Drive, Suite 1500
Chicago, IL 60601-6219
(312) 565-2600 (800) 826-8625
Fax (312) 565-2320

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Springfield, IL 62701
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MANAGEMENT ASSERTION LETTER

June 28, 2010

E:C. Ortiz & C., LLP
Certified Public Accountants
333 S. Des Plaines, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Attorney Registration and Disciplinary Commission (Commission). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended December 31, 2009. Based on this evaluation, we assert that during the years ended December 31, 2009 and December 31, 2008, the Commission has materially complied with the assertions below.

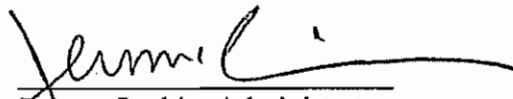
- A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.

- D. The fees collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such fees is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

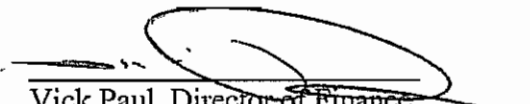
Yours very truly,

Attorney Registration and Disciplinary Commission



Jerome Larkin, Administrator

^



Vick Paul, Director of Finance

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009**

COMPLIANCE REPORT SUMMARY

The compliance testing performed during this examination was conducted in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

There were no findings noted in our testing which are required to be included in the report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

None noted

FINDINGS (STATE COMPLIANCE)

None noted

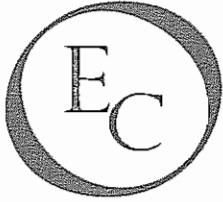
**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009**

PRIOR YEAR FINDINGS NOT REPEATED

None noted.

EXIT CONFERENCE

Commission management waived having an exit conference per a letter from Vick Paul, Director of Finance dated June 21, 2010.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Accountants' Report on State Compliance,
on Internal Control over Compliance, and on
Supplementary Information for State Compliance Purposes**

Honorable William G. Holland
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Attorney Registration and Disciplinary Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended December 31, 2009 and 2008. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The fees collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such fees is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the years ended December 31, 2009 and 2008.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Commission as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 28, 2010. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the financial statements of the Commission. The 2009 and 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2009 and 2008, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Illinois Supreme Court, the Commission's management, and the Commission's governing board, and is not intended to be and should not be used by anyone other than these specified parties.

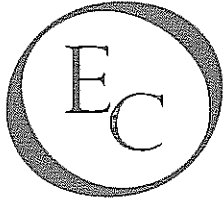
E. C. G. & Co. LLP
June 28, 2010

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2009**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the Attorney Registration and Disciplinary Commission was performed by E.C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Commission's financial statements.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Attorney Registration and Disciplinary Commission (Commission), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Commission's financial statements as listed in the table of contents. 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 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 the 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 the Commission, as of December 31, 2009 and 2008, 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.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Commission management, and the Commission's governing board, and is not intended to be and should not be used by anyone other than these specified parties.

C. C. Grij & Co. LLP
June 28, 2010

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,078,784	\$ 546,707
Short-term investments	26,405,642	24,526,984
Accrued interest receivable	37,927	115,829
Accounts receivable - net	78,731	7,735
Prepaid expenses and other assets	76,166	72,278
Total current assets	<u>27,677,250</u>	<u>25,269,533</u>
 Property and equipment - net	 1,649,284	 1,245,034
 Long-term investments	 <u>3,601,028</u>	 <u>2,622,460</u>
 Total assets	 <u><u>\$ 32,927,562</u></u>	 <u><u>\$ 29,137,027</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Cash overdraft	\$ 1,399	\$ 1,427
Accounts payable and other accruals	340,313	322,058
Amounts held for others	1,978,522	1,497,546
Accrued vacation	366,611	345,150
Deferred registration and program fees	13,537,519	12,693,071
Current portion of net postretirement benefit obligation	12,420	9,018
Deposits	7,481	11,665
Total current liabilities	<u>16,244,265</u>	<u>14,879,935</u>
Long-term liabilities		
Net postretirement benefit obligation	633,131	614,959
Deferred rent expense	1,831,491	2,054,528
Total long-term liabilities	<u>2,464,622</u>	<u>2,669,487</u>
 Total liabilities	 18,708,887	 17,549,422
 Unrestricted net assets	 <u>14,218,675</u>	 <u>11,587,605</u>
 Total liabilities and net assets	 <u><u>\$ 32,927,562</u></u>	 <u><u>\$ 29,137,027</u></u>

