

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended September 30, 2011**

**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, 2011**

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BOARD OFFICIALS

ILLINOIS BOARD OF ADMISSIONS TO THE BAR

Director of Administration (06/01/10-Present)	Ms. Regina Kwan Peterson
Acting Director of Administration (09/24/09-5/31/10)	Ms. Lillian Leskera
Deputy Director of Administration	Ms. Lillian Leskera
Members of the Board	
President	Mr. Theodore L. Kuzniar
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. Neil K. Quinn
Member of the Board	Mr. David W. Andich
Member of the Board	Mr. John P. Long

Board offices are located at:

625 South College Street
Springfield, Illinois 62704-2521



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

ILLINOIS BOARD OF ADMISSIONS
TO THE BAR

625 SOUTH COLLEGE STREET
SPRINGFIELD, ILLINOIS 62704-2521
TELEPHONE (217) 522-5917
FACSIMILE (217) 522-3728

April 3, 2012

Kyle E. McGinnis, CPA
200 East Pine Street
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of and compliance with all aspects of laws, regulations, and contracts that could have a material effect on the operations of the Illinois Board of Admissions to the Bar (hereinafter "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, 2011. Based on this evaluation, we assert that during the years ended September 30, 2010 and September 30, 2011, the Board has materially complied with the statements below.

- A. The Board has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been collected or otherwise authorized by law.
- B. The Board has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, 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.

Very truly yours,

Regina Kwan Peterson
Director of Administration

Robin Read
Bookkeeper

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.

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	1	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
11-1	7	Financial budget not prepared on a timely basis	Noncompliance and Significant Deficiency

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

None

EXIT CONFERENCE

In a correspondence dated March 6, 2012 the officials of the Illinois Board of Admissions to the Bar determined that a formal exit conference would not be necessary. Responses to the recommendations were provided by Robin Read, Bookkeeper.

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

Board of Directors
Illinois Board of Admissions to the Bar
Springfield, 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 two years ended September 30, 2011. The management of the 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 obligated, expended, received and used funds in accordance with the purpose for which such funds have been collected or otherwise authorized by law.
- B. The Illinois Board of Admissions to the Bar has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- 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. Revenues and receipts 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 revenues and receipts 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 the Illinois Board of Admissions to the Bar's compliance with specified requirements.

In our opinion, the 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 two years ended September 30, 2011.

Internal Control

Management of the 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 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 Illinois Board of Admissions to the Bar's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois Board of Admissions to the Bar's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance 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 over compliance 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 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. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as item 11-1. A significant deficiency in an entity's internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

There were no immaterial findings that have been excluded from this report.

The Illinois Board of Admissions to the Bar's responses to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the Illinois Board of Admissions to the Bar's responses and, accordingly, we express no opinion on the responses.

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 two years ended September 30, 2011, which collectively comprise the Illinois Board of Admissions to the Bar's basic financial statements, and have issued our report thereon dated April 3, 2012. 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 2011 and 2010 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, 2011 and 2010 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, 2009 and September 30, 2008. In our report dated June 28, 2010 on basic financial statements, we expressed unqualified opinions on the respective financial statements. In our opinion, the 2009 and 2008 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, 2009 and September 30, 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, 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

April 3, 2012

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SCHEDULE OF FINDINGS
CURRENT FINDINGS
For the Two Years Ended September 30, 2011

11-1. Finding Financial budget not prepared on a timely basis.

The Illinois Board of Admissions to the Bar (Board) presented their financial budget for their 2010 projected revenues and expenses to the Board of Directors on July 28, 2010. This is approximately 10 months after the fiscal year begins.

Failure to timely prepare an annual budget is non-compliance with the Board's Management Policies and Procedures.

The Board's Management Policies and Procedures dated November 1995, require the Director of Administration to prepare, or have prepared, an annual budget for submission to the Board no later than the third month of the fiscal year covered by the budget. In addition good business practice dictates that the Board implement procedures to ensure their policies and procedures are followed.

Board management indicated the situation arose due to a lack of information at the end of the year sufficient to prepare an accurate budget.

Budgeting is considered an essential element of an entity's financial planning, control and evaluation process. By not preparing and following a budget, the Board runs the risk of incurring unnecessary expenditures, and of not using their resources in the most efficient manner. (Finding Code No. 11-1; 09-1)

Recommendation

We recommend Board management prepare an annual budget and submit it to the Board of Directors on a timely basis for approval.

