



# THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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## MEMORANDUM

**DATE:** July 21, 2016

**TO:** Members, Planning and Budget Committee Members, Board of Trustees

**FROM:** Christine Wong, Chief Financial Officer

**SUBJECT:** Financial Statements for the Second Quarter Ended June 30, 2016

Attached for your review are the 2016 first quarter financial statements for the State Bar of California. The statements include:

- Attachment 1 – Assets, Liabilities & Net Assets – All Funds
- Attachment 2 – Assets, Liabilities & Net Assets – Consolidated General Fund, Special Revenue Funds & Restricted Fund Group
- Attachment 3 – Revenue, Expenses and Changes in Net Assets – All Funds
- Attachment 4 – Revenue, Expenses and Changes in Net Assets – Consolidated General Fund, Special Revenue Funds and Restricted Funds
- Attachment 5 – Budget to Actual Comparison – Revenue, Expenses and Net Operating Surplus - Unconsolidated General Fund

### Financial Highlights:

The following explanation is based on the actual operating results of all program funds of the State Bar for the second quarter ended June 30, 2016. This report does not include explanation or justification with respect to the 2016 proposed budget amendment or mid-year fiscal forecast as these items are discussed in a separate agenda at this meeting (JUL\_143).

### Attachments 1 & 2: Statement of Assets, Liabilities & Net Assets

This statement reports the Bar's assets, liabilities and net assets. For the second quarter ended June 30, 2016, the Bar's total assets are \$301.1 million, liabilities are \$88.7 million, and net assets are \$212.4 million.

**Assets** – As of June 30, 2016, the State Bar’s total assets were \$301.1 million, up by \$70.1 million or 30.3% compared to \$231.0 million last year. The increase is due to a combination of 1) a \$13.6 million increase in deferred outflows of resources due to implementation of GASB 68 (see Notes “A”); 2) a \$58.7 million increase in cash & investment; 3) a \$2.0 million increase in the Other Postemployment Benefits Obligation (“OPEB”) Plan asset from 2015 contributions; partially offset by 4) a \$4.2 million decrease in capital assets due to normal depreciation and amortization of tenant improvement costs.

Cash and investments consisted of balances in demand deposit accounts, money market accounts, the State Bar’s share of California’s Local Agency Investment Fund, and investment securities. For the quarter ended June 30, 2016, the combined cash and investment balance was \$176.3 million, up by \$58.7 million or 49.9% compared to \$117.6 million last year. The higher cash balance in 2016 is due to a combination of 1) a \$44.7 million settlement fund awarded to the Legal Service Trust Fund (LSTF) Program; 2) a \$3.6 million IOLTA settlement grant received from CitiGroup; 3) a \$10.0 million loan obtained for tenant improvement projects; and 4) approximately \$0.4 million increase in various revenue items including increased membership dues revenues from normal membership growth.

As mentioned in the last quarter, the \$44.7 million LSTF settlement fund is the result of a settlement between the U.S. Department of Justice and Bank of America. Bank of America awarded the LSTF Program for administration of grants to legal services organizations to provide foreclosure prevention legal assistance and community redevelopment legal assistance. The LSTF Commission will fund seven community redevelopment and six foreclosure prevention projects, totaling nearly \$3 million. The Commission also allocated another \$4 million for 2017 grants, and for supporting grantee participation in thoughtful planning to ensure the most effective use of the remainder of the funds over the next several years.

As to the \$10 million tenant improvement loan, the Bar obtained this loan to finance a tenant improvement project at its San Francisco location; there are currently three unoccupied floors in that building. This investment is needed to renovate the space to appropriate rental quality. The loan is expected to be paid off in less than six years. Once fully leased, the space should generate an additional \$2.5 to \$3 million in new revenue annually. The loan is however secured by a debt service reserve fund totaling approximately \$2.5 million. Taken together with the Los Angeles building debt service reserve, over \$7.1 million is currently encumbered as a capital obligation security.

Capital assets consisted of land, buildings, building and leasehold improvements, tenant improvement, office equipment, and furniture and fixtures, net of accumulated depreciation. Net capital assets balance as of June 30, 2016, was \$95.4 million, a \$4.2 million decrease compared to \$99.6 million last year. The decrease is due to normal depreciation and amortization of tenant improvement costs.

**Liabilities** – The State Bar’s total liabilities consisted of accounts payable to vendor accounts, unearned fees collected in advance, grants payable, net pension liabilities, the deferred inflows of resources due to implementation of GASB 68, loans payable, and employee vacation and sick leave accruals. As of June 30, 2016, State Bar’s total liabilities were \$88.7 million, up by \$21.2 million or 31.3% compared to \$67.5 million last year. The increase is due to a \$11.5 million net increase in pension liabilities and changes in deferred inflows of resources from GASB 68 adjustments (Note “A”), a \$8.5 million increase in loans payable and a net \$1.2 million net increase in other accrued liabilities due to timing of payments to vendors and grantees.