See accompanying notes to the financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	2009			2008		
	Registration and Discipline	Client Protection Program	Total	Registration and Discipline	Client Protection Program	Total
REVENUE						
Investment income						
Interest	\$ 367,051	\$ 37,440	\$ 404,491	\$ 733,909	\$ 68,592	\$ 802,501
Net depreciation of investments	(88,650)	-	(88,650)	(23,251)	-	(23,251)
Total investment income	278,401	37,440	315,841	710,658	68,592	779,250
Registration and program fees and delinquent charges	15,021,246	1,574,140	16,595,386	14,736,195	1,553,862	16,290,057
Cost reimbursements collected	81,735	-	81,735	103,721	-	103,721
Administrative expense reimbursement from						
Client Protection Program	249,996	-	249,996	238,970	-	238,970
Client Protection Program reimbursements	-	142,350	142,350	-	51,706	51,706
Total revenue	15,631,378	1,753,930	17,385,308	15,789,544	1,674,160	17,463,704
EXPENSES						
Salaries and related expenses	10,092,645	-	10,092,645	9,583,868	-	9,583,868
Travel expenses	112,305	-	112,305	119,617	-	119,617
Library and continuing education	238,514	-	238,514	258,008	-	258,008
General expenses and office support	1,751,832	-	1,751,832	1,988,682	-	1,988,682
Computer expenses	237,874	-	237,874	225,154	-	225,154
Other professional and case-related expenses	789,303	-	789,303	899,202	-	899,202
Client Protection Program direct expenses						
Awards	-	1,091,473	1,091,473	-	1,029,220	1,029,220
Bank fees	-	4,191	4,191	-	4,372	4,372
Administrative expense reimbursement to ARDC	-	249,996	249,996	-	238,970	238,970
Depreciation and amortization expense	186,105	-	186,105	170,149	-	170,149
Total expenses	13,408,578	1,345,660	14,754,238	13,244,680	1,272,562	14,517,242
Increase in net assets	2,222,800	408,270	2,631,070	2,544,864	401,598	2,946,462
Unrestricted net assets						
Beginning of year	10,254,233	1,333,372	11,587,605	7,709,369	931,774	8,641,143
End of year	\$ 12,477,033	\$ 1,741,642	\$ 14,218,675	\$ 10,254,233	\$ 1,333,372	\$ 11,587,605

See accompanying notes to financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase in net assets	\$ 2,631,070	\$ 2,946,462
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net unrealized depreciation of investments	136,563	41,722
Depreciation and amortization expense	186,105	170,149
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	6,906	54,186
Prepaid expenses and other assets	(3,888)	7,045
Increase (decrease) in liabilities		
Accounts payable and other accruals	18,255	(2,553)
Amounts held for others	480,976	101,008
Accrued vacation	21,461	27,182
Deferred registration and program fees	844,448	367,712
Deposits	(4,184)	14
Net postretirement benefit obligation	21,574	62,648
Deferred rent expense	(223,037)	(26,786)
Net cash provided by operating activities	<u>4,116,249</u>	<u>3,748,789</u>
Cash flows from investing activities		
Purchases of investment securities	(37,236,818)	(21,266,890)
Maturities of investment securities	34,243,029	18,097,583
Acquisitions of property and equipment	(590,355)	(644,955)
Net cash used in investing activities	<u>(3,584,144)</u>	<u>(3,814,262)</u>
Net increase (decrease) in cash and cash equivalents	532,105	(65,473)
Cash and cash equivalents - net of cash overdraft		
Beginning of year	545,280	610,753
End of year	<u>\$ 1,077,385</u>	<u>\$ 545,280</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

1. GENERAL PURPOSE DESCRIPTION

Nature of Activities

The Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois (Commission) was created by the Illinois Supreme Court (Court) under Rules 751 through 756 of the Court effective February 1, 1973, and subsequent additional rules and amendments. The Commission and the Office of the Administrator (Administrator) maintain the Master Roll of Attorneys, and investigate and prosecute claims against Illinois attorneys whose conduct might tend to defeat the administration of justice or bring the Court or the legal profession into disrepute, and collect and administer the Disciplinary Fund and collect and remit funds due to other entities as provided in Rules 751 and 756.

Organization Structure

Seven commissioners appointed by the Illinois Supreme Court direct the Commission. Four of these appointees are attorneys; three are public members. The Commissioners appoint, with the approval of the Court, the Administrator of the Commission; oversee the collection and administration of funds; develop rules for disciplinary proceedings and appoint attorney and lay members of the Hearing and Inquiry Boards that are involved in disciplinary matters.

