



# The State Bar *of California*

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## **OPEN SESSION AGENDA ITEM APRIL 2022 AUDIT COMMITTEE III.A**

**DATE:** April 27, 2022

**TO:** Members, Audit Committee

**FROM:** Aracely Montoya-Chico, Chief Financial Officer

**SUBJECT:** Annual Financial Statement Audit Pursuant to Business and Professions Code Section 6145(a) Including Legal Services Trust Fund Report under Business and Professions Code Section 6222: (1) Presentation by Independent Auditors Macias Gini & O'Connell, (2) Review of Financial Statements; and (3) Authorization for Submission by Staff to the Legislature and Supreme Court

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### **EXECUTIVE SUMMARY**

Each fiscal year the State Bar contracts with an independent accounting firm to conduct an audit of the State Bar's financial statements. The Audit Committee has responsibility for reviewing the results of the annual financial statement audit, the report of the auditor, and the agency response. Business and Professions Code section 6145(a) requires the statements to be sent by April 30 of each year to the Board of Trustees, the Chief Justice of the Supreme Court, and the Assembly and Senate Committees on Judiciary. Statute requires the audit report to also include information about the receipt of funds in the Legal Services Trust Fund. This agenda item presents the audit reports to the Audit Committee for review.

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### **BACKGROUND**

Business and Professions Code section 6145 requires the State Bar to employ an independent national or regional public accounting firm with at least five years of experience in governmental auditing for an audit of its financial statement for each fiscal year. The financial statement must be certified under oath by the chief financial officer of the State Bar, and a copy of the audit and financial statement submitted within 120 days of the close of the fiscal year to the Board, to the Chief Justice of the Supreme Court, and to the Assembly and Senate Committees on Judiciary.

Business and Professions Code section 6222 requires the State Bar to include in the annual report of State Bar receipts and expenditures a report of receipts of funds into the Legal Services Trust Fund, along with expenditures for administrative costs and disbursements of the funds.

The State Bar's annual financial audit was conducted by Macias Gini & O'Connell, an independent accounting firm. Macias Gini & O'Connell was appointed the State Bar's external independent auditors in September 2018. David Bullock, Partner with Macias Gini & O'Connell, met with the Audit Committee in January 2022, to discuss the scope and responsibilities of the audit for fiscal year ended December 31, 2021. Macias Gini & O'Connell presented their final draft reports on the following financial statements:

- Annual Audited Financial Statements;
- Legal Services Trust Fund Program Report; and
- Statement of Expenditures of Mandatory Fees.

The auditor's opinion on each of these financial statements is unmodified.

## **DISCUSSION**

### **A. Annual Audited Financial Statements & Independent Auditor's Report**

Business and Professions Code section 6145(a) require the State Bar to undergo an audit of its financial statements by an independent accounting firm each year. The audit is to be completed and submitted to the Board of Trustees, the Chief Justice of the Supreme Court, and to the Assembly and Senate Committees on Judiciary by April 30 each year.

The Business and Professions Code also requires the Annual Audited Financial Statements to be certified under oath by the chief financial officer of the State Bar. This certification has been completed by Aracely Montoya-Chico, Chief Financial Officer.

This report consists of an independent auditor's report, management's discussion and analysis, the basic financial statements, the notes to the basic financial statements, and the required supplementary information.

This report is based on an audit conducted by Macias Gini & O'Connell for the purpose of forming opinions on the financial statements that collectively comprise the State Bar's Financial statements as a whole. In the auditor's opinion, the State Bar's financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

### **B. Legal Services Trust Fund Program Report**

To ensure the State Bar's compliance with the provisions of Business and Professions Code sections 6210–6222, grant allocations for the Legal Services Trust Fund Program were reviewed for compliance. Under the code provisions, interest earned on certain client trust accounts held

by California attorneys is forwarded regularly to the State Bar. After the payment of administrative costs, the State Bar distributes 85 percent of the funds to qualified legal service projects and 15 percent of the funds to qualified legal support. The report consists of an operating statement of the Legal Services Trust Fund, notes, and grant disbursements scheduled presented on a county-by-county basis.

### **C. Statement of Expenditures of Mandatory Fees**

To comply with the constitutional requirements for collection of mandatory fees under *Keller v. State Bar of California*, 496 U.S. 1 (1990), the State Bar must prepare each year an audited statement of its major categories of expenses showing that no mandatory fees were used for political or ideological activities not “necessarily or reasonably incurred for the purpose of regulating the legal profession or improving the quality of legal services available to the people of the State.” The purpose of the Statement of Expenses of Mandatory Fees is to provide an explanation of the mandatory licensing fees that each State Bar licensee must pay under state law in order to practice law in California. It describes and separates expenses of mandatory licensing fees by program into “chargeable” and “nonchargeable” categories.

Because of the deductions for the full expenses of these programs and the State Bar’s policy to fund them solely with voluntary revenues received from licensees electing not to take the deductions, the statement does not present any “nonchargeable” activities that are supported by the mandatory portion of the annual licensing fees. The statement is prepared using the State Bar’s most recently completed audited financial statement and shows the major categories of expenses with a brief description of each category so that each State Bar licensee may gauge whether the expense is justified under the Keller standard. An independent auditor must verify the Statement of Expenses of Mandatory Licensing Fees. The Statement of Expenses of Mandatory Licensing Fees is then published by posting on the State Bar website and notice is included in the annual licensee billing statement.

### **D. Report to the Audit Committee and the Board of Trustees**

The Audit Committee is charged to assist the Board of Trustees in fulfilling its oversight responsibility as related to the integrity of accounting and financial reporting processes, the system of internal controls, and audit processes. Current audit standards require the independent auditors to meet with the Audit Committee as described under the Statement on Auditing Standards (SAS #115 – Communicating Internal Control Related Matters Identified in an Audit). The auditor shall communicate in a report to those charged with governance any material weakness or reportable conditions found during the audit, as defined by the generally accepted auditing standards. In addition, the following matters shall be reported:

- The auditor’s responsibility under generally accepted auditing standards;
- Significant accounting policies;
- Management judgments and accounting estimates;
- Significant audit adjustments;
- Disagreements with management;
- Management consultation with other accountants;

- Major issues discussed with management prior to retention; and
- Difficulties encountered in performing the audit.

Attached is the Report to the Audit Committee and Board of Trustees which addresses the items above in more detail.

## **FISCAL/PERSONNEL IMPACT**

None

## **AMENDMENTS TO RULES OF THE STATE BAR OF CALIFORNIA**

None

## **AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL**

None

## **STRATEGIC PLAN GOALS & OBJECTIVES**

Goal: None – compliance

## **RECOMMENDATIONS**

**Should the Audit Committee concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Audit Committee receives, reviews, and authorizes staff to file the State Bar's audited financial statements and related auditor's reports for the year ended December 31, 2021, with the Board of Trustees, the State Legislature and the Supreme Court by April 30, 2022

## **ATTACHMENTS LIST**

- A.** Audited Financial Statements & Independent Auditor's Report
- B.** Annual A Legal Services Trust Fund Program Report
- C.** Statement of Expenditures of Mandatory Fees
- D.** Report to the Audit Committee and the Board of Trustees



# The State Bar of California

## **2021 Financial Statements and Independent Auditor's Report**

**Years Ended December 31, 2021 and 2020 and Supplementary  
Information Year Ended December 31, 2021**

**April 29, 2022**

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## **Independent Auditor's Report**

To the Board of Trustees  
The State Bar of California

We have audited the accompanying financial statements of the State Bar of California ("State Bar") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the State Bar as of December 31, 2021 and 2020, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of plan contributions – pension, the schedule of changes in net OPEB liability (asset) and related ratios, and the schedule of contributions – OPEB Plan, identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Bar's basic financial statements. The program funds schedule of net position and program funds schedule of revenues, expenses, and changes in net position, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The program funds schedule of net position and program funds schedule of revenues, expenses, and changes in net position, presented as supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

San Francisco, California  
April 29, 2022



## Introduction

Management's Discussion and Analysis ("MD&A") is presented as a supplement to the financial statements and is based on currently known facts, decisions, and conditions that existed as of the date of the report of independent auditors. This discussion and analysis presents the highlights of financial activities and financial position for the State Bar of California ("State Bar"). The analysis is designed to provide readers with information that the State Bar's management believes to be necessary to obtain an understanding of its financial condition, changes in financial condition, and results of operations. It is intended to help readers see the State Bar through the eyes of management. It is further designed to provide context for the financial statements and information about the State Bar's operations and cash flows. Certain 2021 and 2020 amounts have been reclassified to conform to the 2021 presentation.

## The State Bar of California

Created by the state legislature in 1927, the State Bar is a public corporation within the judicial branch of government, serving as an arm of the California Supreme Court. In 1960, California voters approved a ballot measure adding the State Bar as an entity in the State Constitution. The State Bar's programs are financed primarily by fees paid by attorneys and applicants to practice law. At the end of 2021, the State Bar had approximately 282,400 licensees, an increase of 2.2% compared to 276,300 licensees in 2020.

Licensing fees for 2021 and 2020 were allocated to the following funds:

	2021		2020	
	Active Fee	Inactive Fee	Active Fee	Inactive Fee
General Fund - Attorney Licensing	\$ 388	\$ 90	\$ 398	\$ 91
General Fund-Discipline Activity	25	25	25	25
Legal Services Trust Fund	45	45	40	40
Legislative Activity Fund	5	5	5	5
Elimination of Bias Fund	2	2	2	2
Client Security Fund	40	10	80	20
Lawyers Assistance Program Fund	10	5	1	-
Total	<u>\$ 515</u>	<u>\$ 182</u>	<u>\$ 551</u>	<u>\$ 183</u>

The State Bar's fees are set annually by the State Legislature. The assessment level reflected full support for the State Bar's core discipline functions but not other programs and activities. The 2021 statutorily approved annual fee decreased to \$388 from \$398 in 2020.

## Financial Statement Overview

The State Bar's financial report consists of MD&A, the financial statements, the notes to the financial statements, and the required and other supplementary information. The financial statements provide information and understanding of the State Bar's Enterprise. The financial statements and related information are organized in this report as follows:

The Statement of Net Position – presents the financial position of the State Bar at the end of the fiscal year. The statement reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the difference as net position. The net position section is displayed in three components: net investment in capital assets; restricted; and unrestricted. Changes in net position over time are an indicator of whether the financial condition of the organization is improving or declining.

The Statement of Revenues, Expenses, and Changes in Net Position – discloses the sources of revenues, the expenses by programs, and the impact on net position for the State Bar.

The Statement of Cash Flows – reflects the sources and uses of cash for the State Bar using the direct method which includes a reconciliation of operating income or loss to net cash provided by or used in operating activities.

Notes to the Financial Statements – provides integral information needed to explain the basis for the financial statement presentation and numbers used with the basic financial statements.

Required Supplementary Information – presents schedule of changes in net pension liability and related ratios, schedule of plan contributions – pension, schedule of changes in net OPEB liability (asset) and related ratios, and schedule of contributions – OPEB Plan.

Other supplementary Information – presents financial information by programs.

### Financial Highlights

The following is a summary comparison of the State Bar's Statements of Net Position as of December 31, 2021, 2020, and 2019:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash, cash equivalents, and investments	\$ 144,072,179	\$ 117,634,753	\$ 147,292,106
Restricted cash, cash equivalents, and investments	15,169,503	2,501,761	7,105,000
Other assets	5,839,090	6,765,605	19,587,034
Capital assets, net	102,290,824	106,060,821	107,594,614
Deferred outflows of resources	12,163,713	14,705,033	9,507,406
Total assets and deferred outflows of resources	<u>279,535,309</u>	<u>247,667,973</u>	<u>291,086,160</u>
Current liabilities	66,523,791	41,491,016	49,479,126
Noncurrent liabilities	35,054,209	21,709,494	22,208,269
Net OPEB liability	7,617,010	11,616,834	-
Net pension liability	21,343,799	77,697,797	67,154,845
Deferred inflows of resources	42,930,022	2,676,079	7,703,641
Total liabilities and deferred inflows of resources	<u>173,468,831</u>	<u>155,191,220</u>	<u>146,545,881</u>
Net position			
Net investments in capital assets	68,563,251	85,958,927	85,292,229
Restricted for:			
Enabling legislation	66,032,612	60,962,604	95,756,919
Other restrictions	15,762,843	3,083,970	7,551,299
Unrestricted	(44,292,228)	(57,528,748)	(44,060,168)
Total net position	<u>\$ 106,066,478</u>	<u>\$ 92,476,753</u>	<u>\$ 144,540,279</u>

## **Fiscal Year 2021 Compared to Fiscal Year 2020**

***Assets and Deferred Outflows of Resources*** – As of December 31, 2021, the State Bar’s total assets and deferred outflows of resources were \$279.5 million, up by \$31.8 million or 12.9% compared to \$247.7 million last year. The increase is primarily due to a \$38.3 million increase in cash and cash equivalents associated with the unearned fees and grants received in advance and lower operating expenses in 2021. Other changes include an increase of \$12.6 million in Restricted cash, cash equivalents and investments; offset by a decrease of \$11.9 million in investments, a decrease of \$2.5 million in deferred outflows of resources from pension and other postemployment benefits (OPEB) items, a decrease of \$0.5 million in accounts and other receivables, a decrease of \$0.4 million in other current assets and a decrease of \$3.8 million in capital assets.

The State Bar records deferred outflows of resources in its financial statements for consumption of net pension assets that is applicable to future reporting periods. This balance consisted of actuarially determined deferred outflows of resources as it relates to both pension reporting under Governmental Accounting Standards Board (GASB) Statement 68 (GASB 68) and other postemployment benefits reporting under GASB Statement 75 (GASB 75). As of December 31, 2021, the deferred outflows of resources were \$12.2 million, decreased by \$2.5 million compared to \$14.7 million last year. See accompanying notes 8 and 9 to the financial statements for additional information.

***Liabilities and Deferred Inflows of Resources*** – The State Bar’s total liabilities and deferred inflows of resources consisted of accounts payable to vendors, unearned fees collected in advance, grants payable, loans payable, net OPEB liability, net pension liability, employee vacation and sick leave accruals and deferred inflows of resources from GASB 68 and GASB 75 items. As of December 31, 2021, State Bar’s total liabilities and deferred inflows of resources were \$173.5 million, increased by \$18.3 million or 11.8% compared to \$155.2 million last year. The increase is primarily due to a \$40.3 million increase in deferred inflows of resources from pension and OPEB items, a \$22.0 million increase in unearned fees collected in advance, a \$13.6 million increase in loans payables and a \$2.8 million increase in accounts payable and other liabilities; partially offset by a \$56.4 million decrease in net pension liability and \$4.0 million in net OPEB liability.

The State Bar’s total pension liability as of December 31, 2021 was \$439.9 million and the plan fiduciary net position was \$418.6 million resulting in a net pension liability of \$21.3 million, or 4.9% of the total pension liability. Compared to the \$77.7 million net pension liability in 2020, the 2021 net pension liability decreased by \$56.4 million or 72.5%.

Deferred inflows of resources as of December 31, 2021 were \$42.9 million, representing an increase of \$40.2 million compared to \$2.7 million last year. This balance consisted of actuarially determined deferred inflows of resources as it relates to pension under GASB 68 and other postemployment benefits under GASB 75. See accompanying notes 8 and 9 to the financial statements for additional information.

***Net Position*** – The State Bar’s total net position as of December 31, 2021 is \$106.1 million, up by \$13.6 million or 14.7% compared to \$92.5 million in 2020. The increase represented the excess of revenues over expenses from various programs. The components of net position are:

***Restricted Net Position*** – The part of net position that is subject to internal constraints and external constraints imposed by grantors, law through constitutional provisions, enabling legislation or capital projects increased by \$17.8 million or 27.7% from \$64.0 million in 2020 to \$81.8 million in 2021. The increase is primary due to a \$5.1 million increase in enabling legislation and a \$12.7 million increase in other restrictions.

***Net Investments in Capital Assets*** – The part of net position that consists of capital assets, net of accumulated depreciation, outstanding balances of borrowings that are attributable to the acquisition, construction, and improvement of those assets decreased by \$17.4 million or 20.2% from \$86.0 million in 2020 to \$68.6 million in 2021. The net decrease is primarily due to loan repayments and depreciation of capital assets.

***Unrestricted Net Position*** – The part of net position that are used for day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of December 31, 2021, the unrestricted net position was negative \$44.3 million, an increase of \$13.2 million or 23.0% compared to \$57.5 million negative unrestricted net position in 2020. The change is substantially due to the unallocated pension gain and the decrease in OPEB expenses.

### **Fiscal Year 2020 Compared to Fiscal Year 2019**

***Assets and Deferred Outflows of Resources*** – As of December 31, 2020, the State Bar's total assets and deferred outflows of resources were \$247.7 million, down by \$43.4 million or 14.9% compared to \$291.1 million last year. The decrease is primarily due to a \$29.7 million decrease in investments, which resulted from decreases in trust fund revenues and the planned spend down of investments. Other changes include a \$1.5 million decrease in the capital assets, a \$12.8 million decrease in other assets due to benefit changes which led to a change in OPEB to a liability balance in 2020 compared to an asset balance in 2019; offset by \$5.2 million increase in deferred outflows of resources from pension and other postemployment benefits items.

The State Bar records deferred outflows of resources in its financial statements for consumption of net pension assets that is applicable to future reporting periods. This balance consisted of actuarially determined deferred outflows of resources as it relates to both pension reporting under Governmental Accounting Standards Board (GASB) Statement 68 (GASB 68) and other postemployment benefits reporting under GASB Statement 75 (GASB 75). As of December 31, 2020, the deferred outflows of resources were \$14.7 million, increased by \$5.2 million compared to \$9.5 million last year. See accompanying notes 8 and 9 to the financial statements for additional information.

***Liabilities and Deferred Inflows of Resources*** – The State Bar's total liabilities and deferred inflows of resources consisted of accounts payable to vendors, unearned fees collected in advance, grants payable, loans payable, net OPEB liability, net pension liability, employee vacation and sick leave accruals and deferred inflows of resources from GASB 68 and GASB 75 items. As of December 31, 2020, State Bar's total liabilities and deferred inflows of resources were \$155.2 million, increased by \$8.7 million or 5.9% compared to \$146.5 million last year. The increase is due primarily to a \$11.6 million increase in net OPEB liability and a \$10.5 million increase in net pension liability; partially offset by a \$5.0 million decrease in deferred inflows of resources from GASB 68 and GASB 75 items. In current liabilities, the change of \$7.9 million is primarily due to a \$5.9 million decrease in unearned fees collected in advance and a \$1.4 million decrease in account payable and other liabilities.

The State Bar's total pension liability as of December 31, 2020 was \$424.8 million and the plan fiduciary net position was \$347.1 million resulting in a net pension liability of \$77.7 million, or 18.3% of the total pension liability. Compared to the \$67.2 million net pension liability in 2019, the 2020 net pension liability increased by \$10.5 million or 15.7%.

Deferred inflows of resources as of December 31, 2020 are \$2.7 million, representing a decrease of \$5.0 million compared to \$7.7 million last year. This balance consisted of actuarially determined deferred

inflows of resources as it relates to pension under GASB 68 and other postemployment benefits under GASB 75. See accompanying notes 8 and 9 to the financial statements for additional information.

**Net Position** – The State Bar’s total net position as of December 31, 2020 is \$92.5 million, down by \$52.0 million or 36.0% compared to \$144.5 million in 2019. The decrease represents the excess of expenses over revenues from various programs. The components of net position are:

**Restricted Net Position** – The part of net position that is subject to internal constraints and external constraints imposed by grantors, or law through constitutional provisions or enabling legislation decreased by \$39.3 million or 38.0% from \$103.3 million in 2019 to \$64.0 million in 2020. The decrease is due largely to a \$34.8 million decrease in enabling legislation and a \$4.5 million decrease in other restrictions.

**Net Investments in Capital Assets** – The part of net position that consists of capital assets, net of accumulated depreciation, outstanding balances of borrowings that are attributable to the acquisition, construction, and improvement of those assets increased by \$0.7 million or 0.8% from \$85.3 million in 2019 to \$86.0 million in 2020. The net increase is primarily due to capitalization of new software and tenant and leasehold improvements, and loan repayments and partially offset by normal depreciation of capital assets.

**Unrestricted Net Position** – The part of net position that are used for day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of December 31, 2020, the unrestricted net position was negative \$57.5 million, a decrease of \$13.5 million or 30.6% compared to \$44.1 million negative unrestricted net position in 2019. The change is substantially due to the fiscal impact of the benefit change for OPEB of \$23.8 million.

## Statements of Revenues and Expenses

Following is a summary comparison of the State Bar's statements of revenues and expenses for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
<b>OPERATING REVENUES</b>			
Program revenues	\$ 184,414,210	\$ 181,058,075	\$ 197,994,963
Other revenue	1,494,224	2,927,488	5,200,331
Unallocated Pension gain	15,379,467	-	-
Total operating revenues	201,287,901	183,985,563	203,195,294
<b>OPERATING EXPENSES</b>			
Program expenses	177,610,508	217,230,472	187,165,226
Unallocated Pension expense	-	3,338,775	8,956,392
General and administration	12,530,864	21,452,203	3,175,817
Total operating expenses	190,141,372	242,021,450	199,297,435
<b>OPERATING INCOME (LOSS)</b>	11,146,529	(58,035,887)	3,897,859
<b>NONOPERATING REVENUES</b>	2,443,196	5,972,361	6,891,043
<b>CHANGE IN NET POSITION</b>	13,589,725	(52,063,526)	10,788,902
<b>NET POSITION—beginning of year</b>	92,476,753	144,540,279	133,751,377
<b>NET POSITION—end of year</b>	\$ 106,066,478	\$ 92,476,753	\$ 144,540,279

## Fiscal Year 2021 Compared to Fiscal Year 2020

**Operating and NonOperating Revenues** – For the year ended December 31, 2021, the State Bar's total operating and non-operating revenues were \$203.7 million, up by \$13.7 million or 7.3% compared to \$190.0 million in 2020. The increase is due largely to a \$13.9 million increase in grant revenue; a \$15.4 million unallocated pension gain, offset by a \$6.3 million decrease in licensing fees due to the temporary fee increase in 2020; \$3.8 million decrease in trust account revenue because of falling rates; a 2.9 million decrease in exam application fees due to a drop in applicants; and a \$2.6 million decrease in investment income because of falling rates and investment fair value adjustments.

**Operating Expenses** – For fiscal year 2021, the State Bar's total operating expenses were \$190.1 million, a decrease of \$51.9 million or 21.4% from \$242.0 million last year. The decrease is due largely to an \$8.9 million decrease in general and administration expense due to the State Bar amending the Retiree Health Benefits Plan for non-executive staff to provide parity and equitable benefits for rank and file employees effective January 1, 2020 (see note 9); a decrease of \$3.3 million in unallocated pension expense; a \$39.7 million decrease in program expenses attributed to a \$30.9 million decrease in grants expense; a \$1.9 million decrease in Chief Trial Counsel; and a \$7.4 million decrease in Client Security Fund (the "CSF") due to a reduction in payouts in 2021; offset by a total of \$0.5 million net increase in other program expenses.

