



**ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
FINANCIAL AUDIT  
For the Two Years Ended September 30, 2019**

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

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**FINANCIAL AUDIT**  
**For the Two Years Ended September 30, 2019**

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The Illinois Board of Admissions to the Bar's <i>Compliance Examination</i> for the two years ended September 30, 2019, has been issued under a separate cover.	

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
FINANCIAL AUDIT  
For the Two Years Ended September 30, 2019**

**BOARD OFFICIALS**

Director of Administration	Ms. Nancy L. Vincent
Deputy Director of Administration	Ms. Lillian M. McGill

**MEMBERS OF THE BOARD**

President (January 1, 2019 to present)	Mr. Andrew M. Raucci
President (October 1, 2017 to December 31, 2018)	Mr. Brian J. Towne
Vice-President (January 1, 2019 to present)	Ms. Suzanne J. Schmitz
Vice-President (October 1, 2017 to December 31, 2018)	Mr. Randy K. Johnson
Treasurer (June 8, 2018 to present)	Ms. Suzanne J. Schmitz
Treasurer (October 1, 2017 to June 7, 2018)	Mr. Randy K. Johnson
Secretary (June 8, 2018 to present)	Ms. Arlene Y. Coleman
Secretary (October 1, 2017 to June 7, 2018)	Mr. Thomas Clancy
Member	Mr. Brian J. Towne
Member	Mr. Randy K. Johnson
Member (January 1, 2018 to present)	Mr. Andrew M. Raucci
Member	Ms. Suzanne J. Schmitz
Member	Ms. Arlene Y. Coleman
Member (January 1, 2018 to present)	Ms. Margaret J. Ryan
Member (February 14, 2020 to present)	Ms. Rita M. Novak
Member (October 1, 2017 to August 13, 2019)	Mr. Thomas Clancy
Ex-Officio Member (May 14, 2018 to present)	Ms. Jennifer Rosato-Perea
Ex-Officio Member (October 1, 2017 to May 13, 2018)	Mr. Harold J. Krent

**BOARD OFFICE**

The Illinois Board of Admissions to the Bar's primary administrative office is located at:

625 South College Street  
Springfield, Illinois 62704-2521

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR  
FINANCIAL AUDIT  
For the Two Years Ended September 30, 2019**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Board of Admissions to the Bar was performed by Adelfia LLC.

Based on their audit, the auditors expressed qualified opinions on the Illinois Board of Admissions to the Bar's basic financial statements.

**EXIT CONFERENCE**

The Board waived an exit conference in a correspondence from Nancy Leesman, Accountant, on June 15, 2020.



## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
Illinois Board of Admissions to the Bar  
Springfield, Illinois

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Illinois Board of Admissions to the Bar, as listed in the table of contents, as of and for the year ended September 30, 2019 and 2018, and the related notes to the basic financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinions**

The Board allocates certain expenses to the Committee on Character and Fitness, Examination Administration, and General and Administrative. We were unable to obtain sufficient appropriate audit evidence about the allocation of functional expenses because there was no supporting documentation for the percentages used for the allocation. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Illinois Board of Admissions to the Bar as of September 30, 2019 and 2018, and the respective changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 11 to the basic financial statements, in Fiscal Year 2019, the Illinois Board of Admissions to the Bar has adjusted the presentation of its financial statements in order to comply with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The changes required by the update have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
June 26, 2020

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2019 and 2018**

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 386,628	\$ 221,507
Investments, short term	2,284,362	2,764,665
Interest receivable	28,651	35,037
Prepaid expenses	66,393	80,473
Total current assets	2,766,034	3,101,682
Noncurrent assets:		
Building and improvements	1,342,019	1,342,019
Office equipment and furniture	509,158	504,416
Less accumulated depreciation	(1,100,833)	(1,061,723)
Building and equipment, net	750,344	784,712
Land	219,729	219,729
Investments, long-term	5,061,996	4,118,453
Total noncurrent assets	6,032,069	5,122,894
Total assets	\$ 8,798,103	\$ 8,224,576
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 77,372	\$ 56,762
Accrued expenses	18,589	18,204
Deferred fees	66,500	77,100
Total current liabilities	162,461	152,066
Net assets:		
Net assets without donor restrictions	8,635,642	8,072,510
Total net assets	8,635,642	8,072,510
Total liabilities and net assets	\$ 8,798,103	\$ 8,224,576