The Administrator is the principal executive officer of the Commission. The Administrator's responsibilities include directing the disciplinary system, monitoring the registration of attorneys, collection of annual registration fees, overseeing the investigation of charges of misconduct and the prosecution of disciplinary cases. The Administrator directs a staff of more than 100 employees to meet these responsibilities.

Amendments to those rules and additional significant rules of the Court impacting the Commission's operations are as follows:

- Rule 756(a), as amended, sets the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$289, the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$105. The charge for late payment of annual registration fees is \$25 per month for every month that fees are delinquent. The Rule requires that the Commission, as part of the annual \$289 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$42 to the Lawyers Trust Fund, \$10 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

1. GENERAL PURPOSE DESCRIPTION (Continued)

- Rule 756(f) provides that as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. The information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.
- Rule 780(b) provides for the establishment of the Client Protection Program (“Program”) and sets forth that the purpose of the Program “is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct” of Illinois lawyers who have been disciplined. Since the Program’s inception, the Commission has administered the Client Protection Program and has maintained a separate Client Protection Fund account. Amended Rule 756 provides that \$25 of the \$289 fee be set aside for the Client Protection Program to fund awards made by the Client Protection Program. Prior to the Rule 756 amendment, the Commission funded payment of awards by making an annual allocation from the Disciplinary Fund. The Commission includes in its general budget allocations for administrative expenses of the Program to be paid from the Disciplinary Fund. Effective 2008, the Program has begun reimbursing the Commission for the cost of administering the Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting.

Basis of Presentation

The Commission, as a not-for-profit entity, is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all deposits in checking and savings accounts.

Accounts Receivable - Cost Reimbursements and Client Protection Program Reimbursements

The Commission fully reserves reimbursements owed by attorneys under the Cost Reimbursement Program and Client Protection Program. Whether the Commission can fully collect all reimbursements is dependent upon each identified attorney's ability to pay and the current economic environment.

Investments

The investments are stated at fair value, which generally represents quoted market value as of the last business day of the year. Investments in money market accounts and certificates of deposit are carried at cost, which approximates market value. U.S. Treasury notes and bills are traded in active markets on national securities exchanges and are valued at closing prices on the last business day of each period.

New Accounting Pronouncement

During 2009, the FASB established the FASB Accounting Standards Codification (Codification) as the official source of authoritative generally accepted accounting principles (GAAP). The Codification, which changes the referencing of financial standards, supersedes current authoritative guidance and is effective for financial periods ending after September 15, 2009. The Codification is not intended to alter existing GAAP and it is not expected to result in any changes in accounting practice for the Commission.

Property and Equipment

Property and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are provided over the estimated useful lives of the assets or asset groups, based on the straight-line method. Upon disposal of assets, gains or losses related to dispositions are included in current year operations. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease period.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives of the property and equipment are as follows:

	<u>Years</u>
Computer and related equipment	3 - 10
Office furniture and equipment	5 - 13
Library	7
Leasehold improvements	7-15

Amounts Held for Others

Amounts held for others at year-end were as follows:

	<u>2009</u>	<u>2008</u>
Lawyers Assistance Program	\$ 234,712	\$ 177,646
Lawyers Trust Fund	1,408,485	1,066,100
Supreme Court Commission on Professionalism	<u>335,325</u>	<u>253,800</u>
	<u>\$ 1,978,522</u>	<u>\$ 1,497,546</u>

These amounts were remitted to the respective entities subsequent to year-end.

Deferred Registration and Program Fees

The Commission is funded by an annual registration fee assessed on Illinois attorneys which includes a \$25 fee for the Client Protection Program. The annual fee for the subsequent year is billed before November 1 and is due January 1. Deferred registration and program fees represent the fees for next year received in the current year.

Deposits

Portions of these funds are the reinstatement deposits that accompany the petition of any attorney who is filing for reinstatement under Rule 767. The amount the attorney actually owes will be assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2009 and 2008 were \$5,658 and \$8,500 respectively. The remaining deposits consist of funds owed by any attorney, who has been the subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. At December 31, 2009 and 2008, the amounts held were \$1,823 and \$3,165 respectively.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent Expense

Deferred rent expense consists of a combination of “free rent” and past and future lease incentive payments from the landlord. The Commission is recognizing operating lease expense on the straight-line basis over the term of the lease.

