



**ADELFA LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

400 E RANDOLPH STREET, SUITE 705  
CHICAGO, ILLINOIS 60601  
TEL (312) 240-9500 FAX (312) 240-0295  
[www.adelfiacpas.com](http://www.adelfiacpas.com)

**State of Illinois**

**ATTORNEY REGISTRATION AND  
DISCIPLINARY COMMISSION**

**FINANCIAL AUDIT AND  
COMPLIANCE EXAMINATION**

**For the Two Years Ended December 31, 2015**

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, 2015**

**TABLE OF CONTENTS**

		<b><u>Page(s)</u></b>
Agency Officials		1
Management Assertion Letter		2-3
Compliance Report:		
Summary		4
Independent Accountants' Report on State Compliance and on Internal Control over Compliance		5-7
Financial Statement Report:		
Summary		8
Independent Auditor's Report		9-11
Financial Statements		
Statements of Financial Position		12
Statements of Activities		13
Statements of Cash Flows		14
Notes to the Financial Statements		15-29
	<b><u>Schedule</u></b>	<b><u>Page(s)</u></b>
Supplementary Information for State Compliance Purposes:		
Summary		30
Fiscal Schedules and Analysis		
Schedule of Changes in Property and Equipment	1	31
Comparative Schedule of Cash Receipts – Excluding Investment Proceeds	2	32
Comparative Schedule of Expenses	3	33-34
Analysis of Significant Variations in Receipts and Expenses	4	35-36
Analysis of Operations (Unaudited)		
Commission Functions and Planning Program (Unaudited)		37
Average Number of Employees (Unaudited)		38
Service Efforts and Accomplishments (Unaudited)		39

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended December 31, 2015**

**AGENCY OFFICIALS**

**Administration**

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

**Commissioners**

Chairman	James R. Mendillo
Commissioner	Derrick K. Baker
Commissioner	Timothy Louis Bertschy
Commissioner	Joan Myers Eagle
Commissioner	Karen Hasara
Commissioner	Bernard Judge
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, Suite 301  
Springfield, IL 62704



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

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

3161 West White Oaks Drive, Suite 301  
Springfield, IL 62704  
(217) 546-3523 (800) 252-8048  
Fax (217) 546-3785

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

April 21, 2016

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

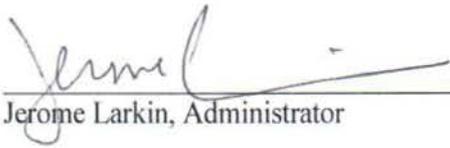
Ladies and Gentlemen:

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, 2015. Based on this evaluation, we assert that during the years ended December 31, 2015 and December 31, 2014, 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 collected 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, including the State uniform accounting system, 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



Handwritten signature of Jerome Larkin in black ink, written over a horizontal line.

Jerome Larkin, Administrator



Handwritten signature of James J. Grogan in blue ink, written over a horizontal line.

James J. Grogan, Chief Counsel



Handwritten signature of Vick Paul in blue ink, written over a horizontal line.

Vick Paul, Director of Finance

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended December 31, 2015**

**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**

No findings were noted during the financial audit and compliance examination for the two years ended December 31, 2015.

**EXIT CONFERENCE**

The Commission waived an exit conference in correspondence from Vick Paul, Director of Finance dated April 20, 2016.



INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE  
AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino  
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, 2015. 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, 2015.

### **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  
April 21, 2016

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended December 31, 2015**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying 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 financial statements.

**EXIT CONFERENCE**

The Commission waived an exit conference in correspondence from Vick Paul, Director of Finance dated April 20, 2016.



## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
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), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

### ***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 an opinion 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 opinion.

### ***Opinion***

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, 2015 and 2014, 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.

### ***Other Matters***

#### ***Other Information***

Our audits for the years ended December 31, 2015 and 2014 were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's 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 financial statements.