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

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<u>REVENUES</u>		
Examination fees	\$ 1,806,275	\$ 1,873,000
Character and fitness fees	855,000	910,800
Admission on motion fees	428,300	395,115
House counsel fees and legal service fees	101,250	81,550
Uniform bar examination (UBE) transfer fees	206,250	-
Multistate Bar Exam transfer fees	8,725	8,525
Other fee income	11,200	10,075
Credit card fees	50,370	47,596
Investment income	165,771	126,705
Unrealized gain (loss) on investments	206,236	(119,657)
Total revenues	3,839,377	3,333,709
<u>EXPENSES</u>		
Program services:		
Committee on character and fitness	994,456	955,031
Bar exam administration	1,587,969	1,551,517
Total program services	2,582,425	2,506,548
Support services:		
General and administrative expenses	693,820	675,189
Total expenses	3,276,245	3,181,737
Change in net assets	563,132	151,972
Net assets without donor restrictions, beginning of year	8,072,510	7,920,538
Net assets without donor restrictions, end of year	\$ 8,635,642	\$ 8,072,510

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

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2019**

	<u>Program Services</u>		<u>Support Services</u>	
	<u>Committee on Character and Fitness</u>	<u>Examination Administration</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries, wages and payroll taxes:				
Central office	\$ 581,416	\$ 331,792	\$ 324,605	\$ 1,237,813
Proctors and clerks	-	90,668	-	90,668
Total salaries, wages and payroll taxes	<u>581,416</u>	<u>422,460</u>	<u>324,605</u>	<u>1,328,481</u>
Examinations purchased	-	296,929	-	296,929
Rent - exam facilities	-	228,444	-	228,444
Exam grading assistants	-	307,933	-	307,933
Copying expense	2,297	2,297	510	5,104
Special projects	-	-	2,000	2,000
Data management expense	47,122	47,122	10,472	104,716
Postage and express delivery expense	13,025	13,026	2,895	28,946
Non-standard testing expense	-	20,875	-	20,875
Admissions ceremony	-	-	27,596	27,596
Occupancy costs	-	-	79,022	79,022
Insurance	152,913	77,547	89,063	319,523
Printing and supplies	8,533	8,533	7,313	24,379
Legal	68,736	-	160	68,896
Accounting	-	-	34,011	34,011
Telephone	2,984	2,984	663	6,631
Retirement plan expense	48,432	27,670	27,012	103,114
Retirement plan administrative fees	-	-	1,285	1,285
Meeting expense	37,216	-	5,739	42,955
Miscellaneous	-	105,810	23,398	129,208
Depreciation	-	-	51,353	51,353
Character and fitness review costs	19,812	-	-	19,812
Credit card processing fees	11,970	26,339	6,723	45,032
Total operating expenses	<u>\$ 994,456</u>	<u>\$ 1,587,969</u>	<u>\$ 693,820</u>	<u>\$ 3,276,245</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 Year Ended September 30, 2018**

	<u>Program Services</u>		<u>Support Services</u>	
	<u>Committee on Character and Fitness</u>	<u>Examination Administration</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries, wages and payroll taxes:				
Central office	\$ 551,301	\$ 311,375	\$ 304,933	\$ 1,167,609
Proctors and clerks	-	90,022	-	90,022
Total salaries, wages and payroll taxes	<u>551,301</u>	<u>401,397</u>	<u>304,933</u>	<u>1,257,631</u>
Examinations purchased	-	289,828	-	289,828
Rent - exam facilities	-	224,623	-	224,623
Exam grading assistants	-	313,291	-	313,291
Copying expense	2,080	2,080	462	4,622
Data management expense	42,814	42,814	9,514	95,142
Postage and express delivery expense	13,965	13,965	3,103	31,033
Non-standard testing expense	-	27,490	-	27,490
Admissions ceremony	-	-	26,157	26,157
Occupancy costs	-	-	87,084	87,084
Insurance	146,191	73,623	85,947	305,761
Printing and supplies	6,287	6,287	5,388	17,962
Legal	59,752	-	-	59,752
Accounting	-	-	31,121	31,121
Telephone	2,520	2,520	561	5,601
Retirement plan expense	45,631	25,884	25,236	96,751
Retirement plan administrative fees	-	-	753	753
Meeting expense	11,208	389	18,484	30,081
Character and fitness seminar costs	38,622	-	-	38,622
Miscellaneous	-	103,282	20,034	123,316
Depreciation	-	-	51,479	51,479
Character and fitness review costs	22,003	-	-	22,003
Credit card processing fees	12,657	24,044	4,933	41,634
Total operating expenses	<u>\$ 955,031</u>	<u>\$ 1,551,517</u>	<u>\$ 675,189</u>	<u>\$ 3,181,737</u>