Income Taxes

The Internal Revenue Service has determined that the Commission is exempt from Federal income taxes as an instrumentality of the State of Illinois.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Commission to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Functional Allocation of Expenses

The costs of providing the programs and administrative services have been summarized on a functional basis in Note 11. The Commission allocates certain common expenses based on management’s estimate of time incurred on these programs or other reasonable and consistent methodologies. Administrative expenses allocated to the Client Protection Program are paid out of the unrestricted net assets of the Commission. Effective 2008, the Client Protection Program has begun reimbursing the Commission for these allocated expenses.

Subsequent Events

Subsequent events have been evaluated through June 28, 2010, which is the date the financial statements were available to be issued.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

3. ACCOUNTS RECEIVABLE - NET

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement is billed at the time that discipline is imposed by the Court, but may not be a total reimbursement or match the period in which the investigative disciplinary costs were incurred. The Commission is limited to \$1,000 in cost reimbursement for each disciplined attorney, absent exceptional circumstances. During the years ended December 31, 2009 and 2008, the Commission regularly sought entry of judgments by the Court with interest at the rate charged by the State of Illinois for all invoices not paid within 30 days of the judgment. This interest rate was 9% for both 2009 and 2008. The Commission has also established payment plans for disciplined attorneys.

Accounts receivable as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Client Protection and Cost Reimbursement Programs	\$ 8,406,711	\$ 7,434,900
Others	78,731	7,735
Total	<u>8,485,442</u>	<u>7,442,635</u>
Less allowance for doubtful accounts	8,406,711	7,434,900
Accounts receivable – net	<u>\$ 78,731</u>	<u>\$ 7,735</u>

Whether the Commission can collect a meaningful percentage of cost reimbursements is dependent upon, among other things, the ability of the disciplined attorneys to pay and the current economic environment.

4. INVESTMENTS

The fair value of investments as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
U.S. Treasury notes and bills	\$ 9,433,386	\$ 10,589,501
U.S. bank certificates	10,141,000	9,148,000
Money market funds	10,432,284	7,411,943
Total	<u>\$ 30,006,670</u>	<u>\$ 27,149,444</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

4. INVESTMENTS (Continued)

The following table lists the maturities of securities held for the years ended December 31, 2009 and 2008:

	2009		2008	
	0-1 Year	1-5 Years	0-1 Year	1-5 Years
U.S. Treasury notes and bills	\$ 7,730,357	\$ 1,703,028	\$ 8,555,041	\$ 2,034,460
U.S. bank certificates	8,243,000	1,898,000	8,560,000	588,000
Money market funds	10,432,285	-	7,411,943	-
Total	<u>\$26,405,642</u>	<u>\$ 3,601,028</u>	<u>\$ 24,526,984</u>	<u>\$ 2,622,460</u>

5. FAIR VALUE MEASUREMENTS

The Commission is subject to the requirements of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification, which established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

5. FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2009 and 2008. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Commission did not own any assets that required measurement using Level 3 inputs as of December 31, 2009 and 2008.

	<u>Total</u>	<u>Fair Value Measurements at 12/31/09 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$ 9,433,386	\$ 9,433,386	\$ -	\$ -
U.S. bank certificates	10,141,000	-	10,141,000	-
Money market funds	10,432,284	-	10,432,284	-
	<u>\$30,006,670</u>	<u>\$ 9,433,386</u>	<u>\$20,573,284</u>	<u>\$ -</u>

	<u>Total</u>	<u>Fair Value Measurements at 12/31/08 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$10,589,501	\$10,589,501	\$ -	\$ -
U.S. bank certificates	9,148,000	-	9,148,000	-
Money market funds	7,411,943	-	7,411,943	-
	<u>\$27,149,444</u>	<u>\$10,589,501</u>	<u>\$16,559,943</u>	<u>\$ -</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2009 and 2008 consist of the following:

	2009	2008
Office furniture and equipment	\$ 1,308,133	\$ 1,292,982
Computer and related equipment	1,976,706	1,441,205
Library	94,957	88,888
Leasehold improvements	427,661	427,075
	3,807,457	3,250,150
Less accumulated depreciation and amortization	2,158,173	2,005,116
	\$ 1,649,284	\$ 1,245,034

7. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease expires in May 2015. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the lease provided 32 months “free rent” with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions, a portion of which were applied in early 2009, with the remaining portion available for use in 2010.

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The lease gives the Commission the option to renew the lease for another five-year period. Under the terms of an amendment effective November 2007, additional storage space was leased, with increased payments for the remaining life of the original lease.