**Operating Expenses by  
Natural Classification**

	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Personnel cost	\$ 83,504,579	\$ 101,961,973	\$ (18,457,394)
Grant expense	61,133,150	91,412,469	(30,279,319)
Employer pension contribution	11,554,237	9,537,101	2,017,136
Unallocated Pension Expense	-	3,338,775	(3,338,775)
Supplies	479,933	774,915	(294,982)
Professional Services	7,685,151	5,872,112	1,813,039
Examination	3,812,807	5,856,101	(2,043,294)
CSF Disbursement	5,626,406	11,746,722	(6,120,316)
Training & travel	237,439	596,362	(358,923)
Building operations	5,532,153	4,905,731	626,422
Outside Services	2,213,207	1,997,571	215,636
Other	8,362,310	4,021,618	4,340,692
Total expenses by natural classification	<u>\$ 190,141,372</u>	<u>\$ 242,021,450</u>	<u>\$ (51,880,078)</u>

**Fiscal Year 2020 Compared to Fiscal Year 2019**

**Operating and NonOperating Revenues** – For the year ended December 31, 2020, the State Bar’s total operating and non-operating revenues were \$190.0 million, down by \$20.1 million or 9.6% compared to \$210.1 million in 2019. The decrease is due largely to a \$20.2 million decrease in trust account revenue because of falling rates; a \$19.1 million decrease in grant revenue; and a \$2.3 million decrease in other revenue; offset by a \$23.6 million increase in licensee fees.

**Operating Expenses** – For fiscal year 2020, the State Bar’s total operating expenses were \$242.0 million, an increase of \$42.7 million or 21.4% from \$199.3 million last year. The increase is due largely to an \$18.2 million increase in general and administration expense due to the State Bar amending the Retiree Health Benefits Plan for non-executive staff to provide parity and equitable benefits for rank and file employees effective January 1, 2020 (see note 9); a decrease of \$5.6 million in unallocated pension expense; a \$30.0 million increase in program expenses attributed to a \$19.9 million increase in grants expense; a \$7.7 million increase in Chief Trial Counsel; and a \$5.2 million increase in Client Security Fund (the “CSF”) due to an increase in payouts in 2020; offset by a \$2.2 million decrease in admissions.

**Economic Factors Facing the State Bar**

On September 30, 2020, the Governor signed Assembly Bill 3362, the 2021 licensing fee legislation. The bill recognizes the importance of the State Bar’s mission of public protection, furthering access to legal services, and increasing diversity and inclusion in the legal profession. For 2021, the licensing fee decreased from 2020. There was a 1 percent decrease in the General Fund fee that supports the discipline system and a 50 percent decrease in Client Security Fee, which is used to pay restitution to victims of attorney theft or other losses due to attorney misconduct. The State Bar also received additional funding to support technology investments and capital maintenance.

On January 22, 2021, the Board of Trustees approved the 2021 Budget. The budget reflects the impact of transformative changes to the State Bar and significant progress towards major goals of the Strategic Plan. The 2021 Final Budget has total revenue of \$206.9 million with expenses of \$194.7 million. The surplus budget did not require any use of reserves, as in prior year, for planned spend downs in the Bank Settlement Fund, Equal Access Fund, Legal Services Trust Fund, and Lawyers Assistance Program. The 2021 General

Fund budget projects \$91.1 million in revenue with total expenses and indirect charges of \$92.3 million. General Fund expenses will exceed revenues by approximately \$1.0 million, bringing operating reserves to \$17.4 million.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which continued to spread, and any related adverse public health developments, has adversely affected organizations and its workforces, as well as the economy and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many governmental organizations, including ours. This outbreak impacted revenues and operations. For the current reporting period, we anticipate both short-term and long-term impacts depending on the duration of the pandemic and the impacts on the economy. The short-term financial impacts will include: 1) reductions of interest earnings for 2021, 2) delay's in some rental income with approximately \$120,000 in rent past due of 60 days or more as of December 2021, 3) reduction or delay in admission fees from the June/July bar exams if exams are postponed or delayed, and 4) reduction in trust fund revenue based on the reduction of the federal funds rate to 0% from .25% as of December 31 2021, respectively. Depending on the recovery of the economy, long-term impacts could also include: 1) pension and other post-employment benefits costs increasing based on reduced investment returns, and 2) potential reduction in both mandatory and voluntary license fees based on employment of attorney's licensed in California.

Effective January 1, 2020, the State Bar amended the Retiree Health Benefits Plan for non-executive staff to provide parity and equitable benefits for rank and file employees. Funding for retiree health benefits was included in the approved fee bill for 2020. Prior to the amendment, the State Bar's Plan was 157% funded and had a \$10.2 million Net OPEB Asset as of June 30, 2019, which helps support the change in retiree health benefits for rank and file employees. With the change, the net OPEB liability was increased to \$11.6 million as of January 1, 2020, which is an increase of \$21.8 million. The annual actuarially determined contribution is \$3.6 million and will be primarily funded by a \$17 increase in the active license fee annually.



	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 123,458,148	\$ 85,128,603
Investments	20,614,031	32,506,150
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,867,889 in 2021 and 2020	3,224,497	3,764,139
Other current assets	2,614,593	3,001,466
Total current assets	149,911,269	124,400,358
Noncurrent assets		
Restricted cash	3,172,743	2,501,761
Restricted Investments	11,996,760	-
Capital assets		
Nondepreciable	19,778,580	19,537,615
Depreciable, net	82,512,244	86,523,206
Total noncurrent assets	117,460,327	108,562,582
Total assets	267,371,596	232,962,940
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension items	7,881,618	10,324,431
Other postemployment benefits items	4,282,095	4,380,602
Total deferred outflows of resources	12,163,713	14,705,033
Total assets and deferred outflows of resources	279,535,309	247,667,973
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and other liabilities	12,831,991	10,553,616
Unearned fees collected in advance	50,973,216	28,978,619
Loans payable	2,718,584	1,958,781
Total current liabilities	66,523,791	41,491,016
Noncurrent liabilities		
Loans payable	31,008,989	18,143,113
Compensated absences	4,045,220	3,566,381
Net OPEB liability	7,617,010	11,616,834
Net pension liability	21,343,799	77,697,797
Total noncurrent liabilities	64,015,018	111,024,125
Total liabilities	130,538,809	152,515,141
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension items	40,217,597	1,685,878
Other postemployment benefits items	2,712,425	990,201
Total deferred inflows of resources	42,930,022	2,676,079
Total liabilities and deferred inflows of resources	173,468,831	155,191,220
<b>NET POSITION</b>		
Net investments in capital assets	68,563,251	85,958,927
Restricted for:		
Enabling legislation	66,032,612	60,962,604
Other restrictions	15,762,843	3,083,970
Unrestricted	(44,292,228)	(57,528,748)
Total net position	106,066,478	\$ 92,476,753

	2021	2020
<b>OPERATING REVENUES</b>		
Licensee fees and donations	\$ 104,070,688	\$ 110,370,126
Examination application fees	17,262,838	20,135,282
Trust account revenue	22,526,029	26,276,804
Seminar/workshop revenue	3,375	3,320
Legal specialization fees	2,264,062	2,163,811
Law corporation registration fees	1,808,170	1,843,213
Continuing legal education fees	681,344	736,993
Grant revenue	30,315,704	16,390,081
EAF AB145 filing fee revenue	5,482,000	3,138,445
Other revenue	1,494,224	2,927,488
Unallocated Pension gain	15,379,467	-
Total operating revenues	<u>201,287,901</u>	<u>183,985,563</u>
<b>OPERATING EXPENSES</b>		
Chief Trial Counsel	59,124,212	60,998,440
State Bar Court	13,739,100	13,670,988
Attorney Regulation and Consumer Resources	5,968,145	5,411,806
Professional Competence	3,292,881	2,707,582
Probation	1,762,906	1,968,949
Mandatory Fee Arbitration	44,409	12,317
Judicial Evaluation	250,065	380,425
Center on Access to Justice	1,020,819	856,445
Communications	976,725	997,826
Governance	3,437,857	3,608,942
Lawyer Assistance Program	2,286,347	2,199,397
Client Security Fund	6,407,813	13,827,903
Admissions	18,782,655	19,176,983
Grants	60,516,574	91,412,469
Unallocated Pension expense	-	3,338,775
General and administration	12,530,864	21,452,203
Total operating expenses	<u>190,141,372</u>	<u>242,021,450</u>
<b>OPERATING INCOME (LOSS)</b>	11,146,529	(58,035,887)
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Investment (loss) income	(7,648)	2,591,296
Rental income	3,133,009	4,220,797
Interest expense on loan	(682,165)	(839,732)
Total nonoperating revenues and expenses	<u>2,443,196</u>	<u>5,972,361</u>
<b>CHANGE IN NET POSITION</b>	13,589,725	(52,063,526)
<b>NET POSITION—beginning of year</b>	<u>92,476,753</u>	<u>144,540,279</u>
<b>NET POSITION—end of year</b>	<u>\$ 106,066,478</u>	<u>\$ 92,476,753</u>

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from members, applicants, grants, and other professionals	\$ 208,442,674	\$ 180,778,055
Payments to suppliers and service providers	(111,087,754)	(145,974,210)
Payments to employees	(71,407,028)	(69,598,975)
Net cash provided by operating activities	25,947,892	(34,795,130)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity and sale of investments	111,343,536	53,802,091
Purchases of investments	(111,965,296)	(19,865,705)
Interest received from investments	509,471	2,373,730
Cash received from rental incomes	3,133,009	4,220,797
Net cash (used in) provided by investing activities	3,020,720	40,530,913
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(2,911,599)	(3,237,332)
Payment of obligations under loan agreement	(1,693,321)	(2,200,491)
Proceeds from loan agreement	15,319,000	-
Interest paid on debt	(682,165)	(839,732)
Net cash used in capital and related financing activities	10,031,915	(6,277,555)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	39,000,527	(541,772)
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	87,630,364	88,172,136
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 126,630,891</u>	<u>\$ 87,630,364</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (loss)	\$ 11,146,529	\$ (58,035,887)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,681,596	4,771,125
Changes in assets and liabilities:		
Net pension liability	(56,353,998)	10,542,952
Deferred outflows and inflows of resources related to pension items	40,974,532	(7,204,178)
Net OPEB liability	(3,999,824)	21,832,627
Deferred outflows and inflows of resources related to OPEB items	1,820,731	(3,021,011)
Accounts and other receivables	539,642	2,732,172
Other current assets	386,873	(126,536)
Accounts payable and other liabilities	2,757,214	(346,714)
Unearned fees collected in advance	21,994,597	(5,939,680)
Net cash provided by operating activities	<u>\$ 25,947,892</u>	<u>\$ (34,795,130)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	123,458,148	85,128,603
Restricted cash	3,172,743	2,501,761
Total cash and cash equivalents	<u>\$ 126,630,891</u>	<u>\$ 87,630,364</u>

## 1. DESCRIPTION OF ENTITY

The State Bar of California (“State Bar”) is a public corporation established by the California Legislature on July 29, 1927. In 1960, a constitutional amendment was approved, which added the State Bar as a constitutional agency in the judicial branch of government. Licensing by the State Bar is required in order to practice law in the State of California (“State”). The State Bar’s activities relate primarily to admission, discipline, and regulation of attorneys, and to other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system. The State Bar has engaged in such functions as administering the bar examination, formulating rules of professional conduct, disciplining licensees for misconduct, administering mandated continuing legal education requirements, administering other regulatory provisions affecting the profession or the practice of law, studying and recommending changes in legislation, cooperating with the Judicial Council, and providing various licensee services.

The State Bar is governed by a 13-member Board of Trustees. Five attorneys are appointed by the California Supreme Court and serve four-year terms. Two attorneys are appointed by the Legislature, one by the Senate Committee on Rules and one by the Speaker of the Assembly. Six “public” or nonattorney members also serve. Four appointed by the Governor, and one by the Senate Committee on Rules and one by the Speaker of the Assembly. The Board is charged with the executive functions of the State Bar. Among other things it has the responsibility for fiscal policy, exercising contractual powers and administering the affairs of the State Bar through its chosen Executive Director.

## 2. BASIS OF PRESENTATION

The financial statements, providing information of the State Bar, have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”). The State Bar reports its financial activities as one consolidated enterprise fund. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows.

The accounts of the State Bar are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund net position, revenues and expenditures or expenses. The State Bar’s funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Revenues and expenses are tracked by funding source in 14 sub-funds, as described below:

**General Fund** – The General Fund accounts for resources that are generally available for State Bar purposes, subject to budget priorities set by the Board.

**S.F. Tenant Improvement Fund** – The Tenant Improvement Fund was established to support the tenant improvement work at the State Bar’s 180 Howard Street location. The State Bar secured a \$10 million dollar loan in 2016 to provide funding for tenant improvements.

**Admissions Fund** – The Admissions Fund accounts for fees and expenses related to administering the bar examination and other requirements for the admission to the practice of law in the State of California.

## 2. BASIS OF PRESENTATION (Continued)

**Grants Fund** – The Grants Fund is used to account for the various grants received and special projects undertaken by the State Bar.

**Client Security Fund** – The Client Security Fund maintains funds from which licensees' clients can be reimbursed for pecuniary losses resulting from dishonest conduct on the part of their attorneys. Such reimbursement is discretionary and, currently, is not to exceed \$100,000 per application for reimbursement on any one transaction, as prescribed by the Board of Trustees. Obligations are accrued in the statement of net position based on final approved applications by the Client Security Fund Commission. For 2021 bill year, this fund is replenished through annual assessments of \$40 per active member and \$10 per inactive member.

**Elimination of Bias Fund** – The Elimination of Bias Fund (formerly Elimination of Bias and Bar Relations) supports certain programs similar to those once undertaken by Access & Inclusion, Program Development, and Bar Relations Offices. In the 2021 and 2020 bill years, the deduction for the remaining Elimination of Bias program remained at \$2 by the Board of Trustees.

**Equal Access Fund** – Since 1999, the California Budget Act has included funds to provide free legal services in civil matters for indigent Californians. The funds are in the budget of the State Judicial Council for grants to be administered by the State Bar's Legal Services Trust Fund Commission through the Equal Access fund. The Administrative Office of the Courts contracts with the State Bar for the administration of these funds, which currently consist of grants to approximately 100 nonprofit legal aid organizations, and reimburses the State Bar for its administrative expenses.

In 2005, the Uniform Civil Fees and Standard Fee Schedule Act (AB 145) was approved by the Legislature and the Governor. The Act established a new distribution of \$4.80 per filing to the Equal Access Fund. These revenues were collected by the trial courts starting in January 2006 to fund grants to nonprofit legal aid organizations for the grant year.

**Information Technology Special Assessment Fund** – The Information Technology Special Assessment Fund is used to upgrade the information technology system, including purchasing and maintenance costs of both computer hardware and software. This fund is supported by a special assessment fee from active licensees.

**Justice Gap Fund** – The Justice Gap Fund is used to help close the justice gap for needy Californians by voluntary donations to legal aid, pursuant to AB 2301. Licensees may contribute more or less than the recommended donation or elect to make no donation.

**Lawyers Assistance Program Fund** – The Lawyers Assistance Program Fund was established for the protection of the public, the courts and the legal profession by providing education, remedial, and rehabilitative programs to those licensees of the State Bar who are in need of assistance as a result of disability related to substance abuse or mental illness. This fund is replenished through annual assessments of \$10 per active licensee and \$5 per inactive licensee. There was a fee holiday to spend down reserves.

## 2. BASIS OF PRESENTATION (Continued)

**Legislative Activities Fund** – The Legislative Activities Fund accounts for the consideration of measures that are deemed outside the parameters established in Keller vs. the State Bar, the purview determination and any litigation in support or defense of that lobbying. Such activities are funded by licensees electing to support these activities.

**Legal Services Trust Fund** – The Legal Services Trust Fund is used to expand the availability and improve the quality of existing free legal services in civil matters to indigent persons and to initiate new programs that would provide such services. Under this program, interest earned on certain client trust accounts held by California attorneys is legally required to be forwarded to the State Bar and, after deduction of the State Bar's administrative costs, the remainder is to be distributed as grants. In addition, the Trust Fund is supplemented by an increase in the annual fee mandated by Section 6140.03 of the Business and Professions Code. Section 6140.3 allocated \$45 of the licensee fee to the Trust Fund. Under the legislation, licensees may elect to reduce their fees by this amount if they choose not to support the activities authorized under this bill.

**Legal Specialization Fund** – The Legal Specialization Fund accounts for the certification of legal specialists in areas of family law; criminal law, taxation law, immigration and nationality law, workers' compensation law, personal and small business bankruptcy law, estate planning, trust and probate law, and appellate law. Resources are provided by application fees, certification fees, recertification fees and annual licensing fees.

**Bank Settlement Fund** – In March 2016, the State Bar's Legal Services Trust Fund (LSTF) Program received a \$44.8 million bank settlement grant award as a result of a settlement between the U.S. Department of Justice and Bank of America. A separate program fund is established to track future grant distribution activities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State Bar conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the significant accounting policies:

**Cash and Cash Equivalents** – Cash and cash equivalents includes all cash and liquid investments with initial maturity of three months or less at the date of purchase. Cash equivalents consisted of demand deposit accounts, money market accounts, and deposits in the California Local Agency Investment Fund (LAIF).

**Grant Revenues and Donations** – The Legal Services Trust Fund Program administers three funds: Interest on Lawyers' Trust Accounts, the state Equal Access Fund ("EAF") and the Justice Gap Fund. These funds are granted to nonprofit organizations that provide free civil legal services to low-income Californians. The Legal Services Trust Fund receives interest on attorney-client trust accounts. Revenue is recognized as income when earned, and grant expense is recognized in the period in which the Legal Services Trust Fund Commission awards the grants. EAF receives grants from the State Judicial Council. Grant revenue and corresponding expense are recognized as income and expense in the year to which the grants apply, based on the grant contracts. The Justice Gap Fund receives contributions from licensees. Revenue is recognized as income when received.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments** – The State of California’s statutes and the State Bar’s investment policy authorize the State Bar to invest its cash surplus in U.S. Treasury obligations, obligations of U.S. agencies, bankers’ acceptances, collateralized bank deposits, negotiable certificates of deposit, commercial paper, repurchase agreements secured by U.S. Treasury or agency obligations, reverse repurchase agreements, corporate bonds, medium term notes, and mortgage-backed securities. Investment transactions are recorded on the trade date, and all investments are reported at estimated fair value. The fair value represents the amount the State Bar could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained by using quotations from independent published sources.

**Restricted Cash, cash equivalents and investments** – The State Bar’s loan proceeds from the loan agreement with Sterling Bank are to be used for specified capital projects. The proceeds, which are currently invested in cash equivalents and investments, have been classified as restricted cash and restricted investments.

**Capital Assets** – Capital assets are stated at cost, net of accumulated depreciation, determined using the straight-line method over the estimated useful lives of forty years for buildings, ten years for furniture and fixtures, and four to seven years for equipment and software. Leasehold improvements and equipment acquired under capital leases are amortized over the shorter of the term of the lease or its useful life. The State Bar’s policy is to capitalize acquisitions of capital assets with a useful life greater than one year and a cost of \$5,000 or more.

**Unearned Fees Collected in Advance** – Unearned fees collected in advance are recognized as income when earned. Accordingly, fees are recorded as revenue in the year to which the fees apply. Fees received but not yet earned are recorded as unearned fees collected in advance in the accompanying statements of net position.

**Operating Revenues and Expenses** – Operating revenues and expenses consist primarily of income earned or expenses incurred related to admission, discipline and regulation of attorneys, and other programs that enhance lawyer ethics and competence or improve the quality of legal services and the justice system. All other amounts are considered nonoperating. Expenses incurred for purposes for which restricted and unrestricted assets are available are first satisfied with restricted assets, to the extent available.

The State Bar allocates indirect costs to its various programs and projects. The indirect costs are comprised of both operating and capital costs. The reimbursement of indirect costs could cause a negative expense at the program level in the circumstance that the capital component of the indirect cost reimbursement exceeds the operating costs incurred by the fund acquiring the capital additions.

**Nonoperating Revenues and Expenses** – Nonoperating revenues and expenses consist of investment income, realized and unrealized gains or losses on investments, rental income, and interest expense on loan.

**Accounts and Other Receivables** – Accounts and other receivables consist of rental income receivable and State Bar Journal display advertising income receivable. Revenue is recognized as income when earned in the period to which the revenue applies.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Compensated Absences*** – Compensated absences reports earned but unused vacation and sick leave benefits. State Bar employees have a vested interest in accrued compensated absences.

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Pension and Other Postemployment Benefits (OPEB)*** – For purposes of measuring the net pension liability and net OPEB liability (asset), deferred outflows/inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the State Bar's pension and OPEB plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT), respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. CalPERS plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

***Client Security Fund ("CSF") Application*** – CSF application liabilities are determined in accordance with Business and Professions Code section 6140.5. This section authorizes the State Bar to establish the CSF to "relieve or mitigate pecuniary losses caused by the dishonest conduct of those active licensees of the bar." Payment from CSF is completely discretionary. The State Bar is free to prescribe applicable regulations and conditions for payments and no applicant to the program has any right to payment. In 2012, the State Bar conducted a legal analysis of CSF and the governing rules of the program and determined that when a CSF application is finally approved by the Committee, it will be recognized as an outstanding obligation in the State Bar's financial statement. There are 1,327 applications pending for processing as of December 31, 2021, in the amount of \$43.3 million, and for December 31, 2020, there were 1,610 pending applications in the amount of \$35.7 million. As of December 31, 2021 and 2020, estimated application payout amounts were \$5.7 million and \$11.7 million, respectively, based on a rolling average of 24 months' historical applications payout ratio of 36.2% in 2021 and 40.8% in 2020. Cash and investments available for application reimbursement in the CSF were approximately \$5.9 million and \$2.5 million as of December 31, 2021 and 2020, respectively.



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Restricted Net Position*** – Restricted net position reflects the net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, trust agreements, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Restricted net position was \$81.8 million as of December 31, 2021, of which \$ 66.0 million was restricted by enabling legislation; and \$64.0 million as of December 31, 2020, of which \$61.0 million was restricted by enabling legislation.

***Net Investments in Capital Assets*** – Net investments in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Unrestricted Net Position*** – Unrestricted net position includes all resources for which management or the Board of Trustees holds discretion over their use in advancement of the State Bar’s objectives. Unrestricted Net Position was negative \$44.3 million as of December 31, 2021, and negative \$57.5 million as of December 31, 2020.

***Reserve Policy*** – The State Bar’s Reserve Policy requires it to maintain a working capital (current assets less current liabilities) balance that equates to two months or a level of 17 percent of operating expenses for all non-grant funds. Funds subject to the policy are the General Fund, Legislative Activities Fund, Elimination of Bias Fund, Lawyer Assistance Program Fund, Legal Specialization Fund, Client Security Fund, and Admissions Fund. Whenever reserve levels surpass 30 percent, for a consecutive six-month period, a reserve spend-down plan shall occur in accordance with the principles stated in the Reserve Policy. For purposes of the Minimum Reserve Target, operating expenses of the Client Security Fund shall exclude application payouts.

***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Effects of New Pronouncements*** - During the year ended December 31, 2021, the State Bar implemented the following GASB Statement:

***GASB Statement No. 87*** – In June 2017, GASB issued Statement No. 87 – *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 is effective for the State Bar’s year ending December 31, 2022.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

***GASB Statement No. 89*** – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expenditure/expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. GASB 89 is effective for the State Bar's year ending December 31, 2021, but it does not have significant impact on the State Bar's financial statements

***GASB Statement No. 91*** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 is effective for the State Bar's year ending December 31, 2021, but it does not have significant impact on the State Bar's financial statements.

***GASB Statement No. 92*** – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 is effective for the State Bar's year ending December 31, 2022.

***GASB Statement No. 93*** – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement will provide guidance to some governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 is effective for the State Bar's year ending December 31, 2022, except for paragraph 11b that is effective for the State Bar's year ending December 31, 2023.

***GASB Statement No. 94*** – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB 94 is effective for the State Bar's year ending December 31, 2023.

