



ADELFA LLC
CERTIFIED PUBLIC ACCOUNTANTS

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State of Illinois

**ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION**

**FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

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**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Administration

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

Commissioners

Chairman	Joan Myers Eagle
Commissioner	Derrick K. Baker
Commissioner	Karen Hasara
Commissioner	Bernard Judge
Commissioner	Stuart Ronald Lefstein
Commissioner	James R. Mendillo
Commissioner	David F. Rolewick

Commission offices are located at:

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

Novanis E-Business Center Building
3161 West White Oaks Drive
Springfield, IL 62704



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS
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130 East Randolph Drive, Suite 1500
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(217) 546-3523 (800) 252-8048
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MANAGEMENT ASSERTION LETTER

May 30, 2014

Adelfia LLC
400 E. Randolph Street, Suite 705
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Attorney Registration and Disciplinary Commission (Commission). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended December 31, 2013. Based on this evaluation, we assert that during the years ended December 31, 2013 and 2012, the Commission has materially complied with the assertions below:

- A. The Commission has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission 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 Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. Revenues and receipts collected by the Commission 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 Commission or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

Attorney Registration and Disciplinary Commission



Jerome Larkin, Administrator



Vick Paul, Director of Finance



James J. Grogan, Deputy Administrator and Chief Counsel

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORTS

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
		FINDINGS (FINANCIAL AUDIT)	
		None noted	
		FINDINGS (STATE COMPLIANCE)	
		None noted	
		PRIOR YEAR FINDINGS NOT REPEATED	
		None noted	

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

EXIT CONFERENCE

An exit conference was held on May 9, 2014 with the following attendees:

Commission

Jerome Larkin, Administrator
Vick Paul, Director of Finance
Karyn Bourell-Lee, Controller

Office of the Auditor General

Lisa Warden, Manager

Adelfia LLC

Stella Marie Santos, Director
Jennifer Roan, Director
Maria Fides Balita, Director



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**INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable William G. Holland
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Attorney Registration and Disciplinary Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended December 31, 2013. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission 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 Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. Revenues and receipts collected by the Commission 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 Commission or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

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

In our opinion, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended December 31, 2013.

Internal Control

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

A deficiency in 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 in internal control 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. A *significant deficiency in 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Adelfia LLC

Adelfia LLC
Chicago, Illinois
May 30, 2014

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Attorney Registration and Disciplinary Commission (Commission) was performed by Adelfia LLC.

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

EXIT CONFERENCE

An exit conference was held on May 9, 2014 with the following attendees:

Commission

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Vick Paul, Director of Finance
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Lisa Warden, Manager

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INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Attorney Registration and Disciplinary Commission (Commission), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of December 31, 2013 and 2012, and the respective changes in its net assets and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, the financial statements of the Commission have been restated as of January 1, 2012 for prior reporting errors pertaining to the deferred rent expense.

Other Matters

Other Information

Our audits for the years ended December 31, 2013 and 2012 were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information in the State Compliance Schedules 1 through 4, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the years ended December 31, 2013 and 2012, in the State Compliance Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the years ended December 31, 2013 and 2012, in the State Compliance Schedules 1 through 4 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for

the years ended December 31, 2013 and 2012, in the State Compliance Schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commission's basic financial statements as of and for the year ended December 31, 2011 (not presented herein), were audited by other auditors whose report thereon dated April 23, 2012, expressed unmodified opinions on the respective basic financial statements. The report of the other auditors dated April 23, 2012, stated that the supplementary information for the year ended December 31, 2011, in the State Compliance Schedules 1 through 4, and the Analysis of Operations Section, except for that portion marked "unaudited" on which they express no opinion, has been subjected to the auditing procedures applied in the audit of the 2011 financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2011, taken as a whole.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Adelfia LLC

