



# The State Bar of California

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## **OPEN SESSION AGENDA ITEM 50-4 MAY 2024 AUDIT COMMITTEE IV.A**

**DATE:** May 10, 2024

**TO:** Members, Audit Committee  
Members, Board of Trustees

**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 and 6222: (1) Presentation by Independent Auditors; (2) Review of Financial Statements; (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 Statement of Expenditures of Mandatory Fees, and the Legal Services Trust Fund Program report (the audit reports). 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 (BPC) section 6145(a) requires the statements to be sent by May 31 of each year to the Board of Trustees, the Chief Justice of the Supreme Court, and the Assembly and Senate Judiciary Committees. Statute requires the audit report to also include information about the receipt of funds in the Legal Services Trust Fund pursuant to BPC 6210–6228. This agenda item presents the audit reports to the Audit Committee for review.

### **BACKGROUND**

Business and Professions Code section 6145(a) 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 statements must be certified under oath by the chief financial officer of the State Bar, and a

copy of the audit and financial statement submitted by May 31 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 for a one-year term in September 2023. Annie Louie, Partner with Macias Gini & O'Connell, met with the Audit Committee in January 2024, to discuss the scope and responsibilities of the audit for fiscal year ended December 31, 2023. Macias Gini & O'Connell is presenting in this agenda the final draft reports for the following financial statements:

- Annual Audited Financial Statements (attachment A);
- Statement of Expenditures of Mandatory Fees (Attachment B);
- Legal Services Trust Fund Program Report (Attachment C); and
- Report to the Audit Committee and Board of Trustees (Attachment D).

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) requires the State Bar to undergo an audit of its financial statements by an independent accounting firm with at least five years of experience in government for each fiscal year.

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 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. 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.

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

To ensure the State Bar’s compliance with the provisions of Business and Professions Code sections 6210–6228, 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.

### **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.

The report includes current year recommendations from the auditors as well as an update on prior year recommendations and/or findings, if any.

For the current audit year, there is a recommendation to revisit the current approach to estimating the current and noncurrent portions of compensated absences and consider adopting a methodology that more accurately reflects current experience and expectations. This recommendation relates to an issue the Board of Trustees has considered on several occasions over the last year as related to the inclusion of leave accruals in the annual adopted budget.

The State Bar had two significant deficiency findings for the 2022 audit year related to Information Technology (IT). The first finding/recommendation was to annually review IT policies and update as needed to verify that current policies and practices are documented and communicated to those responsible for the State Bar's information systems. The second finding/recommendation was to perform an annual user access review to ensure access is appropriately granted to State Bar systems based on job requirements.

The current report notes that both recommendations have been fully addressed.

Attachment D 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**

None

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

None

### **STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS**

None – compliance

### **RECOMMENDATIONS**

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

**RESOLVED**, that the Audit Committee recommends that the Board of Trustees 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, 2023, with the Board of Trustees, the State Legislature, and the Supreme Court by May 31, 2024.

**Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Board of Trustees receives the 2023 Financial Statements and Independent Auditor's reports.

**ATTACHMENTS LIST**

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



# The State Bar of California

ATTACHMENT A

**2023 Financial Statements and Independent Auditor's Report  
Years Ended December 31, 2023 and 2022**

**and Supplementary Information  
Year Ended December 31, 2023**

**May 10, 2024**

**THE STATE BAR OF CALIFORNIA**  
Financial Statements  
Years Ended December 31, 2023 and 2022

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**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 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 2022 and 2021 amounts have been reclassified to conform to the 2023 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 2023, the State Bar had approximately 290,800 licensees, an increase of 1.3% compared to 287,200 licensees in 2022.

Licensing fees for 2023 and 2022 were allocated to the following funds:

	2023		2022	
	Active Fee	Inactive Fee	Active Fee	Inactive Fee
General Fund - Attorney Licensing	\$ 388	\$ 90	\$ 388	\$ 90
General Fund - Discipline Activity	25	25	25	25
Legal Services Trust Fund	45	45	45	45
Legislative Activity Fund*	-	-	5	5
Elimination of Bias Fund	2	2	2	2
Client Security Fund	40	10	40	10
Lawyers Assistance Program Fund	10	5	10	5
Total	<u>\$ 510</u>	<u>\$ 177</u>	<u>\$ 515</u>	<u>\$ 182</u>

\*The \$5 voluntary fee for legislative activities was changed from an opt-out to an optional donation in 2023.

