

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION
FINANCIAL AUDIT
and
COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2011

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, 2011**

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**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2011**

AGENCY OFFICIALS

Administration

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

Commissioners

Chairman	R. Michael Henderson
Commissioner	Derrick K. Baker
Commissioner	Joan M. Eagle
Commissioner	Bernard M. Judge
Commissioner	David F. Rolewick
Commissioner	Karen Hasara
Commissioner	James R. Mendillo

Commission offices are located at:

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

One North Old Capitol Plaza
Suite 333
Springfield, IL 62701



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS
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MANAGEMENT ASSERTION LETTER

April 23, 2012

E.C. Ortiz & C., LLP
Certified Public Accountants
333 S. Des Plaines, Suite 2-N
Chicago, Illinois 60661

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, 2011. Based on this evaluation, we assert that during the years ended December 31, 2011 and December 31, 2010, the Commission has materially complied with the assertions below.

- A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The fees collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such fees is fair, accurate and in accordance with law.

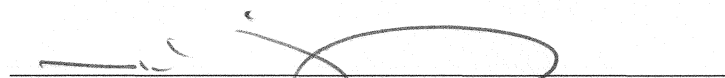
- E. Money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,

Attorney Registration and Disciplinary Commission



Jerome Larkin, Administrator



Vick Paul, Director of Finance



James J. Grogan, Deputy Administrator and Chief Counsel

**STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Two Years Ended December 31, 2011**

COMPLIANCE REPORT SUMMARY

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

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

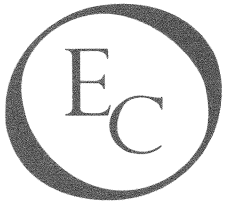
<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

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

EXIT CONFERENCE

The Commission waived having an exit conference in a letter dated April 23, 2012, from the Commission's Director of Finance, Vick Paul.



**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

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, 2011. 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 received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The fees collected by the Commission 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 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.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the 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, 2011.

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 as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the 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 an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, immaterial findings 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 Commission as of and for the two years ended December 31, 2011, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 23, 2012. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. The 2011 and 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the two years ended December 31, 2011, 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, 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.

E.C. Artiz & Co., LLP

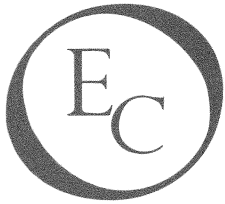
April 23, 2012

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2011**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Attorney Registration and Disciplinary Commission was performed by E.C. Ortiz & Co., LLP.

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



Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Attorney Registration and Disciplinary Commission (Commission), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, the financial statements have been restated as of January 1, 2010 for prior year reporting errors pertaining to the valuation of the net postretirement benefit obligation.

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, Commission 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.

E.C. Ortiz & Co., LLP

April 23, 2012

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,140,374	\$ 961,812
Short-term investments	21,967,779	20,239,426
Accrued interest receivable	39,417	48,210
Accounts receivable	101,599	78,002
Prepaid expenses and other assets	91,861	80,450
Total current assets	<u>23,341,030</u>	<u>21,407,900</u>
Property and equipment - net	1,341,936	1,506,236
Long-term investments	<u>13,320,104</u>	<u>13,470,416</u>
Total assets	<u>\$ 38,003,070</u>	<u>\$ 36,384,552</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	\$ 335,708	\$ 362,629
Amounts held for others	1,745,639	1,624,400
Accrued vacation	380,755	379,606
Deferred registration and program fees	13,315,746	13,461,138
Current portion of net postretirement benefit obligation	8,344	13,662
Deposits	6,328	5,484
Total current liabilities	<u>15,792,520</u>	<u>15,846,919</u>
Long-term liabilities		
Net postretirement benefit obligation	964,431	886,688
Deferred rent expense	1,749,079	1,567,193
Total long-term liabilities	<u>2,713,510</u>	<u>2,453,881</u>
Total liabilities	18,506,030	18,300,800
Unrestricted net assets	<u>19,497,040</u>	<u>18,083,752</u>
Total liabilities and net assets	<u>\$ 38,003,070</u>	<u>\$ 36,384,552</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010**

