

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended September 30, 2007**

**Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois**

**KYLE E. MCGINNIS  
CERTIFIED PUBLIC ACCOUNTANT  
200 EAST PINE  
SPRINGFIELD, ILLINOIS 62704**

**Illinois Board of Admissions to the Bar  
Financial Audit and Compliance Examination  
For the Two Years Ended September 30, 2007**

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## BOARD OFFICIALS

### ILLINOIS BOARD OF ADMISSIONS TO THE BAR

Director of Administration	Ms. Jane Hefti
Deputy Director of Administration	Ms. Lillian Leskera
Members of the Board	
President	Mr. David W. Andich
Secretary/Treasurer	Mr. Donald H. Funk
Member of the Board	Mr. James R. Carroll
Member of the Board	Mr. Lawrence N. Hill
Member of the Board	Mr. Theodore L. Kuzniar
Member of the Board	Mr. Neil K. Quinn
Member of the Board	Mr. John J. Rekowski

Board offices are located at:

625 South College Street  
Springfield, Illinois 62704-2521



ILLINOIS BOARD OF ADMISSIONS  
TO THE BAR

MEMBERS OF THE BOARD  
NEIL K. QUINN, CHICAGO, PRESIDENT  
DONALD H. FUNK, SEC. TREAS., SPRINGFIELD  
DAVID W. ANDICH, ROCK ISLAND  
THEODORE L. KUZNIAH, ST. CHARLES  
LAWRENCE N. HILL, CHICAGO  
JAMES R. CARROLL, CHICAGO  
JOHN P. LONG, O'FALLON

JANF HFFTI  
DIRECTOR OF ADMINISTRATION  
625 SOUTH COLLEGE STREET  
SPRINGFIELD, ILLINOIS 62704-2521  
TELEPHONE (217) 522-5917  
FACSIMILE (217) 522-3728

MANAGEMENT ASSERTION LETTER

Kyle E. McGinnis, CPA  
200 East Pine  
Springfield, Illinois 62704

March 20, 2008


Ladies and Gentlemen:

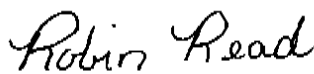
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Board. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Board's compliance with the following assertions during the two-year period ended September 30, 2007. Based on this evaluation, we assert that during the years ended September 30, 2007 and September 30, 2006, the Board has materially complied with the assertions below.

- A. The Board has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Board has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such receipt or use.
- C. The Board has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Board or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Board of Admissions to the Bar

  
Jane Hffti, Director

  
Robin Read, Fiscal Officer

ILLINOIS BOARD OF ADMISSIONS TO THE BAR

**COMPLIANCE REPORT**

**SUMMARY**

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

**AUDITOR'S REPORTS**

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

**SUMMARY OF FINDINGS**

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

**EXIT CONFERENCE**

In a letter dated March 14, 2008 the officials of the Illinois Board of Admissions to the Bar determined that a formal exit conference would not be necessary.

**KYLE E. McGINNIS**

Certified Public Accountant

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

200 EAST PINE \* SPRINGFIELD, ILLINOIS 62704

TELEPHONE: (217) 753-3377 FAX: (217) 753-8922

**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

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Board of Admissions to the Bar's 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 September 30, 2007 and 2006. The management of Illinois Board of Admissions to the Bar is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Board of Admissions to the Bar's compliance based on our examination.

- A. The Illinois Board of Admissions to the Bar has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Illinois Board of Admissions to the Bar has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Illinois Board of Admissions to the Bar has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The fees collected by the Illinois Board of Admissions to the Bar 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 Illinois Board of Admissions to the Bar or held in trust by the Illinois Board of Admissions to the Bar 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 Illinois Board of Admissions to the Bar'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 Illinois Board of Admissions to the Bar's compliance with specified requirements.

In our opinion, Illinois Board of Admissions to the Bar complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended September 30, 2007 and 2006.

### **Internal Control**

The management of Illinois Board of Admissions to the Bar 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 Illinois Board of Admissions to the Bar's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine 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 Illinois Board of Admissions to the Bar's internal control over compliance. Accordingly, we do not express opinion on the effectiveness of the Illinois Board of Admissions to the Bar's internal control over compliance.

A control 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.


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 would not necessarily identify all deficiencies in internal control that might be 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.



### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Illinois Board of Admissions to the Bar as of and for the years ended September 30, 2007 and 2006, which collectively comprise the Illinois Board of Admissions to the Bar's basic financial statements, and have issued our report thereon dated March 20, 2008. 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 basic financial statements of the Illinois Board of Admissions to the Bar. The 2007 and 2006 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended September 30, 2007 and 2006, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois Board of Admissions to the Bar's basic financial statements for the years ended September 30, 2005 and September 30, 2004. In our reports dated December 14, 2005 on basic financial statements, we expressed unqualified opinions on the respective financial statements. In our opinion, the 2005 and 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended September 30, 2005 and September 30, 2004, 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, Board management, and the agency's governing board, and is not intended to be and should not be used by anyone other than these specified parties.