**Net Position** – The net position as of June 30, 2016, was \$212.4 million, up by \$48.9 million or 30.0% compared to \$163.5 million in 2015. The increase represents the excess of revenues over expenditures from various programs in 2015 and GASB 68 pension liability adjustments.

### **Attachments 3 & 4: Statement of Revenue, Expenses and Changes in Net Assets**

This statement reports the Bar’s revenues, expenses, excess/(deficit) of revenues over expenses and changes in net assets. For the second quarter ended June 30, 2016, the Bar’s total revenues (operating and non-operating) are \$170.3 million, and expenses are \$69.1 million, and the excess of revenues over expenditures for the reported quarter is \$101.2 million. Total operating revenues for all programs for the quarter ended are \$168.8 million, up by \$42.8 million compared to \$126.0 million in 2015. The increase is due largely to the \$42.2 million LSTF settlement fund received in 2016 as mentioned above and increases in member dues revenues from normal membership growth. In January 2016, the State Bar’s membership had reached 256,500 compared to 252,000 in January 2015. This reflects steady membership growth of approximately 1.8%.

The Bar’s total operating expenses for all programs are \$69.1 million, up by \$3.1 million or 4.7% compared to \$66.0 million in 2015. The increase is due largely to the augmented Client Security Fund (CSF) application payout in 2016 as a result of the additional resources devoted to this fund from two inter-fund transfers. In order to mitigate the pending CSF application waiting time and be in compliance with the Bar’s reserve policy to spend down the reserve balances in certain Funds that have balances in excess of the 30% reserve ceiling, in March, the Board of Trustees approved two inter-fund transfers from the Lawyer Assistance Program and Legislative Activity fund for a total of \$2.02 million to the CSF Fund (MAR\_702). All the required budget adjustments related to this transaction are included in the 2016 Proposed Mid-Year Budget Amendment presenting to the Board at this meeting (JUL\_143).

### **Attachment 5: Budget to Actual Comparison – Unconsolidated General Fund Operating Results**

In this report, staff compared the year-to-date budget and actual of the Unconsolidated General Fund’s operating results. This report is designed to provide the Board with information about how the year-to-date actual performance of the Unconsolidated General Fund comparing with prior year and the anticipated (budgeted) results. As of June 30, 2016, the Unconsolidated General Fund surplus is \$36.3 million, reflecting a favorable variance of \$1.5 million or 4.3% over budget. The Unconsolidated General Fund’s total operating revenues for the second quarter ended June 30, 2016 are \$67.9 million, up by \$0.8 million, or 1.14% compared to \$67.1 million in 2015. The

increase is due to increase in membership dues revenue from normal membership growth. Compared to the budget, the Unconsolidated General Fund's total revenues for the quarter ended June 30, 2016 are in line with the budget, with an insignificant favorable variance of \$0.1 million or 0.2% compared to the year-to-date budget of \$67.7 million. Staff expects that the General Fund operating revenues for the fiscal year will stay within the budget without significant variances.

The Unconsolidated General Fund's total operating expenses for the quarter ended are \$31.6 million, up slightly by \$0.1 million compared to \$31.5 million in 2015. Compared to the year-to-date budget of \$32.9 million, it reflected a \$1.3 million favorable variance. Personnel related cost savings from vacant positions is the primary reason expenses are below budget.

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#### **Notes (A): Implementation of New Accounting Standards – GASB 68 in 2015:**

*In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, effective for fiscal years beginning after June 15, 2014. In the 2015 year-end financial statements, staff has implemented this new accounting standard and recognized net pension liabilities of \$31.2 million and \$18.9 million as of 12/31/2015 and 12/31/2014, respectively. The net position for 2014 was also restated to reflect the GASB 68 implementation adjustment. In addition, staff also restated the deferred inflows and outflows of resources based on the GASB 68 valuation reports provided by CalPERS as of 6/30/2014 and 6/30/2015. Staff had a discussion with auditors from Moss Adams and determined that the net pension liability and deferred inflows/outflows of resources are classified as long-term assets/liabilities. As a result, the GASB 68 implementation will not affect the calculation of working capital and reserve level for budget purposes in future years.*

**The State Bar of California**  
**Statement of Assets, Liabilities and Net Assets - All Funds**  
**As of June 30, 2016**