The State Bar's licensing 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 2023 statutorily-approved annual fee remained unchanged at \$388 from 2022.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**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 Statements of Net Position – present the financial position of the State Bar at the end of the fiscal year. The statements report 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 Statements of Revenues, Expenses, and Changes in Net Position – disclose the sources of revenues, the expenses by programs, and the impact on net position for the State Bar.

The Statements of Cash Flows – reflect 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 – provide integral information needed to explain the basis for the financial statement presentation and amounts within 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.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**Financial Highlights**

The following is a summary comparison of the State Bar's Statements of Net Position as of December 31, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash, cash equivalents, and investments	\$ 313,642,218	\$ 155,941,040	\$ 144,069,219
Restricted cash, cash equivalents, and investments	-	9,287,909	15,172,463
Other assets	28,214,015	31,114,201	23,936,908
Capital assets, net	115,863,302	99,136,637	103,628,056
Deferred outflows of resources	42,688,915	37,885,114	12,163,713
Total assets and deferred outflows of resources	<u>500,408,450</u>	<u>333,364,901</u>	<u>298,970,359</u>
Current liabilities	80,322,389	76,022,506	67,026,336
Noncurrent liabilities	70,288,683	32,817,998	35,846,115
Net OPEB liability	5,773,259	7,393,303	7,617,010
Net pension liability	92,286,609	81,349,352	21,343,799
Deferred inflows of resources	24,864,791	21,733,662	60,366,341
Total liabilities and deferred inflows of resources	<u>273,535,731</u>	<u>219,316,821</u>	<u>192,199,601</u>
Net position			
Net investment in capital assets	50,746,966	75,520,878	83,786,375
Restricted for:			
Enabling legislation	218,394,235	85,013,835	66,020,083
Other restrictions	1,281,991	509,945	593,340
Unrestricted	<u>(43,550,473)</u>	<u>(46,996,578)</u>	<u>(43,629,040)</u>
Total net position	<u>\$ 226,872,719</u>	<u>\$ 114,048,080</u>	<u>\$ 106,770,758</u>

**Fiscal Year 2023 Compared to Fiscal Year 2022**

**Assets and Deferred Outflows of Resources** – As of December 31, 2023, the State Bar's total assets and deferred outflows of resources were \$500.4 million, up by \$167.0 million or 50.1% compared to \$333.4 million last year. The increase is primarily due to the \$157.7 million increase in cash, cash equivalents and investments due to significant increase of trust account revenues and greater return on investments in 2023. Other changes include a \$7.6 million increase in accounts and other receivables resulted from higher trust account revenues, \$0.5 million increase in other current assets, \$4.8 million increase in deferred outflow of resources related to pension and other postemployment benefit items; partially offset by a \$1.5 million net decrease in noncurrent assets and \$2.1 million decrease in lease receivables resulted from the State Bar's San Francisco office building sale in 2023.

Deferred outflows of resources consisted of actuarially determined deferred outflows of resources as it relates to both pension reporting under Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68) and other postemployment benefits reporting under GASB Statement No. 75 (GASB 75). As of December 31, 2023, the deferred outflows of resources were \$42.7 million, which increased by \$4.8 million compared to \$37.9 million last year. See accompanying notes 10 and 11 to the financial statements for additional information.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

***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, lease liabilities, subscription liabilities, net OPEB liability, net pension liability, employee vacation and sick leave accruals and deferred inflows of resources from GASB 68, GASB 75, GASB 87, and the gain from disposition of capital assets. As of December 31, 2023, State Bar's total liabilities and deferred inflows of resources were \$273.5 million, increased by \$54.2 million or 24.7% compared to \$219.3 million last year. The increase is primarily due to a \$50.2 million increase in lease liabilities associated with the State Bar's sale-leaseback transaction related to the San Francisco building sale. Other changes include a \$9.0 million increase in unearned fees collected in advance, a \$2.5 million increase in subscription liabilities, a \$0.8 million increase in noncurrent portion of the compensated absences, a \$11.0 million in net pension liability, a \$1.8 million increase in deferred inflows of resources related to OPEB, a \$13.0 million increase in deferred inflows of resources related to the gain from disposition of capital assets; partially offset by a \$1.4 million decrease in accounts payable and other liabilities, a \$19.4 million decrease in loans payable, a decrease of \$1.6 million in net OPEB liability, a decrease of \$10.5 million in deferred inflows of resources related to leases and a decrease of \$1.2 million decrease of deferred inflows of resources related to pension items.