  
Kyle E. McGinnis  
Certified Public Accountant  
Springfield, Illinois

March 20, 2008

ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
SCHEDULE OF FINDINGS  
CURRENT FINDINGS  
For the Two Years Ended September 30, 2007

There were no findings noted during the compliance testing for the two years ended September 30, 2007.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
SCHEDULE OF FINDINGS  
For the Two Years Ended September 30, 2007

Prior Audit Findings Not Repeated

There were no findings noted during the compliance testing for the two years ended September 30, 2005.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Board of Admissions to the Bar was performed by Kyle E. McGinnis, CPA.

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

**KYLE E. McGINNIS**

Certified Public Accountant

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**MEMBER OF:**

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**200 EAST PINE • SPRINGFIELD, ILLINOIS 62704  
TELEPHONE: (217) 753-3377 FAX: (217) 753-8922**

**Independent Auditor's Report**

Honorable William G. Holland  
Auditor General  
State of Illinois

Board of Directors  
Illinois Board of Admissions to the Bar  
Springfield, Illinois

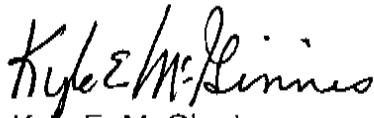
As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Board of Admissions to the Bar, as of and for the years ended September 30, 2007 and September 30, 2006, which collectively comprise the Illinois Board of Admissions to the Bar's financial statements as listed in the table of contents. These financial statements are the responsibility of the Illinois Board of Admissions to the Bar's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Board of Admissions to the Bar, as of September 30, 2007 and September 30, 2006, and the operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The statement of functional expenses has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements 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 Comptroller, Board management and the agency's governing board, and is not intended to be and should not be used by anyone other than these specified parties.



Kyle E. McGinnis  
Certified Public Accountant  
Springfield, Illinois

March 20, 2008

**Illinois Board of Admissions to the Bar**  
**Statement of Financial Position**  
**September 30,**

<b>Assets</b>		2007	2006
<b>Current Assets:</b>			
Cash and cash equivalents		\$ 211,406	\$ 136,492
Investments - short term (Note B)		1,423,958	1,873,198
Accounts Receivable		-	993
Interest Receivable		690	1,188
Prepaid expenses		60,307	66,577
<b>Total Current Assets</b>		<b>\$ 1,696,361</b>	<b>\$ 2,078,448</b>
Building and improvements		\$ 1,232,719	\$ 1,232,719
Office equipment and furniture		522,116	450,220
Less accumulated depreciation		(495,864)	(432,670)
<b>Total</b>		<b>\$ 1,258,971</b>	<b>\$ 1,250,269</b>
<b>Land</b>		<b>\$ 189,729</b>	<b>\$ 189,729</b>
<b>Other Assets</b>			
Investments - long term (Note B)		\$ 3,386,446	\$ 2,546,383
Investments - designated trust fund (Note B)		104,535	124,995
<b>Total Assets</b>		<b>\$ 6,636,042</b>	<b>\$ 6,189,824</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable		\$ 105,362	\$ 99,476
Accrued expenses		22,445	28,961
Deferred examination and registration fee		75,200	23,100
<b>Total Current Liabilities</b>		<b>\$ 203,007</b>	<b>\$ 151,537</b>
<b>Net Assets:</b>			
Unrestricted		<b>\$ 6,433,035</b>	<b>\$ 6,038,287</b>
<b>Total Liabilities and Net Assets</b>		<b>\$ 6,636,042</b>	<b>\$ 6,189,824</b>

The accompanying notes are an integral part of this financial statement.

**Illinois Board of Admissions to the Bar**  
**Statement of Activities**  
**For the Years Ended September 30,**

	2007	2006
	<u>Unrestricted</u>	<u>Unrestricted</u>
<b>Revenues and Reclassifications</b>		
Examination Fees	\$ 1,685,350	\$ 1,681,150
Character and Fitness Review Fees	1,428,250	1,220,250
Application on Motion	97,600	76,800
Investment Income	198,874	159,833
House Counsel Fees	29,200	32,600
Credit Card Fees	33,240	-
Realized Gain on Investment	97	-
Unrealized Gain on Investment	85,225	5,717
Gain on Disposition of Equipment	-	45
<b>Total Revenues and Reclassifications</b>	<u>\$ 3,557,836</u>	<u>\$ 3,176,395</u>
<b>Expenses and Losses</b>		
<b>Program Services</b>		
Committee on Character and Fitness	\$ 948,812	\$ 783,446
Bar Exam Administration	1,546,458	1,452,824
<b>Total Program Services</b>	<u>\$ 2,495,270</u>	<u>\$ 2,236,270</u>
<b>Support Services</b>		
General and Administrative Expenses	634,445	604,068
<b>Loss on Disposition of Equipment</b>	33,373	-
<b>Directed Distribution</b>	<u>-</u>	<u>400,000</u>
<b>Total Expenses and Losses</b>	<u>\$ 3,163,088</u>	<u>\$ 3,240,338</u>
<b>Change in Net Assets</b>	\$ 394,748	\$ (63,943)
<b>Net Assets at Beginning of Year</b>	<u>6,038,287</u>	<u>6,102,230</u>
<b>Net Assets at End of Year</b>	<u>\$ 6,433,035</u>	<u>\$ 6,038,287</u>

The accompanying notes are an integral part of this financial statement.