**Attachment 1**

	Consolidated General Fund	Special Revenue Fund Group	Restrict Fund Group	Interfund Elimination	YTD Total All Fund June 2016	YTD Total All Fund June 2015	Change
<b>ASSETS</b>							
Cash	95,637,927	145	-	-	95,638,072	70,879,216	24,758,856
Investments	80,697,832	-	-	-	80,697,832	46,727,359	33,970,473
Accounts Receivable (net of allowances)	-	228	2,002,776	-	2,003,004	2,352,424	(349,420)
Interfund Receivable	22,867,421	25,425,695	78,124,828	126,417,944	-	-	-
Capital Assets (net of depreciation)	95,409,898	-	-	-	95,409,898	99,630,189	(4,220,291)
OPEB Investment	10,292,270	-	-	-	10,292,270	8,278,727	2,013,543
Other Assets	1,081,462	323,405	-	-	1,404,867	1,088,065	316,802
GASB 68 - Deferred Outflows of Resources	15,671,481	-	-	-	15,671,481	2,060,055	13,611,426
<b>TOTAL ASSETS</b>	<b>321,658,291</b>	<b>25,749,473</b>	<b>80,127,604</b>	<b>126,417,944</b>	<b>301,117,424</b>	<b>231,016,035</b>	<b>70,101,389</b>
<b>LIABILITIES AND NET ASSETS</b>							
Accounts Payable and Accrued Liabilities	4,519,715	445,037	3,792,636	-	8,757,388	7,601,605	1,155,783
Interfund Payable	126,287,752	130,192	-	(126,417,944)	-	-	-
Unearned Income	80,702	-	-	-	80,702	80,753	(51)
Grants Payable	-	-	16,753	-	16,753	16,753	-
Obligations under Debt Agreements	30,529,926	-	-	-	30,529,926	22,048,317	8,481,609
GASB 68 - Net Pension Liabilities	31,156,962	-	-	-	31,156,962	18,880,140	12,276,822
GASB 68 - Deferred Inflows of Resources	18,176,995	-	-	-	18,176,995	18,917,265	(740,270)
<b>TOTAL LIABILITIES</b>	<b>210,752,052</b>	<b>575,229</b>	<b>3,809,389</b>	<b>(126,417,944)</b>	<b>88,718,726</b>	<b>67,544,833</b>	<b>21,173,893</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	72,918,196	12,875,186	25,404,387	-	111,197,769	102,310,840	8,886,929
Current Operating Excess/(Deficit)	37,988,043	12,299,058	50,913,828	-	101,200,929	61,160,362	40,040,567
<b>TOTAL NET ASSETS</b>	<b>110,906,239</b>	<b>25,174,244</b>	<b>76,318,215</b>	<b>-</b>	<b>212,398,698</b>	<b>163,471,202</b>	<b>48,927,496</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>321,658,291</b>	<b>25,749,473</b>	<b>80,127,604</b>	<b>-</b>	<b>301,117,424</b>	<b>231,016,035</b>	<b>70,101,389</b>

**The State Bar of California**  
**Statement of Assets, Liabilities and Net Assets - General Funds**  
**As of June 30, 2016**

**Attachment 2**  
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Consolidated General Fund											
	General Fund	Building	Legal Education & Development	LA Facility	** Public Protection	Support & Administration	Technology improvement	Fixed Asset	Benefit Reserve	*** SF Tenant Improvement	Total GF
<b>ASSETS</b>											
Cash	84,854,687	77,575	-	-	4,610,000	2,819,629	-	-	781,036	2,495,000	95,637,927
Interfund Receivable	-	3,891,159	6,332,860	-	1,896,637	-	3,561,840	-	-	7,184,925	22,867,421
Investments	80,697,832	-	-	-	-	-	-	-	-	-	80,697,832
Capital Assets (net of depreciation)	-	1,873,898	-	69,665,519	-	-	-	23,745,731	-	124,750	95,409,898
OPEB Assets	-	-	-	-	-	-	-	-	10,292,270	-	10,292,270
Other Assets	163,056	-	-	-	-	918,406	-	-	-	-	1,081,462
GASB 68 - Deferred Outflows of Resources	15,671,481	-	-	-	-	-	-	-	-	-	15,671,481
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>181,387,056</b>	<b>5,842,632</b>	<b>6,332,860</b>	<b>69,665,519</b>	<b>6,506,637</b>	<b>3,738,035</b>	<b>3,561,840</b>	<b>23,745,731</b>	<b>11,073,306</b>	<b>9,804,675</b>	<b>321,658,291</b>
<b>LIABILITIES AND NET ASSETS</b>											
Accounts Payable and Accrued Liabilities	3,144,960	371,824	1,992	205,459	-	795,480	-	-	-	-	4,519,715
Interfund Payable	120,692,300	-	-	3,599,554	-	804,608	-	-	1,191,290	-	126,287,752
Unearned Income	-	80,702	-	-	-	-	-	-	-	-	80,702
Obligations under Debt Agreements	-	-	-	20,659,038	-	-	-	-	-	9,870,888	30,529,926
GASB 68 - Net Pension Liabilities	31,156,962	-	-	-	-	-	-	-	-	-	31,156,962
GASB 68 - Deferred Inflows of Resources	18,176,995	-	-	-	-	-	-	-	-	-	18,176,995
<b>TOTAL LIAB. &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>173,171,217</b>	<b>452,526</b>	<b>1,992</b>	<b>24,464,051</b>	<b>-</b>	<b>1,600,088</b>	<b>-</b>	<b>-</b>	<b>1,191,290</b>	<b>9,870,888</b>	<b>210,752,052</b>
<b>NET ASSETS</b>											
Net Assets at Beginning of Year	(28,057,291)	5,078,406	5,942,563	45,444,716	6,501,295	-	3,642,366	24,481,406	9,884,735	-	72,918,196
Current Operating Excess/(Deficit)	36,273,130	311,700	388,305	(243,248)	5,342	2,137,947	(80,526)	(735,675)	(2,719)	(66,213)	37,988,043
<b>TOTAL NET ASSETS/(DEFICITS)</b>	<b>8,215,839</b>	<b>5,390,106</b>	<b>6,330,868</b>	<b>45,201,468</b>	<b>6,506,637</b>	<b>2,137,947</b>	<b>3,561,840</b>	<b>23,745,731</b>	<b>9,882,016</b>	<b>(66,213)</b>	<b>110,906,239</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>181,387,056</b>	<b>5,842,632</b>	<b>6,332,860</b>	<b>69,665,519</b>	<b>6,506,637</b>	<b>3,738,035</b>	<b>3,561,840</b>	<b>23,745,731</b>	<b>11,073,306</b>	<b>9,804,675</b>	<b>321,658,291</b>