Adelfia LLC
Chicago, Illinois
May 30, 2014

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,654,930	2,625,042
Short-term investments	28,481,797	25,526,894
Accrued interest receivable	22,374	33,661
Accounts receivable	24,649	3,086
Prepaid expenses and other assets	95,432	84,127
Total current assets	31,279,182	28,272,810
Property and equipment - net	3,268,192	2,257,175
Long-term investments	9,190,837	11,167,431
Total assets	\$ 43,738,211	\$ 41,697,416
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	\$ 1,122,955	674,349
Amounts held for others	3,583,386	3,832,592
Accrued vacation	436,978	419,494
Deferred registration and program fees	13,458,211	12,485,068
Current portion of net postretirement benefit obligation	10,041	9,445
Deposits	9,832	7,830
Total current liabilities	18,621,403	17,428,778
Long-term liabilities		
Noncurrent portion of net postretirement benefit obligation	1,386,777	1,044,763
Deferred rent expense	1,864,478	1,601,046
Total long-term liabilities	3,251,255	2,645,809
Total liabilities	21,872,658	20,074,587
Unrestricted net assets	21,865,553	21,622,829
Total liabilities and net assets	\$ 43,738,211	\$ 41,697,416

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013			2012		
	Registration and Discipline	Client Protection Program	Total	Registration and Discipline	Client Protection Program	Total
REVENUE						
Investment income						
Interest	\$ 132,500	\$ 18,464	\$ 150,964	\$ 170,127	\$ 22,185	\$ 192,312
Net appreciation (depreciation) in fair value of investments	51,183	(5,511)	\$ 45,672	(29,176)	(10,118)	\$ (39,294)
Total investment income	183,683	12,953	196,636	140,951	12,067	153,018
Registration and program fees and delinquent charges	15,762,772	1,713,265	17,476,037	15,470,769	1,679,500	\$ 17,150,269
Cost reimbursements collected	84,500	-	84,500	65,825	-	\$ 65,825
Administrative expense reimbursement from Client Protection Program	283,541	-	283,541	275,656	-	\$ 275,656
Client Protection Program reimbursements	-	97,160	97,160	-	276,367	\$ 276,367
Total revenue	16,314,496	1,823,378	18,137,874	15,953,201	1,967,934	17,921,135
EXPENSES						
Salaries and related expenses	11,393,488	-	11,393,488	11,278,544	-	11,278,544
Travel expenses	151,290	-	151,290	156,608	-	156,608
Library and continuing education	144,083	-	144,083	148,002	-	148,002
General expenses and office support	2,096,892	-	2,096,892	1,782,941	-	1,782,941
Computer expenses	476,557	-	476,557	452,254	-	452,254
Other professional and case-related expenses	699,562	-	699,562	778,186	-	778,186
Client Protection Program direct expenses						
Awards	-	2,016,669	2,016,669	-	986,771	986,771
Bank fees	-	7,751	7,751	-	6,441	6,441
Administrative expense reimbursement to ARDC	-	283,541	283,541	-	275,656	275,656
Depreciation and amortization expense	625,317	-	625,317	475,650	-	475,650
Total expenses	15,587,189	2,307,961	17,895,150	15,072,185	1,268,868	16,341,053
Increase in net assets	727,307	(484,583)	242,724	881,016	699,066	1,580,082
Unrestricted net assets						
Beginning of year - as restated	18,049,930	3,572,899	21,622,829	17,168,914	2,873,833	20,042,747
End of year	\$ 18,777,237	\$ 3,088,316	\$ 21,865,553	\$ 18,049,930	\$ 3,572,899	\$ 21,622,829

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 242,724	\$ 1,580,082
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net (appreciation) depreciation in fair value of investments	(45,672)	39,294
Loss on sale of property and equipment	1,007	1,857
Depreciation and amortization expense	625,317	475,650
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(10,276)	104,269
Prepaid expenses and other assets	(11,305)	7,734
Increase (decrease) in liabilities		
Accounts payable and other accruals	448,606	338,641
Amounts held for others	(249,206)	2,086,953
Accrued vacation	17,484	38,739
Deferred registration and program fees	973,143	(830,678)
Deposits	2,002	1,502
Net postretirement benefit obligation	342,610	81,433
Deferred rent expense	263,432	397,674
Net cash provided by operating activities	2,599,866	4,323,150
Cash flows from investing activities		
Purchases of investment securities	(26,015,226)	(55,725,190)
Maturities of investment securities	25,082,589	54,279,454
Acquisitions of property and equipment	(1,637,341)	(1,392,746)
Net cash used in investing activities	(2,569,978)	(2,838,482)
Net increase (decrease) in cash and cash equivalents	29,888	1,484,668
Cash and cash equivalents		
Beginning of year	2,625,042	1,140,374
End of year	\$ 2,654,930	\$ 2,625,042

