

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended September 30, 2005**

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

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

**Illinois Board of Admissions to the Bar
Financial Audit and Compliance Examination
For the Two Years Ended September 30, 2005**

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BOARD OFFICIALS

ILLINOIS BOARD OF ADMISSIONS TO THE BAR

Director of Administration

Ms. Jan Hefti

Deputy Director of Administration

Ms. Lillian Walton

Members of the Board

President

Mr. David W. Andich

Secretary/Treasurer

Mr. Donald H. Funk

Member of the Board

Mr. Neil K. Quinn

Member of the Board

Mr. Richard J. Prendergast

Member of the Board

Mr. Theodore L. Kuzniar

Member of the Board

Mr. John J. Rekowski

Member of the Board

Mr. Lawrence N. Hill

Board offices are located at:

625 South College Street
Springfield, Illinois 62704



ILLINOIS BOARD OF ADMISSIONS
TO THE BAR

MEMBERS OF THE BOARD

DAVID W. ANDICH, PRESIDENT, ROCK ISLAND
DONALD H. FUNK, SEC.-TREAS., SPRINGFIELD
RICHARD J. PRENDERGAST, CHICAGO
NEIL K. QUINN, CHICAGO
THEODORE L. KUZNIAR, ST. CHARLES
JOHN J. REKOWSKI, COLLINSVILLE
LAWRENCE N. HILL, CHICAGO

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

MANAGEMENT ASSERTION LETTER

December 14, 2005

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Board. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Board's compliance with the following assertions during the two-year period ended September 30, 2005. Based on this evaluation, we assert that during the years ended September 30, 2005 and September 30, 2004, the Agency has materially complied with the assertions below.

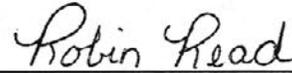
- A. The Board has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Board has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such receipt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

Yours very truly,

Illinois Board of Admissions to the Bar



Jan Hefti, Director



Robin Read, Fiscal Officer

INSERT COMPLIANCE REPORT TAB HERE

ILLINOIS BOARD OF ADMISSIONS TO THE BAR

COMPLIANCE REPORT

SUMMARY

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

AUDITOR'S REPORTS

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

SUMMARY OF FINDINGS

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

EXIT CONFERENCE

In a letter dated February 14, 2006 the officials of the Illinois Board of Admissions to the Bar determined that a formal exit conference would not be necessary.

INSERT YELLOW AUDITOR'S REPORT TAB HERE

KYLE E. McGINNIS

Certified Public Accountant

MEMBER OF:

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

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

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Board of Admissions to the Bar's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended September 30, 2005 and 2004. The management of Illinois Board of Admissions to the Bar is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Board of Admissions to the Bar's compliance based on our examination.

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

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 Illinois Board of Admissions to the Bar's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Illinois Board of Admissions to the Bar's compliance with specified requirements.

In our opinion, Illinois Board of Admissions to the Bar complied, in all material respects, with the aforementioned requirements during the years ended September 30, 2005 and 2004. The results of our procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of Illinois Board of Admissions to the Bar is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Illinois Board of Admissions to the Bar's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. The results of our procedures disclosed no matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Illinois Board of Admissions to the Bar as of and for the years ended September 30, 2005 and 2004, which collectively comprise the Illinois Board of Admissions to the Bar's basic financial statements, and have issued our report thereon dated December 14, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois Board of Admissions to the Bar. The 2005 and 2004 Supplementary Information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended September 30, 2005 and 2004, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois Board of Admissions to the Bar's basic financial statements for the years ended September 30, 2003 and September 30, 2002. In our reports dated December 11, 2003, we expressed unqualified opinions on the respective financial statements. In our opinion, the 2003 and 2002 Supplementary Information, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended September 30, 2003 and September 30, 2002, taken as a whole.

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


Kyle E. McGinnis
Certified Public Accountant
Springfield, Illinois

December 14, 2005

INSERT FINDINGS AND RECOMMENDATIONS TAB HERE

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
FINDINGS AND RECOMMENDATIONS
For the Two Years Ended September 30, 2005

Current Findings

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

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SCHEDULE OF FINDINGS
For the Two Years Ended September 30, 2005

Prior Audit Findings Not Repeated

There were no findings noted during the compliance testing for the two years ended September 30, 2003.