\*\* The State Bar's loan agreement contains certain covenants that include the maintenance of a \$4,610,000 deposit with Bank of America as a debt service reserve fund, which is classified as restricted cash for the LA loan.

\*\*\* In April 2016, an additional covenant was added which includes the maintenance of a \$2,495,000 deposit with Bank of America as a debt service reserve fund, which will be classified as restricted cash in Q2 for SF Tenant Improvement.

**The State Bar of California**  
**Statement of Assets, Liabilities and Net Assets - Special Revenue Funds**  
**As of June 30, 2016**

**Attachment 2**  
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<b>Special Revenue Fund Group</b>					
	<b>Admissions</b>	<b>Annual Meeting</b>	<b>Grants</b>	<b>Sections</b>	<b>Total Special Revenue Fund</b>
<b>ASSETS</b>					
Cash	50	-	-	95	145
Accounts Receivable (net of allowances)	228	-	-	-	228
Interfund Receivable	12,058,780	-	414,139	12,952,776	25,425,695
Other Assets	322,234	-	-	1,171	323,405
<b>TOTAL ASSETS</b>	<b>12,381,292</b>	<b>-</b>	<b>414,139</b>	<b>12,954,042</b>	<b>25,749,473</b>
<b>LIABILITIES AND NET ASSETS</b>					
Accounts Payable and Accrued Liabilities	274,375	25,599	-	145,063	445,037
Interfund Payable	-	130,192	-	-	130,192
<b>TOTAL LIABILITIES</b>	<b>274,375</b>	<b>155,791</b>	<b>-</b>	<b>145,063</b>	<b>575,229</b>
<b>NET ASSETS</b>					
Net Assets at Beginning of Year	3,977,413	(69,918)	374,532	8,593,159	12,875,186
Current Operating Excess/(Deficit)	8,129,504	(85,873)	39,607	4,215,820	12,299,058
<b>TOTAL NET ASSETS/(DEFICITS)</b>	<b>12,106,917</b>	<b>(155,791)</b>	<b>414,139</b>	<b>12,808,979</b>	<b>25,174,244</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>12,381,292</b>	<b>-</b>	<b>414,139</b>	<b>12,954,042</b>	<b>25,749,473</b>

**The State Bar of California**  
**Statement of Assets, Liabilities and Net Assets - Restricted Funds**  
**As of June 30, 2016**

**Attachment 2**  
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	Restricted Fund Group										
	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Total Restricted Fund
ASSETS											
Accounts Receivable (net of allowances)	-	-	1,431,260	-	-	-	-	571,516	-	-	2,002,776
Interfund Receivable	7,240,053	955,985	2,416,401	1,215,239	1,076,238	1,962,597	775,506	10,870,267	6,807,242	44,805,300	78,124,828
TOTAL ASSETS	7,240,053	955,985	3,847,661	1,215,239	1,076,238	1,962,597	775,506	11,441,783	6,807,242	44,805,300	80,127,604
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	103,875	42,431	3,443,137	-	-	59,596	45,911	57,863	39,823	-	3,792,636
Grants Payable	-	-	-	-	-	-	-	16,753	-	-	16,753
TOTAL LIABILITIES	103,875	42,431	3,443,137	-	-	59,596	45,911	74,616	39,823	-	3,809,389
NET ASSETS											
Net Assets at Beginning of Year	2,200,440	598,573	160,933	1,211,193	512,501	2,233,020	714,349	12,359,725	5,413,653	-	25,404,387
Current Operating Excess/(Deficit)	4,935,738	314,981	243,591	4,046	563,737	(330,019)	15,246	(992,558)	1,353,766	44,805,300	50,913,828
TOTAL NET ASSETS/(DEFICITS)	7,136,178	913,554	404,524	1,215,239	1,076,238	1,903,001	729,595	11,367,167	6,767,419	44,805,300	76,318,215
TOTAL LIABILITIES & NET ASSETS	7,240,053	955,985	3,847,661	1,215,239	1,076,238	1,962,597	775,506	11,441,783	6,807,242	44,805,300	80,127,604