**Illinois Board of Admissions to the Bar**  
**Statement of Cash Flows**  
**For the Years Ended September 30,**

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 394,748	\$ (63,943)
Adjustments to reconcile change in net assets provided by operating activities:		
Unrealized gain on investments	(85,225)	(5,717)
Depreciation	81,552	79,443
Loss (gain) on disposition of assets	33,488	(45)
Accretion of investments	(144,319)	(112,334)
Changes in Assets and Liabilities		
Accounts receivable	993	(487)
Interest receivable	498	98
Prepaid expenses	6,270	(1,636)
Accounts payable	5,886	29,833
Accrued Liabilities	(6,516)	20,736
Deferred examination and registration fees	52,100	7,900
Total Adjustments	\$ (55,273)	\$ 17,791
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 339,475</b>	<b>\$ (46,152)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of equipment	\$ -	\$ 110
Purchase of building and improvements to real estate	-	(22,116)
Purchase of office equipment	(123,742)	(32,229)
Purchase of short-term investments	(2,203,785)	(2,192,357)
Maturities of short-term investments	3,493,903	2,273,461
Purchase of long-term investments	(1,452,975)	(532,587)
Purchase of retirement trust investments	(79,359)	(4,990)
Maturities of retirement trust investments	101,397	27,132
<b>Net Cash Used by Investing Activities</b>	<b>\$ (264,561)</b>	<b>\$ (483,576)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 74,914</b>	<b>\$ (529,728)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>136,492</b>	<b>666,220</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 211,406</b>	<b>\$ 136,492</b>

The accompanying notes are an integral part of this financial statement.

**Illinois Board of Admissions to the Bar  
Notes to Financial Statements**

**Note A Summary of Significant Accounting Policies**

**Nature of Activities**

The Illinois Board of Admissions to the Bar (the Board) was established by the Illinois Supreme Court (the Supreme Court) and authorized to operate under Illinois Supreme Court rules 701 through 717. The Board's primary function is to conduct the Illinois Bar examination. This includes the processing of examination applications; the collection of examination and law student registration fees; and the administration and grading of the exams. Additionally the Board has responsibility for approval of applications on motion, foreign legal consultant, house counsel and legal service program, licenses, and the collection of related fees.

The Illinois Supreme Court also established the Committee on Character and Fitness (the Committee). The Committee has the responsibility of determining whether applicants for admission to the bar are of good moral character and general fitness to practice law in the State of Illinois. The operations and related expenses of the Committee are administered by the Board.

**Organizational Structure**

The Board consists of seven members of the Illinois Bar (the Bar) who are appointed by the Supreme Court for staggered three year terms.

The Committee currently consists of 101 members of the bar who are appointed by the Supreme Court for staggered three year terms. The Committee of the 1<sup>st</sup> judicial district (Cook County) must not have less than thirty members and the remaining four judicial districts must not have less than 15 members each.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Cash Equivalents**

The Board considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investment Securities**

Unrestricted investments with maturity dates of one year or less as of the balance sheet date are classified as short term. All Unrestricted investments with maturity dates beyond one year from the balance sheet date are classified as long term. All investments held in the retirement trust account are considered long term investments due to restrictions on the use of those funds.

## **Note A Summary of Significant Accounting Policies Continued**

### **Property and equipment**

Properties and equipment are stated at cost. The cost of buildings and equipment are charged against income over their estimated useful lives, using the straight-line method of depreciation. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property and equipment, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income. Assets recorded under capital leases are amortized over the shorter of their useful lives or the term of the related leases by use of the straight line method.

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

Buildings and Improvements	15 to 40 years
Equipment	5 to 10 years

### **Use of Estimates**

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

### **Income Taxes**

The Board is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and therefore has made no provision for federal income taxes. The federal tax exemption also qualifies the Board from income taxation in the State of Illinois.

### **Functional Allocation of Expenses**

The costs of providing the programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited when reasonably determinable. Any cost, the allocation of which is not reasonably determinable, has been reported as a general and administrative expense.