INSERT GRAY FINANCIAL STATEMENT REPORT TAB HERE

ILLINOIS BOARD OF ADMISSIONS TO THE BAR

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

INSERT GRAY AUDITOR'S REPORT TAB HERE

KYLE E. McGINNIS

Certified Public Accountant

MEMBER OF:

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

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

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Board of Admissions to the Bar, as of and for the years ended September 30, 2005 and September 30, 2004, which collectively comprise the Illinois Board of Admissions to the Bar's financial statements as listed in the table of contents. These financial statements are the responsibility of the Illinois Board of Admissions to the Bar's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Board of Admissions to the Bar, as of September 30, 2005 and September 30, 2004, and the operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The statement of functional expenses has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Kyle E. McGinnis". The signature is written in a cursive style with a large, looped initial "K".

Kyle E. McGinnis
Certified Public Accountant
Springfield, Illinois
December 14, 2005

INSERT GRAY FINANCIAL STATEMENTS TAB HERE

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

Assets	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash and cash equivalents	\$ 666,220	\$ 201,000
Investments - short term (Note B)	527,004	1,604,205
Accounts Receivable	506	
Interest Receivable	1,286	2,251
Prepaid expenses	64,941	43,751
Total Current Assets	<u>\$ 1,259,957</u>	<u>\$ 1,851,207</u>
Building and improvements	\$ 1,210,603	\$ 1,195,219
Office equipment and furniture	420,264	355,426
Less accumulated depreciation	(355,435)	(331,703)
Total	<u>\$ 1,275,432</u>	<u>\$ 1,218,942</u>
Land	<u>\$ 189,729</u>	<u>\$ 189,729</u>
Other Assets		
Investments - long term (Note B)	\$ 3,323,214	\$ 2,634,140
Investments - designated trust fund (Note B)	146,966	170,960
Total Assets	<u><u>\$ 6,195,298</u></u>	<u><u>\$ 6,064,978</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 69,643	\$ 52,156
Accrued expenses	8,225	7,297
Deferred examination and registration fee	15,200	80,550
Total Current Liabilities	<u>\$ 93,068</u>	<u>\$ 140,003</u>
Net Assets:		
Unrestricted	<u>\$ 6,102,230</u>	<u>\$ 5,924,975</u>
Total Liabilities and Net Assets	<u><u>\$ 6,195,298</u></u>	<u><u>\$ 6,064,978</u></u>

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

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

	<u>2005</u>	<u>2004</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Revenues and Reclassifications		
Examination Fees	\$ 1,392,450	\$ 1,353,350
Character and Fitness Review Fees	1,188,450	981,600
Application on Motion	87,200	80,800
Investment Income	126,818	116,241
House Counsel Fees	107,300	24,200
Gain on Investment	578	
Total Revenues and Reclassifications	<u>\$ 2,902,796</u>	<u>\$ 2,556,191</u>
Expenses and Losses		
Program Services		
Committee on Character and Fitness	\$ 801,183	\$ 673,088
Bar Exam Administration	1,284,316	1,223,513
Total Program Services	<u>\$ 2,085,499</u>	<u>\$ 1,896,601</u>
Support Services		
General and Administrative Expenses	559,550	535,609
Unrealized Loss on Investments	78,020	66,275
Loss on Disposition of Equipment	<u>2,472</u>	<u>418</u>
Total Expenses and Losses	<u>\$ 2,725,541</u>	<u>\$ 2,498,903</u>
Change in Net Assets	\$ 177,255	\$ 57,288
Net Assets at Beginning of Year	<u>5,924,975</u>	<u>5,867,687</u>
Net Assets at End of Year	<u><u>\$ 6,102,230</u></u>	<u><u>\$ 5,924,975</u></u>