	2011			2010		
	Registration and Discipline	Client Protection Program	Total	Registration and Discipline	Client Protection Program	Total
REVENUE						
Investment income						
Interest	\$ 205,196	\$ 32,128	\$ 237,324	\$ 281,464	\$ 35,903	\$ 317,367
Net appreciation (depreciation) in fair value of investments	10,176	(2,086)	8,090	(23,822)	(551)	(24,373)
Total investment income	215,372	30,042	245,414	257,642	35,352	292,994
Registration and program fees and delinquent charges	15,480,642	1,641,275	17,121,917	15,324,480	1,613,010	16,937,490
Cost reimbursements collected	95,436	-	95,436	97,548	-	97,548
Administrative expense reimbursement from Client Protection Program	265,968	-	265,968	263,364	-	263,364
Client Protection Program reimbursements	-	8,145	8,145	-	56,623	56,623
Total revenue	<u>16,057,418</u>	<u>1,679,462</u>	<u>17,736,880</u>	<u>15,943,034</u>	<u>1,704,985</u>	<u>17,648,019</u>
EXPENSES						
Salaries and related expenses	10,819,099	-	10,819,099	10,693,313	-	10,693,313
Travel expenses	125,743	-	125,743	135,371	-	135,371
Library and continuing education	242,598	-	242,598	256,472	-	256,472
General expenses and office support	2,359,722	-	2,359,722	1,975,722	-	1,975,722
Computer expenses	226,560	-	226,560	326,091	-	326,091
Other professional and case-related expenses	807,222	-	807,222	735,188	-	735,188
Client Protection Program direct expenses						
Awards	-	1,004,186	1,004,186	-	705,168	705,168
Bank fees	-	6,419	6,419	-	5,328	5,328
Administrative expense reimbursement to ARDC	-	265,968	265,968	-	263,364	263,364
Depreciation and amortization expense	466,075	-	466,075	405,025	-	405,025
Total expenses	<u>15,047,019</u>	<u>1,276,573</u>	<u>16,323,592</u>	<u>14,527,182</u>	<u>973,860</u>	<u>15,501,042</u>
Increase in net assets	1,010,399	402,889	1,413,288	1,415,852	731,125	2,146,977
Unrestricted net assets						
Beginning of year - as restated	15,612,808	2,470,944	18,083,752	14,196,956	1,739,819	15,936,775
End of year	<u>\$ 16,623,207</u>	<u>\$ 2,873,833</u>	<u>\$ 19,497,040</u>	<u>\$ 15,612,808</u>	<u>\$ 2,470,944</u>	<u>\$ 18,083,752</u>

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,413,288	\$ 2,146,977
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net (appreciation) depreciation in fair value of investments	(8,090)	24,373
Loss on sale of property and equipment	141	20,075
Depreciation and amortization expense	466,075	405,025
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(14,804)	220
Prepaid expenses and other assets	(11,411)	(4,284)
Increase (decrease) in liabilities		
Accounts payable and other accruals	(26,921)	22,316
Amounts held for others	121,239	(354,122)
Accrued vacation	1,149	12,995
Deferred registration and program fees	(145,392)	(76,381)
Deposits	844	(1,997)
Net postretirement benefit obligation	72,425	117,350
Deferred rent expense	181,886	(264,298)
Net cash provided by operating activities	<u>2,050,429</u>	<u>2,048,249</u>
Cash flows from investing activities		
Purchases of investment securities	(53,900,269)	(66,104,712)
Maturities of investment securities	52,330,318	64,222,942
Acquisitions of property and equipment	(301,916)	(282,052)
Net cash used in investing activities	<u>(1,871,867)</u>	<u>(2,163,822)</u>
Net increase (decrease) in cash and cash equivalents	178,562	(115,573)
Cash and cash equivalents		
Beginning of year	961,812	1,077,385
End of year	<u>\$ 1,140,374</u>	<u>\$ 961,812</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

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 Illinois Supreme 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), as amended, sets the annual registration and program fees for active lawyers licensed to practice law for three years or more at \$289, the annual registration fees for active lawyers licensed to practice between one and three years and inactive lawyers at \$105. The charge for late payment of annual registration fees is \$25 per month for every month that fees are delinquent. The Rule requires that the Commission, as part of the annual \$289 fee, collect and remit the following amounts to the following other Supreme Court entities that are not administered by the Commission: \$42 to the Lawyers Trust Fund, \$15 to the Supreme Court Commission on Professionalism, and \$7 to the Lawyers Assistance Program Fund.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