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

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 563,132	\$ 151,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(206,236)	119,657
Depreciation	51,353	51,479
Gain on sale of equipment	(21)	(800)
Premium amortization	808	13,086
Loss on the sale of investments	464	1,149
Changes in operating assets and liabilities		
Decrease (increase) in interest receivable	6,386	(8,851)
Decrease (increase) in prepaid expenses	14,080	(17,580)
Increase (decrease) in accounts payable	20,610	(24,927)
Increase in accrued expenses	385	2,237
Decrease in deferred fees	(10,600)	(38,200)
	440,361	249,222
Cash Flows from Investing Activities:		
Proceeds from the sale of equipment	242	800
Purchase of property and equipment	(17,206)	(71,495)
Purchase of investments	(2,755,756)	(1,502,594)
Sale and maturity of investments	2,497,480	1,499,725
	(275,240)	(73,564)
Net cash used in investing activities	(275,240)	(73,564)
Net increase in cash and cash equivalents	165,121	175,658
Cash and cash equivalents at beginning of year	221,507	45,849
Cash and cash equivalents at end of year	\$ 386,628	\$ 221,507

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

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 1 - GENERAL PURPOSE DESCRIPTION**

*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 713 and 715 through 719. The Board's primary function is to conduct the Illinois Bar examination. This includes the processing of examination applications, the collection of examination 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, Uniform Bar Examination (UBE) transfer, and the collection of these related fees.

The Illinois Supreme Court also established the Committee on Character and Fitness (the Committee). The Committee has the responsibility of determining whether persons applying for admission to the Illinois Bar (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.

*Organization Structure*

The Board consists of eight members of the Bar, including one non-voting ex-officio member, who are appointed by the Supreme Court for staggered three-year terms.

The Committee currently consists of 100 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 fifteen members each.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and which requires the Board to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor restrictions. These net assets may be used at the discretion of management and members of the board.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Board does not have net assets with donor restrictions.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash and cash equivalents include all deposits in checking accounts and all liquid investments with original maturities of three months or less to be cash and cash equivalents.

***Investments***

Investments with maturity dates of one year or less as of the date of the statement of financial position or that have no maturity date are classified as short term. All unrestricted investments with maturity dates beyond one year from the statement of financial position date are classified as long term.

***Fair Value***

The Board follows the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 820-10 "Fair Value Measurements", which provided a framework for measuring fair value under U.S. generally accepted accounting principles. FASB ASC 820-10 defined fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 also establishes a fair value hierarchy, which prioritized the valuation inputs into three broad levels as described below.

- Level 1 Inputs to the valuation methodology derived from unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Other observable inputs including quoted prices for similar assets or liabilities in active or inactive markets, and inputs that are principally derived from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology which are unobservable and significant to the fair value measurements. These inputs are only used when Level 1 or Level 2 inputs are not available

***Property and Equipment***

Property and equipment are stated at cost. The Board capitalizes property and equipment having a useful life of more than two years with a cost greater than \$2,000 per item. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. 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.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Building improvements	15 to 40 years
Equipment	5 to 10 years

***Revenue Recognition***

Examination fees from applicants for the bar exam are recognized as revenue during the period in which the exam is taken. Exam fees received in advance of this period are reported as deferred fees on the statement of financial position.

Other fees, including character and fitness fees, admission on motion fees, legal service fees, and UBE transfer fees, are recognized as revenue during the period in which they are received. These fees represent nonrefundable revenue to the Board.

***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 in the financial statements. Actual results could differ from those estimates.

***Functional Expenses Allocation Method***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to specific program services based on direct benefit obtained.

Expenses are charged to each program based on direct expenditures incurred. Certain indirect expenditures that benefit more than one program are allocated to the benefited programs based on management's estimated level of benefit derived by each program in comparison to the other programs served by that function.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

The Board has \$2,699,641 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$386,628, short term investments of \$2,284,362, and interest receivable of \$28,651. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 4 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of checking accounts maintained at a financial institution and a money market mutual fund. The cash and cash equivalents balance at September 30, 2019 consists of \$243,900 maintained in checking accounts and \$142,728 maintained in a money market mutual fund. At September 30, 2018, the cash and cash equivalents balance consisted of \$183,174 maintained in checking accounts and \$38,333 maintained in a money market mutual fund.