***GASB Statement No. 95*** – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement's objective was to provide temporary relief to governments and other stakeholders in the light of COVID-19 pandemic by postponing the effective date of certain provisions in Statements and Implementation Guides by 12-18 months. Implementation of this statement did not have a significant impact on the State Bar's financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**GASB Statement No. 96** - In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. GASB 96 is effective for the State Bar's year ending December 31, 2023.

**GASB Statement No. 97** – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – and amended of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84 and enhances the accounting and financial reporting of IRS Code section 457 plans that meet the definition of a pension plan. GASB 97 is effective for the State Bar's year ending December 31, 2022.

### 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of December 31, 2021 and 2020 are classified in the financial statements as follows:

	2021	2020
Cash and cash equivalents	\$ 123,458,148	\$ 85,128,603
Investments	20,614,031	32,506,150
Restricted cash	3,172,743	2,501,761
Restricted investments	11,996,760	-
Totals	<u>\$ 159,241,682</u>	<u>\$ 120,136,514</u>

**Cash and Cash Equivalents** – Cash and cash equivalents are generally considered short-term, highly liquid investments with maturity of three months or less from the purchase date. As of December 31, 2021, the carrying amount of the State Bar's unrestricted deposits is \$123,458,653 and the bank balance is \$47,451,679. As of December 31, 2020, the carrying amount of the State Bar's unrestricted deposits is \$85,128,603 and the bank balance is \$86,753,037. At December 31, 2021 and 2020, the State Bar had restricted deposits held by the bank in the amount of \$3,172,743 and \$2,501,761, respectively. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit. The State Bar's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation and the balance in excess of \$250,000 is fully collateralized per Government Code.

As of December 31, 2021, the PMIA balance is \$181.4 billion, of which 98.37% is invested in nonderivative financial products with 1.63% in structured notes and asset-backed securities. The total amount invested by all public agencies in LAIF is \$36.3 billion, and the State Bar's investment in LAIF is \$74.8 million. The average maturity of PMIA investments is 340 days as of December 31, 2021. As of December 31, 2020, the PMIA balance is \$107.4 billion, of which 96.72% is invested in nonderivative financial products with 3.28% in structured notes and asset-backed securities. The total amount invested by all public agencies in LAIF is \$34.0 billion, and the State Bar's investment in LAIF is \$75.3 million. The average maturity of PMIA investments is 165 days as of December 31, 2020.

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)**

The State Bar's pooled cash and cash equivalents at December 31, 2021 and 2020 is composed of:

	2021	2020
LAIF	\$ 74,845,293	\$ 75,261,861
Other Cash	48,612,855	9,866,742
Restricted cash	3,172,743	2,501,761
Totals	<u>126,630,891</u>	<u>87,630,364</u>

**Investments** – It is the investment policy of the State Bar to invest public funds in a manner which will provide the maximum security with best investment return, while meeting the daily cash flow demands of the State Bar, and conforming to all State statutes governing the investment of public funds and all resolutions of the Board of Trustees. The State Bar invests a substantial portion of its funds in fixed income securities, which limits the State Bar's exposure to most types of risk. Investment of funds is governed by the State Bar's investment policy, as discussed under note 3.

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, interest rate risk, and credit risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

**Fair Value of Investments** – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. The three levels of this hierarchy are:

**Level 1** – Quoted prices active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)**

The fair value measurements of investments for December 31, 2021 and 2020 are as follows:

Description	12/31/2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Government agencies	\$ 9,664,215	\$ -	\$ 9,664,215	\$ -
Municipal bond	4,328,853	-	4,328,853	-
Corporate bonds	6,420,754	-	6,420,754	-
Commercial paper	11,999,720	11,999,720	-	-
Common stock	197,249	197,249	-	-
Total investments measured at fair value	\$ 32,610,791	\$ 12,196,969	\$ 20,413,822	\$ -

Description	12/31/2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Government agencies	\$ 11,957,360	\$ -	\$ 11,957,360	\$ -
Municipal bond	4,407,184	-	4,407,184	-
Corporate bonds	15,994,131	-	15,994,131	-
Common stock	147,475	147,475	-	-
Total investments measured at fair value	\$ 32,506,150	\$ 147,475	\$ 32,358,675	\$ -

Common stock and commercial paper are classified in Level 1 and valued using prices quoted in active markets for those securities. Government agencies securities are classified in Level 2 and valued using quoted prices for identical securities in markets that are not active. Corporate bonds and municipal bonds are classified in Level 2 and valued using quoted prices for similar securities in active markets.

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the State Bar’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments; however, the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state laws (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)**

**Concentration of Credit Risk** – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the State Bar to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The investment policy of the State Bar contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total State Bar's investments subject to concentration of credit risk at December 31, 2021 and 2020, are as follows:

<b>Issuer</b>	<b>Investment Type</b>	<b>2021 Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank	U.S government agencies	\$ 6,626,295	20.3%
Federal Home Loan Mortgage Corp	U.S government agencies	3,037,920	9.3%
State of California	Municipal Bonds	3,051,541	9.4%
Apple Inc	Corporate Bonds	3,242,456	9.9%
Toyota Motor Credit Corp	Corporate Bonds	1,661,498	5.1%
Toyota Credit de Puerto Rico Corporation	Commercial Paper	11,999,720	36.8%

  

<b>Issuer</b>	<b>Investment Type</b>	<b>2020 Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank	U.S government agencies	\$ 6,826,950	21.0%
Federal Home Loan Mortgage Corp	U.S government agencies	3,108,030	9.6%
Federal Farm Credit Bank	U.S government agencies	2,022,380	6.2%
State of California	Municipal Bonds	3,111,421	9.6%
Apple Inc	Corporate Bonds	6,457,305	19.9%
Toyota Motor Credit Corp	Corporate Bonds	3,248,295	10.0%
Microsoft Corp	Corporate Bonds	3,146,500	9.7%

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The terms of a debt investment may cause its fair value to be highly sensitive to changes in interest rates. Fixed income security investments subject to interest rate risk at December 31, 2021 and 2020, are as follows:

	<b>Fair Value</b>	<b>Fair Value as a Percentage of Fixed Income Securities</b>	<b>Weighted Average Maturity (Years)</b>
<b>December 31, 2021</b>			
U.S. Government agencies	\$ 9,664,215	29.8%	0.7
Municipal Bonds	4,328,853	13.4%	0.8
Corporate Bonds	6,420,754	19.8%	0.6
Commerical Paper	11,999,720	37.0%	0.0
	<u>\$ 32,413,542</u>	<u>100.0%</u>	
<b>December 31, 2020</b>			
U.S. Government agencies	\$ 11,957,360	37.0%	1.4
Municipal Bonds	4,407,184	13.6%	2.2
Corporate Bonds	15,994,131	49.4%	1.0
	<u>\$ 32,358,675</u>	<u>100.0%</u>	

**Credit Risk** – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the State Bar's investment policy limit the State Bar's investment in commercial paper to the rating of P-1 or better by Moody's Investors Service, or A-1 or higher by Standard & Poor's; corporate bonds to the rating of A by Moody's Investors Service or Standards & Poor's; and mutual funds to institutions rated within the top two ratings of a nationally recognized rating service. No limits are placed on U.S. government agency securities.

Fixed income securities investments that are subject to credit risk at December 31, 2021 and 2020, are as follows:

	<b>2021</b>		<b>2020</b>	
<b>S&amp;P's Rating</b>	<b>Fair Value</b>	<b>Fair Value As of a % of Fixed Income Securities</b>	<b>Fair Value</b>	<b>Fair Value As of a % of Fixed Income Securities</b>
AAA	\$ -	0.0%	\$ 3,146,500	9.7%
AA+	12,906,671	39.8%	18,414,665	56.9%
AA	-	0.0%	3,142,031	9.7%
AA-	4,328,853	13.4%	4,407,184	13.6%
A+	3,178,298	9.8%	3,248,295	10.0%
N/A	11,999,720	37.0%	-	0.0%
<b>Total fixed income securities</b>	<u><b>\$ 32,413,542</b></u>	<u><b>100.0%</b></u>	<u><b>\$ 32,358,675</b></u>	<u><b>100.0%</b></u>

## 5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, are as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 19,537,615	\$ -	\$ -	\$ 19,537,615
Work in progress	-	240,965	-	240,965
Total capital assets, not being depreciated	19,537,615	240,965	-	19,778,580
Capital assets, being depreciated:				
Buildings and leasehold improvements	93,135,751	2,670,634	-	95,806,385
180 Howard Tenant Improvements	15,330,940	-	-	15,330,940
Equipment and software	20,214,658	-	-	20,214,658
Furniture and fixtures	5,512,099	-	-	5,512,099
Total capital assets, being depreciated	134,193,448	2,670,634	-	136,864,082
Less accumulated depreciation for:				
Buildings and leasehold improvements	(28,413,286)	(3,622,928)	-	(32,036,214)
180 Howard Tenant Improvements	(4,215,115)	(12,092)	-	(4,227,207)
Equipment and software	(10,680,755)	(2,662,905)	-	(13,343,660)
Furniture and fixtures	(4,361,086)	(383,671)	-	(4,744,757)
Total accumulated depreciation	(47,670,242)	(6,681,596)	-	(54,351,838)
Total capital assets, being depreciated, net	86,523,206	(4,010,962)	-	82,512,244
Capital assets, net	\$ 106,060,821	\$ (3,769,997)	\$ -	\$ 102,290,824

  

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 19,537,615	\$ -	\$ -	\$ 19,537,615
Capital assets, being depreciated:				
Buildings and leasehold improvements	92,064,703	1,071,048	-	93,135,751
180 Howard Tenant Improvements	15,169,707	161,233	-	15,330,940
Equipment and software	18,209,607	2,005,051	-	20,214,658
Furniture and fixtures	5,512,099	-	-	5,512,099
Total capital assets, being depreciated	130,956,116	3,237,332	-	134,193,448
Less accumulated depreciation for:				
Buildings and leasehold improvements	(27,191,100)	(1,222,186)	-	(28,413,286)
180 Howard Tenant Improvements	(2,588,432)	(1,626,683)	-	(4,215,115)
Equipment and software	(9,142,167)	(1,538,588)	-	(10,680,755)
Furniture and fixtures	(3,977,418)	(383,668)	-	(4,361,086)
Total accumulated depreciation	(42,899,117)	(4,771,125)	-	(47,670,242)
Total capital assets, being depreciated, net	88,056,999	(1,533,793)	-	86,523,206
Capital assets, net	\$ 107,594,614	\$ (1,533,793)	\$ -	\$ 106,060,821



**5. CAPITAL ASSETS (Continued)**

Depreciation expense for the years ended December 31, 2021 and 2020 was \$6,681,596 and \$4,771,125, respectively.

The State Bar leases certain office space at its facilities in San Francisco and Los Angeles, California, to tenants under various lease agreements. The carrying amounts of the leased portions of the San Francisco and Los Angeles buildings have not been determined. Future minimum lease revenue under these noncancelable operating leases at December 31, 2021, are as follows:

Year Ending December 31	Future Minimum Revenue	
	San Francisco	Los Angeles
2022	\$ 2,851,682	\$ 396,656
2023	2,261,743	406,572
2024	1,717,838	456,154
2025	1,455,621	456,154
2026	1,442,738	456,154
Thereafter	4,723,090	2,831,959
	<u>\$ 14,452,711</u>	<u>\$ 5,003,650</u>

**6. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

At December 31, 2021 and 2020, accounts payable and other current liabilities consisted of the following:

	2021	2020
Accounts Payable	\$ 7,090,416	\$ 5,562,996
Compensated absences, current portion	2,696,814	2,377,586
Other liabilities	3,044,761	2,613,037
Total accounts payable and other liabilities	<u>\$ 12,831,991</u>	<u>\$ 10,553,619</u>

Obligations that are due within a year are presented as current liabilities in the statements of net position. Compensated absences include noncurrent portions that are due beyond one year. The table below provides additional information for these balances:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
Compensated absences	\$ 5,943,967	\$ 5,652,168	\$ (4,854,101)	\$ 6,742,034	\$ 2,696,814

  

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amount Due Within One Year
Compensated absences	\$ 4,226,417	\$ 5,064,021	\$ (3,346,471)	\$ 5,943,967	\$ 2,377,586

## 7. LOANS PAYABLE

On April 22, 2016, the State Bar entered into a Real Estate Loan Agreement in the amount of \$10,000,000 with Bank of America, N.A. for the purpose of financing the costs of Tenant Improvement located at 180 Howard Street, San Francisco. On August 12, 2021, the State Bar entered into a new Loan Agreement in the amount of \$20,570,573 with Sterling National Bank for the purpose of paying off the Bank of America Loan and financing capital improvement and IT projects costs located at 180 Howard Street, San Francisco. The Loan Agreement consisted of a taxable loan for \$7,489,773, which was partially used to pay off the Bank of America Loan, due on September 30, 2031, and a tax-exempt loan for \$13,080,000 due on September 30, 2036. The taxable loan bears a rate of 2.3% per year with semi-annual payments of approximately \$520,000. The tax-exempt loan bears a rate of 2.76% per year with semi-annual payments of approximately \$300,000.

The prior Loan Agreement with Bank of America bore a tax-exempt fixed rate of 4.26% per year and was due on April 1, 2026, with a monthly payment of \$104,218. The loan agreement contained certain covenants including the maintenance of a \$2.5 million deposit with Bank of America as debt service reserve fund, which was reported as restricted cash on the accompanying Statement of Net Position. The loan balance of \$5,251,573 with Bank of America was fully paid off in August 2021 as a result of the financing with Sterling National Bank. As of December 31, 2021 and 2020, the outstanding loan balance of the San Francisco loan was \$20,490,573 and \$5,904,894, respectively.

On October 1, 2020, the State Bar refinanced its Bank of America Loan Agreement and entered into a new Loan Agreement in the amount of \$14,197,000 with Sterling National Bank for the purpose of refinancing the costs of purchasing real property located at 845 South Figueroa Street, Los Angeles. The loan bears a tax-exempt fixed rate of 2.3% per year and is due on December 30, 2035, with a quarterly payment of approximately \$277,000. The loan balance of \$14,193,280 with Bank of America was fully paid off in October 2020 as a result of the refinancing with Sterling National Bank. As of December 31, 2021 and 2020, the outstanding loan balance was \$13,237,000 and \$14,197,000, respectively.

	<b>San Francisco</b>	<b>Los Angeles</b>	<b>Total</b>
Term loan as of December 31, 2020	\$ 5,904,894	\$ 14,197,000	\$ 20,101,894
Additions	20,570,573	-	20,570,573
Repayments	(5,984,894)	(960,000)	(6,944,894)
Balance as of December 31, 2021	<u>\$ 20,490,573</u>	<u>\$ 13,237,000</u>	<u>\$ 33,727,573</u>
Current loan payable	1,907,584	811,000	2,718,584
Noncurrent loan payable	18,582,989	12,426,000	31,008,989
Balance as of December 31, 2021	<u>\$ 20,490,573</u>	<u>\$ 13,237,000</u>	<u>\$ 33,727,573</u>
Term loan as of December 31, 2019	\$ 6,858,666	\$ 15,443,719	\$ 22,302,385
Additions	-	14,197,000	14,197,000
Repayments	(953,772)	(15,443,719)	(16,397,491)
Balance as of December 31, 2020	<u>\$ 5,904,894</u>	<u>\$ 14,197,000</u>	<u>\$ 20,101,894</u>
Current loan payable	998,781	960,000	1,958,781
Noncurrent loan payable	4,906,113	13,237,000	18,143,113
Balance as of December 31, 2020	<u>\$ 5,904,894</u>	<u>\$ 14,197,000</u>	<u>\$ 20,101,894</u>

**7. LOANS PAYABLE (Continued)**

The annual repayment schedule as of December 31, 2021, is as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 2,718,584	\$ 789,699
2023	2,789,746	718,712
2024	2,858,884	649,328
2025	2,160,057	585,288
2026	2,212,246	532,940
Thereafter	20,988,056	2,356,426
Total	<u>\$ 33,727,573</u>	<u>\$ 5,632,392</u>

***Loan Covenant, Events of Default, Termination Events and Acceleration Clauses -***

The State Bar relies on rental revenue and unrestricted revenue to make base rental payments in order to fulfill its debt service obligations. If events of default occurs, the Bank may do one or more of the following without prior notice: declare that an Event of Default has occurred, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately. If a Default or Event of Default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under the loan agreement. In addition, if any Event of Default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with the loan agreement, as well as all rights and remedies available at law or in equity.

**8. PENSION PLAN**

***Plan Description*** – The State Bar’s defined benefit plan, the Miscellaneous Plan of the State Bar of California (“Plan”), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating entities within the State of California. All fulltime State Bar employees must participate in the Plan. Benefits vest after five years of service. Benefit provisions under the Plan are established by State statute. The State Bar has contracted with CalPERS for employee retirement benefits since the 1950’s. Amendments to the Plan are authorized by resolution of the Board of Trustees. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

## 8. PENSION PLAN (Continued)

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members who are hired prior to January 1, 2013, with five years of total service are eligible to retire at age 50 and members who were hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52. As of June 30, 2020, the most recent information available, the State Bar's pension plan included 563 active employees, 455 inactive employees entitled to but not yet receiving benefits, and 569 inactive employees or beneficiaries currently receiving benefits. All members are eligible for non-duty disability benefits after 10 years of service.

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The State Bar has the right to modify the pension plan provisions prospectively at its discretion.

The Plan's provisions and benefits in effect at December 31, 2021 and 2020, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.0%	7.25%
Required employer contribution rates - 7/1/2019 to 6/30/2020	17.720%	17.720%
Required employer contribution rates - 7/1/2020 to 6/30/2021	19.176%	19.176%
Required employer contribution rates - 7/1/2021 to 12/31/2021	20.300%	20.300%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The State Bar of California is required to contribute the difference between the actuarially determined rate and the contribution of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan member contribution requirements are classified as plan member contributions.

**Net Pension Liability** – The net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For the year ended December 31, 2021, the total pension liability for the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 using standard procedures. For the year ended December 31, 2020, the total pension liability for the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard procedures.

**8. PENSION PLAN (Continued)**

**Actuarial assumptions** – A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2021 and 2020 are as follows:

Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost	
Actuarial Assumptions:		
Discount Rate	7.15%	
Inflation	2.50%	
Payroll Growth	2.75%	
Projected Salary Increase	Varies by entry age and service	
Post Retirement Benefit Increase	(1)	
Mortality	Derived using CalPERS' membership data for all Funds (2)	

- (1) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.
- (2) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre- retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation was based on the results of the CalPERS 2017 experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability as of June 30, 2021 and 2020 was 7.15 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building - block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**8. PENSION PLAN (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rates of return by asset class and the target allocation adopted by the CalPERS Board for the actuarial valuation of June 30, 2020 are as follows:

<b>Asset Class (a)</b>	<b>Current Strategic Allocation</b>	<b>Real Return Years 1 - 10 (b)</b>	<b>Real Return Years 11+ (c)</b>
Global Equity	50.00%	4.80%	5.98%
Global fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**8. PENSION PLAN (Continued)**

Changes in the Net Pension Liability – The changes in the Net Pension Liability for the Plan for the year ended December 31, 2021 and 2020 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2020</b>	<b>\$ 424,776,808</b>	<b>\$ 347,079,011</b>	<b>\$ 77,697,797</b>
<b>Changes in the year:</b>			
Service cost	9,507,566	-	9,507,566
Interest on the total pension liability	29,737,918	-	29,737,918
Differences between actual and expected experience	(3,175,437)	-	(3,175,437)
Contribution - employer	-	10,953,471	(10,953,471)
Contribution - employee	-	4,372,707	(4,372,707)
Net investment income	-	77,444,578	(77,444,578)
Administrative expenses	-	(346,711)	346,711
Benefit payments, including refunds of employee contributions	(20,880,413)	(20,880,413)	-
<b>Net changes</b>	<b>15,189,634</b>	<b>71,543,632</b>	<b>(56,353,998)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 439,966,442</b>	<b>\$ 418,622,643</b>	<b>\$ 21,343,799</b>

  

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2019</b>	<b>\$ 402,882,958</b>	<b>\$ 335,728,113</b>	<b>\$ 67,154,845</b>
<b>Changes in the year:</b>			
Service cost	8,917,807	-	8,917,807
Interest on the total pension liability	28,675,153	-	28,675,153
Differences between actual and expected experience	3,117,562	-	3,117,562
Contribution - employer	-	9,733,180	(9,733,180)
Contribution - employee	-	4,418,214	(4,418,214)
Net investment income	-	16,489,470	(16,489,470)
Administrative expenses	-	(473,294)	473,294
Benefit payments, including refunds of employee contributions	(18,816,672)	(18,816,672)	-
<b>Net changes</b>	<b>21,893,850</b>	<b>11,350,898</b>	<b>10,542,952</b>
<b>Balance at June 30, 2020</b>	<b>\$ 424,776,808</b>	<b>\$ 347,079,011</b>	<b>\$ 77,697,797</b>

**8. PENSION PLAN (Continued)**

***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*** – The State Bar recognized pension income of \$1,506,111 for the year ended December 31, 2021 and pension expenses of \$13,434,787 for the year ended December 31, 2020. Deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,945,464	\$ (2,268,169)
Contributions made after the measurement date: June 30, 2021	5,936,154	-
Net differences between projected and actual earning on plan investments	-	(37,949,428)
Total	<u>\$ 7,881,618</u>	<u>\$ (40,217,597)</u>

  

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (1,295,638)
Differences between actual and expected experience	4,185,917	(390,240)
Contributions made after the measurement date: June 30, 2020	3,016,270	-
Net differences between projected and actual earning on plan investments	3,122,244	-
Total	<u>\$ 10,324,431</u>	<u>\$ (1,685,878)</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic manner. As of December 31, 2021 and 2020, the State Bar reported \$5,936,154 and \$3,016,270, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction related to net pension liability in the year ending December 31, 2022 and 2021, respectively.



**8. PENSION PLAN (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension as of December 31, 2021 will be recognized as pension expense as follows:

Year Ending December 31	
2022	\$ (8,853,311)
2023	(9,272,657)
2024	(9,570,649)
2025	(10,575,516)
	<u>\$ (38,272,133)</u>

**Sensitivity of the Net Pension Liability** – The following present the net pension liability of the State Bar, calculated using the discount rate for each Plan, as well as what the Local Government’s net pension would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage higher than the measurement date discount rate:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 77,112,979	\$ 21,343,799	\$ (25,076,884)

  

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 131,832,413	\$ 77,697,797	\$ 32,622,469

**9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)**

**Plan Description** – The State Bar administers an agent multiple-employer defined benefit Post-Retirement Welfare Benefits Plan for Employees (“OPEB Plan”). The OPEB Plan provides postretirement health care benefits for its eligible employees. Under the provisions of the OPEB Plan, a committee (“Committee”) was established to operate and administer the OPEB Plan in accordance with the terms of the OPEB Plan. The Committee is composed of the Chair of the Board of Trustees and the Executive Director, or their designees.

For executive staff employed as of August 19, 2006, eligibility requires 15 years of services to the State Bar as a regular employee. For employees who become executive staff after August 19, 2006, eligibility requires 15 years of service to the State Bar as a regular employee, with at least the last ten years of service preceding retirement as an executive staff employee. The employee must also elect to receive retirement benefits effective within 120 days of retirement from State Bar employment under CalPERS. Active executive employees who are not eligible for retirement benefits are assumed to have an equal portion of the present value of the benefits attributed to each year of service from date of hire to expected retirement age.