1. GENERAL PURPOSE DESCRIPTION (Continued)

- Rule 756(f) provides that as part of the annual registration process, lawyers must provide information about voluntary hours and money contributed to *pro bono* legal services. Lawyers who do not provide the information will be deemed not to be registered until they do. The information about voluntary *pro bono* contributions is deemed confidential and is to be reported publicly only in the aggregate.
- Rule 780(b) provides for the establishment of the Client Protection Program (“Program”) and sets forth that the purpose of the Program “is to promote public confidence in the administration of justice and the integrity of the legal profession by reimbursing losses caused by the dishonest conduct” of Illinois lawyers who have been disciplined. Since the Program’s inception, the Commission has administered the Client Protection Program and has maintained a separate Client Protection Fund account. Amended Rule 756 provides that \$25 of the \$289 fee be set aside for the Client Protection Program to fund awards made by the Client Protection Program. Prior to the Rule 756 amendment, the Commission funded payment of awards by making an annual allocation from the Disciplinary Fund. The Commission includes in its general budget allocations for administrative expenses of the Program to be paid from the Disciplinary Fund. The Program reimburses the Commission for the cost of administering the Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all deposits in checking and savings accounts.

Investments

The investments are stated at fair value, which generally represents quoted market value as of the last business day of the year. Investments in money market accounts and certificates of deposit are carried at cost, which approximates market value. 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.

Property and Equipment

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

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

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts Held for Others

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

	<u>2011</u>	<u>2010</u>
Lawyers Assistance Program	\$ 190,963	\$ 192,727
Lawyers Trust Fund	1,145,896	1,156,353
Supreme Court Commission on Professionalism	<u>408,780</u>	<u>275,320</u>
	<u>\$ 1,745,639</u>	<u>\$ 1,624,400</u>

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

Deferred Registration and Program Fees

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

Deposits

Portions of these funds are the reinstatement deposits that accompany the petition of any attorney who is filing for reinstatement under Rule 767. The amount the attorney actually owes is assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2011 and 2010 were \$4,500 and \$3,658 respectively. The remaining deposits consist of funds owed by any attorney who has been the subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. At December 31, 2011 and 2010, the amounts held were \$1,828 and \$1,826 respectively.

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.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11. 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 23, 2012, 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, 2011 and 2010**

3. INVESTMENTS (Continued)

The fair value of investments as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
U.S. Treasury notes and bills	\$ 15,040,577	\$ 14,111,853
U.S. bank certificates	13,294,000	14,853,000
Money market funds	6,720,321	4,744,989
Mutual funds	232,985	-
Total	<u>\$ 35,287,883</u>	<u>\$ 33,709,842</u>

The following table lists the maturities of securities held for the years ended December 31, 2011 and 2010:

	<u>2011</u>		<u>2010</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	\$ 7,121,473	\$ 7,919,104	\$ 7,334,437	\$ 6,777,416
U.S. bank certificates	7,893,000	5,401,000	8,160,000	6,693,000
Money market funds	6,720,321	-	4,744,989	-
Mutual funds	232,985	-	-	-
Total	<u>\$21,967,779</u>	<u>\$13,320,104</u>	<u>\$20,239,426</u>	<u>\$13,470,416</u>

4. FAIR VALUE MEASUREMENTS

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

4. FAIR VALUE MEASUREMENTS (Continued)

Basis of Fair Value Measurement

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

The following tables set forth, by level within the fair value hierarchy, the Commission's investment assets at fair value as of December 31, 2011 and 2010. 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, 2011 and 2010.

	Total	Fair Value Measurements at 12/31/11 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	\$15,040,577	\$15,040,577	\$ -	\$ -
U.S. bank certificates	13,294,000	-	13,294,000	-
Money market funds	6,720,321	-	6,720,321	-
Mutual funds				
Equity - domestic	131,424	131,424	-	-
Fixed income	82,601	82,601	-	-
International equity	18,960	18,960	-	-
	<u>\$35,287,883</u>	<u>\$15,273,562</u>	<u>\$20,014,321</u>	<u>\$ -</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