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

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

	2005	2004
Cash Flows from Operating Activities		
Change in net assets	\$ 177,255	\$ 57,288
Adjustments to reconcile change in net assets provided by operating activities:		
Unrealized loss on investments	78,020	66,275
Depreciation	80,902	73,991
Loss on disposition of assets	2,472	418
Accretion of investments	(87,079)	(95,882)
Changes in Assets and Liabilities		
Accounts receivable	(506)	4,543
Interest receivable	965	(95)
Prepaid expenses	(21,190)	6,622
Accounts payable	17,487	14,966
Accrued Liabilities	928	639
Deferred examination and registration fees	(65,350)	5,700
Total Adjustments	\$ 6,649	\$ 77,177
Net Cash Provided by Operating Activities	\$ 183,904	\$ 134,465
 Cash Flows from Investing Activities		
Proceeds from sale of equipment	\$ 521	\$
Purchase of building and improvements to real estate	(15,384)	
Purchase of office equipment	(125,001)	(29,001)
Purchase of short-term investments	(848,843)	(548,063)
Maturities of short-term investments	2,448,759	1,284,539
Purchase of long-term investments	(1,198,061)	(745,992)
Purchase of retirement trust investments	(82,330)	(31,479)
Maturities of retirement trust investments	101,655	51,821
Net Cash Provided (Used) by Investing Activities	\$ 281,316	\$ (18,175)
 Cash Flows from Financing Activities		
Retirement of capital lease obligations	\$	\$ (2,830)
Net Cash Used by Financing Activities	\$	\$ (2,830)
 Net Increase in Cash and Cash Equivalents	\$ 465,220	\$ 113,460
 Cash and Cash Equivalents at Beginning of Year	201,000	87,540
 Cash and Cash Equivalents at End of Year	\$ 666,220	\$ 201,000
 Supplemental Disclosures:		
Interest paid	\$	\$ 95

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

Illinois Board of Admissions to the Bar Notes to Financial Statements

Note A Summary of Significant Accounting Policies

Nature of Activities

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

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

Organizational Structure

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

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

Basis of Accounting

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

Cash Equivalents

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

Investment Securities

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

Note A Summary of Significant Accounting Policies Continued

Property and equipment

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

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

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

Use of Estimates

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

Income Taxes

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

Functional Allocation of Expenses

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

Note B Investment Securities

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2005			
U.S. Treasury Strips-Short term	\$ 502,250	\$ 527,004	\$ 24,754
U.S. Treasury Strips-Long term	<u>3,285,187</u>	<u>3,323,214</u>	<u>38,027</u>
	<u>\$3,787,437</u>	<u>\$3,850,218</u>	<u>\$ 62,781</u>
September 30, 2004			
U.S. Treasury Strips-Short term	\$ 1,501,263	\$1,604,205	\$102,942
U.S. Treasury Strips-Long term	<u>2,589,376</u>	<u>2,634,140</u>	<u>44,764</u>
	<u>\$4,090,639</u>	<u>\$4,238,345</u>	<u>\$147,706</u>

Board Designated Amounts

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2005			
U.S. Treasury Notes	\$ 125,012	\$ 123,090	\$ 1,922
Armada U.S. Government Money Market Fund	<u>23,876</u>	<u>23,876</u>	<u></u>
	<u>\$ 148,888</u>	<u>\$ 146,966</u>	<u>\$ 1,922</u>
September 30, 2004			
U.S. Treasury Notes	\$ 149,312	\$ 152,059	\$ 2,747
Armada U.S. Government Money Market Fund	<u>18,901</u>	<u>18,901</u>	<u></u>
	<u>\$ 168,213</u>	<u>\$ 170,960</u>	<u>\$ 2,747</u>

Note B Investment Securities Continued

Investment return is summarized as follows:

	<u>2005</u>	<u>2004</u>
Interest Income	\$ 126,818	\$ 116,241
Realized gains on security sales	578	
Unrealized losses on securities held	<u>(78,020)</u>	<u>(66,275)</u>
Total investment return	<u>\$ 49,376</u>	<u>\$ 49,966</u>

Note C Employee Benefit Plan

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

For fiscal year 2005 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$62,098.

For fiscal year 2004 the Board contributed 10% of each eligible employee's salary into the retirement trust totaling \$55,374.

Note D Retirement Liability

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

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

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

	<u>2005</u>	<u>2004</u>
Year ended September 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>

Note E Capital Leases

The Board leases office equipment under various agreements classified as capital leases. The cost of this equipment at September 30, 2005 and 2004 was \$54,922 and \$78,310, respectfully. The related accumulated depreciation on this equipment was \$53,003 for 2005 and \$66,678 for 2004.