## 9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

Additional funding for retiree health benefits was included in Senate Bill 176 (SB176), which was requested by the State Bar and signed by the Governor on October 9, 2019. The approval for providing equitable health benefits was based on the recommendation of the State Auditor and the Assembly Judiciary Committee. On July 9, 2019, the Committee passed an amended version of Senate Bill 176 that included an increase to the annual licensing fee for 2020. In the analysis, the Committee recommended that the active fee should be increased by \$17 to support retiree health benefits for the State Bar. The State Bar has the right to modify plan provisions prospectively at its discretion.

On an ongoing basis, the State Bar makes annual transfers to the CERBT to pay its Actuarially Determined Contribution as determined by the State Bar’s actuary. CalPERS issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report, which may be obtained from CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

On January 27, 2018 the State Bar Board of Trustees approved the extension of postemployment benefits to non-executive staff. The statutory Public Employees’ Medical & Hospital Care Act (“PEMHCA”) retiree minimum is currently set at \$139 per month for 2021, but is adjusted by CalPERS on an annual basis. As of 2021, the State Bar contributes \$139 per month toward eligible retirees’ purchase of medical insurance coverage. The State Bar may, however, at its sole discretion and as part of its annual budgeting process, adjust upward the amount it contributes towards eligible retirees’ purchase of medical insurance coverage beyond the statutory PEMHCA minimum. As of December 31, 2021, the OPEB Plan included 537 active participants and 118 retirees receiving benefits.

Effective January 1, 2020, the State Bar amended the Retiree Health Benefits Plan for non-executive staff to provide parity and equitable benefits for rank and file employees. The fiscal impact of the plan change was \$23,750,838 and is reported within General and Administration in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. On April 16, 2020, an Amended and Restated Plan was adopted by the Board of Trustees.

The State Bar contracts with CalPERS for health coverage and provides lifetime health coverage for eligible retirees. The portion of medical premiums paid by the State Bar depends on when an employee was hired, whether they were classified as executives, and the number of years of service at retirement.

The State Bar pays the full cost of retiree health coverage for Executive employees hired before January 1, 2018. The State Bar pays 80% of the cost of the premium for the plan and tier in which the retiree enrolls when the Executive employee is hired or promoted on or after January 1, 2018.

Non-executive employees retiring with a CalPERS pension would be eligible to enroll in the CalPERS Health Plan. The State Bar would be required to pay the statutory minimum and the retiree would be required to pay the difference in plan premium.

The State Bar pays monthly vision plan premiums for Executives who are eligible for the Vision coverage in the amount of \$15.40, \$22.34, and \$40.06 for retiree, couple, and family, respectively.

## 9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

**Net OPEB Liability (Asset) and assumptions:** The net OPEB liability (asset) for the OPEB Plan is measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. For the year ended December 31, 2021 and 2020, the total OPEB liability for the OPEB Plan is measured as of June 30, 2021 and 2020, respectively, using an annual actuarial valuation as of January 1, 2020 rolled forward to June 30, 2021 and to June 30, 2020 using standard procedures.

The total OPEB liability in the January 1, 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Healthcare Trend Rate	Trend assumption based on the "Getsen" model developed by the Society of Actuaries. Assumed the vision cost would increase at an annual rate of 3.00% and 3.25%, respectively, for January 1, 2020 and 2018 valuations. Assumed the PEMCHA minimum contribution would grow with general medical inflation, and assumed the medical CPI increase at an annual rate of 3.00% and 3.25%, respectively, for January 1, 2020 and 2018 valuations.
Mortality	CalPERS Mortality rates which include 15 years of projected on-going improvement using 90 percent of scale MP-16.

For the actuarial valuation as of January 1, 2020, the healthcare trend rate for vision and PEMCHA minimum contribution decreased from 3.25% to 3.00%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return - 2020
Global Equity	22%	7.86%
U.S. Fixed Income	49%	6.24%
Treasury Inflation-Protected Securities	16%	3.51%
Real Estate Investment Trusts	8%	7.55%
Commodities	5%	5.26%
Total	100%	

Expected Geometric Return (5.0 yrs) - 5.98% for 2020

**9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)**

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that the State Bar’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (Asset): The changes in the net OPEB liability (asset) of the OPEB Plan, measured as of June 30, 2021 and 2020 are as follows:

	Increase (Decrease)		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2020</b>	\$ 41,436,040	\$ 29,819,206	\$ 11,616,834
<b>Changes in the year:</b>			
Service cost	2,534,285	-	2,534,285
Interest on the total OPEB liability	2,600,287	-	2,600,287
Benefit payments	(1,281,476)	(1,281,476)	-
Contributions from employer	-	4,941,476	(4,941,476)
Net investment income	-	4,209,476	(4,209,476)
Administrative expenses	-	(16,556)	16,556
<b>Net changes</b>	<b>3,853,096</b>	<b>7,852,920</b>	<b>(3,999,824)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 45,289,136</b>	<b>\$ 37,672,126</b>	<b>\$ 7,617,010</b>

  

	Increase (Decrease)		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2019</b>	\$ 17,841,028	\$ 28,056,821	\$ (10,215,793)
<b>Changes in the year:</b>			
Service cost	580,569	-	580,569
Interest on the total OPEB liability	1,071,758	-	1,071,758
Changes in benefit terms or plan changes	23,750,838	-	23,750,838
Differences between actual and expected experience	267,916	-	267,916
Changes in assumptions	(943,036)	-	(943,036)
Benefit payments	(1,133,033)	(1,133,033)	-
Contributions from employer	-	1,133,033	(1,133,033)
Net investment income	-	1,776,547	(1,776,547)
Administrative expenses	-	(14,162)	14,162
<b>Net changes</b>	<b>23,595,012</b>	<b>1,762,385</b>	<b>21,832,627</b>
<b>Balance at June 30, 2020</b>	<b>\$ 41,436,040</b>	<b>\$ 29,819,206</b>	<b>\$ 11,616,834</b>

## 9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:*** The following presents the net OPEB liability of the State Bar, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current discount rate:

	1% Decrease in Discount Rate 5.00%	Current Discount Rate 6.00%	1% Increase in Discount Rate 7.00%
Net OPEB Liability (NOL) for December 31, 2021	\$ 13,886,948	\$ 7,617,010	\$ 2,408,547
Net OPEB Liability (NOL) for December 31, 2020	\$ 17,424,747	\$ 11,616,834	\$ 6,796,298

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate:*** The following presents the net OPEB liability of the State Bar, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates that is 1-percentage-point lower or 1- percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rate 5.00%	Current in Healthcare Cost Trend Rate 6.00%	1% Increase in Healthcare Cost Trend Rate 7.00%
Net OPEB Liability (NOL) for December 31, 2021	\$ 948,385	\$ 7,617,010	\$ 15,952,041
Net OPEB Liability (NOL) for December 31, 2020	\$ 5,777,068	\$ 11,616,834	\$ 18,886,135

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB -*** Most changes in the net OPEB liability are included in OPEB expense in the year of change, including changes resulting from current-period service cost, interest on the total OPEB liability, changes in benefit terms, and projected earnings on the OPEB plan’s investments. Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future as OPEB expense. OPEB expense for the years ended December 31, 2021 and 2010 was \$2,693,711 and \$23,636,305, respectively.

**9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)**

As of fiscal year ended December 31, 2021, the State Bar reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 208,426	\$ -
Changes of assumptions	-	(733,006)
Net difference between projected and actual earnings	-	(1,979,419)
Contributions made subsequent to measurement date	4,073,849	-
Total	<u>\$ 4,282,275</u>	<u>\$ (2,712,425)</u>

As of fiscal year ended December 31, 2020, the State Bar reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 238,081	\$ -
Changes of assumptions	-	(838,021)
Net difference between projected and actual earnings	-	(152,180)
Contributions made subsequent to measurement date	4,142,521	-
Total	<u>\$ 4,380,602</u>	<u>\$ (990,201)</u>

At December 31, 2021 and 2020, the State Bar reported \$4,073,849 and \$4,142,521, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to the net OPEB liability (during the fiscal year ending December 31, 2022 and 2021, respectively). Other amounts reported as deferred inflows of resources related to OPEB as of December 31, 2021 will be recognized as OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred (Inflows) and Outflows of Resources</u>
2022	\$ (560,553)
2023	(625,468)
2024	(556,414)
2024	(537,704)
2025	(75,180)
Thereafter	(148,860)
	<u>\$ (2,504,179)</u>

**10. RISK MANAGEMENT**

The State Bar is exposed to various risks of loss, including those related to property loss or damage, torts, errors and omissions, employee theft, and workers' compensation. The State Bar has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## 11. COMMITMENTS AND CONTINGENCIES

***Litigation*** – The State Bar is a defendant in various lawsuits. It is management’s opinion, based on the advice of legal counsel, that the outcome of these matters will not have a material adverse effect on the financial position and results of operations of the State Bar. The outcome of certain lawsuits and tort claims related to disciplinary actions against licensees, attorney malpractice, and employee wrongful termination and discrimination is considered indeterminable and the range of possible loss is uncertain. As such, no provision has been recorded in the financial statements as of December 31, 2021 and 2010.

***Major Projects*** – As of December 31, 2021, the State Bar had contracts and purchase order commitments for major projects of approximately \$6.5 million. Those commitments consist of \$3.1 million for the Elevator Modernization project, \$0.5 million for the Emergency Generator project, \$0.3 million for the Chiller project, \$1.2 million for ongoing ERP system support, and \$1.4 million for several maintenance/support projects for Information Technology, Case Management and Admissions.

## 12. SUBSEQUENT EVENT

After December 31, 2021, and before the issuance of financial statements dated April 29, 2022, the State Bar has evaluated subsequent events and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**THE STATE BAR OF CALIFORNIA**  
**Schedules of Changes in Net Pension Liability and Related Ratios (Unaudited)**  
**As of December 31, 2021**  
**Last 10 Years\***

Measurement Period Ended June 30	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 9,507,566	\$ 8,917,807	\$ 8,457,483	\$ 8,413,051	\$ 8,895,961	\$ 7,565,782	\$ 7,286,606	\$ 7,138,657
Interest on total pension liability	29,737,918	28,675,153	27,203,790	25,675,376	25,355,446	24,173,396	22,279,424	20,821,887
Differences between expected and actual experience	(3,175,437)	3,117,562	4,632,331	(3,317,028)	(1,780,377)	6,742,939	1,619,738	-
Changes in assumptions	-	-	-	(11,012,926)	21,023,063	-	(5,466,470)	-
Changes in benefits	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(20,880,413)	(18,816,672)	(18,044,328)	(16,688,769)	(13,722,132)	(12,312,756)	(11,068,730)	(10,088,607)
Net change in total pension liability	15,189,634	21,893,850	22,249,276	3,069,704	39,771,961	26,169,361	14,650,568	17,871,937
Total pension liability - beginning	424,776,808	402,882,958	380,633,682	377,563,978	337,792,017	311,622,656	296,972,088	279,100,151
Total pension liability - ending	<u>\$ 439,966,442</u>	<u>\$ 424,776,808</u>	<u>\$ 402,882,958</u>	<u>\$ 380,633,682</u>	<u>\$ 377,563,978</u>	<u>\$ 337,792,017</u>	<u>\$ 311,622,656</u>	<u>\$ 296,972,088</u>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions - employer	\$ 10,953,471	\$ 9,733,180	\$ 8,155,168	\$ 6,191,049	\$ 5,519,957	\$ 4,864,102	\$ 4,167,567	\$ 4,166,043
Contributions - employee	4,372,707	4,418,214	3,793,577	3,726,557	3,697,300	3,437,015	3,387,652	3,262,781
Net investment income	77,444,578	16,489,470	20,781,606	25,383,692	31,072,914	1,591,381	6,203,991	41,450,031
Benefit payments, including refunds of employee contributions	(20,880,413)	(18,816,672)	(18,044,328)	(16,688,769)	(13,722,132)	(12,312,756)	(11,068,730)	(10,088,607)
Net Plan to Plan Resource Movement	-	-	745	(745)	-	-	-	-
Administrative expenses	(346,711)	(473,294)	(229,266)	(473,766)	(410,263)	(170,929)	(316,734)	-
Other Miscellaneous Income/(Expense)	-	-	-	(899,690)	-	-	-	-
Net change in plan fiduciary net position	71,543,632	11,350,898	14,457,502	17,238,328	26,157,776	(2,591,187)	2,373,746	38,790,248
Plan fiduciary net position - beginning	347,079,011	335,728,113	321,270,611	304,032,283	277,874,507	280,465,694	278,091,948	239,301,700
Plan fiduciary net position - ending	<u>\$ 418,622,643</u>	<u>\$ 347,079,011</u>	<u>\$ 335,728,113</u>	<u>\$ 321,270,611</u>	<u>\$ 304,032,283</u>	<u>\$ 277,874,507</u>	<u>\$ 280,465,694</u>	<u>\$ 278,091,948</u>
Net pension liability - ending	<u>\$ 21,343,799</u>	<u>\$ 77,697,797</u>	<u>\$ 67,154,845</u>	<u>\$ 59,363,071</u>	<u>\$ 73,531,695</u>	<u>\$ 59,917,510</u>	<u>\$ 31,156,962</u>	<u>\$ 18,880,140</u>
Plan fiduciary net position as a percentage of the total pension liability	95.15%	81.71%	83.33%	84.40%	80.52%	82.26%	90.00%	93.64%
Covered - employee payroll	\$ 58,652,475	\$ 54,145,762	\$ 50,333,174	\$ 49,538,071	\$ 50,889,313	\$ 48,452,015	\$ 47,369,513	\$ 43,282,954

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50% to 7.65%. There was no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%. During measurement period 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no change in assumptions during measurement period 2019 and 2020.

**Other Miscellaneous Expenses:** During Fiscal Year 2017-18, as a result of GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefit Plans Other than Pension* (GASB 75), CalPERS reported its proportionate share of activity relate to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

\*Year 2014 was the first year of implementation of GASB Statement No. 68, therefore only eight years of information is shown.

**THE STATE BAR OF CALIFORNIA**  
**Schedule of Plan Contributions - Pension (Unaudited)**  
**As of December 31, 2021**  
**Last 10 Years \***

For the Year Ended June 30	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 10,953,471	\$ 9,733,180	\$ 8,155,168	\$ 6,191,049	\$ 5,519,957	\$ 4,864,102	\$ 4,167,567	\$ 4,166,043
Contributions in relation to the actuarially determined contributions	(10,953,471)	(9,733,180)	(8,155,168)	(6,191,049)	(5,519,957)	(4,864,102)	(4,167,567)	(4,166,043)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 58,652,475	\$ 54,145,762	\$ 50,333,174	\$ 49,538,071	\$ 50,889,313	\$ 48,452,015	\$ 46,082,759	\$ 43,282,954
Contributions as a percentage of covered-employee payroll	18.68%	17.98%	16.20%	12.50%	10.85%	10.04%	9.04%	9.63%

**Notes to Schedule**

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended June 30, 2021 was derived from the June 30, 2017 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Asset Valuation Method	15 year smooth market
Inflation	2.625%
Payroll Growth	2.875%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.25% net of pension plan investment and administrative expenses, includes inflation
Retirement Age	The probabilities of retirement are based on the 20174 CalPERS Experience Study for the period 1997 to
Mortality	Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

\*Year 2014 was the first year of implementation of GASB Statement No. 68, therefore only eight years of information is shown.

**THE STATE BAR OF CALIFORNIA**  
**Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios (Unaudited)**  
**As of December 31, 2021**  
**Last 10 Years\***

<b>Measurement Period Ended June 30</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>				
Service cost	\$ 2,534,285	\$ 580,569	\$ 547,707	\$ 489,826
Interest on total OPEB liability	2,600,287	1,071,758	1,043,546	1,611,348
Differences between actual and expected experience		267,916	-	-
Changes of assumptions		(943,036)	-	-
Changes of benefit terms		23,750,838	-	(10,325,826)
Benefits payments, including refunds of employee contributions	(1,281,476)	(1,133,033)	(1,172,820)	(1,418,516)
<b>Net change in total OPEB liability</b>	<b>3,853,096</b>	<b>23,595,012</b>	<b>418,433</b>	<b>(9,643,168)</b>
<b>Total OPEB liability - beginning</b>	<b>41,436,040</b>	<b>17,841,028</b>	<b>17,422,595</b>	<b>27,065,763</b>
<b>Total OPEB liability - ending</b>	<b>45,289,136</b>	<b>41,436,040</b>	<b>17,841,028</b>	<b>17,422,595</b>
<b>Plan fiduciary net position</b>				
Contributions - Employer	4,941,476	1,133,033	1,922,820	2,168,516
Net investment income	4,209,476	1,776,547	1,892,678	1,111,880
Benefits payments, including refunds of employee contributions	(1,281,476)	(1,133,033)	(1,172,820)	(1,418,516)
Administrative expense	(16,556)	(14,162)	(12,821)	(12,109)
<b>Net change in plan fiduciary net position</b>	<b>7,852,920</b>	<b>1,762,385</b>	<b>2,629,857</b>	<b>1,849,771</b>
<b>Plan fiduciary net position - beginning</b>	<b>29,819,206</b>	<b>28,056,821</b>	<b>25,426,964</b>	<b>23,577,193</b>
<b>Plan fiduciary net position - ending</b>	<b>37,672,126</b>	<b>29,819,206</b>	<b>28,056,821</b>	<b>25,426,964</b>
<b>Plan net OPEB liability (asset) - ending</b>	<b>\$ 7,617,010</b>	<b>\$ 11,616,834</b>	<b>\$ (10,215,793)</b>	<b>\$ (8,004,369)</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>83.2%</b>	<b>72.0%</b>	<b>157.3%</b>	<b>145.9%</b>
<b>Covered-employee payroll</b>	<b>\$58,652,475</b>	<b>\$ 54,145,762</b>	<b>\$ 50,333,174</b>	<b>\$49,538,071</b>
<b>Plan net OPEB (Asset) as a percentage of covered-employee payroll</b>	<b>12.99%</b>	<b>21.45%</b>	<b>-20.30%</b>	<b>-16.16%</b>

**Notes to Schedule:**

**Changes in assumptions** – During Measurement Period 2020, the healthcare trend rate for vision and PEMCHA minimum contribution decreased from 3.25% to 3.00%.

**Changes in benefit terms** - During Measurement Period 2018, the State Bar transitioned its health coverage to CalPERS health. Effective January 1, 2020, the State Bar updated the post-employment retiree health benefits for confidential, non-executive represented, judges and executive employees resulting in a \$23.7 million change.

\*Year 2018 was the first year implementation of GASB Statement No. 75, therefore only four years of information is shown.

**THE STATE BAR OF CALIFORNIA**  
**Schedules of Contribution - OPEB Plan (Unaudited)**  
**As of December 31, 2021**  
**Last 10 Years \***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 3,503,000	\$ 3,660,000	\$ -	\$ -
Contributions	4,623,159	4,603,702	1,150,166	2,179,258
Contribution deficiency (excess)	<u>\$ (1,120,159)</u>	<u>\$ (943,702)</u>	<u>\$ (1,150,166)</u>	<u>\$ (2,179,258)</u>
Covered payroll (measurement period ended June 30)	\$ 58,652,475	\$ 54,145,762	\$ 50,333,174	\$ 49,538,071
Contribution as a percentage of covered-employee payroll	7.9%	8.5%	2.3%	4.4%

**Notes to Schedule**

The actuarial methods and assumptions used to set the actuarially determined contribution for the year ended December 31, 2021 was derived from the January 1, 2020 actuarial valuation as follows:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Healthcare Trend Rate	Trend assumption based on the "Getsen" model developed by the Society of Actuaries. Assumed the vision cost would increase at an annual rate of 3.00% and 3.25%, respectively, for January 1, 2020 and 2018 valuations. Assumed the PEMCHA minimum contribution would grow with general medical inflation, and assumed the medical CPI increase at an annual rate of 3.00% and 3.25%, respectively, for January 1, 2020 and 2018 valuations.
Mortality	CalPERS Mortality rates which include 15 years of projected on-going improvement using 90 percent of scale MP-16.

\* Year 2018 was the first year implementation of GASB Statement No. 75, therefore only four years of information is shown.

**SUPPLEMENTARY INFORMATION**

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**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Net Position**  
**December 31, 2021**

	General Fund	SF Tenant Improvement	Admissions	Grants	Client Security
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 7,824,881	\$ 19,488,070	\$ 16,581,143	\$ 19,916,227	\$ 6,044,148
Investments	20,614,031	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,867,889 in 2021 and 2020	1,219,199	-	-	-	-
Other current assets	2,596,624	-	3,002	-	-
Total current assets	32,254,735	19,488,070	16,584,145	19,916,227	6,044,148
Noncurrent assets					
Restricted cash	3,172,743	-	-	-	-
Restricted Investments	11,996,760	-	-	-	-
Capital assets					
Nondepreciable	19,778,580	-	-	-	-
Depreciable, net	82,512,244	-	-	-	-
Total noncurrent assets	117,460,327	-	-	-	-
Total assets	149,715,062	19,488,070	16,584,145	19,916,227	6,044,148
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension items	7,881,618	-	-	-	-
Other postemployment benefits items	4,282,095	-	-	-	-
Total deferred outflows of resources	12,163,713	-	-	-	-
Total assets and deferred outflows of resources	161,878,775	19,488,070	16,584,145	19,916,227	6,044,148
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and other liabilities	12,324,736	126,342	231,615	-	69,296
Unearned fees collected in advance	20,377,312	-	5,356,585	19,633,333	1,960,633
Loans payable	811,000	1,907,584	-	-	-
Total current liabilities	33,513,048	2,033,926	5,588,200	19,633,333	2,029,929
Noncurrent liabilities					
Loans payable	12,426,000	18,582,989	-	-	-
Compensated absences	3,479,525	-	347,420	-	103,944
Net OPEB liability	7,617,010	-	-	-	-
Net pension liability	21,343,799	-	-	-	-
Total noncurrent liabilities	44,866,334	18,582,989	347,420	-	103,944
Total liabilities	78,379,382	20,616,915	5,935,620	19,633,333	2,133,873
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension items	40,217,597	-	-	-	-
Other postemployment benefits items	2,712,425	-	-	-	-
Total deferred inflows of resources	42,930,022	-	-	-	-
Total liabilities and deferred inflows of resources	121,309,404	20,616,915	5,935,620	19,633,333	2,133,873
<b>NET POSITION</b>					
Net investments in capital assets	89,053,824	(20,490,573)	-	-	-
Restricted for:					
Enabling legislation	-	-	10,648,525	-	3,910,275
Other restrictions	15,169,503	-	-	282,894	-
Unrestricted	(63,653,956)	19,361,728	-	-	-
Total net position	\$ 40,569,371	\$ (1,128,845)	\$ 10,648,525	\$ 282,894	\$ 3,910,275