4. FAIR VALUE MEASUREMENTS (Continued)

	<u>Fair Value Measurements at 12/31/10 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury notes and bills	\$14,111,853	\$14,111,853	\$ -	\$ -
U.S. bank certificates	14,853,000	-	14,853,000	-
Money market funds	4,744,989	-	4,744,989	-
	<u>\$33,709,842</u>	<u>\$14,111,853</u>	<u>\$19,597,989</u>	<u>\$ -</u>

Level 1 Measurements

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

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

Level 2 Measurements

U.S. bank certificates and money market funds are valued at cost which approximates fair value due to their liquid or short-term nature. As of December 31, 2011, the Commission's Level 2 investments consisted of U.S. bank certificates of \$13,294,000 and money market funds of \$6,720,321, respectively. The U.S. bank certificates have interest rates ranging from 0.30% and 1.91% and are set to mature at various dates between February 2012 and June 2014.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 1,376,156	\$ 1,320,952
Computer and related equipment	2,330,111	2,106,421
Library	97,117	94,777
Leasehold improvements	<u>431,498</u>	<u>431,498</u>
	4,234,882	3,953,648
Less accumulated depreciation and amortization	<u>2,892,946</u>	<u>2,447,412</u>
	<u>\$ 1,341,936</u>	<u>\$ 1,506,236</u>

6. LEASE COMMITMENTS

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

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The lease gives the Commission the option to renew the lease for another five-year period. Under the terms of an amendment effective November 2007, additional storage space was leased, with increased payments for the remaining life of the original lease.

Rent expense under all lease agreements was \$1,526,202 in 2011 and \$1,076,386 in 2010.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

6. LEASE COMMITMENTS (Continued)

Future minimum lease payments, including the estimated liability for taxes and operating expenses, relating to lease agreements in excess of one year are as follows:

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2012	\$ 78,748	\$ 628,850	\$ 707,598
2013	-	1,708,101	1,708,101
2014	-	1,500,959	1,500,959
2015	-	1,018,665	1,018,665
2016	-	1,400,458	1,400,458
Thereafter	-	16,741,066	16,741,066
	<u>\$ 78,748</u>	<u>\$ 22,998,099</u>	<u>\$ 23,076,847</u>

7. POSTRETIREMENT BENEFIT OBLIGATIONS

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

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

The following sets forth information with respect to this benefit obligation as of and for the years ended December 31, 2011 and 2010.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

7. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

	<u>2011</u>	<u>2010</u>
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$ 900,350	\$ 783,000
Service cost	40,633	35,235
Interest cost	44,664	46,980
Benefits paid	(7,057)	(9,920)
Actuarial (gain)/loss	(5,815)	45,055
Benefit obligation at end of year	<u>\$ 972,775</u>	<u>\$ 900,350</u>

Net periodic benefit costs for 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 40,633	\$ 35,235
Interest cost	44,664	46,980
Amortization	(109,030)	150,096
Net periodic benefit cost	<u>\$ (23,733)</u>	<u>\$ 232,311</u>

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

Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality - 2011 PPA Static Mortality Discount rate - 2011 - 5%; 2010 - 6% Retirement will occur between ages 55 and 65 Medical trend ultimate - 2011 - 5%; 2010 - 4.5%

Assumed healthcare cost trend rates can have a significant effect on the amounts reported for health care benefits. At December 31, 2011, the actuary noted that the effect of a 1% increase in health care cost trend rates (medical trend ultimate) would be an increase of \$4,695 on total service cost and interest cost components and an increase of \$51,597 on the postretirement benefit obligation.

**STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011 and 2010**

7. POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

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:

2012	\$ 14,460
2013	16,927
2014	20,131
2015	20,892
2016	22,715
2017 - 2021	<u>160,962</u>
	<u>\$ 256,087</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 \$2,004,201 and \$1,989,946 at December 31, 2011 and 2010, respectively.

8. COST REIMBURSEMENTS

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement 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, 2011 and 2010, 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.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

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 \$1,375,328 in 2011 and \$1,340,854 in 2010. The Commission also pays the plan's administrative expenses, which totaled \$162,936 in 2011 and \$142,753 in 2010.

The Commission also maintains a Section 457 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,908 in 2011 and \$3,462 in 2010.

10. LITIGATION

Various complaints and actions are periodically filed against the Commission. At December 31, 2011 and 2010, the Commission believes that pending matters do not present any serious prospect for negative financial consequences.