The accompanying supplementary information for the years ended December 31, 2015 and 2014, 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 financial statements. The accompanying supplementary information for the years ended December 31, 2015 and 2014, in the State Compliance Schedules 1 through 4 has been subjected to the auditing procedures applied in the audit 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 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, 2015 and 2014, in the State Compliance Schedules 1 through 4 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Commission's financial statements as of and for the year ended December 31, 2013 (not presented herein), and have issued our report thereon dated May 30, 2014, which contained an unmodified opinion on the respective financial statements. The accompanying supplementary information for the year ended December 31, 2013 in 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 December 31, 2013 financial statements. The accompanying supplementary information for the year ended December 31, 2013 in Schedules 1 through 4 has been subjected to the auditing procedures applied in the audit of the December 31, 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 year ended December 31, 2013 in Schedules 1 through 4 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

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

*Adelfia LLC*

Adelfia LLC  
Chicago, Illinois  
April 21, 2016

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,655,887	2,458,241
Short-term investments	29,010,659	26,652,312
Accrued interest receivable	38,367	23,822
Accounts receivable	3,342	2,794
Prepaid expenses and other assets	48,752	80,641
Total current assets	31,757,007	29,217,810
Property and equipment - net	2,284,283	2,696,223
Long-term investments	17,843,378	15,636,435
Total assets	\$ 51,884,668	\$ 47,550,468
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and other accruals	\$ 1,123,684	358,825
Amounts held for others	3,945,897	3,854,321
Accrued vacation	441,734	448,628
Deferred registration and program fees	16,630,854	16,210,099
Current portion of postretirement benefit obligation	14,028	9,547
Deposits	2,500	5,000
Total current liabilities	22,158,697	20,886,420
Long-term liabilities		
Noncurrent portion of postretirement benefit obligation	1,703,471	1,487,604
Deferred rent expense	1,901,482	1,794,534
Total long-term liabilities	3,604,953	3,282,138
Total liabilities	25,763,650	24,168,558
Unrestricted net assets	26,121,018	23,381,910
Total liabilities and net assets	\$ 51,884,668	\$ 47,550,468

See accompanying notes to the financial statements.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2015 and 2014**

	2015			2014		
	Registration and Discipline	Client Protection Program	Total	Registration and Discipline	Client Protection Program	Total
<b>REVENUE</b>						
Investment income						
Interest	\$ 193,995	\$ 21,930	\$ 215,925	\$ 124,281	\$ 14,921	\$ 139,202
Net appreciation (depreciation) in fair value of investments	(72,239)	(14,634)	\$ (86,873)	8,112	(1,578)	\$ 6,534
Total investment income	121,756	7,296	129,052	132,393	13,343	145,736
Registration and program fees and delinquent charges	19,440,083	1,801,656	21,241,739	16,378,555	1,740,250	\$ 18,118,805
Cost reimbursements collected	82,782	-	82,782	70,810	-	\$ 70,810
Administrative expense reimbursement from Client Protection Program	286,324	-	286,324	276,869	-	\$ 276,869
Client Protection Program reimbursements	-	16,355	16,355	-	96,781	\$ 96,781
Total revenue	19,930,945	1,825,307	21,756,252	16,858,627	1,850,374	18,709,001
<b>EXPENSES</b>						
Salaries and related expenses	11,933,845	-	11,933,845	11,439,028	-	11,439,028
Travel expenses	130,279	-	130,279	113,327	-	113,327
Library and continuing education	143,206	-	143,206	108,280	-	108,280
General expenses and office support	2,299,321	-	2,299,321	2,052,396	-	2,052,396
Computer expenses	479,508	-	479,508	403,897	-	403,897
Other professional and case-related expenses	835,666	-	835,666	821,595	-	821,595
Client Protection Program direct expenses						
Awards	-	2,490,608	2,490,608	-	1,300,575	1,300,575
Administrative	-	5,936	5,936	-	7,024	7,024
Administrative expense reimbursement to Registration and Discipline	-	286,324	286,324	-	276,869	276,869
Depreciation and amortization expense	412,451	-	412,451	669,653	-	669,653
Total expenses	16,234,276	2,782,868	19,017,144	15,608,176	1,584,468	17,192,644
Change in net assets	3,696,669	(957,561)	2,739,108	1,250,451	265,906	1,516,357
Unrestricted net assets						
Beginning of year	20,027,688	3,354,222	23,381,910	18,777,237	3,088,316	21,865,553
End of year	<u>\$ 23,724,357</u>	<u>\$ 2,396,661</u>	<u>\$ 26,121,018</u>	<u>\$ 20,027,688</u>	<u>\$ 3,354,222</u>	<u>\$ 23,381,910</u>