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

	<u>2005</u>	<u>2004</u>
Total future minimum lease payments	<u>\$ -0-</u>	<u>\$ -0-</u>

Total interest expense on long-term capital lease obligations for fiscal years 2005 and 2004 was \$0 and \$95, respectively.

Note F Donated Services

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

Note G Concentration of Credit Risks

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

Note H Land, Building and Equipment

The following is a summary of land, building and equipment as of September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 189,729	\$ 189,729
Building and improvements	1,210,603	1,195,219
Office equipment and furniture	<u>420,264</u>	<u>355,426</u>
	\$1,820,596	\$1,740,374
Less accumulated depreciation	<u>(355,435)</u>	<u>(331,703)</u>
Total	<u>\$1,465,161</u>	<u>\$1,408,671</u>

Note I Significant Subsequent Events

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

Supplementary Information

INSERT BLUE FINANCIAL RELATED INFORMATION TAB HERE

**Illinois Board of Admissions to the Bar
Statement of Functional Expenses
For the Fiscal Year Ended September 30, 2005**

	<u>Program Services</u>			<u>Total Expenses</u>
	<u>Committee on Character and Fitness</u>	<u>Examination Administration</u>	<u>General and Administrative</u>	
Salaries, Wages and Payroll Taxes:				
Central Office	\$ 338,952	\$ 250,043	\$ 201,959	\$ 790,954
Proctors and Clerks		140,971		140,971
Security		14,317		14,317
Total Salaries, Wages and Payroll Taxes	<u>\$ 338,952</u>	<u>\$ 405,331</u>	<u>\$ 201,959</u>	<u>\$ 946,242</u>
Examinations Purchased		302,139		302,139
Rent - Exam Facilities		141,660		141,660
Exam Grading Assistants		244,909		244,909
Xerox Expense	3,066	3,066	681	6,813
Office Machinery Expense	18,232	18,232	4,052	40,516
Postage and Express Delivery Services	47,200	47,200	10,489	104,889
Non-Standard Testing Expense		14,992		14,992
Admissions Ceremony Facility Rent			25,947	25,947
Occupancy Costs			52,524	52,524
Insurance	61,486	36,857	59,762	158,105
Printing and Supplies	22,356	22,356	19,161	63,873
Legal	131,483		232	131,715
Accounting			18,000	18,000
Telephone	8,333	8,333	1,852	18,518
Pension	33,790	21,787	31,445	87,022
Board Member Expenses			487	487
Meeting Expense	30,221	453	15,766	46,440
Miscellaneous Operating Expenses		17,001	9,427	26,428
Travel			663	663
Depreciation			80,902	80,902
Retirement Contract Expense			26,201	26,201
Character and Fitness Review Costs	106,064			106,064
Total Operating Expenses	<u>\$ 801,183</u>	<u>\$ 1,284,316</u>	<u>\$ 559,550</u>	<u>\$ 2,645,049</u>

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

**Illinois Board of Admissions to the Bar
Statement of Functional Expenses
For the Fiscal Year Ended September 30, 2004**

	<u>Program Services</u>		<u>General and Administrative</u>	<u>Total Expenses</u>
	<u>Committee on Character and Fitness</u>	<u>Examination Administration</u>		
Salaries, Wages and Payroll Taxes:				
Central Office	\$ 320,027	\$ 230,391	\$ 171,580	\$ 721,998
Proctors and Clerks		141,775		141,775
Security		12,783		12,783
Total Salaries, Wages and Payroll Taxes	<u>\$ 320,027</u>	<u>\$ 384,949</u>	<u>\$ 171,580</u>	<u>\$ 876,556</u>
Examinations Purchased		265,775		265,775
Rent - Exam Facilities		162,937		162,937
Exam Grading Assistants		229,135		229,135
Xerox Expense	3,537	3,537	785	7,859
Office Machinery Expense	13,208	13,208	2,936	29,352
Postage and Express Delivery Services	55,199	55,199	12,267	122,665
Non-Standard Testing Expense		7,607		7,607
Admissions Ceremony Facility Rent			21,419	21,419
Occupancy Costs			46,464	46,464
Insurance	52,007	30,309	56,820	139,136
Printing and Supplies	24,339	24,339	20,863	69,541
Legal	70,964		1,496	72,460
Accounting			26,696	26,696
Telephone	4,683	4,683	1,041	10,407
Pension	30,258	19,503	28,647	78,408
Board Member Expenses			2,077	2,077
Meeting Expense	12,855	487	31,161	44,503
Miscellaneous Operating Expenses		21,845	10,462	32,307
Travel			849	849
Depreciation			73,991	73,991
Retirement Contract Expense			26,055	26,055
Character and Fitness Review Costs	86,011			86,011
Total Operating Expenses	<u>\$ 673,088</u>	<u>\$ 1,223,513</u>	<u>\$ 535,609</u>	<u>\$ 2,432,210</u>