11. FUNCTIONAL EXPENSES

An analysis of the Commission's functional expenses, by natural classification, is as follows for the years ended December 31, 2011 and 2010:

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

11. FUNCTIONAL EXPENSES (Continued)

	2011			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 8,566,997	\$ 211,628	\$ 2,040,474	\$ 10,819,099
Travel expenses	93,358	357	32,028	125,743
Library and continuing education	194,676	3,855	44,067	242,598
General expenses and office support	1,912,132	34,387	413,203	2,359,722
Computer expenses	181,805	3,600	41,155	226,560
Other professional and case-related expenses	755,073	4,735	47,414	807,222
Client Protection Program direct expenses				
Awards	-	1,004,186	-	1,004,186
Bank fees	-	6,419	-	6,419
Administrative expense reimbursement to ARDC	-	-	265,968	265,968
Depreciation and amortization expense	374,007	7,406	84,662	466,075
	<u>\$ 12,078,048</u>	<u>\$ 1,276,573</u>	<u>\$ 2,968,971</u>	<u>\$ 16,323,592</u>
	2010			
	Registration and Discipline	Client Protection Program	Administration and Support	Total
Salaries and related expenses	\$ 8,520,874	\$ 213,023	\$ 1,959,416	\$ 10,693,313
Travel expenses	91,482	424	43,465	135,371
Library and continuing education	203,398	4,270	48,804	256,472
General expenses and office support	1,586,138	29,799	359,785	1,975,722
Computer expenses	258,610	5,429	62,052	326,091
Other professional and case-related expenses	696,306	3,675	35,207	735,188
Client Protection Program direct expenses				
Awards	-	705,168	-	705,168
Bank fees	-	5,328	-	5,328
Administrative expense reimbursement to ARDC	-	-	263,364	263,364
Depreciation and amortization expense	321,208	6,744	77,073	405,025
	<u>\$ 11,678,016</u>	<u>\$ 973,860</u>	<u>\$ 2,849,166</u>	<u>\$ 15,501,042</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

12. PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to correct previously reported amounts. The postretirement benefit obligation as of January 1, 2010 has been restated pursuant to a review of the underlying data, coverage provisions and assumptions used to develop this estimate. The following table presents the changes to the net assets and postretirement benefit obligation:

	Balance at January 1, 2010 <u>as Previously Reported</u>	<u>Adjustment</u>	Balance at January 1, 2010 <u>as Restated</u>
Unrestricted net assets	\$14,218,675	\$1,718,100	\$15,936,775
Postretirement benefit obligation	\$ 2,501,100	(\$1,718,100)	\$ 783,000

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Years Ended December 31, 2011 and 2010**

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
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
December 31, 2011 and 2010

	Balance January 1, 2011	Acquisitions	Dispositions	Balance December 31, 2011
Office furniture and equipment	\$ 1,320,952	\$ 58,071	\$ 2,867	\$ 1,376,156
Computer and related equipment	2,106,421	232,377	8,687	2,330,111
Library	94,777	11,468	9,128	97,117
Leasehold improvements	431,498	-	-	431,498
	<u>3,953,648</u>	<u>301,916</u>	<u>20,682</u>	<u>4,234,882</u>
Accumulated depreciation	(2,447,412)	(466,075)	(20,541)	(2,892,946)
Property and equipment, net	<u>\$ 1,506,236</u>	<u>\$ (164,159)</u>	<u>\$ 141</u>	<u>\$ 1,341,936</u>