See accompanying notes to the financial statements.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 2,739,108	\$ 1,516,357
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (appreciation) depreciation in fair value of investments	86,873	(6,534)
Loss on sale of property and equipment	-	607
Depreciation and amortization expense	412,451	669,653
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(15,093)	20,407
Prepaid expenses and other assets	31,889	14,791
Increase (decrease) in liabilities		
Accounts payable and other accruals	764,859	(764,130)
Amounts held for others	91,576	270,935
Accrued vacation	(6,894)	11,650
Deferred registration and program fees	420,755	2,751,888
Deposits	(2,500)	(4,832)
Net postretirement benefit obligation	220,348	100,333
Deferred rent expense	106,948	(69,944)
Net cash provided by operating activities	<u>4,850,320</u>	<u>4,511,181</u>
Cash flows from investing activities		
Purchases of investment securities	(30,793,613)	(30,677,699)
Maturities of investment securities	26,141,450	26,068,120
Acquisitions of property and equipment	(511)	(98,291)
Net cash used in investing activities	<u>(4,652,674)</u>	<u>(4,707,870)</u>
Net increase (decrease) in cash and cash equivalents	197,646	(196,689)
Cash and cash equivalents		
Beginning of year	2,458,241	2,654,930
End of year	<u>\$ 2,655,887</u>	<u>\$ 2,458,241</u>

See accompanying notes to the financial statements.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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, has set the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$382 and the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$121, both effective with the 2015 registration season. For the 2014 registration season, the corresponding amounts were \$342 and \$105, respectively. 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 \$382 fee, collect and remit the following amounts to the following other

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**1. GENERAL PURPOSE DESCRIPTION (Continued)**

Supreme Court entities that are not administered by the Commission: \$95 to the Lawyers Trust Fund of Illinois, \$25 to the Illinois Supreme Court Commission on Professionalism, and \$7 to the Illinois Lawyers Assistance Program. For the 2014 registration season, the corresponding remittance amounts were identical except for the Illinois Supreme Court Commission on Professionalism, which was then entitled to \$15.

- 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 registration 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.
- Rule 707, as amended, provides that eligible out-of-state attorneys may appear in an Illinois proceeding upon meeting certain requirements, including the payment of a \$250 per proceeding fee and an annual registration fee, which is currently \$121. The \$250 per proceeding fee is allocated between the Illinois Supreme Court Commission on Access to Justice (\$175) and the Commission (\$75). The registration fee is allocated to the Commission.

**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

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

Accounts Receivable

The Commission fully reserves reimbursements owed by attorneys under its Cost Reimbursements Program and the Client Protection Program. Whether the Commission can fully collect all reimbursements is dependent upon each identified attorney's ability to pay and the current economic environment. Therefore, the Commission records these reimbursements as revenue under the cost recovery method when the reimbursements are received.

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 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.

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Amounts Held for Others

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

	<u>2015</u>	<u>2014</u>
Illinois Lawyers Assistance Program	\$ 216,730	\$ 211,781
Lawyers Trust Fund of Illinois	2,941,226	2,873,525
Illinois Supreme Court Commission on Professionalism	773,995	755,540
Illinois Supreme Court Commission on Access to Justice	13,946	13,475
	<u>\$ 3,945,897</u>	<u>\$ 3,854,321</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 Client Protection Program fee applied to attorneys admitted greater than 3 years. The annual fees for the subsequent year are billed before November 1 and are 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, 2015 and 2014 were \$2,500 and \$5,000, respectively.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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 April 21, 2016, 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, 2015 and 2014**

**3. INVESTMENTS**

The fair value of investments as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
U.S. Treasury notes and bills	\$ 18,010,540	\$ 16,855,811
U.S. bank certificates	18,065,000	14,354,000
Money market funds	9,645,935	10,011,949
Mutual funds and exchange traded funds		
Fixed Income	661,815	624,613
Equity	470,747	442,374
Total	<u>\$ 46,854,037</u>	<u>\$ 42,288,747</u>

The following table lists the maturities of securities held for the years ended December 31, 2015 and 2014:

	<u>2015</u>		<u>2014</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	\$ 9,446,162	\$ 8,564,378	\$10,155,376	\$ 6,700,435
U.S. bank certificates	8,786,000	9,279,000	5,418,000	8,936,000
Money market funds	9,645,935	-	10,011,949	-
Mutual funds and exchange traded funds				
Fixed Income	661,815	-	624,613	-
Equity	470,747	-	442,374	-
Total	<u>\$29,010,659</u>	<u>\$17,843,378</u>	<u>\$26,652,312</u>	<u>\$15,636,435</u>