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. GENERAL PURPOSE DESCRIPTION

Nature of Activities

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

Organization Structure

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

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

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

- Rule 756(a) (Rule), as amended, sets the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$342, the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$105. The charge for late payment of annual registration fees is \$25 per month for every month that fees are delinquent. The Rule requires that the Commission, as part of the annual \$342 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$95 to the Lawyers Trust Fund, \$15 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. GENERAL PURPOSE DESCRIPTION (Continued)

- Rule 756(f) provides that as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. The information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.
- Rule 780(b) provides for the establishment of the Client Protection Program (Program) and sets forth that the purpose of the Program “is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct” of Illinois lawyers who have been disciplined. Since the Program’s inception, the Commission has administered the Client Protection Program and has maintained a separate Client Protection Fund account. Amended Rule 756 provides that \$25 of the \$342 fee be set aside for the Client Protection Program to fund awards made by the Client Protection Program. Prior to the Rule 756 amendment, the Commission funded payment of awards by making an annual allocation from the Disciplinary Fund. The Commission includes in its general budget allocations for administrative expenses of the Program to be paid from the Disciplinary Fund. The Program reimburses the Commission for the cost of administering the Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

In compliance with provisions of generally accepted accounting principles, the Commission is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all deposits in checking and savings accounts. The Commission considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The investments are reported at fair value. The fair value of the financial instrument is the amount that would be received to sell that asset (or paid to transfer in a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Property and Equipment

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

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

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts Held for Others

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

	<u>2013</u>	<u>2012</u>
Lawyers Assistance Program	\$ 211,585	\$ 229,505
Lawyers Trust Fund	2,871,506	3,111,305
Supreme Court Commission on Professionalism	453,425	491,782
Access to Justice	46,870	-
	<u>\$ 3,583,386</u>	<u>\$ 3,832,592</u>

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

Deferred Registration and Program Fees

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

Deposits

Portions of these funds are the reinstatement deposits that accompany the petition of any attorney who is filing for reinstatement under Rule 767. The amount the attorney actually owes is assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2013 and 2012 were \$8,000 and \$6,000 respectively. The remaining deposits consist of funds owed by any attorney who has been the subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. The amounts held were \$1,832 and \$1,830 at December 31, 2013 and 2012, respectively.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent Expense

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

Income Taxes

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

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the programs and administrative services have been summarized on a functional basis in Note 12. The Commission allocates certain common expenses based on management’s estimate of time incurred on these programs or other reasonable and consistent methodologies. Administrative expenses allocated to the Client Protection Program are paid out of the unrestricted net assets of the Commission.

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform to the presentation for the current year.

Subsequent Events

Subsequent events have been evaluated through May 30, 2014, which is the date the financial statements were available to be issued.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

3. INVESTMENTS

The fair value of investments as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
U.S. Treasury notes and bills	\$ 14,863,255	\$ 19,084,498
U.S. bank certificates	15,132,000	13,683,000
Money market funds	6,882,332	3,370,164
Mutual funds and exchange traded funds		
Fixed Income	401,733	248,534
Equity	393,314	308,129
Total	<u>\$ 37,672,634</u>	<u>\$ 36,694,325</u>

The following table lists the maturities of securities held for the years ended December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>0-1 Year</u>	<u>1-5 Years</u>	<u>0-1 Year</u>	<u>1-5 Years</u>
U.S. Treasury notes and bills	\$10,912,418	\$ 3,950,837	\$14,132,067	\$ 4,952,431
U.S. bank certificates	9,892,000	5,240,000	7,468,000	6,215,000
Money market funds	6,882,332	-	3,370,164	-
Mutual funds and exchange traded funds				
Fixed Income	401,733	-	248,534	-
Equity	393,314	-	308,129	-
Total	<u>\$28,481,797</u>	<u>\$9,190,837</u>	<u>\$25,526,894</u>	<u>\$11,167,431</u>

4. FAIR VALUE MEASUREMENTS

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

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ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
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December 31, 2013 and 2012

4. FAIR VALUE MEASUREMENTS (Continued)

Basis of Fair Value Measurement

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

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2013 and 2012. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Commission did not own any assets that required measurement using Level 3 inputs as of December 31, 2013 and 2012.