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

SUPPLEMENTARY INFORMATION

SUMMARY

Supplementary information for State compliance purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Changes in Property
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Expenses
 - Expenses on a Functional Basis
 - Analysis of Significant Balance Sheet Accounts
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Variations in Expenses

- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (unaudited)

The auditors' report that covers the supplementary information 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 auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

INSERT BLUE ANALYSIS OF OPERATIONS TAB HERE

**Illinois Board of Admissions to the Bar
Schedule of Changes in Property
For the Two Years Ended September 30, 2004 and 2005**

	<u>Building Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at October 1, 2003	\$ 1,195,219	\$ 338,177	\$ 189,729	\$ 1,723,125
Additions		29,001		29,001
Retirements and disposals		(11,752)		(11,752)
Balance at September 30, 2004	\$ 1,195,219	\$ 355,426	\$ 189,729	\$ 1,740,374
Additions	15,384	125,001		140,385
Retirements and disposals		(60,163)		(60,163)
Balance at September 30, 2005	<u>\$ 1,210,603</u>	<u>\$ 420,264</u>	<u>\$ 189,729</u>	<u>\$ 1,820,596</u>

Illinois Board of Admissions to the Bar
Supplementary Information
For the Years Ended September 30, 2005, 2004 and 2003

	Fiscal Year Ended		
	September 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Comparative Schedule of Cash Receipts			
Cash Receipts			
Examination fees	\$ 1,370,950	\$ 1,333,600	\$ 1,266,500
Application on motion	75,200	74,400	96,000
House counsel fees	99,300	32,200	
Investment income	136,585	109,921	176,604
Character and fitness fees	1,164,600	1,005,450	1,020,000
Total Cash Receipts (Cash Basis)	<u>\$ 2,846,635</u>	<u>\$ 2,555,571</u>	<u>\$ 2,559,104</u>
Plus:			
Deferred exam fees - Beginning of year	80,550	74,850	59,500
Interest accruals and accretion - End of year	88,366	98,133	91,813
Less:			
Deferred exam fees - End of year	(15,200)	(80,550)	(74,850)
Interest accruals and accretion - Beginning of year	(98,133)	(91,813)	(123,122)
Total Revenue (Accrual Basis)	<u>\$ 2,902,218</u>	<u>\$ 2,556,191</u>	<u>\$ 2,512,445</u>
Comparative Schedule of Expenses			
Expenses on an Object Basis			
Salaries, wages and payroll taxes			
Central office	\$ 805,271	\$ 734,781	\$ 646,158
Proctors	140,971	141,775	136,554
Examination purchases	302,139	265,775	253,015
Examination grading	244,909	229,135	223,336
Examination administration	278,079	291,500	225,818
Admissions ceremony	25,947	21,419	21,502
Occupancy costs	52,524	46,464	56,564
Insurance	158,105	139,136	118,073
General operating	478,411	417,852	335,706
Retirement contract	26,201	26,055	9,925
Miscellaneous	26,428	32,307	38,330
Character and fitness review costs	106,064	86,011	64,777
Total Expenses (Accrual Basis)	<u>\$ 2,645,049</u>	<u>\$ 2,432,210</u>	<u>\$ 2,129,758</u>
Expenses on a Functional Basis			
Committee on Character and Fitness	\$ 801,183	\$ 673,088	\$ 546,755
Examination Administration	1,284,316	1,223,513	1,109,335
General and Administrative	559,550	535,609	473,668
Total Expenses (Accrual Basis)	<u>\$ 2,645,049</u>	<u>\$ 2,432,210</u>	<u>\$ 2,129,758</u>