**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Net Position**  
**December 31, 2021**

	Elimination of Bias	Equal Access	Information Technology Special Accessment	Justice Gap Fund	Lawyers Assistance Program
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 397,466	\$ 3,536,837	\$ 6,224	\$ 3,829,861	\$ 2,111,491
Investments	-	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,867,889 in 2021 and 2020	-	-	-	-	-
Other current assets	-	-	-	-	14,967
Total current assets	<u>397,466</u>	<u>3,536,837</u>	<u>6,224</u>	<u>3,829,861</u>	<u>2,126,458</u>
Noncurrent assets					
Restricted cash	-	-	-	-	-
Restricted Investments	-	-	-	-	-
Capital assets					
Nondepreciable	-	-	-	-	-
Depreciable, net	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>397,466</u>	<u>3,536,837</u>	<u>6,224</u>	<u>3,829,861</u>	<u>2,126,458</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension items	-	-	-	-	-
Other postemployment benefits items	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>397,466</u>	<u>3,536,837</u>	<u>6,224</u>	<u>3,829,861</u>	<u>2,126,458</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and other liabilities	-	3,782	-	-	28,509
Unearned fees collected in advance	87,020	-	-	331,620	515,783
Loans payable	-	-	-	-	-
Total current liabilities	<u>87,020</u>	<u>3,782</u>	<u>-</u>	<u>331,620</u>	<u>544,292</u>
Noncurrent liabilities					
Loans payable	-	-	-	-	-
Compensated absences	-	-	-	-	42,764
Net OPEB liability	-	-	-	-	-
Net pension liability	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,764</u>
Total liabilities	<u>87,020</u>	<u>3,782</u>	<u>-</u>	<u>331,620</u>	<u>587,056</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension items	-	-	-	-	-
Other postemployment benefits items	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>87,020</u>	<u>3,782</u>	<u>-</u>	<u>331,620</u>	<u>587,056</u>
<b>NET POSITION</b>					
Net investments in capital assets	-	-	-	-	-
Restricted for:					
Enabling legislation	-	3,533,055	6,224	3,498,241	1,539,402
Other restrictions	310,446	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 310,446</u>	<u>\$ 3,533,055</u>	<u>\$ 6,224</u>	<u>\$ 3,498,241</u>	<u>\$ 1,539,402</u>

**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Net Position**  
**December 31, 2021**

	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Grand Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 528,731	\$ 29,044,676	\$ 7,008,519	\$ 7,139,874	\$ 123,458,148
Investments	-	-	-	-	20,614,031
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,867,889 in 2021 and 2020	-	2,005,298	-	-	3,224,497
Other current assets	-	-	-	-	2,614,593
Total current assets	528,731	31,049,974	7,008,519	7,139,874	149,911,269
Noncurrent assets					
Restricted cash	-	-	-	-	3,172,743
Restricted Investments	-	-	-	-	11,996,760
Capital assets					
Nondepreciable	-	-	-	-	19,778,580
Depreciable, net	-	-	-	-	82,512,244
Total noncurrent assets	-	-	-	-	117,460,327
Total assets	528,731	31,049,974	7,008,519	7,139,874	267,371,596
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension items	-	-	-	-	7,881,618
Other postemployment benefits items	-	-	-	-	4,282,095
Total deferred outflows of resources	-	-	-	-	12,163,713
Total assets and deferred outflows of resources	528,731	31,049,974	7,008,519	7,139,874	279,535,309
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and other liabilities	10,850	28,494	8,367	-	12,831,991
Unearned fees collected in advance	205,050	1,882,075	623,805	-	50,973,216
Loans payable	-	-	-	-	2,718,584
Total current liabilities	215,900	1,910,569	632,172	-	66,523,791
Noncurrent liabilities					
Loans payable	-	-	-	-	31,008,989
Compensated absences	16,275	42,741	12,551	-	4,045,220
Net OPEB liability	-	-	-	-	7,617,010
Net pension liability	-	-	-	-	21,343,799
Total noncurrent liabilities	16,275	42,741	12,551	-	64,015,018
Total liabilities	232,175	1,953,310	644,723	-	130,538,809
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension items	-	-	-	-	40,217,597
Other postemployment benefits items	-	-	-	-	2,712,425
Total deferred inflows of resources	-	-	-	-	42,930,022
Total liabilities and deferred inflows of resources	232,175	1,953,310	644,723	-	173,468,831
<b>NET POSITION</b>					
Net investments in capital assets	-	-	-	-	68,563,251
Restricted for:					
Enabling legislation	296,556	29,096,664	6,363,796	7,139,874	66,032,612
Other restrictions	-	-	-	-	15,762,843
Unrestricted	-	-	-	-	(44,292,228)
Total net position	\$ 296,556	\$ 29,096,664	\$ 6,363,796	\$ 7,139,874	\$ 106,066,478

**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2021**

	General Fund	SF Tenant Improvement	Admissions	Grants	Client Security
<b>OPERATING REVENUES</b>					
Licensee fees and donations	\$ 83,882,829	\$ -	\$ 879,905	\$ -	\$ 8,061,178
Examination application fees	-	-	17,262,838	-	-
Trust account revenue	-	-	-	-	-
Seminar/workshop revenue	3,375	-	-	-	-
Legal specialization fees	-	-	-	-	-
Law corporation registration fees	1,808,170	-	-	-	-
Continuing legal education fees	664,984	-	-	-	-
Grant revenue	-	-	-	9,923,704	-
EAF AB145 filing fee revenue	-	-	-	-	-
Other revenue	62,438	-	830,965	-	24,075
Unallocated Pension gain	15,379,467	-	-	-	-
Total operating revenues	<u>101,801,263</u>	<u>-</u>	<u>18,973,708</u>	<u>9,923,704</u>	<u>8,085,253</u>
<b>OPERATING EXPENSES</b>					
Chief Trial Counsel	59,124,212	-	-	-	-
State Bar Court	13,739,100	-	-	-	-
Attorney Regulation and Consumer Resources	5,968,145	-	-	-	-
Professional Competence	3,292,881	-	-	-	-
Probation	1,762,906	-	-	-	-
Mandatory Fee Arbitration	44,409	-	-	-	-
Judicial Evaluation	250,065	-	-	-	-
Center on Access to Justice	1,020,819	-	-	-	-
Communications	976,725	-	-	-	-
Governance	3,437,857	-	-	-	-
Lawyer Assistance Program	-	-	-	-	-
Client Security Fund	-	-	-	-	6,407,813
Admissions	-	-	18,782,655	-	-
Grants	-	-	-	9,896,097	-
General and administration	6,025,427	143,312	-	(6,852)	-
Total operating expenses	<u>95,642,546</u>	<u>143,312</u>	<u>18,782,655</u>	<u>9,889,245</u>	<u>6,407,813</u>
OPERATING INCOME (LOSS)	6,158,717	(143,312)	191,053	34,459	1,677,440
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Investment (loss) income	46,055	(502)	(6,738)	-	(1,662)
Rental income	3,133,009	-	-	-	-
Interest expense on loan	(307,724)	(374,441)	-	-	-
Total nonoperating revenues and expenses	<u>2,871,340</u>	<u>(374,943)</u>	<u>(6,738)</u>	<u>-</u>	<u>(1,662)</u>
INCOME/(LOSS) BEFORE TRANSFERS	9,030,057	(518,255)	184,315	34,459	1,675,778
Transfer in	57,091	-	-	-	5,520
Transfer out	(60,307)	-	(101,389)	-	(2,315)
CHANGE IN NET POSITION	<u>9,026,841</u>	<u>(518,255)</u>	<u>82,926</u>	<u>34,459</u>	<u>1,678,983</u>
NET POSITION—beginning of year	<u>31,542,530</u>	<u>(610,590)</u>	<u>10,565,599</u>	<u>248,435</u>	<u>2,231,292</u>
NET POSITION—end of year	<u>\$ 40,569,371</u>	<u>\$ (1,128,845)</u>	<u>\$ 10,648,525</u>	<u>\$ 282,894</u>	<u>\$ 3,910,275</u>

**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2021**

	Elimination of Bias	Equal Access	Information Technology Special Accessment	Justice Gap Fund	Lawyers Assistance Program
<b>OPERATING REVENUES</b>					
Licensee fees and donations	\$ 314,893	\$ -	\$ -	\$ 1,175,151	\$ 2,104,211
Examination application fees	-	-	-	-	-
Trust account revenue	-	-	-	-	-
Seminar/workshop revenue	-	-	-	-	-
Legal specialization fees	-	-	-	-	-
Law corporation registration fees	-	-	-	-	-
Continuing legal education fees	-	-	-	-	112
Grant revenue	-	20,392,000	-	-	-
EAF AB145 filing fee revenue	-	5,482,000	-	-	-
Other revenue	-	486,000	-	-	-
Unallocated Pension gain	-	-	-	-	-
Total operating revenues	<u>314,893</u>	<u>26,360,000</u>	<u>-</u>	<u>1,175,151</u>	<u>2,104,323</u>
<b>OPERATING EXPENSES</b>					
Chief Trial Counsel	-	-	-	-	-
State Bar Court	-	-	-	-	-
Attorney Regulation and Consumer Resources	-	-	-	-	-
Professional Competence	-	-	-	-	-
Probation	-	-	-	-	-
Mandatory Fee Arbitration	-	-	-	-	-
Judicial Evaluation	-	-	-	-	-
Center on Access to Justice	-	-	-	-	-
Communications	-	-	-	-	-
Governance	-	-	-	-	-
Lawyer Assistance Program	-	-	-	-	2,286,347
Client Security Fund	-	-	-	-	-
Admissions	-	-	-	-	-
Grants	-	24,396,022	-	-	-
General and administration	338,044	900,498	-	13,719	-
Total operating expenses	<u>338,044</u>	<u>25,296,520</u>	<u>-</u>	<u>13,719</u>	<u>2,286,347</u>
<b>OPERATING INCOME (LOSS)</b>	(23,151)	1,063,480	-	1,161,432	(182,024)
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Investment (loss) income	(177)	(7,018)	-	(1,552)	(1,809)
Rental income	-	-	-	-	-
Interest expense on loan	-	-	-	-	-
Total nonoperating revenues and expenses	<u>(177)</u>	<u>(7,018)</u>	<u>-</u>	<u>(1,552)</u>	<u>(1,809)</u>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	(23,328)	1,056,462	-	1,159,880	(183,833)
Transfer in	-	-	-	-	1,400
Transfer out	-	-	-	(1,500,000)	-
<b>CHANGE IN NET POSITION</b>	<u>(23,328)</u>	<u>1,056,462</u>	<u>-</u>	<u>(340,120)</u>	<u>(182,433)</u>
<b>NET POSITION—beginning of year</b>	<u>333,774</u>	<u>2,476,593</u>	<u>6,224</u>	<u>3,838,361</u>	<u>1,721,835</u>
<b>NET POSITION - end of year</b>	<u>\$ 310,446</u>	<u>\$ 3,533,055</u>	<u>\$ 6,224</u>	<u>\$ 3,498,241</u>	<u>\$ 1,539,402</u>

**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2021**

	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Interfunds Eliminations	Grand Total
<b>OPERATING REVENUES</b>						
Licensee fees and donations	\$ 726,163	\$ 6,926,358	\$ -	\$ -	\$ -	\$ 104,070,688
Examination application fees	-	-	-	-	-	17,262,838
Trust account revenue	-	22,526,029	-	-	-	22,526,029
Seminar/workshop revenue	-	-	-	-	-	3,375
Legal specialization fees	-	-	2,264,062	-	-	2,264,062
Law corporation registration fees	-	-	-	-	-	1,808,170
Continuing legal education fees	-	-	16,248	-	-	681,344
Grant revenue	-	-	-	-	-	30,315,704
EAF AB145 filing fee revenue	-	-	-	-	-	5,482,000
Other revenue	-	-	90,746	-	-	1,494,224
Unallocated Pension gain	-	-	-	-	-	15,379,467
Total operating revenues	<u>726,163</u>	<u>29,452,387</u>	<u>2,371,056</u>	<u>-</u>	<u>-</u>	<u>201,287,901</u>
<b>OPERATING EXPENSES</b>						
Chief Trial Counsel	-	-	-	-	-	59,124,212
State Bar Court	-	-	-	-	-	13,739,100
Attorney Regulation and Consumer Resources	-	-	-	-	-	5,968,145
Professional Competence	-	-	-	-	-	3,292,881
Probation	-	-	-	-	-	1,762,906
Mandatory Fee Arbitration	-	-	-	-	-	44,409
Judicial Evaluation	-	-	-	-	-	250,065
Center on Access to Justice	-	-	-	-	-	1,020,819
Communications	-	-	-	-	-	976,725
Governance	-	-	-	-	-	3,437,857
Lawyer Assistance Program	-	-	-	-	-	2,286,347
Client Security Fund	-	-	-	-	-	6,407,813
Admissions	-	-	-	-	-	18,782,655
Grants	-	23,951,697	-	2,272,758	-	60,516,574
General and administration	<u>779,777</u>	<u>2,441,111</u>	<u>1,746,876</u>	<u>148,952</u>	<u>-</u>	<u>12,530,864</u>
Total operating expenses	<u>779,777</u>	<u>26,392,808</u>	<u>1,746,876</u>	<u>2,421,710</u>	<u>-</u>	<u>190,141,372</u>
OPERATING INCOME (LOSS)	(53,614)	3,059,579	624,180	(2,421,710)	-	11,146,529
<b>NONOPERATING REVENUES AND EXPENSES</b>						
Investment (loss) income	(323)	(21,590)	(2,377)	(9,955)	-	(7,648)
Rental income	-	-	-	-	-	3,133,009
Interest expense on loan	-	-	-	-	-	(682,165)
Total nonoperating revenues and expenses	<u>(323)</u>	<u>(21,590)</u>	<u>(2,377)</u>	<u>(9,955)</u>	<u>-</u>	<u>2,443,196</u>
INCOME/(LOSS) BEFORE TRANSFERS	(53,937)	3,037,989	621,803	(2,431,665)	-	13,589,725
Transfer in	-	1,500,000	100,000	-	(1,664,011)	-
Transfer out	-	-	-	-	1,664,011	-
CHANGE IN NET POSITION	<u>(53,937)</u>	<u>4,537,989</u>	<u>721,803</u>	<u>(2,431,665)</u>	<u>-</u>	<u>13,589,725</u>
NET POSITION—beginning of year	<u>350,493</u>	<u>24,558,675</u>	<u>5,641,993</u>	<u>9,571,539</u>	<u>-</u>	<u>92,476,753</u>
NET POSITION - end of year	<u>\$ 296,556</u>	<u>\$ 29,096,664</u>	<u>\$ 6,363,796</u>	<u>\$ 7,139,874</u>	<u>\$ -</u>	<u>\$ 106,066,478</u>



# The State Bar of California

## **2021 Annual Legal Services Trust Fund Program Report**

**Pursuant to Business and Professions Code sections 6145 and 6222**

**April 29, 2022**

## **Independent Accountant's Report**

To the Boards of Trustees  
State Bar of California

We have examined the State Bar of California's ("State Bar") compliance with the requirements described in the California Business and Professions Code, Article 14 Funds for the Provision of Legal Services to Indigent Persons, sections 6210-6228 (the Code) for the year ended December 31, 2021, whereby interest earned on certain client trust accounts held by California attorneys is forwarded regularly to the State Bar. After the payment of administrative costs, the State Bar distributes eighty-five percent of the funds to qualified legal service projects and fifteen percent of the funds to qualified support centers. The financial activity of the Legal Services Trust Fund is included in the accompanying Operating Statement (the Operating Statement) and related notes. Management of the State Bar is responsible for the State Bar's compliance with those requirements. Our responsibility is to express an opinion on the State Bar's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the State Bar complied, in all material respects, with the requirements of the Code. An examination involves performing procedures to obtain evidence about whether the State Bar complied with the requirements of the Code. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the State Bar's compliance with the requirements of the Code, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State Bar's compliance with specified requirements.

In our opinion, the State Bar complied, in all material respects, with the aforementioned requirements of the Code for the year ended December 31, 2021.

Our examination was conducted for the purpose of assessing compliance with the requirements of the Code, as reported in the Operating Statement. The supplementary information in Schedule 1, Schedule 1a and Schedule 2 are presented for the purposes of additional analysis and are not a required part of the Operating Statement. The supplementary information has not been subjected to the compliance procedures of the Code and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Boards of Trustees and Management of the State Bar, and it is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California  
April 29, 2022

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Trust Fund Operating Statement**

	<u>2021</u>	
<b>Revenues:</b>		
Trust Account Revenue	\$ 22,526,029	
Fee Statement Donations	6,158,012	
Transfers from Justice Gap Fund	1,500,000	
Voluntary Fees/Donation - PLL	<u>768,346</u>	
<b>Total Revenues (Note 2)</b>		<b>30,952,387</b>
 <b>Expenses:</b>		
Grants to Legal Services Projects (Schedule 1A)	18,872,951	
Additional Grants to Pro Bono Programs (Schedule 1A)	1,546,800	
Grants to Support Centers (Schedule 2)	<u>3,531,946</u>	
<b>Total Grant Allocation (Note 3)</b>		<b>23,951,697</b>
 <b>Add:</b>		
Grant Expense - PPL (Schedule - 3)	647,000	
Investment Loss	21,590	
Administrative Costs (Note 4)	<u>1,794,111</u>	
<b>Total Additional Expenses</b>		<u><b>2,462,701</b></u>
 <b>Total Expenses</b>		<u><b>26,414,398</b></u>
 Net Operating Surplus/(Deficit) (Note 5)		4,537,989
 Beginning Fund Balance		<u>24,558,675</u>
 <b>Ending Fund Balance (Note 6)</b>		<u><u><b>\$ 29,096,664</b></u></u>



**The State Bar of California  
Office of Access & Inclusion  
Notes to the Legal Services Trust Fund Operating Statement  
For the Year Ended December 31, 2021**

(1) Legal Services Trust Fund

In 1981, legislation was enacted by the State of California to expand the availability and improve the quality of existing free legal services in civil matters to indigent persons, and to initiate new programs that would provide such services. Under the provisions of Business and Professions Code sections 6210-6228, interest earned on certain client trust accounts held by California attorneys is forwarded regularly to the State Bar of California (State Bar). After the payment of administrative costs, the State Bar distributes eighty-five percent of the funds to qualified legal services projects and fifteen percent of the funds to qualified legal support centers.

(2) Total Revenues

The State Bar's policy is to recognize revenue for the calendar year in which interest is earned on Interest on Lawyers Trust Accounts (IOLTA). This report also includes other revenue sources that are distributed with IOLTA funds.

(3) Grant Allocation

IOLTA grants are allocated on a calendar year basis beginning January 1 and ending December 31. The total amount allocated for grants each year is determined by considering the projected fund balance as of January 1 and the projected income and expenses for the grant year. The 2021 grant allocation was calculated as follows:

Projected Net Assets as of January 1, 2021	19,684,821
Projected IOLTA Interest Revenue	8,200,000
Legal Services Contributions from Fee Statement	4,932,382
Projected Justice Gap Revenue	800,000
Investment Income	200,000
Net Administrative Expenses	(2,100,000)
Fund Balance Reserved for Future Periods	(8,170,928)
Adjustments to Grants	405,422
<b>2021 Calendar Year Grant Allocation</b>	<b><u>\$ 23,951,697</u></b>

(4) Administrative Costs

Operating expenses of \$1,794,111 incurred to administer the program are deducted from the Trust Fund revenue. Administrative costs include direct \$1,090,295 and indirect \$703,816 costs. For indirect cost allocation, the State Bar adopted a standardized cost allocation methodology (CAM), which distributes to individual functional programs the central administrative costs captured in the State Bar's support and administrative cost centers including, Human

**The State Bar of California**  
**Office of Access & Inclusion**  
**Notes to the Legal Services Trust Fund Operating Statement**  
**For the Year Ended December 31, 2021**

Resources, Finance, Information Technology, Board of Trustees, General Services and General Counsel.

(5) Net Operating Surplus

Grants are recognized as an expense in the year in which they are allocated rather than when they are actually paid out and revenues are recognized as earned. "Net Operating Surplus" represents the excess of total revenues over expenses in a calendar-year.

(6) Ending Fund Balance

The Ending Fund Balance is reserved for future grant allocations and administration expenses. Grant payments are to be made from funds received pursuant to Business and Professions Code section 6212, voluntary contributions, and the income earned from investment of such funds. All grant agreements provide that payment of grants is contingent upon the State Bar having sufficient funds on hand from such sources to make the scheduled payments.

(7) Grant Distribution

Section 6216 sets forth the system for distributing grants as follows: "The State Bar shall distribute all moneys received under the program established by this article for the provision of civil legal services to indigent persons. The funds first shall be distributed 18 months from the effective date of this article, or upon such a date, as shall be determined by the State Bar, that adequate funds are available to initiate the program. Thereafter, the funds shall be distributed on an annual basis. All distributions of funds shall be made in the following order and in the following manner:

Administrative Costs Section 6216(a). To pay the actual administrative costs of the program, including any costs incurred after the adoption of this article and a reasonable reserve therefore.

**The State Bar of California  
Office of Access & Inclusion  
Notes to the Legal Services Trust Fund Operating Statement  
For the Year Ended December 31, 2021**

Legal Services Project Grants Section 6216(b). Eighty-five percent of the funds remaining after payment of administrative costs allocated pursuant to this article shall be distributed to qualified legal services projects. Distribution shall be by a pro rata county-by-county formula based upon the number of persons whose income is 125 percent or less of the current poverty threshold per county. For the purposes of this section, the source of data identifying the number of persons per county shall be the latest available figures from the United States Department of Commerce, Bureau of the Census. Projects from more than one county may pool their funds to operate a joint, multicounty legal services project serving each of their respective counties.

Section 6216(b)(1)(A). In any county which is served by more than one qualified legal services project, the State Bar shall distribute funds for the county to those projects which apply on a pro rata basis, based upon the amount of their total budget expended in the prior year for legal services in that county as compared to the total expended in the prior year for legal services by all qualified legal services projects applying therefore in the county. In determining the amount of funds to be allocated to a qualified legal services project specified in paragraph (2) of subdivision (a) Section 6213, the State Bar shall recognize only expenditures attributable to the representation of indigent persons as constituting the budget of the program.

Pro Bono Grants Section 6216(b)(1)(B). The State Bar shall reserve 10 percent of the funds allocated to the county for distribution to programs meeting the standards of subparagraph (A) of paragraph (3) and paragraphs (1) and (2) of subdivision (b) of Section 6214 and which perform the services described in subparagraph (A) of paragraph (3) of Section 6214 as their principal means of delivering legal services. The State Bar shall distribute the funds for that county to those programs which apply on a pro rata basis, based upon the amount of their total budget expended for free legal services in that county as compared to the total expended for free legal services by all programs to meeting the standards of subparagraph (A) of paragraph (3) and paragraphs (1) and (2) of subdivision (b) of Section 6214 in that county. The State Bar shall distribute any funds for which no program has qualified pursuant hereto, in accordance with the provisions of subparagraph (A) of paragraph (1) of this subdivision.

**The State Bar of California  
Office of Access & Inclusion  
Notes to the Legal Services Trust Fund Operating Statement  
For the Year Ended December 31, 2021**

Support Center Grants Section 6216(c). Fifteen percent of the funds remaining after payment of administrative costs allocated for the purposes of this article shall be distributed equally by the State Bar to qualified support centers which apply for the funds. The funds provided to support centers shall be used only for the provision of legal services within California. Qualified support centers that receive funds to provide services to qualified legal services projects from sources other than this article, shall submit and shall have approved by the State Bar a plan assuring that the services funded under this article are in addition to those already funded for qualified legal services projects by other sources.”

The detailed breakdown of grants by county is set forth in Schedule 1 (2021 Grants by County). The detailed breakdown of grants to qualified legal services projects can be found in Schedule 1A (2021 Grants to Legal Services Projects by County). Grants to qualified Support Centers are described in Schedule 2 (2021 Grants to Support Centers).

Provisionally Licensed Lawyers Grant Section 6140.03(b)(1). Five dollars (\$5) of the annual license fee shall be allocated to qualified legal services projects or qualified support centers as defined in Section 6213 to hire law school graduates with a temporary provisional license issued by the State Bar.