**Note B Investment Securities**

Investments are stated at fair market value and consist primarily of U.S. Treasury Bills and U.S. Treasury Notes.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>September 30, 2007</b>			
U.S. Treasury Bills- Short term	\$ 597,239	\$ 596,967	\$ (272)
U.S. Treasury Strips- Short term	745,992	826,991	80,999
U.S. Treasury Strips- Long term	<u>3,183,623</u>	<u>3,386,446</u>	<u>202,823</u>
	<u>\$4,526,854</u>	<u>\$4,810,404</u>	<u>\$ 283,550</u>
<b>September 30, 2006</b>			
U.S. Treasury Bills- Short term	\$ 448,049	\$ 447,819	\$ (230)
U.S. Treasury Strips- Short term	1,341,134	1,425,379	84,245
U.S. Treasury Strips- Long term	<u>2,476,640</u>	<u>2,546,383</u>	<u>69,743</u>
	<u>\$4,265,823</u>	<u>\$4,419,581</u>	<u>\$ 153,758</u>

**Board Designated Amounts**

The following funds represent Board designated amounts set aside to fund payment of a non-qualified retirement benefit of a former employee.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>September 30, 2007</b>			
U.S. Treasury Notes	\$ 75,142	\$ 74,639	\$ (503)
U.S. Treasury Bills	24,388	24,720	332
Allegiant Money Market Fund I Shares	<u>5,176</u>	<u>5,176</u>	<u>          </u>
	<u>\$ 104,706</u>	<u>\$ 104,535</u>	<u>\$ (171)</u>

## Note B Investment Securities Continued

### September 30, 2006

U.S. Treasury Notes	\$ 125,012	\$ 123,261	\$ (1,751)
Allegiant Government Money Market Fund	<u>1,734</u>	<u>1,734</u>	<u>(1,751)</u>
	<u>\$ 126,746</u>	<u>\$ 124,995</u>	<u>\$ (1,751)</u>

Investment return is summarized as follows:

	<u>2006</u>	<u>2007</u>
Interest Income	\$ 159,833	\$ 198,874
Realized gains on security sales	-	97
Unrealized gains on securities held	<u>5,717</u>	<u>85,225</u>
Total investment return	<u>\$ 165,550</u>	<u>\$ 284,196</u>

## Note C Employee Benefit Plan

Effective October 1, 1995 the Board established a defined contribution retirement plan to benefit all full time employees. Under the plan, the Board contributes a minimum of 3% of each eligible employee's salary. For purposes of eligibility all employees with over 1,000 hours of service during the fiscal year are considered full time employees.

For fiscal year 2007 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$73,914.

For fiscal year 2006 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$67,759.

## Note D Retirement Liability

On November 20, 1984, the Supreme Court authorized the Board to provide retirement, medicare, and medicaid payments to an employee of the Board upon the employee's retirement in consideration of the employee's past services and long term employment. An agreement was entered into on May 1, 1985 between the Board and the employee which set monthly payments at \$1,741 plus amounts required for insurance payments. The agreement states that this benefit is payable each month for the remainder of the employee's lifetime and that the employee may not transfer this benefit.

On June 30, 1992, the employee officially retired from the Board. Beginning July 1, 1992, the Board made monthly payments to the retired employee. The financial statements reflect a current and long term portion of this obligation, based on the present value of the estimated liability which was calculated using an assumed interest rate of 9% and a lifetime based on mortality tables published by the U.S. National Center for Health Statistics.

**Note D Retirement Liability Continued**

The Board's future commitments related to this agreement, on a present value basis are as follows:

	<u>2007</u>	<u>2006</u>
Year ended September 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>

**Note E Capital Leases**

The Board leases office equipment under various agreements classified as capital leases. The cost of this equipment at September 30, 2007 and 2006 was \$54,922 and \$54,922, respectively. The related accumulated depreciation on this equipment was \$54,922 for 2007 and \$54,922 for 2006.

The following is a schedule of minimum lease payments under the leases together with the present value of the net minimum payments as of September 30,

	<u>2007</u>	<u>2006</u>
Total future minimum lease payments	<u>\$ -0-</u>	<u>\$ -0-</u>

Total interest expense on long-term capital lease obligations for fiscal years 2007 and 2006 was \$0 and \$0, respectively.

**Note F Donated Services**

The Board receives a significant amount of donated services from Board members and other unpaid volunteers who assist in the administration of certain Board or Committee functions. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

**Note G Concentration of Credit Risks**

Illinois Board of Admissions to the Bar maintains bank accounts at one bank. On April 15, 1998 the Board entered into a collateral pledge agreement with the bank. This agreement required the bank to pledge U.S. government securities owned by the bank as collateral to secure all board deposits held by the bank which exceeded FDIC insurance limits.

**Note H Land, Building and Equipment**

The following is a summary of land, building and equipment as of September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 189,729	\$ 189,729
Building and improvements	1,232,719	1,232,719
Office equipment and furniture	<u>522,116</u>	<u>450,220</u>
	\$1,944,564	\$1,872,668
Less accumulated depreciation	<u>(495,864)</u>	<u>(432,670)</u>
Total	<u>\$1,448,700</u>	<u>\$1,439,998</u>

**Note I Significant Events**

The Supreme Court has created a Minimum Continuing Legal Education program in Illinois. Consistent with Supreme Court Rule 792(e), the Court has identified the Board as the initial funding source for this new program. On December 13, 2005 the Board received a formal request that the sum of \$400,000 be made available for transfer to fund this new program. This payment was made on February 8, 2006, in the amount of \$400,000.