**The State Bar of California**  
**Statement of Revenue, Expenses and Changes in Net Assets - All Funds**  
**For the Six Months Ending June 30, 2016**

**Attachment 3**

	Consolidated General Fund	Special Revenue Fund Group	Restricted Fund Group	Interfund Elimination	Total All Funds Year to Date June 2016	Total All Funds Year to Date June 2015	Change	Percentage Change
<b>OPERATING REVENUES</b>								
Membership Fees and Donations	65,620,666	-	18,167,270	-	83,787,936	83,099,379	688,557	0.83%
MJP Fees	536,620	88,140	-	-	624,760	578,595	46,165	7.98%
Examination Application Fees	-	16,983,156	-	-	16,983,156	17,108,513	(125,357)	-0.73%
Trust Account Revenue	-	-	3,071,937	-	3,071,937	2,700,793	371,144	13.74%
Law Practices Sections Fees	-	6,016,532	-	-	6,016,532	5,778,065	238,467	4.13%
Seminar/Workshop Revenue	7,875	645,245	2,786	-	655,906	958,580	(302,674)	-31.58%
Advertising Revenue	53,785	37,725	-	-	91,510	101,455	(9,945)	-9.80%
Convention Income	-	386,162	-	-	386,162	367,025	19,137	5.21%
Legal Specialization Fees	-	-	1,926,380	-	1,926,380	2,023,909	(97,529)	-4.82%
Law Corporation Registration Fees	787,246	-	-	-	787,246	781,457	5,789	0.74%
Continuing Legal Education Fees	459,205	98,310	7,650	-	565,165	576,315	(11,150)	-1.93%
Grant Revenue	-	61,550	5,854,937	-	5,916,487	5,770,050	146,437	2.54%
EAF AB 145 Filing Fee Revenue	-	-	1,235,000	-	1,235,000	1,468,106	(233,106)	-15.88%
Settlement Grants	-	-	44,728,659	-	44,728,659	2,485,197	42,243,462	100.00%
Affinity Insurance Revenue	551,524	-	-	-	551,524	920,850	(369,326)	-40.11%
Other Revenue	277,137	1,002,639	238,036	-	1,517,812	1,298,041	219,771	16.93%
<b>Total Operating Revenue</b>	<b>68,294,058</b>	<b>25,319,459</b>	<b>75,232,655</b>	<b>-</b>	<b>168,846,172</b>	<b>126,016,330</b>	<b>42,829,842</b>	<b>33.99%</b>
<b>OPERATING EXPENSES</b>								
Discipline	17,564,708	-	-	-	17,564,708	25,683,718	(8,119,010)	-31.61%
Examination costs and administration	-	7,106,373	-	-	7,106,373	7,378,280	(271,907)	-3.69%
Grant Expenses	-	-	16,706,052	-	16,706,052	12,651,005	4,055,047	32.05%
Law Practices (Sections)	-	2,738,969	-	-	2,738,969	2,974,614	(235,645)	-7.92%
CSF application payments	-	-	4,413,953	-	4,413,953	1,425,645	2,988,308	209.61%
Communications	449,852	-	-	-	449,852	898,658	(448,806)	-49.94%
Administration of Justice	374,297	-	-	-	374,297	372,538	1,759	0.47%
Governance	1,448,197	-	-	-	1,448,197	1,005,420	442,777	44.04%
Administration of the Profession	1,239,952	-	-	-	1,239,952	1,540,219	(300,267)	-19.50%
Program Development	642,228	-	-	-	642,228	1,079,516	(437,288)	-40.51%
General and Administrative costs	13,642,652	147,049	2,068,598	-	15,858,299	9,761,851	6,096,448	62.45%
Interest Expense on Loan	530,646	-	-	-	530,646	480,444	50,202	10.45%
Indirect Costs - Non Departmental	(4,403,946)	3,100,398	1,303,548	-	-	684,355	(684,355)	-100.00%
<b>Total Operating Expenses</b>	<b>31,488,586</b>	<b>13,092,789</b>	<b>24,492,151</b>	<b>-</b>	<b>69,073,526</b>	<b>65,936,263</b>	<b>3,137,263</b>	<b>4.76%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>36,805,472</b>	<b>12,226,670</b>	<b>50,740,504</b>	<b>-</b>	<b>99,772,646</b>	<b>60,080,067</b>	<b>39,692,579</b>	<b>66.07%</b>
<b>NON-OPERATING REVENUE</b>								
Investment Income	215,500	66,438	171,659	-	453,597	137,265	316,332	230.45%
Rental Income	974,686	-	-	-	974,686	943,030	31,656	3.36%
<b>Total Non-Operating Revenue</b>	<b>1,190,186</b>	<b>66,438</b>	<b>171,659</b>	<b>-</b>	<b>1,428,283</b>	<b>1,080,295</b>	<b>347,988</b>	<b>32.21%</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>37,995,658</b>	<b>12,293,108</b>	<b>50,912,163</b>	<b>-</b>	<b>101,200,929</b>	<b>61,160,362</b>	<b>40,040,567</b>	<b>65.47%</b>
Transfer in From LAP to CSF	-	-	1,600,000	1,600,000	-	-	-	0.00%
Transfer in From Leg. Activity Fund to CSF	-	-	420,000	420,000	-	-	-	0.00%
Transfer Out To CSF	-	-	(2,020,000)	(2,020,000)	-	-	-	0.00%
Interfund Transaction - Revenue	36,405	7,490	5,750	49,645	-	-	-	0.00%
Interfund Transaction - Expense	(44,020)	(1,540)	(4,085)	(49,645)	-	-	-	0.00%
Change in Net Position	37,988,043	12,299,058	50,913,828	-	101,200,929	61,160,362	40,040,567	65.47%
<b>CHANGES IN NET ASSETS</b>								
Net Assets at beginning of year	72,918,196	12,875,186	25,404,387	-	111,197,769	102,310,840	8,886,929	8.69%
<b>NET ASSETS AS OF JUNE 30, 2016</b>	<b>110,906,239</b>	<b>25,174,244</b>	<b>76,318,215</b>	<b>-</b>	<b>212,398,698</b>	<b>163,471,202</b>	<b>48,927,496</b>	<b>29.93%</b>