	Total	<u>Fair Value Measurements at 12/31/13 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$14,863,255	\$14,863,255	\$ -	\$ -
U.S. bank certificates	15,132,000	-	15,132,000	-
Money market funds	6,882,332	6,882,332	-	-
Mutual funds and exchange traded funds				
Fixed income	401,733	401,733	-	-
Equity:				
Small cap	52,586	52,586	-	-
Mid cap	52,691	52,691	-	-
Large cap	212,847	212,847	-	-
International	75,190	75,190	-	-
	<u>\$37,672,634</u>	<u>\$22,540,634</u>	<u>\$15,132,000</u>	<u>\$ -</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

4. FAIR VALUE MEASUREMENTS (Continued)

	Total	Fair Value Measurements at 12/31/12 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes and bills	\$19,084,498	\$19,084,498	\$ -	\$ -
U.S. bank certificates	13,683,000	-	13,683,000	-
Money market funds	3,370,164	3,370,164	-	-
Mutual funds and exchange traded funds				
Fixed income	248,534	248,534	-	-
Equity:				
Small cap	41,207	41,207	-	-
Mid cap	41,225	41,225	-	-
Large cap	161,848	161,848	-	-
International	63,849	63,849	-	-
	<u>\$36,694,325</u>	<u>\$23,011,325</u>	<u>\$13,683,000</u>	<u>\$ -</u>

Level 1 Measurements

U.S. Treasury notes and bills are traded in active markets on national securities exchanges and are valued at closing prices on the last business day of each period presented.

The fair values of the mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in the mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented.

Money market funds represent shares in mutual funds.

Most common stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

4. FAIR VALUE MEASUREMENTS (Continued)

Level 2 Measurements

U.S. bank certificates are valued at cost which approximates fair value due to their liquid or short-term nature. The Commission's Level 2 investments consisted of U.S. bank certificates of \$15,132,000 and \$13,683,000 as of December 31, 2013 and 2012, respectively. At December 31, 2013, the U.S. bank certificates have interest rates ranging from 0.20% and 1.50% and are set to mature at various dates between January 2014 and November 2016. At December 31, 2012, the U.S. bank certificates have interest rates ranging from 0.25% and 1.50% and are set to mature at various dates between January 2013 and January 2015.

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Office furniture and equipment	\$ 1,246,169	\$ 1,365,598
Computer and related equipment	2,761,822	2,828,753
Library	84,827	96,861
Leasehold improvements	2,461,586	1,158,440
Property and equipment, total	<u>6,554,404</u>	<u>5,449,652</u>
Less accumulated depreciation and amortization	<u>3,286,212</u>	<u>3,192,477</u>
Property and equipment, net	<u>\$ 3,268,192</u>	<u>\$ 2,257,175</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

6. LEASE COMMITMENTS

The Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease was set to expire in May 2015. However, in February 2011 the Chicago office lease was extended through May 2027. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the original lease provided 32 months “free rent” with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008, and the landlord provided certain rent concessions, a portion of which was applied in early 2009, with the remaining portion used in 2012. The lease extension provided for rent and operating expense abatements from March 2011 to September 2011 in consideration of payment of broker commissions of approximately \$700,000 during the same period. The Commission is also receiving an allowance for leasehold improvements and other rent concessions of approximately \$2,575,000 between January 2012 and December 2017.

Effective November 1, 2012, the Commission entered into a fifteen year agreement for office space in Springfield, Illinois. The agreement, which provides for an allowance of \$20,000 for leasehold improvements, requires escalating rental payments of 2% over the life of the lease. The Commission’s scheduled rent payments for this lease include operating expenses and real estate taxes.

Rent expense under all lease agreements was \$962,426 in 2013 and \$954,392 in 2012.