**Note J Subsequent Events**

On February 22, 2008 the retired employee, referred to in Note D, who receives retirement, medicare, and medicaid payments from the Board died. Pursuant to the agreement between the Board and the employee, all payments terminated upon her death, and her estate has no further claim against any remaining funds in the account. Furthermore, the Board transferred all funds remaining in the investment account designated for the employee's retirement to their undesignated investment account.

## **Supplementary Information**



**Illinois Board of Admissions to the Bar**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended September 30, 2007**

	<u>Program Services</u>			<u>Total</u> <u>Expenses</u>
	<u>Committee on</u> <u>Character and</u> <u>Fitness</u>	<u>Examination</u> <u>Administration</u>	<u>General and</u> <u>Administrative</u>	
<b>Salaries, Wages and Payroll Taxes:</b>				
Central Office	\$ 409,770	\$ 299,944	\$ 223,752	\$ 933,466
Proctors and Clerks	-	170,739	-	170,739
Security	-	15,138	-	15,138
<b>Total Salaries, Wages and Payroll Taxes</b>	<b>\$ 409,770</b>	<b>\$ 485,821</b>	<b>\$ 223,752</b>	<b>\$ 1,119,343</b>
Examinations Purchased	-	\$ 371,091	-	\$ 371,091
Rent - Exam Facilities	-	200,167	-	200,167
Exam Grading Assistants	-	251,803	-	251,803
Xerox Expense	5,220	5,220	1,160	11,600
Office Machinery Expense	20,390	20,390	4,532	45,312
Postage and Express Delivery Services	47,613	47,613	10,580	105,806
Non-Standard Testing Expense	-	12,607	-	12,607
Admissions Ceremony Facility Rent	-	-	43,532	43,532
Occupancy Costs	-	-	58,848	58,848
Insurance	78,290	42,620	69,195	190,105
Printing and Supplies	23,638	23,638	20,262	67,538
Legal	177,165	8,182	63	185,410
Accounting	-	-	19,865	19,865
Telephone	7,308	7,308	1,623	16,239
Pension	41,688	25,110	38,016	104,814
Meeting Expense	63,646	708	29,965	94,319
Miscellaneous Operating Expenses	20,976	44,180	5,168	70,324
Depreciation	-	-	81,552	81,552
Retirement Contract Expense	-	-	26,332	26,332
Character and Fitness Review Costs	53,108	-	-	53,108
<b>Total Operating Expenses</b>	<b>\$ 948,812</b>	<b>\$ 1,546,458</b>	<b>\$ 634,445</b>	<b>\$ 3,129,715</b>

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

**Illinois Board of Admissions to the Bar**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended September 30, 2006**

	Program Services			General and Administrative	Total Expenses
	Committee on Character and Fitness	Examination Administration			
<b>Salaries, Wages and Payroll Taxes:</b>					
Central Office	\$ 364,946	\$ 270,318		\$ 211,359	\$ 846,623
Proctors and Clerks	-	167,454		-	167,454
Security	-	14,129		-	14,129
<b>Total Salaries, Wages and Payroll Taxes</b>	<b>\$ 364,946</b>	<b>\$ 451,901</b>		<b>\$ 211,359</b>	<b>\$ 1,028,206</b>
Examinations Purchased	-	\$ 327,100		-	\$ 327,100
Rent - Exam Facilities	-	222,610		-	222,610
Exam Grading Assistants	-	232,500		-	232,500
Xerox Expense	4,435	4,435		985	9,855
Office Machinery Expense	15,948	15,948		3,543	35,439
Postage and Express Delivery Services	51,170	51,170		11,370	113,710
Non-Standard Testing Expense	-	18,554		-	18,554
Admissions Ceremony Facility Rent	-	-		34,851	34,851
Occupancy Costs	-	-		52,173	52,173
Insurance	70,204	39,499		69,891	179,594
Printing and Supplies	27,045	27,045		23,181	77,271
Legal	102,620	8,479		116	111,215
Accounting	-	-		29,115	29,115
Telephone	7,244	7,244		1,610	16,098
Pension	37,628	22,873		35,438	95,939
Meeting Expense	17,883	1,041		19,525	38,449
Miscellaneous Operating Expenses	-	22,425		4,940	27,365
Travel	-	-		196	196
Depreciation	-	-		79,443	79,443
Retirement Contract Expense	-	-		26,332	26,332
Character and Fitness Review Costs	-	-		-	-
<b>Total Operating Expenses</b>	<b>\$ 84,323</b>	<b>\$ 1,452,824</b>		<b>\$ 604,068</b>	<b>\$ 2,840,338</b>

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

## **SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

### **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
  - Comparative Schedule of Cash Receipts
  - Comparative Schedule of Expenses
  - Expenses on a Functional Basis
  - Analysis of Significant Balance Sheet Accounts
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Variations in Expenses
  
- Analysis of Operations
  - Agency Functions and Planning Program
  - Average Number of Employees
  - Service Efforts and Accomplishments (unaudited)

The accountant's 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 basic 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.