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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:

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, 2015 and 2014. 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, 2015 and 2014.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**4. FAIR VALUE MEASUREMENTS (Continued)**

	Total	Fair Value Measurements at 12/31/15 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	\$18,010,540	\$18,010,540	\$ -	\$ -
U.S. bank certificates	18,065,000	-	18,065,000	-
Money market funds	9,645,935	9,645,935	-	-
Mutual funds and exchange traded funds				
Fixed income	661,815	661,815	-	-
Equity:				
Small cap	61,171	61,171	-	-
Mid cap	61,943	61,943	-	-
Large cap	257,637	257,637	-	-
International	89,996	89,996	-	-
	<u>\$46,854,037</u>	<u>\$28,789,037</u>	<u>\$18,065,000</u>	<u>\$ -</u>

	Total	Fair Value Measurements at 12/31/14 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	\$16,855,811	\$16,855,811	\$ -	\$ -
U.S. bank certificates	14,354,000	-	14,354,000	-
Money market funds	10,011,949	10,011,949	-	-
Mutual funds and exchange traded funds				
Fixed income	624,613	624,613	-	-
Equity:				
Small cap	59,779	59,779	-	-
Mid cap	60,049	60,049	-	-
Large cap	239,717	239,717	-	-
International	82,829	82,829	-	-
	<u>\$42,288,747</u>	<u>\$27,934,747</u>	<u>\$14,354,000</u>	<u>\$ -</u>

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**4. FAIR VALUE MEASUREMENTS (Continued)**

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 and exchange traded 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 money market mutual funds.

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 \$18,065,000 and \$14,354,000 as of December 31, 2015 and 2014, respectively. At December 31, 2015, the U.S. bank certificates have interest rates ranging from 0.25% to 1.50% and are set to mature at various dates between January 2016 and August 2018. At December 31, 2014, the U.S. bank certificates have interest rates ranging from 0.25% to 1.50% and are set to mature at various dates between January 2015 and November 2017.

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2015 and 2014 consist of the following:

	2015	2014
Office furniture and equipment	\$ 1,198,972	\$ 1,220,333
Computer and related equipment	2,784,509	2,809,235
Library	52,569	70,243
Leasehold improvements	2,471,949	2,482,889
Property and equipment, total	6,507,999	6,582,700
Less accumulated depreciation and amortization	(4,223,716)	(3,886,477)
Property and equipment, net	\$ 2,284,283	\$ 2,696,223

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**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 pro-rata operating expenses and real estate taxes in addition to the scheduled rent payments. 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 which were fully applied as of December 31, 2012. 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 included 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 \$1,200,956 in 2015 and \$1,011,084 in 2014.

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,			
2016	\$ 103,444	\$ 694,596	\$ 798,040
2017	105,513	103,422	208,935
2018	107,623	729,558	837,181
2019	109,776	747,806	857,582
2020	111,971	766,660	878,631
Thereafter	827,283	5,393,659	6,220,942
	<u>\$ 1,365,610</u>	<u>\$8,435,701</u>	<u>\$9,801,311</u>

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**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 certain 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, 2015 and 2014. The benefit obligation at December 31, 2015 was actuarially determined by Towers Watson, and was estimated by Commission management for 2014.

	<u>2015</u>	<u>2014</u>
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$ 1,497,151	\$ 1,396,818
Service cost	59,552	52,297
Interest cost	64,097	69,841
Benefits paid	(14,029)	(9,547)
Actuarial (gain)/loss	<u>110,728</u>	<u>(12,258)</u>
Benefit obligation at end of year	<u>\$ 1,717,499</u>	<u>\$ 1,497,151</u>

Net periodic benefit costs for 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 59,552	\$ 52,297
Interest cost	64,097	69,841
Amortization	<u>110,728</u>	<u>(12,258)</u>
Net periodic benefit cost	<u>\$ 234,377</u>	<u>\$ 109,880</u>

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**7. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)**

The key assumptions are as follows:

	<u>2015</u>	<u>2014</u>
Actuarial cost method	Projected unit credit method	Projected unit credit method
Mortality table	RP-2014 Employee and Annuitant	2013 PPA Static Mortality
Discount rate	4%	4%
Retirement age	Between ages 55 and 65	Between ages 55 and 65
Medical trend rate ultimate	5%	5%

Assumed healthcare cost trend rates can have a significant effect on the amounts reported for health care benefits. At December 31, 2015, the actuary noted that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$8,338 on total service cost and interest cost components and an increase of \$113,999 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:

2016	\$ 26,830
2017	28,511
2018	33,101
2019	34,907
2020	39,460
2021 - 2025	389,172
	<u>\$ 551,981</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 \$1,575,949 and \$1,477,277 at December 31, 2015 and 2014, respectively.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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, 2015 and 2014, 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 \$1,488,873 in 2015 and \$1,457,296 in 2014. The Commission also pays the plan's administrative expenses, which totaled \$169,880 in 2015 and \$175,822 in 2014.

The Commission also maintains a Section 457 savings plan which is primarily funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,900 in 2015 and \$3,832 in 2014. Effective January 1, 2015, the Commission began matching employee contributions at the rate of 10% of the employee deferral amount, subject to an annual cap of \$500 per employee. Matching contributions totaled \$20,983 in 2015.

**10. LITIGATION**

Various complaints and actions are periodically filed against the Commission. At December 31, 2015 and 2014, 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, 2015 and 2014**

**11. RISK AND UNCERTAINTIES**

The Commission invests in various investment securities. Investment securities are exposed to various risks 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 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, 2015 and 2014:

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**12. FUNCTIONAL EXPENSES (Continued)**

	2015			
	Program			Total
	Registration and Discipline	Client Protection Program	Administration and Support	
Salaries and related expenses	\$ 9,471,492	\$ 230,636	\$ 2,231,717	\$ 11,933,845
Travel expenses	102,243	940	27,096	130,279
Library and continuing education	114,898	2,247	26,061	143,206
General expenses and office support	1,863,465	34,647	401,209	2,299,321
Computer expenses	384,726	7,523	87,259	479,508
Other professional and case-related expenses	787,029	3,860	44,777	835,666
Client Protection Program direct expenses				
Awards	-	2,490,608	-	2,490,608
Administrative	-	5,936	-	5,936
Administrative expense reimbursement to Registration and Discipline	-	-	286,324	286,324
Depreciation and amortization expense	330,922	6,471	75,058	412,451
	<u>\$ 13,054,775</u>	<u>\$ 2,782,868</u>	<u>\$ 3,179,501</u>	<u>\$ 19,017,144</u>
	2014			
	Program			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 9,304,825	\$ 222,519	\$ 1,911,684	\$ 11,439,028
Travel expenses	93,136	916	19,275	113,327
Library and continuing education	87,852	1,718	18,710	108,280
General expenses and office support	1,681,171	31,278	339,947	2,052,396
Computer expenses	327,697	6,410	69,790	403,897
Other professional and case-related expenses	781,164	3,401	37,030	821,595
Client Protection Program direct expenses				
Awards	-	1,300,575	-	1,300,575
Administrative	-	7,024	-	7,024
Administrative expense reimbursement to Registration and Discipline	-	-	276,869	276,869
Depreciation and amortization expense	543,316	10,627	115,710	669,653
	<u>\$ 12,819,161</u>	<u>\$ 1,584,468</u>	<u>\$ 2,789,015</u>	<u>\$ 17,192,644</u>

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended December 31, 2015**

**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 financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the 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 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, 2015 and 2014**

	Balance January 1, 2015	Acquisitions	Dispositions	Balance December 31, 2015
Office furniture and equipment	\$ 1,220,333	\$ -	\$ 21,361	\$ 1,198,972
Computer and related equipment	2,809,235	-	24,726	2,784,509
Library	70,243	511	18,185	52,569
Leasehold improvements	2,482,889	-	10,940	2,471,949
Property and equipment, total	6,582,700	511	75,212	6,507,999
Accumulated depreciation	(3,886,477)	(412,451)	(75,212)	(4,223,716)
Property and equipment, net	<u>\$ 2,696,223</u>	<u>\$ (411,940)</u>	<u>\$ -</u>	<u>\$ 2,284,283</u>