Future minimum lease payments, net of scheduled rent abatements, are as follows:

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2014	\$ 99,427	\$ 333,357	\$ 432,784
2015	101,416	336,672	438,088
2016	103,444	694,596	798,040
2017	105,513	103,423	208,936
2018	107,623	729,558	837,181
Thereafter	<u>1,049,031</u>	<u>6,908,125</u>	<u>7,957,156</u>
	<u>\$ 1,566,454</u>	<u>\$9,105,731</u>	<u>\$10,672,185</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

7. POSTRETIREMENT BENEFIT OBLIGATIONS

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

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

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2013 and 2012. The benefit obligation at December 31, 2013 was actuarially determined by Towers Watson, and was estimated by Commission management for 2012.

	<u>2013</u>	<u>2012</u>
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$ 1,054,208	\$ 972,775
Service cost	52,297	40,633
Interest cost	52,067	48,639
Benefits paid	(10,041)	(9,445)
Actuarial (gain)/loss	248,287	1,606
	<u> </u>	<u> </u>
Benefit obligation at end of year	<u>\$ 1,396,818</u>	<u>\$ 1,054,208</u>

Net periodic benefit costs for 2013 and 2012 are comprised of the following:

	<u>2013</u>	<u>2012</u>
Service cost	\$ 52,297	\$ 40,633
Interest cost	52,067	48,639
Amortization	248,287	1,606
	<u> </u>	<u> </u>
Net periodic benefit cost	<u>\$ 352,651</u>	<u>\$ 90,878</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

7. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

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

Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - PPA Static Mortality
	Discount rate - 2013 - 4%; 2012 - 5%
	Retirement will occur between ages 55 and 65
	Medical trend ultimate - 2013 - 5%; 2012 - 5%

Assumed healthcare cost trend rates can have a significant effect on the amounts reported for health care benefits. At December 31, 2013, the actuary noted that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$3,605 on total service cost and interest cost components and an increase of \$79,549 on the postretirement benefit obligation.

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

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

2014	\$ 19,079
2015	22,759
2016	24,524
2017	26,024
2018	30,487
2019 - 2023	254,668
	<u>\$ 377,541</u>

The Commission maintains investments in a separate trust account for the Medicare replacement reserve. The assets are invested using prudent asset allocation parameters, with the goal of minimizing risk and achieving asset returns that will help the plan meet its future obligations. The plan's returns should be competitive with like institutions employing similar investment strategies. Because these investments are not considered to be plan assets, they are included in the total investment balances on the Statements of Financial Position. The fair value of these investments including accrued interest totaled \$1,356,082 and \$2,041,810 at December 31, 2013 and 2012, respectively.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

7. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

A transfer of assets of \$850,000 was made during the year ended December 31, 2013 from the Commission's Medicare replacement reserve trust account to its general assets in order to better align the assets in the trust account with the corresponding benefit obligation. The postretirement benefit obligation was restated as of January 1, 2010 pursuant to a review of the underlying data, coverage provisions, and assumptions used to develop this estimate.

8. COST REIMBURSEMENTS

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursements are billed at the time that discipline is imposed by the Court. Such billings may not reflect the total costs or match the period in which the investigative disciplinary costs were incurred. The Commission is limited to \$1,000 in cost reimbursements for each discipline case, absent exceptional circumstances. During the years ended December 31, 2013 and 2012, the Commission regularly sought entry of judgments by the Court. Interest accrues upon the unsatisfied portions of those judgments at a rate of 9% per annum, from the date of judgment until satisfied, as provided by 735 ILCS 5/2-1303. The Commission has also established payment plans for disciplined attorneys.

9. EMPLOYEE BENEFIT PLANS

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. The Commission provides enhanced retirement plan contributions due to the Social Security Administration ruling that Commission employees are not eligible for benefits. Employee contributions are not permitted under the plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,414,603 in 2013 and \$1,405,539 in 2012. The Commission also pays the plan's administrative expenses, which totaled \$152,624 in 2013 and \$131,133 in 2012.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,900 in 2013 and \$3,730 in 2012.

10. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2013 and 2012, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

11. RISK AND UNCERTAINTIES

The Commission invests in various investment securities. Investment securities are exposed to various risk such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near future and such changes could materially affect the amounts reported in the statements of the financial position.