Rent expense under all lease agreements was \$981,015 in 2009 and \$1,272,871 in 2008.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

7. LEASE COMMITMENTS (Continued)

Future minimum lease payments, including the estimated liability for taxes and operating expenses, relating to lease agreements in excess of one year are as follows:

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2010	\$ 92,767	\$ 1,241,999	\$ 1,334,766
2011	93,055	1,418,822	1,511,877
2012	78,748	1,463,062	1,541,810
2013	-	1,508,889	1,508,889
2014	-	1,556,141	1,556,141
Remaining	-	665,496	665,496
	<u>\$ 264,570</u>	<u>\$ 7,854,409</u>	<u>\$ 8,118,979</u>

8. POSTRETIREMENT BENEFIT OBLIGATIONS

On August 9, 1985, the Commission formed a trust to replace the Medicare coverage lost by its employees when the Social Security Administration ruled that Commission employees were ineligible for benefits.

The Commission committed to pay the future cost of Medicare premiums for former employees who were employed by the Commission and met certain criteria before March 31, 1986. Furthermore, the Commission agreed to pay eligible former employees' reimbursement credits for supplemental medical and hospitalization insurance coverage beginning at age 65. Therefore, the Commission records a liability associated with its employees' lost Medicare coverage and supplemental health benefits for retirees.

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2009 and 2008. The benefit obligation for the year ended December 31, 2009 was actuarially determined by Watson Wyatt Worldwide. Because there were no significant changes in the underlying data, coverage provisions or assumptions, the benefit obligation at December 31, 2008 was estimated by the Commission based on the 2007 actuarial valuation.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

8. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

	<u>2009</u>	<u>2008</u>
Accumulated benefit obligation at end of year	\$ 2,501,100	\$ 2,344,377
Fair value of Plan assets	1,855,549	1,720,400
Total net postretirement benefit obligation	<u>\$ (645,551)</u>	<u>\$ (623,977)</u>

Net periodic benefit costs for 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 87,798	\$ 73,132
Interest cost	102,983	121,994
Actual return on plan assets	26,761	(62,231)
Benefits paid	(11,992)	(9,900)
Amortization	(63,596)	22,589
Net periodic benefit cost	<u>\$ 141,954</u>	<u>\$ 145,584</u>

The latest key assumptions utilized by the consulting actuary are as follows:

Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - RP-2000 projected to 2009 Discount rate – 6% for 2009; 6.25% for 2008 Retirement will occur between ages 55 and 65 Medical trend ultimate - 4.5%

Assumed health care cost trend rates have a significant effect on the amounts reported for health care benefits. The effect of a 1% increase in health care cost trend rates (Medical trend ultimate) would be an increase of \$40,610 on total service cost and interest cost components and an increase of \$411,310 on the postretirement benefit obligation.

The liability will increase or decrease in future years due to changes in eligible employees, benefits paid, and possible changes in assumptions based on experience factors and applicable discount rates.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

8. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

The Commission maintains investments in a separate account for the Medicare replacement reserve. The assets at fair value as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
U.S. Treasury notes	\$ 860,154	\$ 854,107
U.S. bank certificates	781,000	846,000
Money market account	204,621	9,621
Accrued interest receivable	9,774	10,672
	<u>\$ 1,855,549</u>	<u>\$ 1,720,400</u>

The assets are invested in a conservative manner necessary to meet expected future benefits earned, to maintain an investment portfolio that minimizes risk through prudent asset allocation parameters, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The Commission expects to contribute \$117,680 to the Medicare replacement reserve in 2010.

Actuarially determined projected benefit payments for each of the next five years and the five years thereafter are as follows:

2010	\$ 27,349
2011	28,849
2012	29,313
2013	41,978
2014	45,248
2015 - 2019	<u>350,143</u>
	<u>\$ 522,880</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

9. EMPLOYEE BENEFIT PLANS

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. The Commission provides enhanced retirement plan contributions due to the Social Security Administration ruling that Commission employees are not eligible for benefits. Employee contributions are not permitted under the plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,267,161 in 2009 and \$1,249,876 in 2008. The Commission also pays the plan's administrative expenses, which totaled \$101,296 in 2009 and \$96,203 in 2008.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,496 in 2009 and \$3,766 in 2008.

10. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2009 and 2008, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

11. FUNCTIONAL EXPENSES

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2009 and 2008:

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

11. FUNCTIONAL EXPENSES (Continued)

	2009			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 8,463,512	\$ 206,667	\$ 1,422,466	\$10,092,645
Travel expenses	87,192	478	24,635	112,305
Library and continuing education	191,152	3,995	43,367	238,514
General expenses and office support	1,420,454	28,209	303,169	1,751,832
Computer expenses	190,640	3,984	43,250	237,874
Other professional and case-related expenses	745,052	3,546	40,705	789,303
Client Protection Program direct expenses				
Awards	-	1,091,473	-	1,091,473
Bank fees	-	4,191	-	4,191
Administrative expense reimbursement to ARDC	-	-	249,996	249,996
Depreciation and amortization expense	149,150	3,117	33,838	186,105
	<u>\$ 11,247,152</u>	<u>\$ 1,345,660</u>	<u>\$ 2,161,426</u>	<u>\$14,754,238</u>
	2008			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 7,942,534	\$ 197,805	\$ 1,443,529	\$ 9,583,868
Travel expenses	94,497	410	24,710	119,617
Library and continuing education	205,211	4,180	48,617	258,008
General expenses and office support	1,606,530	28,020	354,132	1,988,682
Computer expenses	179,081	3,647	42,426	225,154
Other professional and case-related expenses	809,034	2,152	88,016	899,202
Client Protection Program direct expenses				
Awards	-	1,029,220	-	1,029,220
Bank fees	-	4,372	-	4,372
Administrative expense reimbursement to ARDC	-	-	238,970	238,970
Depreciation and amortization expense	135,332	2,756	32,061	170,149
	<u>\$ 10,972,219</u>	<u>\$ 1,272,562</u>	<u>\$ 2,272,461</u>	<u>\$14,517,242</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Years Ended December 31, 2009 and 2008**

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Changes in Property and Equipment
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Expenses
 - Analysis of Significant Variations in Receipts and Expenses
- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
December 31, 2009 and 2008

	Balance January 1, 2009	Acquisitions	Dispositions	Balance December 31, 2009
Office furniture and equipment	\$ 1,292,982	\$ 29,008	\$ 13,857	\$ 1,308,133
Computer and related equipment	1,441,205	543,417	7,916	1,976,706
Library	88,888	17,344	11,275	94,957
Leasehold improvements	427,075	586	-	427,661
	<u>3,250,150</u>	<u>590,355</u>	<u>33,048</u>	<u>3,807,457</u>
Accumulated depreciation	(2,005,116)	(186,105)	(33,048)	(2,158,173)
Property and equipment, net	<u>\$ 1,245,034</u>	<u>\$ 404,250</u>	<u>\$ -</u>	<u>\$ 1,649,284</u>

	Balance January 1, 2008	Acquisitions	Dispositions	Balance December 31, 2008
Office furniture and equipment	\$ 1,297,926	\$ 93,808	\$ 98,752	\$ 1,292,982
Computer and related equipment	1,020,223	486,094	65,112	1,441,205
Library	79,673	18,184	8,969	88,888
Leasehold improvements	380,206	46,869	-	427,075
	<u>2,778,028</u>	<u>644,955</u>	<u>172,833</u>	<u>3,250,150</u>
Accumulated depreciation	(2,007,800)	(170,149)	(172,833)	(2,005,116)
Property and equipment, net	<u>\$ 770,228</u>	<u>\$ 474,806</u>	<u>\$ -</u>	<u>\$ 1,245,034</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF CASH RECEIPTS - EXCLUDING INVESTMENT PROCEEDS
For the Years Ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Accrual Basis:			
Registration and program fees and delinquent charges	\$ 16,595,386	\$ 16,290,057	\$ 15,926,372
Investment income			
Interest	404,491	802,501	817,805
Net appreciation (depreciation) of investments	(88,650)	(23,251)	197,389
Costs reimbursements collected	81,735	103,721	94,244
Administrative expense reimbursements from CPP	249,996	238,970	-
Client Protection Program reimbursements	142,350	51,706	25,058
Total revenue (accrual basis)	<u>17,385,308</u>	<u>17,463,704</u>	<u>17,060,868</u>
Plus:			
Deferred fees - end of year	13,537,519	12,693,071	12,325,359
Interest receivable - beginning of year	115,829	145,879	215,747
Accounts receivable - beginning of year	7,735	31,871	35,772
Deposits - end of year	7,481	11,665	11,651
Less:			
Deferred fees - beginning of year	(12,693,071)	(12,325,359)	(11,961,320)
Interest receivable - end of year	(37,927)	(115,829)	(145,879)
Accounts receivable - end of year	(78,731)	(7,735)	(31,871)
Deposits - beginning of year	(11,665)	(11,651)	(8,113)
Total receipts (cash basis)	<u>\$ 18,232,478</u>	<u>\$ 17,885,616</u>	<u>\$ 17,502,214</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2009, 2008 and 2007