**SCHEDULE 1**

**The State Bar of California  
Office of Access & Inclusion  
2021 Grants by County**

COUNTY	GRANTS	COUNTY	GRANTS
Alameda Total	\$ 601,970	Orange Total	\$ 1,314,710
Alpine Total	750	Placer Total	106,560
Amador Total	12,880	Plumas Total	7,890
Butte Total	157,130	Riverside Total	1,310,243
Calaveras Total	18,680	Sacramento Total	840,070
Colusa Total	11,010	San Benito Total	20,930
Contra Costa Total	374,860	San Bernardino Total	1,668,318
Del Norte Total	19,230	San Diego Total	1,477,190
El Dorado Total	59,160	San Francisco Total	328,160
Fresno Total	811,680	San Joaquin Total	427,700
Glenn Total	17,360	San Luis Obispo Total	123,580
Humboldt Total	97,240	San Mateo Total	197,010
Imperial Total	142,360	Santa Barbara Total	226,950
Inyo Total	6,730	Santa Clara Total	555,080
Kern Total	676,680	Santa Cruz Total	133,660
Kings Total	100,510	Shasta Total	106,780
Lake Total	45,260	Sierra Total	1,190
Lassen Total	10,370	Siskiyou Total	29,490
Los Angeles Total	5,843,240	Solano Total	167,170
Madera Total	109,810	Sonoma Total	189,380
Marin Total	70,770	Stanislaus Total	326,720
Mariposa Total	8,840	Sutter Total	56,510
Mendocino Total	57,180	Tehama Total	48,870
Merced Total	221,860	Trinity Total	9,230
Modoc Total	5,200	Tulare Total	414,290
Mono Total	4,990	Tuolumne Total	24,160
Monterey Total	234,830	Ventura Total	318,440
Napa Total	43,810	Yolo Total	135,230
Nevada Total	40,880	Yuba Total	48,970
Total Distributed to Legal Services Organizations			20,419,751
Total Distributed to Support Centers (Statewide)			3,531,946
<b>GRAND TOTAL 2021 IOLTA GRANT EXPENSES</b>			<b>\$ 23,951,697</b>

SCHEDULE 1A

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Alameda	Advancing Justice - Asian Law Caucus	\$8,420	\$0	\$8,420
Alameda	Aids Legal Referral Panel	\$1,900	\$0	\$1,900
Alameda	Alameda County Homeless Action Center	\$102,150	\$0	\$102,150
Alameda	Asian Pacific Islander Legal Outreach	\$23,520	\$0	\$23,520
Alameda	Bay Area Legal Aid	\$107,350	\$0	\$107,350
Alameda	California Indian Legal Services	\$280	\$0	\$280
Alameda	Centro Legal de la Raza	\$75,380	\$0	\$75,380
Alameda	Disability Rights California	\$18,890	\$0	\$18,890
Alameda	East Bay Community Law Center	\$118,710	\$0	\$118,710
Alameda	Family Violence Law Center	\$17,130	\$0	\$17,130
Alameda	Housing and Economic Rights Advocates	\$2,770	\$0	\$2,770
Alameda	La Raza Centro Legal	\$280	\$0	\$280
Alameda	Lawyers' Committee for Civil Rights	\$9,340	\$29,260	\$38,600
Alameda	Legal Access Alameda	\$9,880	\$30,940	\$40,820
Alameda	Legal Aid at Work	\$5,560	\$0	\$5,560
Alameda	Legal Assistance for Seniors	\$20,260	\$0	\$20,260
Alameda	Legal Services for Children	\$6,650	\$0	\$6,650
Alameda	Prison Law Office	\$1,680	\$0	\$1,680
Alameda	Public Advocates Inc.	\$3,710	\$0	\$3,710
Alameda	Social Justice Collaborative	\$7,910	\$0	\$7,910
<b>Alameda Total</b>		<b>\$541,770</b>	<b>\$60,200</b>	<b>\$601,970</b>
Alpine	California Indian Legal Services	\$380	\$0	\$380
Alpine	Disability Rights California	\$210	\$0	\$210
Alpine	Prison Law Office	\$30	\$0	\$30
Alpine	Public Advocates Inc.	\$130	\$0	\$130
<b>Alpine Total</b>		<b>\$750</b>	<b>\$0</b>	<b>\$750</b>
Amador	California Indian Legal Services	\$40	\$0	\$40
Amador	Disability Rights California	\$5,450	\$0	\$5,450
Amador	Legal Services of Northern California	\$5,030	\$0	\$5,030
Amador	Prison Law Office	\$360	\$0	\$360
Amador	Public Advocates Inc.	\$120	\$0	\$120
Amador	UnCommon Law	\$1,880	\$0	\$1,880
<b>Amador Total</b>		<b>\$12,880</b>	<b>\$0</b>	<b>\$12,880</b>
Butte	California Indian Legal Services	\$6,880	\$0	\$6,880
Butte	Disability Rights California	\$35,560	\$0	\$35,560
Butte	Legal Aid at Work	\$1,170	\$0	\$1,170
Butte	Legal Services of Northern California	\$107,070	\$0	\$107,070
Butte	Prison Law Office	\$3,880	\$0	\$3,880
Butte	Public Advocates Inc.	\$2,570	\$0	\$2,570
<b>Butte Total</b>		<b>\$157,130</b>	<b>\$0</b>	<b>\$157,130</b>
Calaveras	California Indian Legal Services	\$3,830	\$0	\$3,830
Calaveras	Disability Rights California	\$8,000	\$0	\$8,000
Calaveras	Legal Services of Northern California	\$6,380	\$0	\$6,380
Calaveras	Prison Law Office	\$210	\$0	\$210
Calaveras	Public Advocates Inc.	\$260	\$0	\$260
<b>Calaveras Total</b>		<b>\$18,680</b>	<b>\$0</b>	<b>\$18,680</b>
Colusa	California Indian Legal Services	\$10	\$0	\$10
Colusa	California Rural Legal Assistance, Inc.	\$7,470	\$0	\$7,470
Colusa	Disability Rights California	\$1,870	\$0	\$1,870
Colusa	Legal Services of Northern California	\$1,390	\$0	\$1,390
Colusa	Prison Law Office	\$30	\$0	\$30
Colusa	Public Advocates Inc.	\$240	\$0	\$240
<b>Colusa Total</b>		<b>\$11,010</b>	<b>\$0</b>	<b>\$11,010</b>

SCHEDULE 1A

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Contra Costa	Advancing Justice - Asian Law Caucus	\$69,020	\$0	\$69,020
Contra Costa	Aids Legal Referral Panel	\$1,290	\$0	\$1,290
Contra Costa	Asian Pacific Islander Legal Outreach	\$18,050	\$0	\$18,050
Contra Costa	Bay Area Legal Aid	\$94,160	\$0	\$94,160
Contra Costa	California Indian Legal Services	\$1,010	\$0	\$1,010
Contra Costa	Centro Legal de la Raza	\$25,270	\$0	\$25,270
Contra Costa	Contra Costa Senior Legal Services	\$23,080	\$0	\$23,080
Contra Costa	Disability Rights California	\$29,660	\$0	\$29,660
Contra Costa	Housing and Economic Rights Advocates	\$3,410	\$0	\$3,410
Contra Costa	La Raza Centro Legal	\$25,110	\$0	\$25,110
Contra Costa	Lawyers' Committee for Civil Rights	\$5,640	\$37,490	\$43,130
Contra Costa	Legal Aid at Work	\$24,900	\$0	\$24,900
Contra Costa	Legal Services for Children	\$4,700	\$0	\$4,700
Contra Costa	Prison Law Office	\$2,590	\$0	\$2,590
Contra Costa	Public Advocates Inc.	\$6,260	\$0	\$6,260
Contra Costa	Social Justice Collaborative	\$3,220	\$0	\$3,220
<b>Contra Costa Total</b>		<b>\$337,370</b>	<b>\$37,490</b>	<b>\$374,860</b>
Del Norte	California Indian Legal Services	\$2,700	\$0	\$2,700
Del Norte	Disability Rights California	\$5,300	\$0	\$5,300
Del Norte	Legal Services of Northern California	\$8,950	\$0	\$8,950
Del Norte	Prison Law Office	\$550	\$0	\$550
Del Norte	Public Advocates Inc.	\$260	\$0	\$260
Del Norte	UnCommon Law	\$1,470	\$0	\$1,470
<b>Del Norte Total</b>		<b>\$19,230</b>	<b>\$0</b>	<b>\$19,230</b>
El Dorado	California Indian Legal Services	\$1,410	\$0	\$1,410
El Dorado	Disability Rights California	\$16,290	\$0	\$16,290
El Dorado	Legal Aid at Work	\$480	\$0	\$480
El Dorado	Legal Services of Northern California	\$38,940	\$0	\$38,940
El Dorado	Prison Law Office	\$1,270	\$0	\$1,270
El Dorado	Public Advocates Inc.	\$770	\$0	\$770
<b>El Dorado Total</b>		<b>\$59,160</b>	<b>\$0</b>	<b>\$59,160</b>
Fresno	California Indian Legal Services	\$11,530	\$0	\$11,530
Fresno	California Rural Legal Assistance, Inc.	\$89,990	\$0	\$89,990
Fresno	Central California Legal Services	\$566,550	\$0	\$566,550
Fresno	Disability Rights California	\$71,930	\$0	\$71,930
Fresno	Disability Rights Legal Center	\$10,360	\$0	\$10,360
Fresno	Housing and Economic Rights Advocates	\$1,850	\$0	\$1,850
Fresno	Legal Aid at Work	\$3,530	\$0	\$3,530
Fresno	Prison Law Office	\$16,330	\$0	\$16,330
Fresno	Public Advocates Inc.	\$12,940	\$0	\$12,940
Fresno	San Joaquin College of Law	\$24,650	\$0	\$24,650
Fresno	UnCommon Law	\$2,020	\$0	\$2,020
<b>Fresno Total</b>		<b>\$811,680</b>	<b>\$0</b>	<b>\$811,680</b>
Glenn	California Indian Legal Services	\$130	\$0	\$130
Glenn	Disability Rights California	\$5,920	\$0	\$5,920
Glenn	Legal Services of Northern California	\$10,510	\$0	\$10,510
Glenn	Prison Law Office	\$400	\$0	\$400
Glenn	Public Advocates Inc.	\$400	\$0	\$400
<b>Glenn Total</b>		<b>\$17,360</b>	<b>\$0</b>	<b>\$17,360</b>

SCHEDULE 1A

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Humboldt	California Indian Legal Services	\$10,050	\$0	\$10,050
Humboldt	Disability Rights California	\$20,370	\$0	\$20,370
Humboldt	Legal Aid at Work	\$660	\$0	\$660
Humboldt	Legal Services of Northern California	\$62,920	\$0	\$62,920
Humboldt	Prison Law Office	\$1,720	\$0	\$1,720
Humboldt	Public Advocates Inc.	\$1,520	\$0	\$1,520
<b>Humboldt Total</b>		\$97,240	\$0	\$97,240
Imperial	California Indian Legal Services	\$1,140	\$0	\$1,140
Imperial	California Rural Legal Assistance, Inc.	\$102,870	\$0	\$102,870
Imperial	Disability Rights California	\$5,250	\$0	\$5,250
Imperial	Elder Law & Advocacy	\$28,360	\$0	\$28,360
Imperial	Legal Aid at Work	\$790	\$0	\$790
Imperial	Prison Law Office	\$1,160	\$0	\$1,160
Imperial	Public Advocates Inc.	\$1,730	\$0	\$1,730
Imperial	UnCommon Law	\$1,060	\$0	\$1,060
<b>Imperial Total</b>		\$142,360	\$0	\$142,360
Inyo	California Indian Legal Services	\$6,210	\$0	\$6,210
Inyo	Disability Rights California	\$450	\$0	\$450
Inyo	Prison Law Office	\$40	\$0	\$40
Inyo	Public Advocates Inc.	\$30	\$0	\$30
<b>Inyo Total</b>		\$6,730	\$0	\$6,730
Kern	California Indian Legal Services	\$4,400	\$0	\$4,400
Kern	California Rural Legal Assistance, Inc.	\$21,450	\$0	\$21,450
Kern	Centro Legal de la Raza	\$95,150	\$0	\$95,150
Kern	Disability Rights California	\$55,600	\$0	\$55,600
Kern	Disability Rights Legal Center	\$6,580	\$0	\$6,580
Kern	Greater Bakersfield Legal Assistance	\$384,630	\$0	\$384,630
Kern	Housing and Economic Rights Advocates	\$1,920	\$0	\$1,920
Kern	Lawyers' Committee for Civil Rights	\$3,510	\$67,670	\$71,180
Kern	Legal Aid at Work	\$5,670	\$0	\$5,670
Kern	Prison Law Office	\$14,510	\$0	\$14,510
Kern	Public Advocates Inc.	\$9,410	\$0	\$9,410
Kern	UnCommon Law	\$6,180	\$0	\$6,180
<b>Kern Total</b>		\$609,010	\$67,670	\$676,680
Kings	California Indian Legal Services	\$4,720	\$0	\$4,720
Kings	California Rural Legal Assistance, Inc.	\$22,230	\$0	\$22,230
Kings	Central California Legal Services	\$22,520	\$0	\$22,520
Kings	Disability Rights California	\$21,510	\$0	\$21,510
Kings	Legal Aid at Work	\$1,160	\$0	\$1,160
Kings	Prison Law Office	\$5,890	\$0	\$5,890
Kings	Public Advocates Inc.	\$2,520	\$0	\$2,520
Kings	San Joaquin College of Law	\$2,420	\$0	\$2,420
Kings	UnCommon Law	\$17,540	\$0	\$17,540
<b>Kings Total</b>		\$100,510	\$0	\$100,510
Lake	California Indian Legal Services	\$690	\$0	\$690
Lake	Disability Rights California	\$10,870	\$0	\$10,870
Lake	Legal Aid at Work	\$330	\$0	\$330
Lake	Legal Services of Northern California	\$31,450	\$0	\$31,450
Lake	Prison Law Office	\$1,220	\$0	\$1,220
Lake	Public Advocates Inc.	\$700	\$0	\$700
<b>Lake Total</b>		\$45,260	\$0	\$45,260



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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Lassen	California Indian Legal Services	\$1,160	\$0	\$1,160
Lassen	Disability Rights California	\$2,110	\$0	\$2,110
Lassen	Legal Services of Northern California	\$3,270	\$0	\$3,270
Lassen	Prison Law Office	\$530	\$0	\$530
Lassen	Public Advocates Inc.	\$120	\$0	\$120
Lassen	UnCommon Law	\$3,180	\$0	\$3,180
<b>Lassen Total</b>		\$10,370	\$0	\$10,370
Los Angeles	Alliance for Children's Rights	\$261,420	\$90,780	\$352,200
Los Angeles	Asian Americans Advancing Justice - Los Angeles	\$509,860	\$0	\$509,860
Los Angeles	Bet Tzedek Legal Services	\$515,790	\$179,120	\$694,910
Los Angeles	California Indian Legal Services	\$12,400	\$0	\$12,400
Los Angeles	Community Legal Aid SoCal	\$110,910	\$0	\$110,910
Los Angeles	Disability Rights California	\$390,560	\$0	\$390,560
Los Angeles	Disability Rights Legal Center	\$39,870	\$13,850	\$53,720
Los Angeles	Family Legal Assistance at CHOC Children's	\$370	\$0	\$370
Los Angeles	Harriett Buhai Center for Family Law	\$108,380	\$37,640	\$146,020
Los Angeles	Housing and Economic Rights Advocates	\$1,520	\$0	\$1,520
Los Angeles	Inner City Law Center	\$476,130	\$0	\$476,130
Los Angeles	LACBA Counsel for Justice	\$47,700	\$16,570	\$64,270
Los Angeles	Learning Rights Law Center	\$94,310	\$0	\$94,310
Los Angeles	Legal Aid at Work	\$53,490	\$0	\$53,490
Los Angeles	Legal Aid Foundation of Los Angeles	\$901,630	\$0	\$901,630
Los Angeles	Los Angeles Center for Law and Justice	\$95,390	\$0	\$95,390
Los Angeles	Mental Health Advocacy Services	\$53,240	\$0	\$53,240
Los Angeles	Neighborhood Legal Services	\$728,090	\$0	\$728,090
Los Angeles	Prison Law Office	\$72,760	\$0	\$72,760
Los Angeles	Public Advocates Inc.	\$44,180	\$0	\$44,180
Los Angeles	Public Counsel	\$700,960	\$243,430	\$944,390
Los Angeles	UnCommon Law	\$610	\$0	\$610
Los Angeles	Veterans Legal Institute	\$10,230	\$3,550	\$13,780
Los Angeles	Wage Justice Center	\$28,500	\$0	\$28,500
<b>Los Angeles Total</b>		\$5,258,300	\$584,940	\$5,843,240
Madera	California Indian Legal Services	\$5,900	\$0	\$5,900
Madera	California Rural Legal Assistance, Inc.	\$71,290	\$0	\$71,290
Madera	Disability Rights California	\$13,520	\$0	\$13,520
Madera	Housing and Economic Rights Advocates	\$1,300	\$0	\$1,300
Madera	Legal Aid at Work	\$690	\$0	\$690
Madera	Prison Law Office	\$2,530	\$0	\$2,530
Madera	Public Advocates Inc.	\$1,480	\$0	\$1,480
Madera	San Joaquin College of Law	\$1,330	\$0	\$1,330
Madera	UnCommon Law	\$11,770	\$0	\$11,770
<b>Madera Total</b>		\$109,810	\$0	\$109,810
Marin	Aids Legal Referral Panel	\$1,510	\$0	\$1,510
Marin	Bay Area Legal Aid	\$0	\$0	\$0
Marin	California Indian Legal Services	\$120	\$0	\$120
Marin	Disability Rights California	\$8,640	\$0	\$8,640
Marin	Housing and Economic Rights Advocates	\$100	\$0	\$100
Marin	La Raza Centro Legal	\$560	\$0	\$560
Marin	Lawyers' Committee for Civil Rights	\$2,670	\$7,080	\$9,750
Marin	Legal Aid at Work	\$1,010	\$0	\$1,010
Marin	Legal Aid of Marin	\$42,320	\$0	\$42,320
Marin	Prison Law Office	\$380	\$0	\$380
Marin	Public Advocates Inc.	\$1,250	\$0	\$1,250
Marin	Social Justice Collaborative	\$2,250	\$0	\$2,250

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Marin	UnCommon Law	\$2,880	\$0	\$2,880
<b>Marin Total</b>		\$63,690	\$7,080	\$70,770
Mariposa	California Indian Legal Services	\$420	\$0	\$420
Mariposa	Central California Legal Services	\$2,650	\$0	\$2,650
Mariposa	Disability Rights California	\$5,010	\$0	\$5,010
Mariposa	Prison Law Office	\$510	\$0	\$510
Mariposa	Public Advocates Inc.	\$250	\$0	\$250
<b>Mariposa Total</b>		\$8,840	\$0	\$8,840
Mendocino	California Indian Legal Services	\$2,830	\$0	\$2,830
Mendocino	Disability Rights California	\$8,060	\$0	\$8,060
Mendocino	Legal Aid at Work	\$710	\$0	\$710
Mendocino	Legal Services of Northern California	\$43,660	\$0	\$43,660
Mendocino	Prison Law Office	\$1,180	\$0	\$1,180
Mendocino	Public Advocates Inc.	\$740	\$0	\$740
<b>Mendocino Total</b>		\$57,180	\$0	\$57,180
Merced	California Indian Legal Services	\$3,620	\$0	\$3,620
Merced	California Rural Legal Assistance, Inc.	\$34,440	\$0	\$34,440
Merced	Central California Legal Services	\$140,330	\$0	\$140,330
Merced	Disability Rights California	\$27,280	\$0	\$27,280
Merced	Housing and Economic Rights Advocates	\$910	\$0	\$910
Merced	Legal Aid at Work	\$550	\$0	\$550
Merced	Prison Law Office	\$6,690	\$0	\$6,690
Merced	Public Advocates Inc.	\$5,510	\$0	\$5,510
Merced	San Joaquin College of Law	\$2,530	\$0	\$2,530
<b>Merced Total</b>		\$221,860	\$0	\$221,860
Modoc	California Indian Legal Services	\$0	\$0	\$0
Modoc	Disability Rights California	\$1,910	\$0	\$1,910
Modoc	Legal Services of Northern California	\$2,890	\$0	\$2,890
Modoc	Prison Law Office	\$220	\$0	\$220
Modoc	Public Advocates Inc.	\$180	\$0	\$180
<b>Modoc Total</b>		\$5,200	\$0	\$5,200
Mono	California Indian Legal Services	\$4,480	\$0	\$4,480
Mono	Disability Rights California	\$400	\$0	\$400
Mono	Prison Law Office	\$50	\$0	\$50
Mono	Public Advocates Inc.	\$60	\$0	\$60
<b>Mono Total</b>		\$4,990	\$0	\$4,990
Monterey	California Indian Legal Services	\$870	\$0	\$870
Monterey	California Rural Legal Assistance, Inc.	\$84,700	\$0	\$84,700
Monterey	Disability Rights California	\$19,210	\$0	\$19,210
Monterey	Legal Aid at Work	\$5,500	\$0	\$5,500
Monterey	Legal Services for Seniors	\$83,630	\$0	\$83,630
Monterey	Prison Law Office	\$5,440	\$0	\$5,440
Monterey	Public Advocates Inc.	\$3,220	\$0	\$3,220
Monterey	UnCommon Law	\$4,120	\$0	\$4,120
Monterey	Watsonville Law Center	\$28,140	\$0	\$28,140
<b>Monterey Total</b>		\$234,830	\$0	\$234,830
Napa	Bay Area Legal Aid	\$25,550	\$0	\$25,550
Napa	California Indian Legal Services	\$60	\$0	\$60
Napa	California Rural Legal Assistance, Inc.	\$1,650	\$0	\$1,650
Napa	Disability Rights California	\$12,780	\$0	\$12,780
Napa	Housing and Economic Rights Advocates	\$90	\$0	\$90
Napa	Legal Aid at Work	\$2,370	\$0	\$2,370
Napa	Prison Law Office	\$530	\$0	\$530
Napa	Public Advocates Inc.	\$780	\$0	\$780
<b>Napa Total</b>		\$43,810	\$0	\$43,810