	Balance January 1, 2010	Acquisitions	Dispositions	Balance December 31, 2010
Office furniture and equipment	\$ 1,308,133	\$ 15,339	\$ 2,520	\$ 1,320,952
Computer and related equipment	1,976,706	252,545	122,830	2,106,421
Library	94,957	9,791	9,971	94,777
Leasehold improvements	427,661	4,377	540	431,498
	<u>3,807,457</u>	<u>282,052</u>	<u>135,861</u>	<u>3,953,648</u>
Accumulated depreciation	(2,158,173)	(405,025)	(115,786)	(2,447,412)
Property and equipment, net	<u>\$ 1,649,284</u>	<u>\$ (122,973)</u>	<u>\$ 20,075</u>	<u>\$ 1,506,236</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF CASH RECEIPTS - EXCLUDING INVESTMENT PROCEEDS
For the Years Ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Accrual Basis:			
Registration and program fees and delinquent charges	\$ 17,121,917	\$ 16,937,490	\$ 16,595,386
Investment income			
Interest	237,324	317,367	450,055
Net appreciation (depreciation) of investments	8,090	(24,373)	(107,453)
Costs reimbursements collected	95,436	97,548	81,735
Administrative expense reimbursements from CPP	265,968	263,364	249,996
Client Protection Program reimbursements	8,145	56,623	142,350
Total revenue (accrual basis)	<u>17,736,880</u>	<u>17,648,019</u>	<u>17,412,069</u>
Plus:			
Deferred fees - end of year	13,315,746	13,461,138	13,537,519
Interest receivable - beginning of year	48,210	47,701	126,501
Accounts receivable - beginning of year	78,002	78,731	7,735
Deposits - end of year	6,328	5,484	7,481
Less:			
Deferred fees - beginning of year	(13,461,138)	(13,537,519)	(12,693,071)
Interest receivable - end of year	(39,417)	(48,210)	(47,701)
Accounts receivable - end of year	(101,599)	(78,002)	(78,731)
Deposits - beginning of year	(5,484)	(7,481)	(11,665)
Total receipts (cash basis)	<u>\$ 17,577,528</u>	<u>\$ 17,569,861</u>	<u>\$ 18,260,137</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Salaries and related expenses			
Full-time staff	\$ 7,653,145	\$ 7,475,927	\$ 7,049,396
Temporary help	369,631	387,288	366,361
Employment taxes	126,540	123,482	120,484
Employee group insurance	1,214,973	1,238,491	1,147,289
Postretirement benefits	79,482	127,271	168,715
Retirement plan	1,375,328	1,340,854	1,267,161
Total salaries and related expenses	<u>10,819,099</u>	<u>10,693,313</u>	<u>10,119,406</u>
Travel expenses			
Staff	22,483	25,501	28,553
Vehicles	40,883	37,193	36,349
Commissioners	20,518	31,547	12,834
Review board	9,430	8,329	9,711
Hearing board	30,741	30,684	23,261
Inquiry and oversight boards	1,688	2,117	1,597
Total travel expenses	<u>125,743</u>	<u>135,371</u>	<u>112,305</u>
Library and continuing education	<u>242,598</u>	<u>256,472</u>	<u>238,514</u>
General expenses and office support			
Office rent	1,526,202	1,076,386	981,015
Utilities and maintenance	66,113	70,420	65,962
Telephone	102,463	137,586	109,543
Insurance general	56,860	56,938	60,312
Postage	182,685	192,846	184,659
Equipment rental and maintenance	71,647	37,954	45,194
Office supplies and expense	231,323	218,627	178,334
Stationery and forms	94,193	83,983	76,146
Publications	28,095	80,907	50,667
Loss on disposal of property and equipment	141	20,075	-
Total general expenses and office support	<u>2,359,722</u>	<u>1,975,722</u>	<u>1,751,832</u>
Computer expense	<u>226,560</u>	<u>326,091</u>	<u>237,874</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
COMPARATIVE SCHEDULE OF EXPENSES
For the Years Ended December 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Other professional and case-related expenses			
Auditing	\$ 20,000	\$ 37,476	\$ 19,000
Retirement plan and trust expenses	166,844	146,215	101,430
Consultants and fees	63,447	3,204	91,286
Court reporting	326,694	352,776	332,835
Other independent contractors	0	0	9,333
Witness fees - professional	194,709	165,545	194,356
Witness fees - other	13,080	13,341	14,377
Duplication of records	22,448	16,631	26,686
Total other professional and case-related expenses	<u>807,222</u>	<u>735,188</u>	<u>789,303</u>
Client Protection Program payments	<u>1,010,605</u>	<u>710,496</u>	<u>1,095,664</u>
Administrative expense reimbursement to ARDC	<u>265,968</u>	<u>263,364</u>	<u>249,996</u>
Depreciation and amortization expense	<u>466,075</u>	<u>405,025</u>	<u>186,105</u>
Total expenses	<u>\$ 16,323,592</u>	<u>\$ 15,501,042</u>	<u>\$ 14,780,999</u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2011 and 2010**

A comparative schedule of significant variations in receipts and expenses greater than \$31,000 and more than 15% for the year ended December 31, 2011 is shown below:

	2011	2010	Variance	
			Amount	%
<u>Receipts</u>				
Investment income	\$245,414	\$292,994	(\$47,580)	(16%)
<u>Expenses</u>				
General expenses and office support	\$2,359,722	\$1,975,722	\$384,000	19%
Computer expenses	\$226,560	\$326,091	(\$99,531)	(31%)
Client Protection Program direct expenses	\$1,010,605	\$710,496	\$300,109	42%
Depreciation and amortization expense	\$466,075	\$405,025	\$61,050	15%

Investment income

The decrease in investment income was due to low interest rates as a result of the downturn in the market condition. This was partially offset by the decrease in loss on sale of investments and gain on market value of investments due to higher investment balance in 2011 compared to 2010.

General expenses and office support

The significant increase in this account pertains mainly to the rental of new storage room in 2011 and rental and repair of air-conditioning unit in the computer room. Such increase was partially offset by the lower publications expenses since the new Rule book was published in 2010 (none in 2011) and the decrease in telephone expenses due to the upgrade in the dataline in 2010 and the new phone package in 2011.

Computer expenses

The significant decrease in this account pertains to regular spending in 2011 for computer expenses as compared to higher computer expenses in 2010 brought about by the implementation of Law Manager software and website changes.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2011 and 2010**

Client Protection Program direct expenses

The significant increase in this account was due to higher amount of claims processed and paid in 2011 compared to 2010.

Depreciation and amortization expense

The increase in this account pertains mainly to the full-year depreciation in 2011 of computer hardware purchased towards the end of 2010 and the implementation of storage/virtualization in 2011.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENSES
For the Years Ended December 31, 2011 and 2010**

A comparative schedule of significant variations in receipts and expenses greater than \$30,000 and more than 15% for the year ended December 31, 2010 is shown below:

	2010	2009	Variance	
			Amount	%
<u>Receipts</u>				
Client Protection Program reimbursements	\$319,987	\$392,346	(\$72,359)	(18%)
<u>Expenses</u>				
Computer expenses	\$326,091	\$237,874	\$88,217	37%
Client Protection Program direct expenses	\$710,496	\$1,095,664	(\$385,168)	(35%)
Depreciation and amortization expense	\$405,025	\$186,105	\$218,920	118%

Client Protection Program reimbursements

The decrease in this account pertains to a large payment from a lawyer in 2009. No significant payment was noted for 2010.

Computer expenses

The significant increase in this account pertains to consultant and maintenance fees relating to the implementation of Law Manager, the new case management system.

Client Protection Program direct expenses

The decrease in this account pertains mainly to lesser claims with maximum award of \$75,000 processed and paid to clients in 2010 compared to 2009.

Depreciation and amortization expense

The significant increase in this account pertains to the full year depreciation of Law Manager in 2010 which was implemented in December 2009.

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Years Ended December 31, 2011 AND 2010**

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

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

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

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

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

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended December 31, 2011 AND 2010**

Average Number of Employees by Function

	<u>2011</u>	<u>2010</u>
Registration and Discipline	88	83
Client Protection Program	2	2
Administration and Support	<u>20</u>	<u>20</u>
Total average number of employees by function	<u><u>110</u></u>	<u><u>105</u></u>

**STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)
For the Years Ended December 31, 2011 AND 2010**

<u>Attorney Initially Admitted to the Bar</u>	<u>2011</u>	<u>2010</u>
Attorneys admitted during current fiscal year	3,004	3,225
Attorneys admitted longer than one year, but less than three years	5,451	5,424
Attorneys admitted for three years or longer	65,211	63,803
Serving:		
Active military duty	323	303
Judges or judicial clerk	2,122	2,037
Birthday before December 31, 1932, December 31, 1931	1,654	1,605
Inactive status	<u>10,752</u>	<u>10,789</u>
Total active and registered attorneys	<u>88,517</u>	<u>87,186</u>
Removed from master roll (arrears, deceased, retired, disciplined and MCLE removals)	<u>1,816</u>	<u>2,783</u>
<u>Annual Attorney Registration Fees</u>		
Attorneys admitted longer than one year but less than three years	\$105	\$105
Attorneys admitted for three years or longer	\$289	\$289
Attorneys or inactive status	\$105	\$105