	Balance January 1, 2014	Acquisitions	Dispositions	Balance December 31, 2014
Office furniture and equipment	\$ 1,246,169	\$ 27,737	\$ 53,573	\$ 1,220,333
Computer and related equipment	2,761,822	47,413	-	2,809,235
Library	84,827	1,181	15,765	70,243
Leasehold improvements	2,461,586	21,960	657	2,482,889
Property and equipment, total	6,554,404	98,291	69,995	6,582,700
Accumulated depreciation	(3,286,212)	(669,653)	(69,388)	(3,886,477)
Property and equipment, net	<u>\$ 3,268,192</u>	<u>\$ (571,362)</u>	<u>\$ 607</u>	<u>\$ 2,696,223</u>

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS - EXCLUDING INVESTMENT PROCEEDS**  
**For the Years Ended December 31, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Accrual Basis:			
Registration and program fees and delinquent charges	\$ 21,241,739	\$ 18,118,805	\$ 17,476,037
Investment income			
Interest	215,925	139,202	150,964
Net appreciation (depreciation) of investments	(86,873)	6,534	45,672
Total investment income	<u>129,052</u>	<u>145,736</u>	<u>196,636</u>
Costs reimbursements collected	82,782	70,810	84,500
Administrative expense reimbursements from			
Client Protection Program	286,324	276,869	283,541
Client Protection Program reimbursements	16,355	96,781	97,160
Total revenue (accrual basis)	<u>21,756,252</u>	<u>18,709,001</u>	<u>18,137,874</u>
Plus:			
Deferred fees - end of year	16,630,854	16,210,099	13,458,211
Interest receivable - beginning of year	23,822	22,374	33,661
Accounts receivable - beginning of year	2,794	24,649	3,086
Deposits - end of year	2,500	5,000	9,832
Less:			
Deferred fees - beginning of year	(16,210,099)	(13,458,211)	(12,485,068)
Interest receivable - end of year	(38,367)	(23,822)	(22,374)
Accounts receivable - end of year	(3,342)	(2,794)	(24,649)
Deposits - beginning of year	(5,000)	(9,832)	(7,830)
Total receipts (cash basis)	<u>\$ 22,159,414</u>	<u>\$ 21,476,464</u>	<u>\$ 19,102,743</u>

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**COMPARATIVE SCHEDULE OF EXPENSES**  
**For the Years Ended December 31, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries and related expenses			
Full-time staff	\$ 8,438,403	\$ 8,283,399	\$ 8,025,576
Temporary help	194,787	206,065	332,899
Employment taxes	118,657	128,059	136,550
Employee group insurance	1,437,765	1,254,329	1,131,210
Postretirement benefits	234,377	109,880	352,650
Retirement plan	1,509,856	1,457,296	1,414,603
Total salaries and related expenses	<u>11,933,845</u>	<u>11,439,028</u>	<u>11,393,488</u>
Travel expenses			
Staff	33,013	27,054	33,704
Vehicles	26,897	30,700	38,984
Commissioners	16,192	9,297	17,963
Review board	16,335	11,515	20,120
Hearing board	36,398	32,336	39,778
Inquiry and oversight boards	1,444	2,425	741
Total travel expenses	<u>130,279</u>	<u>113,327</u>	<u>151,290</u>
Library and continuing education	<u>143,206</u>	<u>108,280</u>	<u>144,083</u>
General expenses and office support			
Office rent	1,200,956	1,011,084	962,426
Utilities and maintenance	46,968	52,146	65,833
Telephone	150,723	131,819	144,360
Insurance general	154,954	61,786	62,313
Postage	156,448	151,029	165,889
Equipment rental and maintenance	52,376	52,259	63,691
Office supplies and expense	482,171	507,906	545,797
Stationery and forms	54,725	83,760	85,576
Publications	-	-	-
Loss on disposal of property and equipment	-	607	1,007
Total general expenses and office support	<u>2,299,321</u>	<u>2,052,396</u>	<u>2,096,892</u>
Computer expense	<u>479,508</u>	<u>403,897</u>	<u>476,557</u>