Response

The Board acknowledges that the budgets for 2009 and 2010 were not prepared in a timely manner and notes that during this time frame the Board was in transition between permanent administrative directors. Since the hiring of a permanent director in June 2010, the Board budget has been prepared in a timely manner.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SCHEDULE OF FINDINGS
For the Two Years Ended September 30, 2011**

Prior Audit Findings Not Repeated

None.

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

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 statements of financial position of the Illinois Board of Admissions to the Bar, as of and for the years ended September 30, 2011 and September 30, 2010, and the related statements of activities and cash flows for the years then ended. 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.

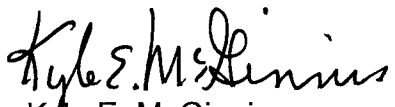
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 Illinois Board of Admissions to the Bar, as of September 30, 2011 and September 30, 2010, and the changes in it's assets and it's cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of functional expenses on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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, 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

April 3, 2012

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

Assets		2011	2010
Current Assets:			
Cash and cash equivalents		\$ 132,141	\$ 924,121
Investments - short term (Note B)		4,128,052	2,477,027
Interest Receivable		4,484	1,593
Prepaid expenses		74,767	65,456
Total Current Assets		\$ 4,339,444	\$ 3,468,197
Building and improvements		\$ 1,281,851	\$ 1,281,851
Office equipment and furniture		609,506	617,471
Less accumulated depreciation		(844,111)	(769,480)
Total		\$ 1,047,246	\$ 1,129,842
Land		\$ 189,729	\$ 189,729
Other Assets			
Investments - long term (Note B)		\$ -	\$ 1,183,504
Total Assets		\$ 5,576,419	\$ 5,971,272
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		\$ 83,871	\$ 58,477
Accrued expenses		14,206	13,787
Deferred examination and registration fees		62,150	61,700
Total Current Liabilities		\$ 160,227	\$ 133,964
Net Assets:			
Unrestricted		\$ 5,416,192	\$ 5,837,308
Total Liabilities and Net Assets		\$ 5,576,419	\$ 5,971,272

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,

	2011 <u>Unrestricted</u>	2010 <u>Unrestricted</u>
Revenues and Reclassifications		
Examination Fees	\$ 1,518,825	\$ 1,513,070
Character and Fitness Review Fees	1,211,000	1,240,065
Admission on Motion	211,050	80,800
Investment Income	76,313	100,302
House Counsel Fees	46,000	24,900
Credit Card Fees	57,910	58,785
Realized Loss on Investment	(892)	-
Unrealized Loss on Investment	(59,163)	(54,686)
Other Income	115	-
Total Revenues and Reclassifications	<u>\$ 3,061,158</u>	<u>\$ 2,963,236</u>
Expenses and Losses		
Program Services		
Committee on Character and Fitness	\$ 907,973	\$ 951,814
Bar Exam Administration	1,701,645	1,663,958
Total Program Services	<u>\$ 2,609,618</u>	<u>\$ 2,615,772</u>
Support Services		
General and Administrative Expenses	871,315	868,880
Loss on Disposition of Equipment	<u>1,341</u>	<u>127</u>
Total Expenses and Losses	<u>\$ 3,482,274</u>	<u>\$ 3,484,779</u>
Change in Net Assets	\$ (421,116)	\$ (521,543)
Net Assets at Beginning of Year	<u>5,837,308</u>	<u>6,358,851</u>
Net Assets at End of Year	<u><u>\$ 5,416,192</u></u>	<u><u>\$ 5,837,308</u></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,**

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ (421,116)	\$ (521,543)
Adjustments to reconcile change in net assets provided by operating activities:		
Unrealized loss on investments	59,163	54,686
Depreciation	97,956	102,604
Loss on disposition of assets	1,724	127
Accretion of investments	(25,891)	(58,389)
Changes in Assets and Liabilities		
Interest receivable	(2,891)	-
Prepaid expenses	(9,311)	(14,667)
Accounts payable	25,394	(61,784)
Accrued Liabilities	419	(27,435)
Deferred examination and registration fees	450	(4,350)
Total Adjustments	\$ 147,013	\$ (9,208)
Net Cash Used by Operating Activities	\$ (274,103)	\$ (530,751)
Cash Flows from Investing Activities		
Purchase of building and improvements to real estate	\$ -	\$ (3,260)
Purchase of office equipment	(17,084)	(24,206)
Purchase of short-term investments	(3,860,463)	(2,893,541)
Maturities of short-term investments	3,359,670	3,843,558
Net Cash Provided by Investing Activities	\$ (517,877)	\$ 922,551
Net Increase in Cash and Cash Equivalents	\$ (791,980)	\$ 391,800
Cash and Cash Equivalents at Beginning of Year	924,121	532,321
Cash and Cash Equivalents at End of Year	\$ 132,141	\$ 924,121