**Illinois Board of Admissions to the Bar  
Schedule of Changes in Property  
For the Two Years Ended September 30, 2006 and 2007**

	<u>Building Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
<b>Balance at October 1, 2005</b>	\$ 1,210,603	\$ 420,264	\$ 189,729	\$ 1,820,596
Additions	22,116	32,229		54,345
Retirements and disposals		<u>(2,273)</u>		<u>(2,273)</u>
<b>Balance at September 30, 2006</b>	\$ 1,232,719	\$ 450,220	\$ 189,729	\$ 1,872,668
Additions		123,742		123,742
Retirements and disposals		<u>(51,846)</u>		<u>(51,846)</u>
<b>Balance at September 30, 2007</b>	<u>\$ 1,232,719</u>	<u>\$ 522,116</u>	<u>\$ 189,729</u>	<u>\$ 1,944,564</u>

**Illinois Board of Admissions to the Bar**  
**Supplementary Information**  
**For the Years Ended September 30, 2007, 2006 and 2005**

	Fiscal Year Ended September 30,		
	2007	2006	2005
<b>Comparative Schedule of Cash Receipts</b>			
<b>Cash Receipts</b>			
Examination fees	\$ 1,760,550	\$ 1,681,150	\$ 1,370,950
Application on motion	74,500	84,700	75,200
House counsel fees	29,200	32,600	99,300
Investment income	167,388	134,676	136,585
Character and fitness fees	1,428,250	1,220,250	1,164,600
Credit card fees	33,240		
<b>Total Cash Receipts (Cash Basis)</b>	<b>\$ 3,493,128</b>	<b>\$ 3,153,376</b>	<b>\$ 2,846,635</b>
Plus:			
Deferred exam fees - Beginning of year	23,100	15,200	80,550
Interest accruals and accretion - End of year	145,009	113,523	88,366
Less:			
Deferred exam fees - End of year	(75,200)	(23,100)	(15,200)
Interest accruals and accretion - Beginning of year	(113,523)	(88,366)	(98,133)
<b>Total Revenue (Accrual Basis)</b>	<b>\$ 3,472,514</b>	<b>\$ 3,170,633</b>	<b>\$ 2,902,218</b>
<b>Comparative Schedule of Expenses</b>			
<b>Expenses on an Object Basis</b>			
Salaries, wages and payroll taxes			
Central office	\$ 948,604	\$ 860,752	\$ 805,271
Proctors	170,739	167,454	140,971
Examination purchases	371,091	327,100	302,139
Examination grading	251,803	232,500	244,909
Examination administration	350,943	379,399	278,079
Admissions ceremony	43,532	34,851	25,947
Occupancy costs	58,848	52,173	52,524
Insurance	190,105	179,594	158,105
General operating	594,286	468,495	478,411
Retirement contract	26,332	26,332	26,201
Miscellaneous	70,324	27,365	26,428
Character and fitness review costs	53,108	84,323	106,064
<b>Total Expenses (Accrual Basis)</b>	<b>\$ 3,129,715</b>	<b>\$ 2,840,338</b>	<b>\$ 2,645,049</b>
<b>Expenses on a Functional Basis</b>			
Committee on Character and Fitness	\$ 948,812	\$ 783,446	\$ 801,183
Examination Administration	1,546,458	1,452,824	1,284,316
General and Administrative	634,445	604,068	559,550
<b>Total Expenses (Accrual Basis)</b>	<b>\$ 3,129,715</b>	<b>\$ 2,840,338</b>	<b>\$ 2,645,049</b>

**Illinois Board of Admissions to the Bar  
Supplementary Information  
For the Years Ended September 30, 2006 and 2007**