The actuarial present value of postretirement benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

12. FUNCTIONAL EXPENSES

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2013 and 2012:

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

12. FUNCTIONAL EXPENSES (Continued)

	2013			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 9,110,366	\$ 227,959	\$ 2,055,163	\$ 11,393,488
Travel expenses	119,028	1,161	31,101	151,290
Library and continuing education	115,740	2,301	26,042	144,083
General expenses and office support	1,700,902	32,399	363,591	2,096,892
Computer expenses	382,813	7,611	86,133	476,557
Other professional and case-related expenses	673,401	2,124	24,036	699,562
Client Protection Program direct expenses				
Awards	-	2,016,669	-	2,016,669
Bank fees	-	7,751	-	7,751
Administrative expense reimbursement to ARDC	-	-	283,541	283,541
Depreciation and amortization expense	502,311	9,986	113,020	625,317
	<u>\$ 12,604,561</u>	<u>\$ 2,307,961</u>	<u>\$ 2,982,627</u>	<u>\$ 17,895,150</u>
	2012			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 8,961,507	\$ 219,123	\$ 2,097,914	\$ 11,278,544
Travel expenses	110,498	1,231	44,879	156,608
Library and continuing education	107,256	3,309	37,437	148,002
General expenses and office support	1,414,536	34,786	333,619	1,782,941
Computer expenses	360,044	7,489	84,721	452,254
Other professional and case-related expenses	755,516	1,841	20,829	778,186
Client Protection Program direct expenses				
Awards	-	986,771	-	986,771
Bank fees	-	6,441	-	6,441
Administrative expense reimbursement to ARDC	-	-	275,656	275,656
Depreciation and amortization expense	378,670	7,877	89,103	475,650
	<u>\$ 12,088,027</u>	<u>\$ 1,268,868</u>	<u>\$ 2,984,158</u>	<u>\$ 16,341,053</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

13. PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to correct previously reported amounts. The deferred rent expense as of January 1, 2012 has been restated to correct its balance. The following table presents the changes to the net assets and deferred rent expense:

	Balance at January 1, 2012 <u>as Previously Reported</u>	<u>Adjustment</u>	Balance at January 1, 2012 <u>as Restated</u>
Unrestricted net assets	\$19,497,040	\$545,707	\$20,042,747
Deferred rent expense	\$ 1,749,079	(\$545,707)	\$ 1,203,372

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2013**

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 and Equipment
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Expenses
 - Analysis of Significant Variations in Receipts and Expenses

- Analysis of Operations (Unaudited)
 - Commission Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - 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 auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
December 31, 2013 and 2012

	Balance January 1, 2013	Acquisitions	Dispositions	Balance December 31, 2013
Office furniture and equipment	\$ 1,365,598	\$ 133,282	\$ 252,711	\$ 1,246,169
Computer and related equipment	2,828,753	191,708	258,639	2,761,822
Library	96,861	999	13,033	84,827
Leasehold improvements	1,158,440	1,311,352	8,206	2,461,586
Property and equipment, total	5,449,652	1,637,341	532,589	6,554,404
Accumulated depreciation	(3,192,477)	(625,317)	(531,582)	(3,286,212)
Property and equipment, net	<u>\$ 2,257,175</u>	<u>\$ 1,012,024</u>	<u>\$ 1,007</u>	<u>\$ 3,268,192</u>