**The State Bar of California**  
**Statement of Revenue, Expenses and Changes in Net Assets - General Funds**  
**For the Six Months Ending June 30, 2016**

**Attachment 4**  
**Page 1 of 3**

Consolidated General Fund											
	General Fund	Building	Legal Education & Development	LA Facility	Public Protection*	Support & Administration	Technology improvement	Fixed Asset Funds	Benefit Reserve	SF Tenant Improvement	Total General Fund
REVENUE											
Membership Fees and Donations	65,618,201	2,465	-	-	-	-	-	-	-	-	65,620,666
Investment Income	171,171	11,263	17,411	(11,575)	5,342	1,423	10,073	-	(2,719)	13,111	215,500
Continuing Legal Education Fees	459,205	-	-	-	-	-	-	-	-	-	459,205
Law Corporation Registration Fees	787,246	-	-	-	-	-	-	-	-	-	787,246
Rental Income	-	737,419	-	237,267	-	-	-	-	-	-	974,686
MJP Fees	536,620	-	-	-	-	-	-	-	-	-	536,620
Seminar/Workshop Revenue	7,875	-	-	-	-	-	-	-	-	-	7,875
Advertising Revenue	53,785	-	-	-	-	-	-	-	-	-	53,785
Affinity Insurance Revenue	-	-	551,524	-	-	-	-	-	-	-	551,524
Other Revenue	268,872	-	683	-	-	7,582	-	-	-	-	277,137
TOTAL REVENUE	67,902,975	751,147	569,618	225,692	5,342	9,005	10,073	-	(2,719)	13,111	69,484,244
EXPENSES											
Discipline	17,564,708	-	-	-	-	-	-	-	-	-	17,564,708
Administration of Justice	374,297	-	-	-	-	-	-	-	-	-	374,297
Governance	1,448,197	-	-	-	-	-	-	-	-	-	1,448,197
Administration of the Profession	1,239,952	-	-	-	-	-	-	-	-	-	1,239,952
Program Development	642,228	-	-	-	-	-	-	-	-	-	642,228
Communications	449,852	-	-	-	-	-	-	-	-	-	449,852
Interest Expense on Loan	-	-	-	451,322	-	-	-	-	-	79,324	530,646
General and Administrative	84,040	439,447	124,125	1,167,620	-	11,001,146	90,599	735,675	-	-	13,642,652
Indirect Costs - Non Departmental	9,827,256	-	53,448	(1,150,002)	-	(13,134,648)	-	-	-	-	(4,403,946)
TOTAL EXPENSES	31,630,530	439,447	177,573	468,940	-	(2,133,502)	90,599	735,675	-	79,324	31,488,586
INCOME/(LOSS) BEFORE TRANSFERS											
	36,272,445	311,700	392,045	(243,248)	5,342	2,142,507	(80,526)	(735,675)	(2,719)	(66,213)	37,995,658
Interfund Transaction - Revenue	36,405	-	-	-	-	-	-	-	-	-	36,405
Interfund Transaction - Expense	(35,720)	-	(3,740)	-	-	(4,560)	-	-	-	-	(44,020)
Change in Net Position	36,273,130	311,700	388,305	(243,248)	5,342	2,137,947	(80,526)	(735,675)	(2,719)	(66,213)	37,988,043
CHANGES IN NET ASSETS											
Net Assets at beginning of year	(28,057,291)	5,078,406	5,942,563	45,444,716	6,501,295	-	3,642,366	24,481,406	9,884,735	-	72,918,196
NET ASSETS AS OF JUNE 30, 2016	8,215,839	5,390,106	6,330,868	45,201,468	6,506,637	2,137,947	3,561,840	23,745,731	9,882,016	(66,213)	110,906,239