	Cost	Fair Value
<b>Analysis of Significant Balance Sheet Accounts</b>		
<b>Investments - Designated Trust Fund</b>		
<b>September 30, 2006</b>		
Allegiant Government Money Market Fund	\$ 1,734	\$ 1,734
50,000 U.S. Treasury Note Due 11/15/06, 3.50%	49,870	49,914
25,000 U.S. Treasury Note Due 11/15/07, 3.00%	25,073	24,492
25,000 U.S. Treasury Note Due 2/15/09, 3.00%	24,947	24,088
25,000 U.S. Treasury Note Due 8/15/08, 4.125%	25,122	24,767
<b>Total Designated Trust Fund - September 30, 2006</b>	<b>\$ 126,746</b>	<b>\$ 124,995</b>
<b>September 30, 2007</b>		
Allegiant Government Money Market Fund I Shares	\$ 5,176	\$ 5,176
25,000 U.S. Treasury Bill Due 1/17/08	24,388	24,720
25,000 U.S. Treasury Note Due 11/15/07, 3.00%	25,073	24,971
25,000 U.S. Treasury Note Due 2/15/09, 3.00%	24,947	24,670
25,000 U.S. Treasury Note Due 8/15/08, 4.125%	25,122	24,998
<b>Total Designated Trust Fund - September 30, 2007</b>	<b>\$ 104,706</b>	<b>\$ 104,535</b>
<b>Investments</b>		
<b>September 30, 2006</b>		
<b>Short Term Investments</b>		
200,000 U.S. Treasury Bill Due 10/26/06	\$ 199,441	\$ 199,334
544,000 U.S. Treasury Strips Due 11/15/06	500,506	540,916
250,000 U.S. Treasury Bill Due 11/16/06	248,608	248,485
660,000 U.S. Treasury Strips Due 2/15/07	616,444	648,483
246,000 U.S. Treasury Strips Due 8/15/07	224,184	235,980
<b>Total Short Term Investments</b>	<b>\$ 1,789,183</b>	<b>\$ 1,873,198</b>
<b>Long Term Investments</b>		
567,000 U.S. Treasury Strips Due 2/15/08	\$ 505,439	\$ 531,693
277,000 U.S. Treasury Strips Due 8/15/08	240,553	254,039
457,000 U.S. Treasury Strips Due 2/15/09	399,881	410,075
616,000 U.S. Treasury Strips Due 2/15/10	519,294	529,366
350,000 U.S. Treasury Strips Due 8/15/11	278,886	281,288
688,000 U.S. Treasury Strips Due 2/15/12	532,587	539,922
<b>Total Long Term Investments</b>	<b>\$ 2,476,640</b>	<b>\$ 2,546,383</b>
<b>Total Investments - September 30, 2007</b>	<b>\$ 4,265,823</b>	<b>\$ 4,419,581</b>

**Illinois Board of Admissions to the Bar  
Supplementary Information  
For the Years Ended September 30, 2006 and 2007**

<b>Analysis of Significant Balance Sheet Accounts</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Investments</b>		
<b>September 30, 2007</b>		
<b>Short Term Investments</b>		
250,000 U.S. Treasury Bills Due 10/25/07	\$ 249,484	\$ 249,395
250,000 U.S. Treasury Bills Due 11/29/07	248,574	248,472
100,000 U.S. Treasury Bills Due 12/27/07	99,181	99,100
567,000 U.S. Treasury Strips Due 2/15/08	505,439	559,096
277,000 U.S. Treasury Strips Due 8/15/08	240,553	267,895
<b>Total Short Term Investments</b>	<b>\$ 1,343,231</b>	<b>\$ 1,423,958</b>
<b>Long Term Investments</b>		
457,000 U.S. Treasury Strips Due 2/15/09	\$ 399,881	\$ 433,396
892,000 U.S. Treasury Strips Due 8/15/09	793,886	829,141
616,000 U.S. Treasury Strips Due 2/15/10	519,294	561,607
350,000 U.S. Treasury Strips Due 8/15/10	299,641	312,585
429,000 U.S. Treasury Strips Due 2/15/11	359,448	374,599
350,000 U.S. Treasury Strips Due 8/15/11	278,886	299,964
688,000 U.S. Treasury Strips Due 2/15/12	532,587	575,154
<b>Total Long Term Investments</b>	<b>\$ 3,183,623</b>	<b>\$ 3,386,446</b>
<b>Total Investments - September 30, 2007</b>	<b>\$ 4,526,854</b>	<b>\$ 4,810,404</b>

ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

**Analysis of Significant Variations in Cash Receipts as Presented in the Comparative Schedule of Cash Receipts.**

**Fiscal Years 2005 to 2006**

Examination Fees – Examination Fees increased \$310,200 or 23% in fiscal year 2006. In fiscal year 2005 the Board extended the deadline for students to submit their application for the Bar exam. Therefore, less applicants paid the penalty for late submission during the 2005 Bar exam as compared to the 2006 exam.

House Counsel Income – House counsel income decreased \$66,700 or 67% in fiscal year 2006. New Illinois Supreme Court Rule 716 requires a lawyer, admitted to practice law in another state or the District of Columbia, now employed in Illinois as house counsel, exclusively for a single corporation, partnership, association or other other legal entity, to apply for a limited license in Illinois, if he/she has not been admitted to the Illinois Bar. The deadline to obtain this license was July 1, 2005 and many lawyers registered before this date, thus the number registered in fiscal year 2006 dropped significantly.

**Fiscal Years 2006 to 2007**

Credit Card Fee Income – Credit Card Fee income increased \$33,240 or 100% in fiscal year 2007. The Board began accepting payment by credit card on February 22, 2007, and added a \$12 courtesy charge to each credit card transaction to cover the processing fee charged by the bank.



ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

**Analysis of Significant Variations in Expenses as Presented in the Comparative Schedule of Expenses.**

**Fiscal Years 2005 to 2006**

Examination Administration – Examination administration expense increased \$101,320 or 36% in fiscal year 2006. In 2006 the Board had 600 more applicants and had to add another hotel venue. Furthermore, rent for the largest exam room rose significantly.

Admissions Ceremony – Admissions ceremony expense increased \$8,904 or 34% in fiscal year 2006. This increase was caused by an increase in rent at the Arie Crown Theater, where the ceremony is held.