**Illinois Board of Admissions to the Bar
Supplementary Information
For the Years Ended September 30, 2005 and 2004**

Analysis of Significant Balance Sheet Accounts	<u>Cost</u>	<u>Fair Value</u>
Investments - Designated Trust Fund		
September 30, 2005		
Armada Government Money Market Fund	\$ 23,876	\$ 23,876
50,000 U.S. Treasury Note Due 11/15/06, 3.50%	49,870	49,655
25,000 U.S. Treasury Note Due 11/15/07, 3.00%	25,073	24,414
25,000 U.S. Treasury Note Due 2/15/09, 3.00%	24,947	24,058
25,000 U.S. Treasury Note Due 8/15/08, 4.125%	25,122	24,963
Total Designated Trust Fund - September 30, 2005	<u>\$ 148,888</u>	<u>\$ 146,966</u>
September 30, 2004		
Armada Government Money Market Fund	\$ 18,901	\$ 18,901
50,000 U.S. Treasury Note Due 5/15/05, 6.50%	49,422	51,360
50,000 U.S. Treasury Note Due 11/15/06, 3.50%	49,870	50,877
25,000 U.S. Treasury Note Due 11/15/07, 3.00%	25,073	25,073
25,000 U.S. Treasury Note Due 2/15/09, 3.00%	24,947	24,749
Total Designated Trust Fund - September 30, 2004	<u>\$ 168,213</u>	<u>\$ 170,960</u>
Investments		
September 30, 2005		
Short Term Investments		
533,000 U.S. Treasury Strips Due 2/15/06	\$ 502,250	\$ 527,004
Long Term Investments		
544,000 U.S. Treasury Strips Due 11/15/06	\$ 500,506	\$ 521,386
660,000 U.S. Treasury Strips Due 2/15/07	616,444	625,449
246,000 U.S. Treasury Strips Due 7/15/07	224,184	227,742
567,000 U.S. Treasury Strips Due 2/15/08	505,439	514,813
277,000 U.S. Treasury Strips Due 8/15/08	240,553	246,225
457,000 U.S. Treasury Strips Due 2/15/09	399,881	397,800
616,000 U.S. Treasury Strips Due 2/15/10	519,294	516,473
350,000 U.S. Treasury Strips Due 8/15/11	278,886	273,326
Total Long Term Investments	<u>\$ 3,285,187</u>	<u>\$ 3,323,214</u>
Total Investments - September 30, 2005	<u>\$ 3,787,437</u>	<u>\$ 3,850,218</u>

**Illinois Board of Admissions to the Bar
Supplementary Information
For the Years Ended September 30, 2005 and 2004**

	Cost	Fair Value
Analysis of Significant Balance Sheet Accounts		
Investments		
September 30, 2004		
Short Term Investments		
400,000 U.S. Treasury Strips Due 11/15/04	\$ 360,503	\$ 399,312
520,000 U.S. Treasury Strips Due 2/15/05	499,204	516,989
348,000 U.S. Treasury Strips Due 5/15/05	310,158	344,085
350,000 U.S. Treasury Strips Due 8/15/05	331,398	343,819
Total Short Term Investments	\$ 1,501,263	\$ 1,604,205
Long Term Investments		
533,000 U.S. Treasury Strips Due 2/15/06	\$ 502,250	\$ 516,424
544,000 U.S. Treasury Strips Due 11/15/06	500,506	514,504
660,000 U.S. Treasury Strips Due 2/15/07	616,444	618,750
246,000 U.S. Treasury Strips Due 8/15/07	224,184	226,588
567,000 U.S. Treasury Strips Due 2/15/08	505,439	512,687
277,000 U.S. Treasury Strips Due 8/15/08	240,553	245,187
Total Long Term Investments	\$ 2,589,376	\$ 2,634,140
 Total Investments - September 30, 2004	\$ 4,090,639	\$ 4,238,345

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

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

Fiscal Years 2003 to 2004

Application on Motion – Application on motion decreased \$21,600 or 22% in fiscal year 2004. This revenue account may vary greatly from year to year. The economy affects the number of lawyers newly employed and thus affects the number of students sitting for the bar exam.