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- 706; 708-710; 712-713; and 715-717. 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, the licensing of foreign legal consultants, house counsel and legal service program attorneys, and the collection of related fees.

The 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 who are appointed by the Supreme Court for staggered three year terms.

The Committee currently consists of 99 members of the Illinois bar who are appointed by the Supreme Court for staggered three year terms. The Committee of the 1st 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.

Note A Summary of Significant Accounting Policies Continued

Property and Equipment

Property 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>
September 30, 2011			
U.S. Treasury Bills- Short term	\$ 599,928	\$ 599,886	\$ (42)
U.S. Treasury Strips- Short term	532,587	687,862	155,275
U.S. Treasury Note- Long term	<u>2,851,663</u>	<u>2,840,304</u>	<u>(11,359)</u>
	<u>\$3,984,178</u>	<u>\$4,128,052</u>	<u>\$ 143,874</u>

September 30, 2010

U.S. Treasury Bills- Short term	\$1,694,479	\$1,699,116	\$ 4,637
U.S. Treasury Strips- Short term	638,334	777,911	139,577
U.S. Treasury Notes- Long term	491,782	499,109	7,327
U.S. Treasury Strips- Long term	<u>532,587</u>	<u>684,395</u>	<u>151,808</u>
	<u>\$3,357,182</u>	<u>\$3,660,531</u>	<u>\$ 303,349</u>

Investment return is summarized as follows:

	<u>2010</u>	<u>2011</u>
Interest Income	\$ 100,302	\$ 76,313
Realized losses on security sales	-	(892)
Unrealized gains on securities held	<u>(54,686)</u>	<u>(59,163)</u>
Total investment return	<u>\$ 45,616</u>	<u>\$ 16,258</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 2011 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$95,305.

For fiscal year 2010 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$92,663.

Note D 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 E Concentration of Credit Risks

The Illinois Board of Admissions to the Bar maintained bank accounts at two banks. On April 15, 1998 the Board entered into a collateral pledge agreement with one 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. No such agreement has been reached nor deemed necessary with the second bank.

Note F Land, Building and Equipment

The following is a summary of land, building and equipment as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 189,729	\$ 189,729
Building and improvements	1,281,851	1,281,851
Office equipment and furniture	<u>609,506</u>	<u>617,471</u>
	\$2,081,086	\$2,089,051
Less accumulated depreciation	<u>(844,111)</u>	<u>(769,480)</u>
Total	<u>\$1,236,975</u>	<u>\$1,319,571</u>

Note G Operating Leases

The Board leases mailing equipment under operating leases that are non-cancelable. The terms require the Board to provide for insurance and maintenance on the equipment. The lease will expire on December 8, 2012.

<u>Year Ended September 30:</u>	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 20,004
2012	20,004	20,004
2013	3,334	3,334

The total rental charges under these agreements during the years ended September 30, 2011 and 2010 was \$20,004 and \$15,675, respectively.

**Illinois Board of Admissions to the Bar
Statement of Functional Expenses
For the Fiscal Year Ended September 30, 2011**