The State Bar's total pension liability as of December 31, 2023 was \$490.2 million and the plan fiduciary net position was \$397.9 million resulting in a net pension liability of \$92.3 million, or 18.8% of the total pension liability. Compared to the \$81.3 million net pension liability in 2022, the 2023 net pension liability increased by \$11.0 million or 13.4%.

Deferred inflows of resources as of December 31, 2023 were \$24.9 million, representing an increase of \$3.2 million compared to the \$21.7 million last year. This balance consisted of actuarially determined deferred inflows of resources related to pension under GASB 68 and OPEB under GASB 75, and the deferred inflows of resources related to leases under GASB 87. Starting in 2023, the deferred inflows of resources also include the gain from the San Francisco building sale. See accompanying notes 8, 10 and 11 to the financial statements for additional information.

***Net Position*** – The State Bar's total net position as of December 31, 2023 was \$226.9 million, up by \$112.9 million or 98.9% compared to \$114.0 million in 2022. The increase represented an 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 or enabling legislation increased by \$134.2 million or 156.9% from \$85.5 million in 2022 to \$219.7 million in 2023. The increase is due to the \$133.4 million increase in enabling legislation and the \$0.8 million increase in other restrictions.

***Net Investments in Capital Assets*** – The part of net position that consists of capital assets, net of accumulated depreciation, amortization, outstanding balances of borrowings that are attributable to the acquisition, construction, and improvement of those assets decreased by \$24.8 million or 32.8% from \$75.5 million in 2022 to \$50.7 million in 2023. The net decrease is primarily due to retirement of capital assets related to the San Francisco building sale.

***Unrestricted Net Position*** – The part of net position that is used for day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of December 31, 2023 the unrestricted net position was negative \$43.6 million, an increase of \$3.4 million or 7.3% compared to \$47.0 million negative unrestricted net position in 2022. The change is substantially due to the increase in cash and investments associated with the San Francisco building sale proceeds, and partially offset by increased operating expenses in the general fund.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**Fiscal Year 2022 Compared to Fiscal Year 2021**

***Assets and Deferred Outflows of Resources*** – As of December 31, 2022, the State Bar's total assets and deferred outflows of resources were \$333.4 million, up by \$34.4 million or 11.5% compared to \$299.0 million last year. The increase is primarily due to the \$25.7 million increase in deferred outflows of resources related to pension and other postemployment benefits (OPEB) items and the \$11.9 million increase in unrestricted cash and investments associated with unearned revenues. Other changes include a \$10.3 million increase in accounts receivables resulted from higher trust amount revenues; offset by a decrease of \$5.9 million in restricted cash and investments due to spending of loan proceeds on various capital projects, a decrease of \$0.2 million in other current assets and a decrease of \$4.5 million in capital assets.

Deferred outflows of resources consisted of actuarially determined deferred outflows of resources as it relates to both pension reporting under Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68) and other postemployment benefits reporting under GASB Statement No. 75 (GASB 75). As of December 31, 2022, the deferred outflows of resources were \$37.9 million, increased by \$25.7 million compared to \$12.2 million last year. See accompanying notes 10 and 11 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 revenues collected in advance, grants payable, loans payable, lease liabilities, net OPEB liability, net pension liability, employee vacation and sick leave accruals and deferred inflows of resources from GASB 68, GASB 75 and GASB Statement No. 87 - *Leases* (GASB 87). As of December 31, 2022, State Bar's total liabilities and deferred inflows of resources were \$219.3 million, increased by \$27.1 million or 14.1% compared to \$192.2 million last year. The increase is primarily due to a \$60.0 million increase in net pension liability based on pension actuarial valuation and investment losses in the pension plan. Other changes include a \$1.8 million increase in accounts payable and other liabilities, a \$7.1 million increase in unearned fees collected in advance, a \$0.3 million increase in noncurrent portion of the compensated absences, a \$2.6 million increase in deferred inflows of resources related to OPEB; partially offset by a \$2.7 million decrease in loans payable, a \$0.5 million decrease in lease liabilities, a \$0.2 million decrease in net OPEB liability, a \$38.2 million decrease in deferred inflows of resources related to pension and a \$3.1 million decrease in deferred inflows of resources related to leases.