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**The State Bar of California  
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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Nevada	California Indian Legal Services	\$2,320	\$0	\$2,320
Nevada	Disability Rights California	\$9,610	\$0	\$9,610
Nevada	Legal Aid at Work	\$410	\$0	\$410
Nevada	Legal Services of Northern California	\$27,130	\$0	\$27,130
Nevada	Prison Law Office	\$580	\$0	\$580
Nevada	Public Advocates Inc.	\$830	\$0	\$830
<b>Nevada Total</b>		\$40,880	\$0	\$40,880
Orange	Asian Americans Advancing Justice - Los Angeles	\$21,000	\$0	\$21,000
Orange	California Indian Legal Services	\$7,260	\$0	\$7,260
Orange	Chapman University	\$21,880	\$0	\$21,880
Orange	Community Legal Aid SoCal	\$479,050	\$0	\$479,050
Orange	Disability Rights California	\$148,940	\$0	\$148,940
Orange	Disability Rights Legal Center	\$6,720	\$0	\$6,720
Orange	Family Legal Assistance at CHOC Children's	\$10,620	\$0	\$10,620
Orange	Housing and Economic Rights Advocates	\$950	\$0	\$950
Orange	Legal Aid at Work	\$13,810	\$0	\$13,810
Orange	Prison Law Office	\$21,440	\$0	\$21,440
Orange	Public Advocates Inc.	\$18,060	\$0	\$18,060
Orange	Public Law Center	\$395,400	\$119,920	\$515,320
Orange	Veterans Legal Institute	\$38,100	\$11,560	\$49,660
<b>Orange Total</b>		\$1,183,230	\$131,480	\$1,314,710
Placer	California Indian Legal Services	\$750	\$0	\$750
Placer	Disability Rights California	\$20,090	\$0	\$20,090
Placer	Legal Aid at Work	\$3,590	\$0	\$3,590
Placer	Legal Services of Northern California	\$78,500	\$0	\$78,500
Placer	Prison Law Office	\$2,270	\$0	\$2,270
Placer	Public Advocates Inc.	\$1,360	\$0	\$1,360
<b>Placer Total</b>		\$106,560	\$0	\$106,560
Plumas	California Indian Legal Services	\$610	\$0	\$610
Plumas	Disability Rights California	\$930	\$0	\$930
Plumas	Legal Services of Northern California	\$6,100	\$0	\$6,100
Plumas	Prison Law Office	\$150	\$0	\$150
Plumas	Public Advocates Inc.	\$100	\$0	\$100
<b>Plumas Total</b>		\$7,890	\$0	\$7,890
Riverside	California Indian Legal Services	\$18,388	\$0	\$18,388
Riverside	California Rural Legal Assistance, Inc.	\$153,693	\$0	\$153,693
Riverside	Disability Rights California	\$189,123	\$0	\$189,123
Riverside	Disability Rights Legal Center	\$32,942	\$0	\$32,942
Riverside	Family Legal Assistance at CHOC Children's	\$1,865	\$0	\$1,865
Riverside	Housing and Economic Rights Advocates	\$1,339	\$0	\$1,339
Riverside	Inland Counties Legal Services	\$589,404	\$0	\$589,404
Riverside	Inland Empire Latino Lawyers Association, Inc.	\$18,625	\$43,779	\$62,404
Riverside	Legal Aid at Work	\$10,243	\$0	\$10,243
Riverside	Legal Aid Society of San Bernardino	\$11,850	\$0	\$11,850
Riverside	Prison Law Office	\$39,911	\$0	\$39,911
Riverside	Public Advocates Inc.	\$22,581	\$0	\$22,581
Riverside	Riverside Legal Aid	\$47,949	\$120,531	\$168,480
Riverside	UnCommon Law	\$8,020	\$0	\$8,020
<b>Riverside Total</b>		\$1,145,933	\$164,310	\$1,310,243

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**The State Bar of California  
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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Sacramento	Advancing Justice - Asian Law Caucus	\$129,520	\$0	\$129,520
Sacramento	California Indian Legal Services	\$8,810	\$0	\$8,810
Sacramento	Capital Pro Bono Inc.	\$25,820	\$84,010	\$109,830
Sacramento	Disability Rights California	\$175,420	\$0	\$175,420
Sacramento	Housing and Economic Rights Advocates	\$310	\$0	\$310
Sacramento	Legal Aid at Work	\$18,140	\$0	\$18,140
Sacramento	Legal Services of Northern California	\$225,700	\$0	\$225,700
Sacramento	McGeorge Community Legal Services	\$93,250	\$0	\$93,250
Sacramento	Prison Law Office	\$19,190	\$0	\$19,190
Sacramento	Public Advocates Inc.	\$9,760	\$0	\$9,760
Sacramento	UC Davis School of Law Legal Clinics	\$47,310	\$0	\$47,310
Sacramento	UnCommon Law	\$2,830	\$0	\$2,830
<b>Sacramento Total</b>		<b>\$756,060</b>	<b>\$84,010</b>	<b>\$840,070</b>
San Benito	California Indian Legal Services	\$260	\$0	\$260
San Benito	California Rural Legal Assistance, Inc.	\$10,970	\$0	\$10,970
San Benito	Disability Rights California	\$5,830	\$0	\$5,830
San Benito	Legal Aid at Work	\$170	\$0	\$170
San Benito	Prison Law Office	\$220	\$0	\$220
San Benito	Public Advocates Inc.	\$160	\$0	\$160
San Benito	Senior Citizens Legal Services	\$3,320	\$0	\$3,320
<b>San Benito Total</b>		<b>\$20,930</b>	<b>\$0</b>	<b>\$20,930</b>
San Bernardino	California Indian Legal Services	\$15,837	\$0	\$15,837
San Bernardino	Disability Rights California	\$248,813	\$0	\$248,813
San Bernardino	Disability Rights Legal Center	\$72,651	\$0	\$72,651
San Bernardino	Family Legal Assistance at CHOC Children's	\$2,934	\$0	\$2,934
San Bernardino	Housing and Economic Rights Advocates	\$5,704	\$0	\$5,704
San Bernardino	Inland Counties Legal Services	\$828,797	\$0	\$828,797
San Bernardino	Inland Empire Latino Lawyers Association, Inc.	\$18,076	\$130,040	\$148,116
San Bernardino	Learning Rights Law Center	\$6,945	\$0	\$6,945
San Bernardino	Legal Aid at Work	\$106,810	\$0	\$106,810
San Bernardino	Legal Aid Society of San Bernardino	\$158,320	\$0	\$158,320
San Bernardino	Prison Law Office	\$39,476	\$0	\$39,476
San Bernardino	Public Advocates Inc.	\$32,065	\$0	\$32,065
San Bernardino	UnCommon Law	\$1,850	\$0	\$1,850
<b>San Bernardino Total</b>		<b>\$1,538,278</b>	<b>\$130,040</b>	<b>\$1,668,318</b>
San Diego	Affordable Housing Advocates	\$8,830	\$0	\$8,830
San Diego	California Indian Legal Services	\$13,300	\$0	\$13,300
San Diego	California Rural Legal Assistance, Inc.	\$48,810	\$0	\$48,810
San Diego	Casa Cornelia Law Center	\$150,280	\$79,920	\$230,200
San Diego	Disability Rights California	\$116,390	\$0	\$116,390
San Diego	Disability Rights Legal Center	\$2,550	\$0	\$2,550
San Diego	Elder Law & Advocacy	\$89,720	\$0	\$89,720
San Diego	Housing and Economic Rights Advocates	\$330	0	330
San Diego	Legal Aid at Work	\$14,750	0	14750
San Diego	Legal Aid Society of San Diego	\$627,500	\$0	\$627,500
San Diego	Prison Law Office	\$18,170	\$0	\$18,170
San Diego	Public Advocates Inc.	\$12,670	\$0	\$12,670
San Diego	San Diego Volunteer Lawyer Program	\$127,490	\$67,800	\$195,290
San Diego	UnCommon Law	\$1,090	\$0	\$1,090
San Diego	USD School of Law Legal Clinics	\$97,590	\$0	\$97,590
<b>San Diego Total</b>		<b>\$1,329,470</b>	<b>\$147,720</b>	<b>\$1,477,190</b>

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
San Francisco	Advancing Justice - Asian Law Caucus	\$10,520	\$0	\$10,520
San Francisco	Aids Legal Referral Panel	\$14,970	\$0	\$14,970
San Francisco	Asian Pacific Islander Legal Outreach	\$21,600	\$0	\$21,600
San Francisco	Bay Area Legal Aid	\$64,220	\$0	\$64,220
San Francisco	California Indian Legal Services	\$430	\$0	\$430
San Francisco	Disability Rights California	\$5,930	\$0	\$5,930
San Francisco	Eviction Defense Collaborative	\$25,650	\$0	\$25,650
San Francisco	Housing and Economic Rights Advocates	\$1,420	\$0	\$1,420
San Francisco	Justice & Diversity Center of the Bar Association of San Francisco	\$77,060	\$26,570	\$103,630
San Francisco	La Raza Centro Legal	\$1,890	\$0	\$1,890
San Francisco	Lawyers' Committee for Civil Rights	\$18,110	\$6,240	\$24,350
San Francisco	Legal Aid at Work	\$11,090	\$0	\$11,090
San Francisco	Legal Assistance to the Elderly	\$15,300	\$0	\$15,300
San Francisco	Legal Services for Children	\$25,420	\$0	\$25,420
San Francisco	Prison Law Office	\$300	\$0	\$300
San Francisco	Public Advocates Inc.	\$1,440	\$0	\$1,440
<b>San Francisco Total</b>		<b>\$295,350</b>	<b>\$32,810</b>	<b>\$328,160</b>
San Joaquin	Asian Pacific Islander Legal Outreach	\$0	\$0	\$0
San Joaquin	California Indian Legal Services	\$8,510	\$0	\$8,510
San Joaquin	California Rural Legal Assistance, Inc.	\$177,250	\$0	\$177,250
San Joaquin	Disability Rights California	\$148,630	\$0	\$148,630
San Joaquin	Housing and Economic Rights Advocates	\$13,350	\$0	\$13,350
San Joaquin	Legal Aid at Work	\$26,530	\$0	\$26,530
San Joaquin	Prison Law Office	\$15,890	\$0	\$15,890
San Joaquin	Public Advocates Inc.	\$10,460	\$0	\$10,460
San Joaquin	Social Justice Collaborative	\$15,760	\$0	\$15,760
San Joaquin	UnCommon Law	\$11,320	\$0	\$11,320
<b>San Joaquin Total</b>		<b>\$427,700</b>	<b>\$0</b>	<b>\$427,700</b>
San Luis Obispo	California Indian Legal Services	\$390	\$0	\$390
San Luis Obispo	California Rural Legal Assistance, Inc.	\$71,900	\$0	\$71,900
San Luis Obispo	Disability Rights California	\$21,460	\$0	\$21,460
San Luis Obispo	Legal Aid at Work	\$590	\$0	\$590
San Luis Obispo	Prison Law Office	\$1,700	\$0	\$1,700
San Luis Obispo	Public Advocates Inc.	\$1,200	\$0	\$1,200
San Luis Obispo	San Luis Obispo Legal Assistance Foundation	\$24,740	\$0	\$24,740
San Luis Obispo	UnCommon Law	\$1,600	\$0	\$1,600
<b>San Luis Obispo Total</b>		<b>\$123,580</b>	<b>\$0</b>	<b>\$123,580</b>
San Mateo	Advancing Justice - Asian Law Caucus	\$4,280	\$0	\$4,280
San Mateo	Aids Legal Referral Panel	\$1,130	\$0	\$1,130
San Mateo	Asian Pacific Islander Legal Outreach	\$4,400	\$0	\$4,400
San Mateo	Bay Area Legal Aid	\$17,030	\$0	\$17,030
San Mateo	California Indian Legal Services	\$150	\$0	\$150
San Mateo	Community Legal Services in East Palo Alto	\$63,960	\$18,900	\$82,860
San Mateo	Disability Rights California	\$5,410	\$0	\$5,410
San Mateo	Housing and Economic Rights Advocates	\$5,460	\$0	\$5,460
San Mateo	La Raza Centro Legal	\$1,390	\$0	\$1,390
San Mateo	Lawyers' Committee for Civil Rights	\$2,700	\$800	\$3,500
San Mateo	Legal Aid at Work	\$2,630	\$0	\$2,630
San Mateo	Legal Aid Society of San Mateo County	\$63,040	\$0	\$63,040
San Mateo	Legal Services for Children	\$3,510	\$0	\$3,510
San Mateo	Prison Law Office	\$710	\$0	\$710
San Mateo	Public Advocates Inc.	\$1,310	\$0	\$1,310
San Mateo	UnCommon Law	\$200	\$0	\$200
<b>San Mateo Total</b>		<b>\$177,310</b>	<b>\$19,700</b>	<b>\$197,010</b>

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Santa Barbara	California Indian Legal Services	\$1,260	\$0	\$1,260
Santa Barbara	California Rural Legal Assistance, Inc.	\$120,850	\$0	\$120,850
Santa Barbara	Disability Rights California	\$19,120	\$0	\$19,120
Santa Barbara	Disability Rights Legal Center	\$2,570	\$0	\$2,570
Santa Barbara	Legal Aid at Work	\$1,410	\$0	\$1,410
Santa Barbara	Legal Aid Foundation of Santa Barbara County	\$76,080	\$0	\$76,080
Santa Barbara	Prison Law Office	\$3,240	\$0	\$3,240
Santa Barbara	Public Advocates Inc.	\$2,420	\$0	\$2,420
<b>Santa Barbara Total</b>		<b>\$226,950</b>	<b>\$0</b>	<b>\$226,950</b>
Santa Clara	Advancing Justice - Asian Law Caucus	\$5,920	\$0	\$5,920
Santa Clara	Bay Area Legal Aid	\$53,110	\$0	\$53,110
Santa Clara	California Indian Legal Services	\$590	\$0	\$590
Santa Clara	California Rural Legal Assistance, Inc.	\$2,030	\$0	\$2,030
Santa Clara	Community Legal Services in East Palo Alto	\$19,380	\$48,680	\$68,060
Santa Clara	Dependency Advocacy Center	\$65,890	\$0	\$65,890
Santa Clara	Disability Rights California	\$19,330	\$0	\$19,330
Santa Clara	Housing and Economic Rights Advocates	\$440	\$0	\$440
Santa Clara	La Raza Centro Legal	\$3,490	\$0	\$3,490
Santa Clara	Law Foundation of Silicon Valley	\$217,200	\$0	\$217,200
Santa Clara	Lawyers' Committee for Civil Rights	\$2,720	\$6,830	\$9,550
Santa Clara	Legal Aid at Work	\$2,780	\$0	\$2,780
Santa Clara	Prison Law Office	\$3,140	\$0	\$3,140
Santa Clara	Public Advocates Inc.	\$4,900	\$0	\$4,900
Santa Clara	Santa Clara County Asian Law Alliance	\$56,770	\$0	\$56,770
Santa Clara	Santa Clara University Alexander Law Center	\$23,530	\$0	\$23,530
Santa Clara	Senior Adults Legal Assistance	\$18,350	\$0	\$18,350
<b>Santa Clara Total</b>		<b>\$499,570</b>	<b>\$55,510</b>	<b>\$555,080</b>
Santa Cruz	California Indian Legal Services	\$1,050	\$0	\$1,050
Santa Cruz	California Rural Legal Assistance, Inc.	\$79,830	\$0	\$79,830
Santa Cruz	Disability Rights California	\$12,540	\$0	\$12,540
Santa Cruz	Housing and Economic Rights Advocates	\$250	\$0	\$250
Santa Cruz	Legal Aid at Work	\$2,590	\$0	\$2,590
Santa Cruz	Prison Law Office	\$1,410	\$0	\$1,410
Santa Cruz	Public Advocates Inc.	\$1,320	\$0	\$1,320
Santa Cruz	Senior Citizens Legal Services	\$13,710	\$0	\$13,710
Santa Cruz	Watsonville Law Center	\$20,960	\$0	\$20,960
<b>Santa Cruz Total</b>		<b>\$133,660</b>	<b>\$0</b>	<b>\$133,660</b>
Shasta	California Indian Legal Services	\$3,360	\$0	\$3,360
Shasta	Disability Rights California	\$19,140	\$0	\$19,140
Shasta	Disability Rights Legal Center	\$1,670	\$0	\$1,670
Shasta	Legal Aid at Work	\$420	\$0	\$420
Shasta	Legal Services of Northern California	\$77,160	\$0	\$77,160
Shasta	Prison Law Office	\$3,760	\$0	\$3,760
Shasta	Public Advocates Inc.	\$1,270	\$0	\$1,270
<b>Shasta Total</b>		<b>\$106,780</b>	<b>\$0</b>	<b>\$106,780</b>
Sierra	California Indian Legal Services	\$30	\$0	\$30
Sierra	Disability Rights California	\$0	\$0	\$0
Sierra	Legal Services of Northern California	\$1,120	\$0	\$1,120
Sierra	Prison Law Office	\$20	\$0	\$20
Sierra	Public Advocates Inc.	\$20	\$0	\$20
<b>Sierra Total</b>		<b>\$1,190</b>	<b>\$0</b>	<b>\$1,190</b>

SCHEDULE 1A

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Siskiyou	California Indian Legal Services	\$0	\$0	\$0
Siskiyou	Disability Rights California	\$11,620	\$0	\$11,620
Siskiyou	Legal Aid at Work	\$190	\$0	\$190
Siskiyou	Legal Services of Northern California	\$15,650	\$0	\$15,650
Siskiyou	Prison Law Office	\$1,430	\$0	\$1,430
Siskiyou	Public Advocates Inc.	\$600	\$0	\$600
<b>Siskiyou Total</b>		\$29,490	\$0	\$29,490
Solano	Aids Legal Referral Panel	\$1,550	\$0	\$1,550
Solano	California Indian Legal Services	\$2,320	\$0	\$2,320
Solano	Disability Rights California	\$41,140	\$0	\$41,140
Solano	Housing and Economic Rights Advocates	\$1,160	\$0	\$1,160
Solano	Legal Aid at Work	\$3,610	0	3610
Solano	Legal Services of Northern California	\$81,170	\$0	\$81,170
Solano	Prison Law Office	\$2,790	\$0	\$2,790
Solano	Public Advocates Inc.	\$5,800	\$0	\$5,800
Solano	UC Davis School of Law Legal Clinics	\$23,790	\$0	\$23,790
Solano	UnCommon Law	\$3,840	\$0	\$3,840
<b>Solano Total</b>		\$167,170	\$0	\$167,170
Sonoma	Aids Legal Referral Panel	\$1,650	\$0	\$1,650
Sonoma	California Indian Legal Services	\$1,100	\$0	\$1,100
Sonoma	California Rural Legal Assistance, Inc.	\$55,110	\$0	\$55,110
Sonoma	Disability Rights California	\$16,170	\$0	\$16,170
Sonoma	Housing and Economic Rights Advocates	\$160	\$0	\$160
Sonoma	Legal Aid at Work	\$780	\$0	\$780
Sonoma	Legal Aid of Sonoma County	\$90,520	\$18,940	\$109,460
Sonoma	Prison Law Office	\$1,350	\$0	\$1,350
Sonoma	Public Advocates Inc.	\$3,600	\$0	\$3,600
<b>Sonoma Total</b>		\$170,440	\$18,940	\$189,380
Stanislaus	Asian Pacific Islander Legal Outreach	\$1,100	\$0	\$1,100
Stanislaus	California Indian Legal Services	\$3,880	\$0	\$3,880
Stanislaus	California Rural Legal Assistance, Inc.	\$170,970	\$0	\$170,970
Stanislaus	Disability Rights California	\$80,860	\$0	\$80,860
Stanislaus	Housing and Economic Rights Advocates	\$90	\$0	\$90
Stanislaus	Legal Aid at Work	\$3,600	\$0	\$3,600
Stanislaus	Prison Law Office	\$7,300	\$0	\$7,300
Stanislaus	Public Advocates Inc.	\$6,430	\$0	\$6,430
Stanislaus	Senior Advocacy Network	\$38,560	\$0	\$38,560
Stanislaus	Social Justice Collaborative	\$13,930	\$0	\$13,930
<b>Stanislaus Total</b>		\$326,720	\$0	\$326,720
Sutter	California Indian Legal Services	\$0	\$0	\$0
Sutter	California Rural Legal Assistance, Inc.	\$38,090	\$0	\$38,090
Sutter	Disability Rights California	\$9,200	\$0	\$9,200
Sutter	Legal Aid at Work	\$560	\$0	\$560
Sutter	Prison Law Office	\$1,320	\$0	\$1,320
Sutter	Public Advocates Inc.	\$830	\$0	\$830
Sutter	Yuba-Sutter Legal Center for Seniors	\$6,510	\$0	\$6,510
<b>Sutter Total</b>		\$56,510	\$0	\$56,510
Tehama	California Indian Legal Services	\$110	\$0	\$110
Tehama	Disability Rights California	\$17,640	\$0	\$17,640
Tehama	Legal Services of Northern California	\$25,660	\$0	\$25,660
Tehama	Prison Law Office	\$3,750	\$0	\$3,750
Tehama	Public Advocates Inc.	\$1,710	\$0	\$1,710
<b>Tehama Total</b>		\$48,870	\$0	\$48,870



SCHEDULE 1A

**The State Bar of California  
Office of Access & Inclusion  
2021 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Trinity	California Indian Legal Services	\$1,340	\$0	\$1,340
Trinity	Disability Rights California	\$1,890	\$0	\$1,890
Trinity	Legal Services of Northern California	\$5,220	\$0	\$5,220
Trinity	Prison Law Office	\$550	\$0	\$550
Trinity	Public Advocates Inc.	\$230	\$0	\$230
<b>Trinity Total</b>		\$9,230	\$0	\$9,230
Tulare	California Indian Legal Services	\$1,660	\$0	\$1,660
Tulare	California Rural Legal Assistance, Inc.	\$75,230	\$0	\$75,230
Tulare	Central California Legal Services	\$212,980	\$0	\$212,980
Tulare	Disability Rights California	\$59,520	\$0	\$59,520
Tulare	Housing and Economic Rights Advocates	\$1,960	\$0	\$1,960
Tulare	Legal Aid at Work	\$23,320	\$0	\$23,320
Tulare	Prison Law Office	\$12,510	\$0	\$12,510
Tulare	Public Advocates Inc.	\$12,220	\$0	\$12,220
Tulare	San Joaquin College of Law	\$14,890	\$0	\$14,890
<b>Tulare Total</b>		\$414,290	\$0	\$414,290
Tuolumne	California Indian Legal Services	\$0	\$0	\$0
Tuolumne	Central California Legal Services	\$4,240	\$0	\$4,240
Tuolumne	Disability Rights California	\$14,180	\$0	\$14,180
Tuolumne	Prison Law Office	\$2,200	\$0	\$2,200
Tuolumne	Public Advocates Inc.	\$230	\$0	\$230
Tuolumne	UnCommon Law	\$3,310	\$0	\$3,310
<b>Tuolumne Total</b>		\$24,160	\$0	\$24,160
Ventura	California Indian Legal Services	\$3,090	\$0	\$3,090
Ventura	California Rural Legal Assistance, Inc.	\$178,950	\$0	\$178,950
Ventura	Disability Rights California	\$86,010	\$0	\$86,010
Ventura	Disability Rights Legal Center	\$15,330	\$0	\$15,330
Ventura	Learning Rights Law Center	\$16,090	\$0	\$16,090
Ventura	Legal Aid at Work	\$3,510	\$0	\$3,510
Ventura	Prison Law Office	\$8,650	\$0	\$8,650
Ventura	Public Advocates Inc.	\$6,810	\$0	\$6,810
<b>Ventura Total</b>		\$318,440	\$0	\$318,440
Yolo	California Indian Legal Services	\$1,010	\$0	\$1,010
Yolo	Disability Rights California	\$11,770	\$0	\$11,770
Yolo	Legal Aid at Work	\$620	\$0	\$620
Yolo	Legal Services of Northern California	\$82,900	\$0	\$82,900
Yolo	Prison Law Office	\$1,330	\$0	\$1,330
Yolo	Public Advocates Inc.	\$1,170	\$0	\$1,170
Yolo	UC Davis School of Law Legal Clinics	\$36,430	\$0	\$36,430
<b>Yolo Total</b>		\$135,230	\$0	\$135,230
Yuba	California Indian Legal Services	\$900	\$0	\$900
Yuba	California Rural Legal Assistance, Inc.	\$30,780	\$0	\$30,780
Yuba	Disability Rights California	\$4,610	\$0	\$4,610
Yuba	Lawyers' Committee for Civil Rights	\$1,780	\$4,900	\$6,680
Yuba	Prison Law Office	\$700	\$0	\$700
Yuba	Public Advocates Inc.	\$360	\$0	\$360
Yuba	Yuba-Sutter Legal Center for Seniors	\$4,940	\$0	\$4,940
<b>Yuba Total</b>		\$44,070	\$4,900	\$48,970
<b>Grand Total</b>		<b>18,872,951</b>	<b>1,546,800</b>	<b>20,419,751</b>



**SCHEDULE 2**

**The State Bar of California  
Office of Access & Inclusion  
2021 Grants to Support Centers**

ORGANIZATION	IOLTA Grant Allocation
California Advocates for Nursing Home Reform	\$ 160,543
California Rural Legal Assistance Foundation	160,543
California Women's Law Center	160,543
Center for Gender and Refugee Studies - California	160,543
Center for Human Rights and Constitutional Law	160,543
Child Care Law Center	160,543
Coalition of California Welfare Rights Organizations	160,543
Disability Rights Education and Defense Fund	160,543
Family Violence Appellate Project	160,543
Immigrant Legal Resource Center	160,543
Impact Fund	160,543
Justice in Aging	160,543
Legal Services for Prisoners with Children	160,543
National Center for Youth Law	160,543
National Health Law Program	160,543
National Housing Law Project	160,543
National Immigration Law Center	160,543
OneJustice	160,543
Public Interest Law Project	160,543
Western Center on Law and Poverty	160,543
Worksafe, Inc.	160,543
Youth Law Center	160,543
<b>TOTAL</b>	<b>\$ 3,531,946</b>



# The State Bar *of California*

## **Statement of Expenditures of Mandatory Fees and Independent Accountant's Report Year Ended December 31, 2021**

**April 29, 2022**

## **Independent Accountant's Report**

To the Boards of Trustees  
State Bar of California

We have examined the State Bar of California's ("State Bar") compliance with the United States Supreme Court's decision in *Keller v. State Bar of California* (1990) 496 U.S. 1, which held that the State Bar of California cannot use mandatory fees paid by its licensees for political or ideological activities not related to regulation of the legal profession or improvement of quality of legal services in California, for the year ended December 31, 2021. The expenditures of mandatory fees for the year ended December 31, 2021 is included in the accompanying Statement of Expenditures of Mandatory Fees ("Statement") and related notes. Management of the State Bar is responsible for the State Bar's compliance with those requirements. Our responsibility is to express an opinion on the State Bar's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the State Bar complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the State Bar complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the State Bar's compliance with the requirements of the Code, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State Bar's compliance with specified requirements.