	<u>Program Services</u>			<u>Total Expenses</u>
	<u>Committee on Character and Fitness</u>	<u>Examination Administration</u>	<u>General and Administrative</u>	
Salaries, Wages and Payroll Taxes:				
Central Office	\$ 496,934	\$ 366,018	\$ 324,804	\$ 1,187,756
Proctors and Clerks	-	185,869	-	185,869
Security	-	13,887	-	13,887
Total Salaries, Wages and Payroll Taxes	\$ 496,934	\$ 565,774	\$ 324,804	\$ 1,387,512
Examinations Purchased	-	304,991	-	304,991
Rent - Exam Facilities	-	264,511	-	264,511
Exam Grading Assistants	-	302,837	-	302,837
Xerox Expense	6,120	6,120	1,359	13,599
Computer Services	38,350	38,350	8,523	85,223
Postage and Express Delivery Services	23,670	23,670	5,259	52,599
Non-Standard Testing Expense	-	16,787	-	16,787
Admissions Ceremony	-	-	113,859	113,859
Occupancy Costs	-	-	83,968	83,968
Insurance	97,110	59,185	79,599	235,894
Printing and Supplies	17,359	17,359	14,880	49,598
Legal	96,715	-	4,322	101,037
Accounting	-	-	24,916	24,916
Telephone	7,365	7,365	1,636	16,366
Pension	41,410	25,644	42,588	109,642
Meeting Expense	18,836	8,220	22,173	49,229
Miscellaneous Operating Expenses	32,743	60,832	9,761	103,336
Depreciation	-	-	97,956	97,956
Character and Fitness Review Costs	31,361	-	-	31,361
Pension Administrative Costs	-	-	13,620	13,620
Office Temporary Help	-	-	22,092	22,092
Total Operating Expenses	\$ 907,973	\$ 1,701,645	\$ 871,315	\$ 3,480,933

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, 2010**

	<u>Program Services</u>		General and Administrative	Total Expenses
	Committee on Character and Fitness	Examination Administration		
Salaries, Wages and Payroll Taxes:				
Central Office	\$ 539,277	\$ 348,677	\$ 261,640	\$ 1,149,594
Proctors and Clerks	-	186,752	-	186,752
Security	-	20,453	-	20,453
Total Salaries, Wages and Payroll Taxes	\$ 539,277	\$ 555,882	\$ 261,640	\$ 1,356,799
Examinations Purchased	-	307,911	-	307,911
Rent - Exam Facilities	-	296,523	-	296,523
Exam Grading Assistants	-	265,360	-	265,360
Xerox Expense	5,332	5,332	1,185	11,849
Computer Services	27,211	27,211	6,046	60,468
Postage and Express Delivery Services	27,885	27,885	6,198	61,968
Non-Standard Testing Expense	-	15,539	-	15,539
Admissions Ceremony	-	-	132,200	132,200
Occupancy Costs	-	-	54,982	54,982
Insurance	91,866	43,514	62,770	198,150
Printing and Supplies	19,003	19,003	16,287	54,293
Legal	43,874	6,481	31,084	81,439
Accounting	-	-	33,895	33,895
Telephone	7,547	7,547	1,677	16,771
Pension	50,527	23,848	41,868	116,243
Meeting Expense	13,009	2,743	22,498	38,250
Miscellaneous Operating Expenses	32,349	59,179	51,741	143,269
Depreciation	-	-	102,604	102,604
Character and Fitness Seminar Costs	63,789	-	-	63,789
Character and Fitness Review Costs	30,145	-	-	30,145
Pension Administrative Costs	-	-	8,288	8,288
Employee Separation Release Expense	-	-	32,070	32,070
Office Temporary Help	-	-	1,847	1,847
Total Operating Expenses	\$ 951,814	\$ 1,663,958	\$ 868,880	\$ 3,484,652

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 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 basic financial statements and, in the auditors' 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, 2010 and 2011

	<u>Building Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at October 1, 2009	\$ 1,278,591	\$ 593,660	\$ 189,729	\$ 2,061,980
Additions	3,260	24,205	-	27,465
Retirements and disposals	-	(394)	-	(394)
Balance at September 30, 2010	\$ 1,281,851	\$ 617,471	\$ 189,729	\$ 2,089,051
Additions	-	17,084	-	17,084
Retirements and disposals	-	(25,049)	-	(25,049)
Balance at September 30, 2011	<u>\$ 1,281,851</u>	<u>\$ 609,506</u>	<u>\$ 189,729</u>	<u>\$ 2,081,086</u>

Illinois Board of Admissions to the Bar
Supplementary Information
For the Years Ended September 30, 2011, 2010 and 2009