**The State Bar of California**  
**Statement of Revenue, Expenses and Changes in Net Assets - Special Revenue Funds**  
**For the Six Months Ending June 30, 2016**

**Attachment 4**  
**Page 2 of 3**

<b>Special Revenue Fund Group</b>					
	<b>Admissions</b>	<b>Annual Meeting</b>	<b>Grants</b>	<b>Sections</b>	<b>Total Special Revenue Fund</b>
<b>REVENUE</b>					
Investment Income	31,041	(183)	-	35,580	66,438
Convention Income	-	48,555	-	337,607	386,162
Continuing Legal Education Fees	98,310	-	-	-	98,310
Law Practices (Sections) Revenue	-	-	-	6,016,532	6,016,532
Grant Revenue	-	-	51,550	10,000	61,550
MJP Fees	88,140	-	-	-	88,140
Exam Application & Moral Character Fees	16,983,156	-	-	-	16,983,156
Seminar/Workshop Revenue	-	-	-	645,245	645,245
Advertising Revenue	-	19,200	-	18,525	37,725
Other Revenue	385,647	84	-	616,908	1,002,639
<b>TOTAL REVENUE</b>	<b>17,586,294</b>	<b>67,656</b>	<b>51,550</b>	<b>7,680,397</b>	<b>25,385,897</b>
<b>EXPENSES</b>					
Examination Costs and Administration	7,106,373	-	-	-	7,106,373
Law Practices (Sections)	-	-	-	2,738,969	2,738,969
General and Administrative	4,129	130,977	11,943	-	147,049
Indirect Costs - Non Departmental	2,345,148	25,902	-	729,348	3,100,398
<b>TOTAL EXPENSES</b>	<b>9,455,650</b>	<b>156,879</b>	<b>11,943</b>	<b>3,468,317</b>	<b>13,092,789</b>
					-
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>8,130,644</b>	<b>(89,223)</b>	<b>39,607</b>	<b>4,212,080</b>	<b>12,293,108</b>
Interfund Transaction - Revenue	-	3,350	-	4,140	7,490
Interfund Transaction - Expense	(1,140)	-	-	(400)	(1,540)
Change in Net Position	8,129,504	(85,873)	39,607	4,215,820	12,299,058
<b>CHANGES IN NET ASSETS</b>					
Net Assets at beginning of year	3,977,413	(69,918)	374,532	8,593,159	12,875,186
<b>NET ASSETS AS OF JUNE 30, 2016</b>	<b>12,106,917</b>	<b>(155,791)</b>	<b>414,139</b>	<b>12,808,979</b>	<b>25,174,244</b>

**The State Bar of California**  
**Statement of Revenue, Expenses and Changes in Net Assets - Restricted Funds**  
**For the Six Months Ending June 30, 2016**