In our opinion, the State Bar complied, in all material respects, with the United States Supreme Court's decision in *Keller v. State Bar of California* (1990) 496 U.S. 1, which held that the State Bar of California cannot use mandatory fees paid by its licensees for political or ideological activities not related to regulation of the legal profession or improvement of quality of legal services in California, based on the criteria set forth in the note to the Statement, for the year ended December 31, 2021.

This report is intended solely for the information and use of the Boards of Trustees and Management of the State Bar, and it is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California  
April 29, 2022

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees  
Year Ended December 31, 2021

	<u>Dollar Amount</u>	<u>Percentage of Total Program Expenses</u>
CHARGEABLE EXPENSES AND RELATED		
PROGRAM REVENUES:		
Chief Trial Counsel	\$ 59,124,212	64.5%
Client Security Fund	6,407,813	7.0%
State Bar Court	13,739,100	15.0%
Attorney Regulation and Consumer Resources	5,968,145	6.5%
Professional Competence	3,292,881	3.6%
Lawyer Assistance Program	2,286,347	2.5%
Probation	1,762,906	1.9%
Communications	976,725	1.1%
Center on Access to Justice	1,020,819	1.1%
Judicial Evaluation	250,065	0.3%
Mandatory Fee Arbitration	44,409	0.1%
Program Revenues	<u>(3,131,418)</u>	<u>-3.4%</u>
Total chargeable program expenses	<u>\$ 91,742,004</u>	<u>100.0%</u>

See accompanying notes to the statement of expenditures of mandatory fees.

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees  
Year Ended December 31, 2021

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Description of Entity** – The State Bar of California (“State Bar”) was first formed as a public corporation by the California State Legislature’s passage of the State Bar Act on July 29, 1927. On November 8, 1960, voters amended the California Constitution to add the State Bar as a constitutional agency in the judicial branch of government. A license from the State Bar and payment of an annual fees are required as a condition of the practice of law in the State of California.

**Basis of Accounting** – To ensure observance of limitations and restrictions placed on the use of resources available to the State Bar, the accounts of the State Bar are maintained in accordance with the accrual basis of accounting using principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Accounting principles generally accepted in the United States of America are applied by the State Bar in conformance with pronouncements of the Governmental Accounting Standards Board. Amounts in the Statement of Expenditures of Mandatory Fees (“Statement”) were derived from the State Bar’s audited 2021 financial statements.

**Use of Estimates** – The preparation of the Statement requires management to make estimates and assumptions related to the amounts of chargeable expenditures during year. Actual results could differ from those estimates.

**2. BASIS OF PRESENTATION**

The accompanying Statement was prepared for the purpose of showing the allocation of certain expenditures into chargeable and non-chargeable categories. Although derived from the State Bar’s audited 2021 financial statements, the Statement is not a substitute for the financial statements, nor is it intended to be a complete presentation of the State Bar’s revenues and expenses in conformity with accounting principles generally accepted in the United States of America. Amounts reported in the Statement can be agreed to amounts reported in the State Bar’s financial statements.

The State Bar Act sets the amount of the annual fees that the State Bar may charge lawyers for the license to practice law in California. The amount of the annual fee, however, is subject to certain adjustments. The United States Supreme Court in *Keller v. State Bar of California*, 496 U.S. 1 (1990) (“*Keller*”) held that the State Bar could not require California lawyers to pay, as mandatory fees, the expense of the State Bar’s political or ideological activity that was not necessarily or reasonably related to the State Bar’s purpose of regulating the legal profession or improving the quality of legal services. The Statement provides a basis of determination for the mandatory fees that each licensee must pay in order to practice law in California. It describes and separates programs and activities that are “chargeable” and “non-chargeable” to licensees under the *Keller* standard. In calculating the chargeable and non-chargeable expenditures, absolute precision is not expected nor required pursuant to *Keller*, at 16, citing to procedural requirements outlined in *Chicago Teachers v. Hudson*, 475 U.S. 292, 310 (1986). Expenses included in the Statement are derived from expenses included in the General Fund (except program costs funded by filing fees or other fees), Client Security Fund, the Lawyers Assistance Program Fund, and the Support and Administration Fund of the State Bar.

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2021

**2. BASIS OF PRESENTATION (Continued)**

Since January 1, 2000, amendments to the State Bar Act have provided each licensee with the option of deducting \$5 from the annual licensing fee for lobbying and related activities outside of the parameters established in *Keller* (Cal. Bus. & Prof. Code §6140.05). In addition to these changes, in 2001, the Board of Trustees provided licensees the option of an additional \$2 deduction from annual fees for the Elimination of Bias program. Although some or all of these programs and activities may be chargeable under the criteria in *Keller*, the Board of Trustees has elected to make them optional in their entirety.

Since January 1, 2000, the amount of expenses that the State Bar may incur for legislative activity outside of the parameters of *Keller* was restricted by statute to the total revenue collected from those licensees electing to pay the \$5 and not take the deduction from the annual fee under Cal. Bus. & Prof. Code §6140.05. Instead of categorizing its programs as within or outside of *Keller*, the State Bar has elected to restrict the expenses of all of its legislative activity to voluntary funds. Similarly, the State Bar has a \$2 deduction for activities under the Elimination of Bias program and limited its funding to voluntary fees paid by licensees not taking this deduction. Licensees who do not wish to support either the State Bar's Legislative Activities or its Elimination of Bias program can deduct the amounts from their annual fees. As a result, no part of the mandatory annual fees that a lawyer must pay as a condition of practicing law are used to fund non-chargeable expenses. Therefore, for purposes of the Statement, there are no non-chargeable expenses for mandatory licensing fees for the year ended December 31, 2021.

**3. DESCRIPTION OF CHARGEABLE PROGRAMS**

The following is a listing of the major expenses that the State Bar has categorized as chargeable, including a description of the programs or activities performed by category. The classification of a program expense as chargeable was based on the standards in *Keller* that have been applied to determine whether an expense was necessarily or reasonably incurred for the purpose of regulating the legal profession or improving the quality of legal services available to the people of the State of California. Non-chargeable expenses, as stated above, were funded by voluntary fees paid at the option of licensees. Determining which State Bar programs and activities are chargeable and non-chargeable requires that judgments be made by the State Bar.

a. *Chief Trial Counsel*

The Office of the Chief Trial Counsel receives, reviews, and analyzes incoming communications which relate to disciplinary inquiries and complaints against attorneys. It investigates allegations of unethical and unprofessional conduct against attorneys who may have violated provisions of the State Bar Act, Rules of Professional Conduct, or other standards of professional conduct. It prosecutes attorneys in formal disciplinary hearings in the State Bar Court for violations of the State Bar Act or Rules of Professional Conduct. Activities include, as appropriate, the preparation of formal disciplinary pleadings, conduct of formal and informal discovery, and representation of the State Bar as Trial Examiners in the actual hearings and subsequent review proceedings. (Bus. & Prof. Code §6043, 6044, 6049, 6077, 6078, 6092.5 et seq.)

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2021

**3. DESCRIPTION OF CHARGEABLE PROGRAMS (Continued)**

b. *Client Security Fund*

The Client Security Fund receives, evaluates, and processes applications made by persons who have suffered monetary losses due to dishonest conduct of lawyers, and authorizes recovery to eligible clients out of funds collected for this purpose. (Bus. & Prof. Code §6140.5.)

c. *State Bar Court*

The State Bar Court adjudicates formal disciplinary matters resulting in the final imposition of discipline or, in certain instances involving suspension or disbarment, the recommendation of discipline to the California Supreme Court. (Bus. & Prof. Code §6086.5, 6086.65; Cal. Rules of Court, rules 9.13, 9.16, 9.18)

d. *Attorney Regulations and Consumer Resources*

The Office of Attorney Regulations and Consumer Resources maintains the Court's roll of attorneys admitted to the practice of law by the court. It also bills and collects fees, costs, and penalties imposed on licensed attorneys, including reimbursements to the Client Security Fund and disciplinary costs. It also keeps track of all licensees of the Bar, including any record of discipline, and answers inquiries from courts, other governmental agencies, other states, and the public.

e. *Professional Competence*

The Office of Professional Competence maintains and improves the standards of the legal profession to enhance attorney competence through: (1) promulgating and strengthening professional standards to protect the public; (2) assisting licensees to comply voluntarily with such standards (e.g., Ethics Hotline, California Compendium on Professional Responsibility, Lawyers Personal Assistance Program); and (3) planning and development of programs to enhance attorney competence. (Bus. & Prof. Code §6076, 6077.)

f. *Lawyer Assistance Program*

The Lawyer Assistance Program provides an alternative to the traditional State Bar disciplinary mechanism, with the goal of identifying and rehabilitating attorneys with impairment due to abuse of drugs or alcohol, or due to mental illness. The Office of the Lawyer Assistance Program adopts reasonable rules and regulations as may be necessary or advisable for the purpose of implementing and operating the Lawyer Assistance program. (Bus. & Prof. Code §6231.)

g. *Probation*

The Office of Probation ("OP") monitors disciplined attorneys who have been ordered to comply with probation or reprobation conditions pursuant to orders issued by the California Supreme Court and/or the State Bar Court. The OP also monitors cases where conditions have been imposed pursuant to Business and Professions Code, section 6007(h). Once these orders or agreements become effective, the OP establishes its own case files to maintain a record of compliance or non-compliance for each attorney.

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2021

**3. DESCRIPTION OF CHARGEABLE PROGRAMS (Continued)**

OP staff monitor participating attorneys' compliance. The monitoring requires OP staff to contact the attorney being monitored and third parties such as former clients, service providers, and other departments of the State Bar. OP staff provides timely information to the attorney, Office of Chief Trial Counsel, and State Bar Court regarding non-compliance and are available to testify regarding such under oath in court.

h. *Communications*

The State Bar's Office of Communications and Stakeholder Engagement is responsible for ensuring that the general public and the legal community are informed about the State Bar's public protection role and know how to access the Bar's services and resources. The Office is tasked with conveying critical information to Californians about how to protect themselves from attorney misconduct and what to do if that happens, including by filing complaints against attorneys or seeking compensation for harm through the Client Security Fund. A major emphasis is on activities that reach the public in California to ensure they know how to access the resources of the State Bar's attorney discipline system, as well as to help attorneys understand their ethical obligations.

The Office of Communications and Stakeholder Engagement provides important updates for attorneys licensed in California regarding rules and ethics guiding the profession, as well as ongoing education to improve competence. This office provides information about how to find a lawyer and information about access to legal services for low-income Californians.

i. *Center on Access to Justice*

This program addresses the development of policy and initiatives in collaboration with other institutions working to expand access to justice for low-income Californians (e.g. Judicial Council; legal services entities; local, state and national organizations such as the American Bar Association and National Legal Aid and Defender Association).

Programs that affect the public's access to justice fall within the exclusive preserve of the judicial branch. (See *Superior Court v. Mendocino*, supra (1996) 13 Cal.4th at 66.)

j. *Judicial Evaluation*

The Commission on Judicial Nominees Evaluation, established pursuant to Government Code section 12011.5, is the State Bar agency which evaluates all candidates who are under consideration for a judicial appointment by the Governor. The mission of the Commission is to assist the Governor in the judicial selection process and thereby to promote a California judiciary of quality and integrity by providing independent, comprehensive, accurate, and fair evaluations of candidates for judicial appointment and nomination.



**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2021

**3. DESCRIPTION OF CHARGEABLE PROGRAMS (Continued)**

As stated in *Hoffman v. State Bar of California* (2003) 113 Cal.App.4th 630, 635 (2003), the State Bar has the “constitutional responsibility, along with the Chief Justice of the Supreme Court and the houses of the Legislature, to appoint a specified number of licensees to the Judicial Council. (Cal. Const., art. VI, § 6.) Through the appropriate committee, the association is also required by statute to evaluate potential appointees for judicial office and report its recommendation to the Governor. (Gov.Code, § 12011.5, subds.(a), (c).) No candidate may be appointed until the State Bar has so reported, or the time for reporting has elapsed. (Id. at subd. (k).)” Having a strong judiciary evaluation system promotes public protection by helping ensure a fair legal system.

k. *Mandatory Fee Arbitration*

The Fee Arbitration Program (Business and Prof. Code § 6200 et seq.) provides for resolution of fee disputes between attorneys and clients. It is mandatory for the lawyer if the client requests arbitration. Most complaints come to the program independently of the Office of Trial Counsel's Intake Unit, and the availability of this service almost certainly prevents the filing of additional disciplinary complaints. Maintaining a program that decreases the number of additional complaints assists the disciplinary system in processing those cases that cannot otherwise be handled. Although it may be argued that the arbitration program is not necessarily an indispensable part of an attorney disciplinary process, the California Supreme Court has held it is a valuable and justifiable component of a comprehensive disciplinary system. (*In re Attorney Discipline System*, 19 Cal. 4<sup>th</sup> 582, 622 (199).)

- l. *General Fund Allocated Support Service* – General and administrative expenses are incurred to provide staff and operational support to all programs and activities of the State Bar including, but not limited to: human resources; finance; licensee billing; information technology; procurement; building maintenance; general services; legal counsel; the formulation, implementation, and administration of policies through the Board of Trustees and the Office of the Executive Director. The “Indirect Costs/Overhead Allocation” is the share of the administrative costs that are charged to the restricted fund programs for the support provided, using the methodology of the State of California for apportioning and recouping administrative support cost provided by the State’s general fund to its special fund programs.

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2021

**3. DESCRIPTION OF CHARGEABLE PROGRAMS (Continued)**

The 2021 State Bar indirect cost allocation to chargeable programs is summarized below:

General Counsel	\$ 4,588,817
Finance	2,836,900
Member Billing	951,600
Human Resources	1,732,400
General Services - Los Angeles	4,316,507
General Services - San Francisco	6,349,261
Information Technology	11,740,071
Governance	2,849,152
Recruitment & Retention	1,227,700
OPEB	<u>3,660,000</u>
Indirect Cost Pool	40,252,408
Less: Overhead Allocation to Other Programs	<u>(9,052,711)</u>
Overhead Allocation to Chargeable Program	<u><u>\$ 31,199,697</u></u>

The amount of the Overhead Allocation to Chargeable Programs is included in the various Chargeable Program expenses on the Statement of Expenditures of Mandatory Fees.

- m. *Program Revenues* – Program revenues related to chargeable expenses from the General Fund, Building Fund, Client Security Fund, Lawyers Assistance Fund, and the Support and Administration Fund of the State Bar are held to fund the related program expenses. Other revenues include charges by the State Bar to the California Lawyers Association (CLA) for administrative and support services in the annual collect of member dues. Program revenues for 2021 are comprised of:

Law Corporation Registration Fees	\$ 1,808,170
Continuing Legal Education Fees	664,984
Seminar/Workshop Revenue	3,375
Other	<u>654,889</u>
Total	<u><u>\$ 3,131,418</u></u>

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Concluded)  
Year Ended December 31, 2021

**4. OPTIONAL DEDUCTIONS**

The State Bar sets an amount that attorneys are not required to pay and may deduct from the annual licensing fees. These deductions were \$52 for active and inactive attorneys. This amount included \$5 fixed by the court for legislative, \$2 for elimination of bias and \$45 set by the court for the Legal Services Voluntary Assistance Option for both active and inactive attorneys.

These deductions are allowed for the following activities:

a. *Lobbying*

Attorneys who do not want to fund lobbying and other legislative activity may deduct \$5. (Bus. & Prof. Code §6140.05.)

b. *Elimination of Bias*

Attorneys who do not want to fund programs that address concerns of access and bias in the legal profession and the justice system may deduct \$2. (*Keller v. State Bar of California* (1990) 496 U.S. 1.)

c. *Legal Services Voluntary Assistance Option*

Attorneys who do not want to support nonprofit organizations that provide free legal services to persons of limited means may deduct \$45. (Bus. & Prof. Code §6140.03.)

Draft 4/20/2022



# The State Bar of *California*

## **Report to the Audit Committee and the Board of Trustees Year Ended December 31, 2021**

April xx, 2022

Draft 4/20/2022

**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees  
For the Year Ended December 31, 2021

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Draft 4/20/2022

To the Audit Committee and the  
Board of Trustees of the State Bar of California  
San Francisco, California

In planning and performing our audit of the basic financial statements of the State Bar of California (State Bar), as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the State Bar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Bar's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be significant deficiency.

A *deficiency in internal control* 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The change of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item number 2021-001 to be significant deficiency. The identified significant deficiency is not considered to be a material weakness.

The State Bar's written responses to the comment and recommendation identified are described in the Schedule of Comment and Response section. The State Bar's response was not subjected to the auditing procedures applied in our audit of the financial statements. We did not audit the State Bar's response and, accordingly, we express no opinion on it. In addition, we would be pleased to discuss the recommendation in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing this recommendation.

We would like to thank State Bar management and staff for the courtesy and cooperation extended to us during the course of our engagement.

Draft 4/20/2022

This communication is intended solely for the information and use of the Audit Committee, Board of Trustees, State Bar management, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

San Francisco, California  
April 29, 2022

Draft 4/20/2022

**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees  
For the Year Ended December 31, 2021

**1. Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 12, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the State Bar solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**2. Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**3. Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

**4. Qualitative Aspects of the State Bar's Significant Accounting Practices***Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the State Bar is included in Note 3 to the financial statements. As described in Note 3 to the State Bar's basic financial statements, the State Bar implemented two new Governmental Accounting Standards Board (GASB) pronouncements in 2021: Statement No. 89, *Accounting for Interest costs Incurred Before the End of a Construction Period* and Statement No. 91, *Conduit Debt Obligations*. Implementation of these statements did not have a significant impact on the State Bar's financial statements.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



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## STATE BAR OF CALIFORNIA

Report to the Audit Committee and the Board of Trustees (Continued)  
For the Year Ended December 31, 2021

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the State Bar's financial statements were:

***Fair value of investments.*** Management's investments are generally carried at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The State Bar's investments are classified as level 1 and level 2 of the fair value hierarchy established by GASB Statement No. 72. Investments classified in level 1 are valued using prices quoted in active markets for those securities. Government agencies securities are classified in Level 2 and valued using quoted prices for identical securities in markets that are not active. Corporate bonds and municipal bond are classified in level 2 and valued using quoted prices for similar securities in active markets.

***Estimated allowance for doubtful accounts on accounts receivable.*** The allowance for losses on accounts receivable was based on management's estimate regarding the likelihood of collectability.

***Valuation of net pension liability, pension expense and pension related deferred inflows and outflows of resources.*** The net pension liability, pension expense and pension related deferred inflows and outflows of resources are based on an actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021, performed by the California Public Employees' Retirement System's (CalPERS) actuaries. The pension plan is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating entities with the State of California.

***Valuation of net OPEB liability, OPEB expense and OPEB related deferred outflows of resources.*** The net OPEB liability, OPEB expense and OPEB related deferred outflows of resources are based on an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2021 performed by the State Bar's independent actuaries for the OPEB plan. The OPEB plan is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating entities with the State of California.

***Estimated useful lives and depreciation methods assigned to depreciable capital assets.*** The estimated useful lives of capital assets were determined by management based on the nature of the capital assets. The State Bar uses the straight-line method of depreciation.

We evaluated the key factors and assumptions used to develop these accounting estimates described above and determined that it is reasonable in relation to the financial statements taken as a whole.

*Financial Statement Disclosures*

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements and the related notes to the financial statements were the disclosure of the Pension Plan (Note 8) and the Other Postemployment Benefits (Note 9).

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**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees (Continued)

For the Year Ended December 31, 2021

**5. *Significant Difficulties Encountered during the Audit***

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**6. *Corrected and Uncorrected Misstatements***

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

**7. *Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the State Bar's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

**8. *Representations Requested from Management***

We have requested certain written representations from management, which are included in the management representation letter dated April 29, 2022.

**9. *Management Consultations with Other Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**10. *Other Significant Matters, Findings, or Issues***

In the normal course of our professional association with the State Bar, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the State Bar's auditors.

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**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees (Continued)

For the Year Ended December 31, 2021

***11. Other Information in Documents Containing Audited Financial Statements***

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the State Bar's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we applied certain limited procedures to the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Plan Contributions – Pension, the Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios, and the Schedule of Contributions – OPEB Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining financial statements and other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees (Continued)

For the Year Ended December 31, 2021

**SCHEDULE OF COMMENT AND RESPONSE**

**Finding 2021-001 – Significant Deficiency**

**Improve Internal Controls Over the Financial Reporting**

Written finding in progress

Draft 4/20/2022

**STATE BAR OF CALIFORNIA**

Report to the Audit Committee and the Board of Trustees (Continued)

For the Year Ended December 31, 2021

***Management Response***

Draft 4/20/2022

**STATE BAR OF CALIFORNIA**  
Status of Prior Year's Finding  
For the Year Ended December 31, 2021

**Finding 2020-001 – Significant Deficiency**  
**Improve Internal Controls Over the Financial Reporting**

Internal control is a dynamic integral process that should be continuously adapting to the changes faced by State Bar. As part of our audit procedures, we assess an organization's environment, risk assessment and monitoring of controls to determine whether internal controls have been effective over financial reporting. If controls do not exist, are poorly designed or not operating effectively, we must evaluate the control deficiencies and report the deficiencies to management and, when applicable, report deficiencies to those charged with governance.

The State Bar has been successful in recruiting professionals to fill vacant positions over the past three years, it has been challenged with retaining these professionals. As such, the State Bar has been continuously training and integrating new personnel into the State Bar's complex accounting and financial reporting process. This rebuilding of staff has increased the workload of the remaining seasoned professionals.

Status: In progress. The State Bar continued to struggle with closing the books timely in the current year due to turnover. See current year finding 2021-001.