Character and Fitness Review Costs – Character and Fitness Review Costs expense decreased \$21,741 or 20% in fiscal year 2006. The Board formerly ran all applications through the Illinois State Police (ISP) online background search. In Spring of 2006 the Board ceased doing ISP background searches for all applicants. However, the Board continued to run searches on applicants whose applications revealed significant character and fitness issues. The ISP reports are now used as a backup to information routinely obtained from city and county resources for those applications. It has been determined that this is just as effective as routinely obtaining ISP reports on every applicant. Because each search cost ten dollars, this greatly decreased total Character and Fitness Review Costs for half of fiscal year 2006.

**Fiscal Years 2006 to 2007**

Admissions Ceremony – Admissions Ceremony expenses increased \$8,681 or 25% in fiscal year 2007. This increase was caused by the addition of video equipment rental costs of \$5,300.

General Operating Expenses – General operating expenses increased \$125,791 or 27% in fiscal year 2007. This increase was caused by an increase in legal fees and a training session the Board sponsors for all members of the Character and Fitness Committee.

Miscellaneous Expenses - Miscellaneous expenses increased \$42,959 or 157% in fiscal year 2007. This increase was caused by the addition of credit card processing fees.

Character and Fitness Review Costs – Character and fitness review costs decreased \$31,215 or 37% in fiscal year 2007. The Board formerly ran all applications through the ISP online background search. In Spring of 2006 the Board ceased doing ISP background searches for all applicants. However, the Board continued to run searches on applicants whose applications revealed significant character and fitness issues. The ISP reports are now used as a backup to information routinely obtained from city and county resources for those applications. It has been determined that this is just as effective as routinely obtaining ISP reports on every applicant. Because each search cost ten dollars, this greatly decreased total Character and Fitness Review Costs for fiscal year 2007.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
ANALYSIS OF OPERATIONS  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

**FUNCTIONS AND PLANNING PROGRAM**

The Illinois Board of Admissions to the Bar (the Board) was established by the Illinois Supreme Court primarily to monitor the Illinois Bar Exam. This includes the processing of exam applications, the collection of exam fees, the administration of the examination and the supervision of exam grading. Additionally, the Board has the responsibility of processing applications for foreign licenses and collecting the related license fees.

The Illinois Supreme Court also established the Committee on Character and Fitness (the Committee), the expenses of which are paid from receipts of the Board of Admissions. The Committee has the responsibility of determining whether law students registering for the Illinois Bar Exam and Illinois Bar Exam applicants are of good moral character and general fitness to practice law.

The Board consists of seven members of the bar (the Board) who are appointed by the Supreme Court to serve a staggered term of three years until a successor is duly appointed and qualified. No member may be appointed to more than three full consecutive terms. This governing board is responsible for the fiscal operations of the Board of Admissions. The Board meets throughout the year to discuss operations, monitor its goals and objectives, make personnel decisions, review applications to write the bar exam and review applications for foreign licenses. As of February 1, 1994, Board members are no longer compensated. The appointed members at September 30, 2007 were:

David W. Andich, President  
Donald H. Funk, Secretary-Treasurer  
James R. Carroll  
Lawrence N. Hill  
John J. Rekowski  
Neil K. Quinn  
Theodore L. Kuzniar

The Board's primary administrative office is located at 625 South College Street, Springfield, Illinois.

The Committee currently consists of 101 members of the Bar. The Committee members are appointed by the Supreme Court to serve staggered terms of three years, and no member may be appointed to more than three full consecutive terms. The committee of the 1<sup>st</sup> judicial district (Cook County) must not have less than thirty members and the remaining four judicial districts must not have less than 15 members each. The members of the Board are ex-officio members of the Committee.

The composition of the Board and the Committee as well as their overall policies and procedures, including fee schedules, are established by Supreme Court rules.

The Board adopted a cash basis budget for fiscal years 2007 and 2006 based on the Board's familiarity with the operations of the Board of Admissions and the prior years' audited financial statements.

**AVERAGE NUMBER OF EMPLOYEES**

	September 30,	
	<u>2007</u>	<u>2006</u>
Officers	3	3
Bookkeeper	1	1
Administrative Assistants	11	12
Receptionists	2	2
Building Maintenance	<u>1</u>	<u>1</u>
Total Employees	<u>18</u>	<u>19</u>

**SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)**

Various statistics related to the Board's operations include the following:

	<u>Examination Applications</u>	<u>Absentees</u>	<u>Number of Exams Written</u>
<b>Fiscal 2007</b>			
February	1,298	145	1,153
July	<u>3,040</u>	<u>203</u>	<u>2,837</u>
Total -2007	<u>4,338</u>	<u>348</u>	<u>3,990</u>
<b>Fiscal 2006</b>			
February	1,360	164	1,196
July	<u>3,072</u>	<u>212</u>	<u>2,860</u>
Total-2006	<u>4,432</u>	<u>376</u>	<u>4,056</u>