	Balance January 1, 2012	Acquisitions	Dispositions	Balance December 31, 2012
Office furniture and equipment	\$ 1,376,156	\$ 25,782	\$ 36,340	\$ 1,365,598
Computer and related equipment	2,330,111	538,781	40,139	2,828,753
Library	97,117	11,275	11,531	96,861
Leasehold improvements	431,498	816,908	89,966	1,158,440
Property and equipment, total	4,234,882	1,392,746	177,976	5,449,652
Accumulated depreciation	(2,892,946)	(475,650)	(176,119)	(3,192,477)
Property and equipment, net	<u>\$ 1,341,936</u>	<u>\$ 917,096</u>	<u>\$ 1,857</u>	<u>\$ 2,257,175</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF CASH RECEIPTS - EXCLUDING INVESTMENT PROCEEDS
For the Years Ended December 31, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Accrual Basis:			
Registration and program fees and delinquent charges	\$ 17,476,037	\$ 17,150,269	\$ 17,121,917
Investment income			
Interest	150,964	192,312	237,324
Net appreciation (depreciation) of investments	45,672	(39,294)	8,090
Costs reimbursements collected	84,500	65,825	95,436
Administrative expense reimbursements from			
Client Protection Program	283,541	275,656	265,968
Client Protection Program reimbursements	97,160	276,367	8,145
Total revenue (accrual basis)	<u>18,137,874</u>	<u>17,921,135</u>	<u>17,736,880</u>
Plus:			
Deferred fees - end of year	13,458,211	12,485,068	13,315,746
Interest receivable - beginning of year	33,661	39,417	48,210
Accounts receivable - beginning of year	3,086	101,599	78,002
Deposits - end of year	9,832	7,830	6,328
Less:			
Deferred fees - beginning of year	(12,485,068)	(13,315,746)	(13,461,138)
Interest receivable - end of year	(22,374)	(33,661)	(39,417)
Accounts receivable - end of year	(24,649)	(3,086)	(101,599)
Deposits - beginning of year	(7,830)	(6,328)	(5,484)
Total receipts (cash basis)	<u>\$ 19,102,743</u>	<u>\$ 17,196,228</u>	<u>\$ 17,577,528</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Salaries and related expenses			
Full-time staff	\$ 8,025,576	\$ 7,988,305	\$ 7,653,145
Temporary help	332,899	430,850	369,631
Employment taxes	136,550	141,111	126,540
Employee group insurance	1,131,210	1,221,861	1,214,973
Postretirement benefits	352,650	90,878	79,482
Retirement plan	1,414,603	1,405,539	1,375,328
Total salaries and related expenses	11,393,488	11,278,544	10,819,099
Travel expenses			
Staff	33,704	32,041	22,483
Vehicles	38,984	42,293	40,883
Commissioners	17,963	30,953	20,518
Review board	20,120	10,268	9,430
Hearing board	39,778	39,139	30,741
Inquiry and oversight boards	741	1,914	1,688
Total travel expenses	151,290	156,608	125,743
Library and continuing education	144,083	148,002	242,598
General expenses and office support			
Office rent	962,426	954,392	1,526,202
Utilities and maintenance	65,833	63,793	66,113
Telephone	144,360	118,854	102,463
Insurance general	62,313	57,673	56,860
Postage	165,889	170,062	182,685
Equipment rental and maintenance	63,691	55,750	71,647
Office supplies and expense	545,797	293,917	231,323
Stationery and forms	85,576	66,643	94,193
Publications	-	-	28,095
Loss on disposal of property and equipment	1,007	1,857	141
Total general expenses and office support	2,096,892	1,782,941	2,359,722
Computer expense	476,557	452,254	226,560

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Other professional and case-related expenses			
Auditing	\$ 21,437	\$ 45,651	\$ 20,000
Retirement plan and trust expenses	-	-	166,844
Consultants and fees	44,027	65,541	63,447
Court reporting	339,394	361,276	326,694
Witness fees - professional	172,216	170,123	194,709
Witness fees - other	27,103	20,447	13,080
Duplication of records	27,861	27,194	22,448
Online legal research fees	67,524	87,954	-
Total other professional and case-related expenses	<u>699,562</u>	<u>778,186</u>	<u>807,222</u>
Client Protection Program payments	<u>2,024,420</u>	<u>993,212</u>	<u>1,010,605</u>
Administrative expense reimbursement to ARDC	<u>283,541</u>	<u>275,656</u>	<u>265,968</u>
Depreciation and amortization expense	<u>625,317</u>	<u>475,650</u>	<u>466,075</u>
Total expenses	<u><u>\$ 17,895,150</u></u>	<u><u>\$ 16,341,053</u></u>	<u><u>\$ 16,323,592</u></u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2013 and 2012**

A comparative schedule of significant variations in receipts and expenses by account category greater than \$75,000 and more than 15% for the year ended December 31, 2013 is shown below:

	2013	2012	Variance	
			Amount	%
<u>Receipts</u>				
Client Protection Program reimbursements	\$97,160	\$276,367	(\$179,207)	(67%)
<u>Expenses</u>				
General expenses and office support	\$2,096,892	\$1,782,941	\$313,951	18%
Client Protection Program payments	\$2,024,420	\$993,212	\$1,031,208	104%
Depreciation and amortization expense	\$625,317	\$475,650	\$149,667	31%

Client Protection Program reimbursements

The decrease in this account pertains to a few unusually large payments received and collected from lawyers in 2012. Amounts received and collected can vary significantly from year to year and are dependent upon each identified lawyer's ability to pay and the current economic environment.