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**COMPARATIVE SCHEDULE OF EXPENSES**  
**For the Years Ended December 31, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Other professional and case-related expenses			
Auditing	\$ 23,357	\$ 53,544	\$ 21,437
Consultants and fees	153,969	93,216	44,027
Court reporting	283,136	333,359	339,394
Witness fees - professional	281,675	238,611	172,216
Witness fees - other	8,851	12,026	27,103
Duplication of records	15,964	23,287	27,861
Online legal research fees	68,714	67,552	67,524
Total other professional and case-related expenses	<u>835,666</u>	<u>821,595</u>	<u>699,562</u>
Client Protection Program payments	<u>2,496,544</u>	<u>1,307,599</u>	<u>2,024,420</u>
Administrative expense reimbursement to Registration and Discipline	<u>286,324</u>	<u>276,869</u>	<u>283,541</u>
Depreciation and amortization expense	<u>412,451</u>	<u>669,653</u>	<u>625,317</u>
Total expenses	<u><u>\$ 19,017,144</u></u>	<u><u>\$ 17,192,644</u></u>	<u><u>\$ 17,895,150</u></u>

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES**  
**For the Years Ended December 31, 2015 and 2014**

A comparative schedule of significant variations in receipts and expenses by account category greater than \$93,000 and more than 15% for the year ended December 31, 2015 is shown below:

	2015	2014	Variance	
			Amount	%
<u>Receipts</u>				
Registration and program fees and delinquent charges	\$21,241,739	\$18,118,805	\$3,122,934	17%
<u>Expenses</u>				
Client Protection Program payments	\$2,496,544	\$1,307,599	\$1,188,945	91%
Depreciation and amortization expense	\$412,451	\$669,653	(\$257,202)	(38%)

Registration and program fees and delinquent charges

The increase in this account resulted from a combination of an increase in the registration fees and an increase in the number of registered attorneys.

Client Protection Program payments

The significant increase in this account was mainly attributable to the increase in the number of approved claims.

Depreciation and amortization expense

The decrease in this account was mainly due to the number of computer and related equipment items that were depreciated in full during 2014.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES**  
**For the Years Ended December 31, 2015 and 2014**

A comparative schedule of significant variations in receipts and expenses by account category greater than \$93,000 and more than 15% for the year ended December 31, 2014 is shown below:

	<u>2014</u>	<u>2013</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
<u>Receipts</u>				
No significant variations noted.				
<u>Expenses</u>				
Other professional and case-related expenses	\$821,595	\$699,562	\$122,033	17%
Client Protection Program payments	\$1,307,599	\$2,024,420	(\$716,821)	(35%)
<u>Other professional and case-related expenses</u>				

The increase in this account resulted from additional auditing fees, consulting fees, and witness fees during 2014.

Client Protection Program payments

The significant decrease in this account was mainly attributable to the decrease in the number of approved claims.

**STATE OF ILLINOIS**  
**ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION**  
**COMMISSION FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)**  
**For the Years Ended December 31, 2015 and 2014**

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 \$100,000, 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 multi-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, 2015, 2014, and 2013**

**Average Number of Employees by Function**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Registration and Discipline	90	90	88
Client Protection Program	2	2	2
Administration and Support	<u>20</u>	<u>19</u>	<u>20</u>
Total average number of employees by function	<u><u>112</u></u>	<u><u>111</u></u>	<u><u>110</u></u>

**STATE OF ILLINOIS  
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION  
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)  
For the Years Ended December 31, 2015, 2014, and 2013**

<u>Attorneys Initially Admitted to the Bar</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Attorneys admitted during current fiscal year	2,242	2,945	2,496
Attorneys admitted longer than one year, but less than three years	5,025	4,802	5,020
Attorneys admitted for three years or longer	71,594	68,809	67,865
Serving:			
Active military duty	324	356	329
Judges or judicial clerk	1,700	1,612	1,675
Over age 75 exemption (eliminated in 2015)	-	1,702	1,828
Inactive status	11,882	11,917	11,561
Rule 707 (Out-of-State)	<u>1,057</u>	<u>607</u>	<u>-</u>
Total active and registered attorneys	<u>93,824</u>	<u>92,750</u>	<u>90,774</u>
Removed from master roll (arrear, deceased, retired, disciplined and Minimum Continuing Legal Education (MCLE) removals)	<u>2,882</u>	<u>2,316</u>	<u>1,951</u>
<u>Annual Attorney Registration Fees</u>			
Attorneys admitted longer than one year, but less than three years	\$121	\$105	\$105
Attorneys admitted for three years or longer	\$382	\$342	\$342
Attorneys on inactive status	\$121	\$105	\$105