**NOTE 5 - INVESTMENTS**

Investments are stated at fair market value. The fixed-income portfolio consist primarily of U.S. Treasury Bills, U.S. Treasury Notes, Corporate Bonds, and a Short-Term U.S. Government Bond Fund. In July 2019 the Board, as allowed in the investment policy, authorized the investment of the lesser of 10% or \$700,000 of the portfolio in equity securities. The table below presents investments measured at fair value:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2019				
Short Term:				
Ultra-Short-Term U.S.				
Govt. Bond Funds	\$ 636,150	\$ -	\$ 636,150	\$ -
Corporate Bonds	652,437	-	652,437	-
Treasury Notes	499,475	499,475	-	-
Treasury Bills	496,300	496,300	-	-
Sub-Total	<u>2,284,362</u>	<u>995,775</u>	<u>1,288,587</u>	<u>-</u>
Long Term:				
Corporate Bonds	2,652,632	-	2,652,632	-
Treasury Notes	2,229,737	2,229,737	-	-
Equity Securities	179,627	179,627	-	-
Sub-Total	<u>5,061,996</u>	<u>2,409,364</u>	<u>2,652,632</u>	<u>-</u>
Total September 30, 2019	<u>\$ 7,346,358</u>	<u>\$ 3,405,139</u>	<u>\$ 3,941,219</u>	<u>\$ -</u>

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 5 – INVESTMENTS (Continued)**

September 30, 2018	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Short Term:</b>				
Ultra-Short-Term U.S.				
Govt. Bond Funds	\$ 870,058	\$ -	\$ 870,058	\$ -
Corporate Bonds	498,674	-	498,674	-
Treasury Notes	1,395,933	1,395,933	-	-
Sub-Total	<u>2,764,665</u>	<u>1,395,933</u>	<u>1,368,732</u>	<u>-</u>
<b>Long Term:</b>				
Corporate Bonds	3,000,755	-	3,000,755	-
Treasury Notes	1,117,698	1,117,698	-	-
Sub-Total	<u>4,118,453</u>	<u>1,117,698</u>	<u>3,000,755</u>	<u>-</u>
<b>Total September 30, 2018</b>	<b><u>\$ 6,883,118</u></b>	<b><u>\$ 2,513,631</u></b>	<b><u>\$ 4,369,487</u></b>	<b><u>\$ -</u></b>

**NOTE 6 - EMPLOYEE BENEFIT PLANS**

On April 1, 2012, a new 457(b) plan was initiated to replace the old defined contribution plan. Under the new 457(b) plan, eligible employees may make contributions to the extent allowed by regulations and the Board contributes a minimum of 3% of each employee's salary plus an additional contribution that matches the employee's personal contribution, up to an additional 3%. The maximum mandatory contribution by the Board is 6%. Board contributions to the plan totaled \$103,114 for Fiscal Year 2019 and \$96,751 for Fiscal Year 2018.

**NOTE 7 - 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 have not been satisfied.

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

The Board maintains several bank accounts in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. No collateral pledge agreement has been reached or deemed necessary.

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 9 - OPERATING LEASES**

The Board leases mailing equipment under operating leases that are non-cancelable. The terms require the Board to provide for insurance and maintenance on the equipment.

Minimum future lease commitments under non-cancelable lease agreements are:

Year Ending September 30,

2020	\$13,920
2021	<u>6,960</u>
	<u>\$20,880</u>

The total rental charges under these agreements during the years ended September 30, 2019 and 2018 were \$15,573 and \$17,225 respectively.

The Board has also executed three space reservation agreements with the Board of Trustees of the University of Illinois in order to secure space for both the February and July Bar Exam sessions from February of 2018 through July 2022. Total rental charges under these agreements during the years ended September 30, 2019, and 2018 were \$132,000 for each year. Similar to the previous agreement, the new lease agreement allows the Board to cancel the agreement with 120 days' notice, and no minimum lease payments are required to be disclosed.

**NOTE 10 - TAX STATUS**

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 exempts the Board from income taxation in the State of Illinois.

Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. The tax years ended September 30, 2019, 2018 and 2017 are still open to audit for both federal and state purposes.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year ended 2019, the Board adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, disclosure information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. The new standards included the following significant changes in the Board's financial statements:

**ILLINOIS BOARD OF ADMISSIONS TO THE BAR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Two Years Ended September 30, 2019**

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3) and functional expenses allocation method (Note 2).
- The statement of functional expenses previously presented under supplementary information is now presented as part of the basic financial statements.

**NOTE 12 – SUBSEQUENT EVENTS**

Management evaluated subsequent events and transactions that occurred after September 30, 2019 up to the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has resulted in the temporary reduction of some functions at the Board. The Board maintained core functions, and got the bar exam results out on time. During the temporary mandated closings, the Board maintained operations through work at home, and allowing some individuals to come in for necessary work that cannot be done remotely. At this time, there has not been a significant financial impact from revenues, but market volatility has reduced the value of some investments. The extent of the financial impact is currently being monitored and evaluated but cannot be reasonably estimated at this time.