General expenses and office support

The significant increase in this account pertains to moving expenses associated with leasehold improvements constructed in the Chicago and Springfield offices. Moving expenses include dismantlement and reinstallation of existing office furniture and equipment, and purchase of office furniture and equipment items below the capitalization policy of \$5,000 per item.

Client Protection Program payments

The significant increase is mainly attributable to large payouts resulting from approved claims relating to two respondents.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2013 and 2012**

Depreciation and amortization expense

The increase in this account pertains mainly to the full year depreciation of leasehold improvements constructed and completed in the Chicago and Springfield offices and a software upgrade started in 2012 which was completed and fully implemented in 2013. The software upgrade refers to efforts to revise the online registration process to include the option of paying registration fees using credit cards, along with other added features.

STATE OF ILLINOIS
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ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2013 and 2012

A comparative schedule of significant variations in receipts and expenses by account category greater than \$75,000 and more than 15% for the year ended December 31, 2012 is shown below:

	2012	2011	Variance	
			Amount	%
<u>Receipts</u>				
Investment Income	\$153,018	\$245,414	(\$92,396)	(38%)
Client Protection Program reimbursements	\$276,367	\$8,145	\$268,222	3293%
<u>Expenses</u>				
Library and continuing education	\$148,002	\$242,598	(\$94,596)	(39%)
General expenses and office support	\$1,782,941	\$2,359,722	(\$576,781)	(24%)
Computer expenses	\$452,254	\$ 226,560	\$225,694	100%

Investment Income

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

Client Protection Program reimbursements

The significant increase in this account pertains to a few unusually large payments made by lawyers in 2012. No significant payments occurred in 2011.

Library and continuing education

The significant decrease in this account is due to a change in categorization of online legal research fees previously presented under the library continuing education account to the other professional and case-related expenses account.

General expenses and office support

The significant decrease in this account is due to allowance for leasehold improvements and other rent concessions received in 2012 for the Chicago office that directly decreased rental payments. Such decrease was partially offset by the costs incurred brought about by the office move that took place in the Springfield office during the 4th quarter of 2012.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2013 and 2012**

Computer expenses

The significant increase in this account is mainly due to purchases of computer equipment and various software maintenance and consulting fees.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMMISSION FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Years Ended December 31, 2013 and 2012

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

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

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

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

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

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)
For the Years Ended December 31, 2013, 2012, and 2011

Average Number of Employees by Function

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Registration and Discipline	88	84	88
Client Protection Program	2	2	2
Administration and Support	<u>20</u>	<u>20</u>	<u>20</u>
Total average number of employees by function	<u>110</u>	<u>106</u>	<u>110</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Years Ended December 31, 2013, 2012, and 2011

<u>Attorneys Initially Admitted to the Bar</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Attorneys admitted during current fiscal year	2,496	2,915	3,004
Attorneys admitted longer than one year, but less than three years	5,020	5,258	5,451
Attorneys admitted for three years or longer	67,865	66,580	65,211
 Serving:			
Active military duty	329	327	323
Judges or judicial clerk	1,675	2,123	2,122
Birthday before December 31, 1937 and 1936	1,828	1,711	1,654
Inactive status	11,561	11,013	10,752
 Total active and registered attorneys	 <u>90,774</u>	 <u>89,927</u>	 <u>88,517</u>
 Removed from master roll (arrears, deceased, retired, disciplined and Minimum Continuing Legal Education (MCLE) removals)	 <u>1,951</u>	 <u>2,067</u>	 <u>1,816</u>
 <u>Annual Attorney Registration Fees</u>			
Attorneys admitted longer than one year, but less than three years	\$105	\$105	\$105
Attorneys admitted for three years or longer	\$342	\$289	\$289
Attorneys or inactive status	\$105	\$105	\$105