The State Bar's total pension liability as of December 31, 2022 was \$463.2 million and the plan fiduciary net position was \$381.9 million resulting in a net pension liability of \$81.3 million, or 17.56% of the total pension liability. Compared to the \$21.3 million net pension liability in 2021, the 2022 net pension liability increased by \$60.0 million or 281.1%.

Deferred inflows of resources as of December 31, 2022 were \$21.7 million, representing a decrease of \$38.7 million compared to the restated amount of \$60.4 million last year. This balance consisted of actuarially determined deferred inflows of resources related to pension under GASB 68 and OPEB under GASB 75, and the deferred inflows of resources related to leases under GASB 87. See accompanying notes 8, 10 and 11 to the financial statements for additional information.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**Net Position** – The State Bar's total net position as of December 31, 2022 was \$114.0 million, up by \$7.2 million or 6.8% compared to the restated amount of \$106.8 million in 2021. The increase represented an 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 or enabling legislation increased by \$18.9 million or 28.4% from \$66.6 million in 2021 to \$85.5 million in 2022. The increase is primary due to the \$19.0 million increase in enabling legislation and offset by the \$0.1 million decrease in other restrictions.

**Net Investment in Capital Assets** – The part of net position that consists of capital assets, net of accumulated depreciation, amortization, outstanding balances of borrowings that are attributable to the acquisition, construction, and improvement of those assets decreased by \$8.3 million or 9.9% from \$83.8 million in 2021 to \$75.5 million in 2022. The net decrease is primarily due to loan repayments, and depreciation and amortization of capital assets.

**Unrestricted Net Position** – The part of net position that is used for day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of December 31, 2022, the unrestricted net position was negative \$47.0 million, a decrease of \$3.4 million or 7.7% compared to \$43.6 million negative unrestricted net position in 2021. The change is substantially due to the change in net pension liability attributed to actual earnings are lower than expected on pension plan investments.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**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, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES			
Program revenues	\$ 428,304,443	\$ 293,009,434	\$ 184,414,210
Other revenue	1,862,642	1,695,396	1,494,224
Unallocated pension gain	-	432,080	15,379,467
Total operating revenues	<u>430,167,085</u>	<u>295,136,910</u>	<u>201,287,901</u>
OPERATING EXPENSES			
Program expenses	314,056,502	277,927,038	177,616,101
General and administration	14,658,524	12,635,206	12,456,372
Total operating expenses	<u>328,715,026</u>	<u>290,562,244</u>	<u>190,072,473</u>
OPERATING INCOME	101,452,059	4,574,666	11,215,428
NONOPERATING REVENUES	<u>11,372,580</u>	<u>2,702,656</u>	<u>3,078,577</u>
CHANGE IN NET POSITION	112,824,639	7,277,322	14,294,005
NET POSITION—beginning of year	<u>114,048,080</u>	<u>106,770,758</u>	<u>92,476,753</u>
NET POSITION—end of year	<u>\$ 226,872,719</u>	<u>\$ 114,048,080</u>	<u>\$ 106,770,758</u>

**Fiscal Year 2023 Compared to Fiscal Year 2022**

**Operating and Nonoperating Revenues** – For the year ended December 31, 2023, the State Bar's total operating and net nonoperating revenues were \$441.5 million, up by \$143.7 million or 48.2% compared to \$297.8 million in 2022. The increase is due to significant increase in Interest on Lawyers' Trust Account (IOLTA) revenues resulting from higher account balance and interest yields.

**Operating Expenses** – For the year ended December 31, 2023, the State Bar's total operating expenses were \$328.7 million, an increase of \$38.1 million or 13.1% from \$290.6 million last year. The increase is substantially due to a \$21.1 million increase in grants associated with more grant revenues distributed in 2023, a pension expense of \$6.9 million in 2023 vs. an unallocated pension gain of \$0.4 million in 2022, and an increase of \$10.1 million in various program expenses primarily from increased personnel costs.