House Counsel Income – House counsel income increased \$32,200 or 100% in fiscal year 2004. This category is new for fiscal year 2004. New Illinois Supreme Court Rule 716 requires a lawyer, admitted to practice law in another state or the District of Columbia, now employed in Illinois as house counsel, exclusively for a single corporation, partnership, association or other other legal entity, to apply for a limited license in Illinois, if he/she has not been admitted to the Illinois Bar.

Investment Income – Investment income decreased \$61,789 or 28% in fiscal year 2004. This decrease was caused by a decrease in the interest rates.

Fiscal Years 2004 to 2005

House Counsel Income – House counsel income increased \$67,100 or 208% in fiscal year 2005. Any lawyer not fully licensed in Illinois who was employed as house counsel had twelve months from the effective date of this rule, July 1, 2004 to apply under Rule 716. Many lawyers applied within the allowable transition period.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

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

Fiscal Years 2003 to 2004

Examination Administration – Examination administration expense increased \$65,682 or 29% in fiscal year 2004. In 2004 the Board began providing lunches for all the exam proctors, this increased their examination administration expense. In 2005 they discontinued providing the proctors with lunch.

General Operating – General operating expense increased \$82,146 or 25% in fiscal year 2004. There were several factors contributing to this increase. New employees and increased salaries resulted in higher payroll and retirement expenses, all workstations were upgraded to Windows XP and Workperfect 11 and the number of applicants for the bar examination has been steadily increasing.

Retirement Contract – Retirement contract expense increased \$16,130 or 163% in fiscal year 2004. In July 1992 a retirement contract was established for a long time employee of the Board, in fiscal year 2003 the retirement liability was depleted. The payments made to the Board's former employee are now expensed on their financial statements. This resulted in an increase in the retirement contract expense account.

Character and Fitness Review Costs – Character and fitness review costs increased \$21,234 or 33% in fiscal year 2004. The number of applicants has steadily increased over the past three years and the costs have risen with them.

Fiscal Years 2004 to 2005

Admissions Ceremony – Admissions Ceremony expenses increased \$4,528 or 21% in fiscal year 2005. The rental cost of securing the Arie Crown Theater, where the ceremony is held, increased \$3,869 in fiscal year 2005.

Character and Fitness Review Costs – Character and fitness review costs increased \$20,053 or 23% in fiscal year 2005. In fiscal year 2005 the Board hosted a two day seminar for all members of the Board and the five character and fitness committees to promote and insure uniformity in the character and fitness process throughout the state.

ILLINOIS BOARD OF ADMISSIONS TO THE BAR
ANALYSIS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

FUNCTIONS AND PLANNING PROGRAM

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

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

The Board consists of seven members of the bar (the Board) who are appointed by the Supreme Court to serve a staggered term of three years until a successor is duly appointed and qualified. No member may be appointed to more than three full consecutive terms. This governing board is responsible for the fiscal operations of the Board of Admissions. The Board meets throughout the year to discuss operations, monitor its goals and objectives, make personnel decisions, review applications to write the bar exam and review applications for foreign licenses. As of February 1, 1994, Board members are no longer compensated. The appointed members at September 30, 2005 were:

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

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

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

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

The Board adopted a cash basis budget for fiscal years 2005 and 2004 based on the Board's familiarity with the operations of the Board of Admissions and the prior years' audited financial statements.

AUDITOR'S ASSESSMENT OF BOARD'S PLANNING PROGRAM

The planning program appears reasonable for the two years ended September 30, 2005.

AVERAGE NUMBER OF EMPLOYEES

	September 30,	
	<u>2005</u>	<u>2004</u>
Full or part time central office employees	<u>18</u>	<u>17</u>

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

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

	<u>Examination Applications</u>	<u>Absentees</u>	<u>Number of Exams Written</u>
Fiscal 2005			
February	1,219	162	1,057
July	<u>3,049</u>	<u>236</u>	<u>2,813</u>
Total -2005	<u>4,268</u>	<u>398</u>	<u>3,870</u>
Fiscal 2004			
February	1,221	169	1,052
July	<u>2,740</u>	<u>165</u>	<u>2,575</u>
Total-2004	<u>3,961</u>	<u>334</u>	<u>3,627</u>