	2009	2008	2007
Salaries and related expenses			
Full-time staff	\$ 7,049,396	\$ 6,966,271	\$ 6,528,537
Temporary help	366,361	150,176	77,265
Employment taxes	120,484	101,037	96,976
Employee group insurance	1,147,289	970,924	875,477
Postretirement benefits	141,954	145,584	127,754
Retirement plan	1,267,161	1,249,876	1,171,232
Total salaries and related expenses	<u>10,092,645</u>	<u>9,583,868</u>	<u>8,877,241</u>
Travel expenses			
Staff	28,553	25,287	42,330
Vehicles	36,349	40,156	34,735
Commissioners	12,834	12,379	10,948
Review board	9,711	7,635	11,283
Hearing board	23,261	31,826	26,636
Inquiry and oversight boards	1,597	2,334	2,567
Total travel expenses	<u>112,305</u>	<u>119,617</u>	<u>128,499</u>
Library and continuing education	<u>238,514</u>	<u>258,008</u>	<u>230,042</u>
General expenses and office support			
Office rent	981,015	1,272,871	1,134,545
Utilities and maintenance	65,962	72,880	71,039
Telephone	109,543	90,783	89,867
Insurance general	60,312	72,578	75,530
Postage	184,659	170,136	162,918
Equipment rental and maintenance	45,194	45,467	65,302
Office supplies and expense	178,334	181,053	144,493
Stationery and forms	76,146	60,212	72,020
Publications	50,667	22,702	24,865
Loss on disposal of property and equipment	-	-	69
Total general expenses and office support	<u>1,751,832</u>	<u>1,988,682</u>	<u>1,840,648</u>
Computer expense	<u>237,874</u>	<u>225,154</u>	<u>304,775</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Other professional and case-related expenses			
Auditing	\$ 19,000	\$ 33,897	\$ 15,000
Retirement plan and trust expenses	101,430	98,966	105,247
Consultants and fees	91,286	60,770	7,255
Court reporting	332,835	322,737	298,236
Other independent contractors	9,333	183,532	279,704
Witness fees - professional	194,356	156,176	204,454
Witness fees - other	14,377	22,642	9,113
Duplication of records	26,686	20,482	20,259
Total other professional and case-related expenses	<u>789,303</u>	<u>899,202</u>	<u>939,268</u>
Client Protection Program payments	<u>1,095,664</u>	<u>1,033,592</u>	<u>698,829</u>
Administrative expense reimbursement to ARDC	<u>249,996</u>	<u>238,970</u>	<u>-</u>
Depreciation and amortization expense	<u>186,105</u>	<u>170,149</u>	<u>157,942</u>
Total expenses	<u>\$ 14,754,238</u>	<u>\$ 14,517,242</u>	<u>\$ 13,177,244</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2009 and 2008**

A comparative schedule of significant variations in receipts and expenses greater than \$60,000 and more than 20% for the year ended December 31, 2009 is shown below:

	2009	2008	Variance	
			Amount	%
<u>Receipts</u>				
Investment income	\$315,841	\$779,250	(\$463,409)	(59%)
Client Protection Program reimbursements	\$142,350	\$51,706	\$90,644	175%

Investment income

The decrease in investment income was due to low interest rates as a result of the downturn in the market condition.

Client Protection Program reimbursements

The increase in Client Protection Program reimbursement was due to an increase in the collection of outstanding accounts of discipline attorneys.

There were no significant variations in expenses this year compared to prior year.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2009 and 2008**

A comparative schedule of significant variations in receipts and expenses greater than \$60,000 and more than 20% for the year ended December 31, 2008 is shown below:

	2008	2007	Variance	
			Amount	%
<u>Receipts</u>				
Investment income	\$779,250	\$1,015,194	(\$235,944)	(23%)
Administrative expense reimbursements from CPP	\$238,970	\$-	\$238,970	100%
<u>Expenses</u>				
Computer expenses	\$225,154	\$304,775	(\$79,621)	(26%)
Client Protection Program direct expenses	\$1,033,592	\$698,829	\$334,763	48%
Administrative expense reimbursement to ARDC	\$238,970	\$-	\$238,970	100%

Investment income

The decrease in investment income was due to low interest rates as a result of the downturn in the market condition.