**Attachment 4**  
**Page 3 of 3**

**Restricted Fund Group**

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Total Restricted Fund
<b>REVENUE</b>											
Membership Fees and Donations	7,708,282	786,615	-	625	561,305	2,026,752	766,740	6,316,951	-	-	18,167,270
Investment Income	19,285	2,916	2,506	3,421	2,432	7,584	2,724	35,310	18,840	76,641	171,659
Continuing Legal Education Revenue	-	-	-	-	-	-	-	-	7,650	-	7,650
Grant Revenue	-	-	5,854,937	-	-	-	-	-	-	-	5,854,937
LSTF Trust Account Revenue	-	-	-	-	-	-	-	3,071,937	-	-	3,071,937
EAF AB145 Filing Fee Revenue	-	-	1,235,000	-	-	-	-	-	-	-	1,235,000
Legal Specialization Fees	-	-	-	-	-	-	-	-	1,926,380	-	1,926,380
Seminar/Workshop Revenue	-	2,786	-	-	-	-	-	-	-	-	2,786
Settlement Grants	-	-	-	-	-	-	-	-	-	44,728,659	44,728,659
Other Revenue	8,775	-	227,500	-	-	-	-	-	1,761	-	238,036
<b>TOTAL REVENUE</b>	<b>7,736,342</b>	<b>792,317</b>	<b>7,319,943</b>	<b>4,046</b>	<b>563,737</b>	<b>2,034,336</b>	<b>769,464</b>	<b>9,424,198</b>	<b>1,954,631</b>	<b>44,805,300</b>	<b>75,404,314</b>
<b>EXPENSES</b>											
Grants	-	-	7,037,208	-	-	-	-	9,668,844	-	-	16,706,052
CSF application payments	4,413,953	-	-	-	-	-	-	-	-	-	4,413,953
General and Administrative	-	322,179	39,144	-	-	503,865	256,036	536,712	410,662	-	2,068,598
Indirect Costs - Non Departmental	409,746	155,052	-	-	-	261,600	77,502	211,200	188,448	-	1,303,548
<b>TOTAL EXPENSES</b>	<b>4,823,699</b>	<b>477,231</b>	<b>7,076,352</b>	<b>-</b>	<b>-</b>	<b>765,465</b>	<b>333,538</b>	<b>10,416,756</b>	<b>599,110</b>	<b>-</b>	<b>24,492,151</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>2,912,643</b>	<b>315,086</b>	<b>243,591</b>	<b>4,046</b>	<b>563,737</b>	<b>1,268,871</b>	<b>435,926</b>	<b>(992,558)</b>	<b>1,355,521</b>	<b>44,805,300</b>	<b>50,912,163</b>
Transfer in From LAP	1,600,000	-	-	-	-	-	-	-	-	-	1,600,000
Transfer in From Leg. Activity Fund	420,000	-	-	-	-	-	-	-	-	-	420,000
Transfer Out To CSF	-	-	-	-	-	(1,600,000)	(420,000)	-	-	-	(2,020,000)
Interfund Transaction - Revenue	4,340	-	-	-	-	1,110	-	-	300	-	5,750
Interfund Transaction - Expense	(1,245)	(105)	-	-	-	-	(680)	-	(2,055)	-	(4,085)
Change in Net Position	4,935,738	314,981	243,591	4,046	563,737	(330,019)	15,246	(992,558)	1,353,766	44,805,300	50,913,828
<b>CHANGES IN NET ASSETS</b>											
Net Assets at beginning of year	2,200,440	598,573	160,933	1,211,193	512,501	2,233,020	714,349	12,359,725	5,413,653	-	25,404,387
<b>NET ASSETS AS OF JUNE 30, 2016</b>	<b>7,136,178</b>	<b>913,554</b>	<b>404,524</b>	<b>1,215,239</b>	<b>1,076,238</b>	<b>1,903,001</b>	<b>729,595</b>	<b>11,367,167</b>	<b>6,767,419</b>	<b>44,805,300</b>	<b>76,318,215</b>

**The State Bar of California**  
**Budget to Actual Comparison - Unconsolidated General Fund**  
**For the Six Months Ending June 30, 2016**

**Attachment 5**

	June 2016 Year to Date Actual	June 2016 Year to Date Budget	Variance Favorable (Unfavorable)	June 2015 Prior Year to Date Actual	Inc./(Dec.) From Prior Year	2016 Annual Budget
<b>REVENUE</b>						
Membership Fees	65,618,201	65,786,798	(168,597)	64,964,213	653,988	66,605,996
Investment Income	171,171	52,602	118,569	63,359	107,812	105,204
Law Corp Registration Fees	787,246	733,998	53,248	781,457	5,789	1,443,000
CalBar Journal Revenue	53,785	58,452	(4,667)	68,223	(14,438)	116,904
Continuing Legal Education	459,205	383,706	75,499	471,725	(12,520)	593,412
Seminar/Workshop Revenue	7,875	10,398	(2,523)	20,740	(12,865)	20,796
MJP Fees	536,620	505,002	31,618	496,945	39,675	510,000
Grant Revenue	-	-	-	11,750	(11,750)	-
Other Revenue	268,872	216,198	52,674	258,965	9,907	432,396
<b>TOTAL REVENUE</b>	<b>67,902,975</b>	<b>67,747,154</b>	<b>155,821</b>	<b>67,137,377</b>	<b>765,598</b>	<b>69,827,708</b>
<b>EXPENSES</b>						
Discipline	17,564,708	19,056,912	1,492,204	25,683,718	(8,119,010)	41,111,720
Administration of Justice	374,297	322,146	(52,151)	372,538	1,759	678,714
Governance	1,448,197	1,227,384	(220,813)	1,005,420	442,777	2,612,548
Administration of the Profession	1,239,952	1,200,108	(39,844)	1,540,219	(300,267)	2,546,476
Program Development	642,228	666,294	24,066	1,079,516	(437,288)	1,428,092
Communications	449,852	574,602	124,750	898,658	(448,806)	1,217,728
General and Administrative	84,040	105,996	21,956	222,671	(138,631)	211,992
Indirect Costs - Non Departmental	9,827,256	9,827,256	-	684,355	9,142,901	19,654,500
<b>TOTAL EXPENSES</b>	<b>31,630,530</b>	<b>32,980,698</b>	<b>1,350,168</b>	<b>31,487,095</b>	<b>143,435</b>	<b>69,461,770</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>36,272,445</b>	<b>34,766,456</b>	<b>1,505,989</b>	<b>35,650,282</b>	<b>622,163</b>	<b>365,938</b>
Interfund Transaction - Revenue	36,405	-	36,405	35,250	1,155	-
Interfund Transaction - Expense	(35,720)	-	(35,720)	(35,020)	(700)	-
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>36,273,130</b>	<b>34,766,456</b>	<b>1,506,674</b>	<b>35,650,512</b>	<b>622,618</b>	<b>365,938</b>