	Fiscal Year Ended		
	September 30,		
	2011	2010	2009
Comparative Schedule of Cash Receipts			
Cash Receipts			
Examination fees	\$ 1,519,275	\$ 1,508,720	\$ 1,614,438
Admission on motion	211,050	80,800	64,800
House counsel fees	46,000	24,900	20,100
Investment income	105,921	130,933	200,312
Character and fitness fees	1,211,000	1,240,065	1,234,150
Credit card fees	57,910	58,785	58,845
Other income	115	-	-
Total Cash Receipts (Cash Basis)	\$ 3,151,271	\$ 3,044,203	\$ 3,192,645
Plus:			
Deferred exam fees - Beginning of year	61,700	66,050	69,900
Interest accruals and accretion - End of year	30,375	59,982	90,613
Less:			
Deferred exam fees - End of year	(62,150)	(61,700)	(66,050)
Interest accruals and accretion - Beginning of year	(59,983)	(90,613)	(140,604)
Total Revenue (Accrual Basis)	\$ 3,121,213	\$ 3,017,922	\$ 3,146,504
Comparative Schedule of Expenses			
Expenses on an Object Basis			
Salaries, wages and payroll taxes			
Central office	\$ 1,201,643	\$ 1,170,047	\$ 1,181,156
Proctors	185,869	186,752	183,967
Examination purchases	304,991	307,911	313,155
Examination grading	302,837	265,360	234,182
Examination administration	408,026	432,112	411,490
Admissions ceremony	113,859	132,200	96,163
Occupancy costs	83,968	54,982	65,033
Insurance	235,894	198,150	174,700
General operating	509,149	563,724	521,073
Miscellaneous	103,336	143,269	110,739
Character and fitness review costs	31,361	30,145	29,388
Total Expenses (Accrual Basis)	\$ 3,480,933	\$ 3,484,652	\$ 3,321,046
Expenses on a Functional Basis			
Committee on Character and Fitness	\$ 907,973	\$ 951,814	\$ 964,728
Examination Administration	1,701,645	1,663,958	1,625,645
General and Administrative	871,315	868,880	730,673
Total Expenses (Accrual Basis)	\$ 3,480,933	\$ 3,484,652	\$ 3,321,046

**Illinois Board of Admissions to the Bar
Supplementary Information
For the Years Ended September 30, 2010 and 2011**

	Cost	Fair Value
Analysis of Significant Balance Sheet Accounts		
Investments		
September 30, 2010		
Short Term Investments		
429,000 U.S. Treasury Strips Due 02/15/11	\$ 359,448	\$ 428,653
350,000 U.S. Treasury Strips Due 08/15/11	278,886	349,258
1,700,000 U.S. Treasury Bill Due 02/10/11	1,694,479	1,699,116
Total Short Term Investments	\$ 2,332,813	\$ 2,477,027
Long Term Investments		
688,000 U.S. Treasury Stripe Due 02/15/12	\$ 532,587	\$ 684,395
466,000 U.S. Treasury Note Due 08/31/12 4.125%	491,782	499,109
Total Long Term Investments	\$ 1,024,369	\$ 1,183,504
Total Investments - September 30, 2010	\$ 3,357,182	\$ 3,660,531
Investments		
September 30, 2011		
Short Term Investments		
700,000 U.S. Treasury Note Due 12/31/11 1.000%	\$ 703,967	\$ 701,610
688,000 U.S. Treasury Strips Due 02/15/12	532,587	687,862
700,000 U.S. Treasury Note Due 03/31/12 1.000%	704,760	703,087
700,000 U.S. Treasury Note Due 06/30/12 .625%	701,807	702,408
466,000 U.S. Treasury Note Due 08/31/12 4.125%	491,782	482,711
250,000 U.S. Treasury Note Due 09/30/12 .375%	249,347	250,488
200,000 U.S. Treasury Bill Due 12/22/11	199,999	199,994
400,000 U.S. Treasury Bill Due 03/29/12	399,929	399,892
Total Short Term Investments	\$ 3,984,178	\$ 4,128,052
Total Investments - September 30, 2011	\$ 3,984,178	\$ 4,128,052

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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

Fiscal Year 2009 to 2010

Admission on Motion Fee Income – Admission on Motion Fee income increased \$16,000 or 25% in fiscal year 2010. Applications under Illinois Supreme Court Rule 705 – Admission on Motion (AOM) increased from 81 in fiscal year 2009 to 99 in fiscal year 2010, reflecting an increase in income.