Administrative expense reimbursement from CPP and Administrative expense reimbursement to ARDC

Effective in 2008, the Client Protection Program reimbursed the Registration and Discipline program of the Commission for its share in administrative expenses based on the number of employees serving CPP. As a result, a revenue is recorded in the Registration and Discipline program and corresponding expense in the CPP program.

Computer expenses

The decrease in computer expenses was due mainly to the purchase of a server, phone software and updates on iMIS registration software in 2007.

Client Protection Program direct expenses

The increase was due to an increase in the number of cases awarded in 2008 compared to 2007. In addition, the cap for CPP payment went up from \$50,000 in 2007 to \$75,000 in 2008.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Years Ended December 31, 2009 AND 2008**

The Attorney Registration and Disciplinary Commission (Commission) was established in 1973 by the Illinois Supreme Court (the Court) to monitor the registration and regulation of attorneys admitted to practice law in Illinois. In 1994, the Court established the Client Protection Program to provide reimbursements to clients who have lost money or property because of dishonest conduct by lawyers admitted to practice law in Illinois. This program reimburses, up to a maximum of \$75,000, clients who cannot obtain reimbursement from the lawyer who caused the loss or from other sources.

Seven commissioners are appointed by the Illinois Supreme Court to direct the Commission. Four of these appointees are attorneys; three are public members. The Commissioners appoint, with the approval of the Court, the Administrator of the Commission; oversee the collection and administration of funds; develop rules for disciplinary proceedings and appoint attorney and lay members of the Hearing and Inquiry Boards which are involved in disciplinary matters.

The Administrator is the principal executive officer of the Commission. The Administrator's responsibilities include directing the disciplinary system, monitoring the registration of attorneys and collection of annual registration fees and overseeing the investigation of charges of misconduct and the prosecution of disciplinary cases.

The Commissioners and the Administrator of the Commission as of December 31, 2009 were:

Commissioners

Benedict Schwarz, II, Chairman
Derrick K. Baker
Joan Myers Eagle
John R. Carroll
Robert Michael Henderson
Brian McFadden
James R. Mendillo

Administrator

Jerome Larkin

**STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 AGENCY FUNCTIONS AND PLANNING PROGRAM
 For the Years Ended December 31, 2009 AND 2008**

The Commission's primary office is located at One Prudential Plaza, Suite 1500, 130 East Randolph Drive, Chicago, Illinois. The Commission also has an office located at One North Old Capitol Plaza, Springfield, Illinois.

The Organization as well as the general policies and procedures of the Commission are established by the Illinois Supreme Court rules.

The Commission maintains a five-year forecast to identify the budgeting goals of the Commission. The Commission staff prepares an annual budget based on the plans and objectives of the Commission as well as the case load projections. This budget is assembled on a line-item by line-item basis with explanations for all significant changes from the previous year's budget and actual performance. Upon its completion, the budget is presented to the Commissioners for their approval. After the budget is approved, it is compared against the actual operations of the Commission through the identification of favorable and unfavorable variances. The Commissioners are provided monthly reports that compare the budget with actual results.

Average Number of Employees by Function

	<u>2009</u>	<u>2008</u>
Registration and Discipline	84	86
Client Protection Program	2	2
Administration and Support	<u>19</u>	<u>20</u>
Total average number of employees by function	<u>105</u>	<u>108</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)
For the Years Ended December 31, 2009 AND 2008**

<u>Attorney Initially Admitted to the Bar</u>	<u>2009</u>	<u>2008</u>
Attorneys admitted during current fiscal year	3,164	3,360
Attorneys admitted longer than one year, but less than three years	5,227	5,049
Attorneys admitted for three years or longer	62,387	62,005
Serving:		
Active military duty	255	248
Judges or judicial clerk	2,016	1,734
Birthday before December 31, 1932, December 31, 1931	1,409	1,725
Inactive status	<u>10,313</u>	<u>9,760</u>
Total active and registered attorneys	<u>84,771</u>	<u>83,881</u>
Removed from master roll (arrears, deceased, retired, disciplined and MCLE removals)	<u>3,226</u>	<u>2,288</u>
<u>Annual Attorney Registration Fees</u>		
Attorneys admitted longer than one year but less than three years	\$105	\$105
Attorneys admitted for three years or longer	\$289	\$289
Attorneys or inactive status	\$105	\$105