House Counsel Fee Income – House Counsel Fee income increased \$4,800 or 24% in fiscal year 2010. Illinois Supreme Court Rule 716 – Limited Admission of House Counsel (HC) permits an attorney licensed to practice law in another U.S. jurisdiction to receive a limited license to practice law in Illinois in the service of a single corporation, partnership, association, or other legal entity whose lawful business consists of activities other than the practice of law or the provision of legal services. There were 61 HC applications in fiscal year 2010 and 50 applications in fiscal year 2009, resulting in an increase in HC fee income in fiscal year 2010.

Investment Income - Investment income decreased \$69,379 or 35% in fiscal year 2010. The interest rates for the Board's investments have been declining over the fiscal year.

Fiscal Year 2010 to 2011

Admission on Motion Fee Income - Admission on Motion Fee income increased \$130,250 or 161% in fiscal year 2011. Illinois Supreme Court Rule 705 – Admission on Motion (AOM) was amended, effective January 1, 2011, in a way that increased the pool of attorneys licensed in other U.S. jurisdictions who are eligible to apply for an Illinois license based on their non-Illinois license work experience. As a direct result, the number of AOM applications increased from 99 in fiscal year 2010 to 183 in fiscal year 2011.

House Counsel Fee Income – House Counsel Fee income increased \$21,100 or 85% in fiscal year 2011. Illinois Supreme Court Rule 716 – Limited Admission of House Counsel (HC) permits an attorney licensed to practice law in another U.S. jurisdiction to receive a limited license to practice law in Illinois in the service of a single corporation, partnership, association, or other legal entity whose lawful business consists of activities other than the practice of law or the provision of legal services. There was an increase in the HC application fee from \$400 to \$1,250 effective January 1, 2011.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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

Fiscal Year 2009 to 2010

Admissions Ceremony Expense – Admissions Ceremony Expense increased \$36,037 or 37% in fiscal year 2010. This increase is attributed to the addition of several large projection screens placed throughout the audience at the admissions ceremony.

Miscellaneous Expenses - Miscellaneous expenses increased \$32,530 or 29% in fiscal year 2010. This increase was caused by consulting fees in connection with the search for a new Director of Administration. This was a one-time fee payment.

Fiscal Year 2010 to 2011

Occupancy Costs – Occupancy Costs increased \$28,986 or 53% in fiscal year 2011. This increase was caused by several projects completed to maintain the integrity of the building, including: floor refinishing; clapboard repair; and exterior painting. The Board also engaged a weekly cleaning service starting in fiscal year 2011.

Miscellaneous Expenses - Miscellaneous expenses decreased \$39,933 or 28% in fiscal year 2011. This decrease was caused by the absence of consulting fees that had been paid the previous year in connection with the search for a new Director of Administration on a one time basis.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
ANALYSIS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

FUNCTIONS AND PLANNING PROGRAM

The Illinois Board of Admissions to the Bar (the Board) was established by the Illinois Supreme Court (Supreme Court) primarily to conduct 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 for approval of applications on motion, the licensing of foreign legal consultants, house counsel and legal service program attorneys, and the collection of related fees.

The Supreme Court also established the Committee on Character and Fitness (the Committee), the expenses of which are paid from the receipts of the Board. 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 Board consists of seven members of the Illinois bar who are appointed by the Supreme Court for staggered terms of three years. No member may be appointed to more than three full consecutive terms. This governing board is responsible for the fiscal operations of the Board. 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, 2011 were:

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

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

The Committee currently consists of 99 members of the Illinois bar who are appointed by the Supreme Court for staggered terms of three years. No member may be appointed to more than three full consecutive terms. The Committee of the 1st 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 2011 and 2010 based on the Board's familiarity with the operations of the administrative office and the prior years' audited financial statements.

AVERAGE NUMBER OF EMPLOYEES

	September 30,	
	<u>2011</u>	<u>2010</u>
Officers	3	2
Bookkeeper	1	1
Administrative Assistants	12	12
Receptionists	1	2
Building Maintenance	<u>1</u>	<u>1</u>
Total Employees	<u>18</u>	<u>18</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>
Fiscal 2011			
February	1,003	119	884
July	<u>2,669</u>	<u>179</u>	<u>2,490</u>
Total -2011	<u>3,672</u>	<u>298</u>	<u>3,374</u>
Fiscal 2010			
February	1,079	120	959
July	<u>2,724</u>	<u>165</u>	<u>2,559</u>
Total-2010	<u>3,803</u>	<u>285</u>	<u>3,518</u>