**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**Operating expenses by  
natural classification**

	2023	2022	Increase (Decrease)
Personnel cost	\$ 96,857,909	\$ 87,722,285	\$ 9,135,624
Employer pension contribution	12,609,321	12,493,665	115,656
Pension expense	6,866,533	-	6,866,533
Grant expense	168,743,605	147,657,448	21,086,157
Professional and outside Services	11,778,643	16,914,157	(5,135,514)
Examination	7,534,160	5,002,441	2,531,719
CSF disbursement	6,229,972	3,788,619	2,441,353
Building operations	6,088,401	5,977,566	110,835
Other	12,006,482	11,006,063	1,000,419
Total operating expenses by natural classification	<u>\$ 328,715,026</u>	<u>\$ 290,562,244</u>	<u>\$ 38,152,782</u>

***Operating Expenses by natural classification***

Personnel costs were \$96.9 million in 2023, which is an increase of \$9.2 million from \$87.7 million last year. The increase is related to a cost-of-living adjustment (COLA) and new positions. Employer pension contributions were \$12.6 million, or an increase of \$0.1 million from \$12.5 million due to higher personnel costs and partially offset by a decrease in unfunded actuarial liability. Grant expenses increased by \$21.1 million from \$147.7 million in the prior year due to the increases in grant disbursements in 2023. Professional and outside services were \$11.8 million, a \$5.1 million decrease from the prior year, mainly due to the Bar Examination administration not being outsourced in 2023. Disbursements from CSF were \$6.2 million in 2023, an increase of \$2.4 million from \$3.8 million the prior year due to more cases being eligible for payouts in 2023. The reduction of \$0.4 million in unallocated pension gain and the \$6.9 million pension expenses in 2023 were due to the recognition of differences between expected and actual experiences, net differences between expected and actual earnings on pension plan investments, and changes of assumptions for the pension plan. Other expenses, which include supplies, travel and training, depreciation of capital assets, amortization of leased and subscription assets and other miscellaneous expenses, increased by \$1.0 million from \$11.0 million the prior year primarily due to recording of the subscription amortization expenses resulting from the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

**Fiscal Year 2022 Compared to Fiscal Year 2021**

***Operating and Nonoperating Revenues*** – For the year ended December 31, 2022, the State Bar's total operating and net nonoperating revenues were \$297.8 million, up by \$93.4 million or 45.7% compared to \$204.4 million in 2021. The increase is due largely to a \$75.1 million increase in grant revenue from Equal Access and Partnership grants, Homeless Prevention (HP) III grant and California Housing Finance Agency (CalHFA) grant; a \$31.5 million increase in trust account revenue due to increase in trust account deposits and higher interest earnings, a \$2.6 million increase in licensing fees; partially offset by a significant decrease in unallocated pension gain of \$14.9 million in 2022.



**THE STATE BAR OF CALIFORNIA**  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2023 and 2022

**Operating Expenses** – For the year ended December 31, 2022, the State Bar's total operating expenses were \$290.6 million, an increase of \$100.5 million or 52.9% from \$190.1 million last year. The increase is substantially due to a \$86.5 million increase in grants associated with more grant revenues distributed in 2022, an increase of \$6.7 million in exam related expenses due to the return of in person examinations, an increase of \$7.1 million in various program expenses primarily from increased personnel costs, and a \$0.2 million slight increase in general and administration expense.

**Economic Factors Facing the State Bar**

On September 18, 2022, the Governor signed Assembly Bill 2958, the 2023 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. The bill kept the licensing fee the same in 2023. The State Bar continued to receive additional funding to support technology investments and capital maintenance.

On February 27, 2023, the Board of Trustees approved the 2023 Budget. The budget supports the State Bar's five-year Strategic Plan and reflects its commitment to protecting the public, increasing access to legal services, and increasing diversity and inclusion in the legal profession. The State Bar's General Fund supports travel, lodging, and per diem meal expenses for Board of Trustees travel to board meetings as consistent with the guidelines outlined in the travel policy. Any costs incurred by members of the Board of Trustees that exceed those authorized by the policy are not reimbursed and are paid for out-of-pocket by trustees.

The 2023 Final Budget has total revenue of \$336.1 million with expenses of \$295.4 million. The primary driver for the revenue increase was the increase from Interest on Lawyers' Trust Account. The 2023 General Fund budget projects \$91.4 million in revenue with total expenses and indirect charges of \$104.9 million. General Fund expenses exceed revenues by approximately \$13.5 million. The reserve was planned to be \$0.4 million at the end of 2023. The State Bar sold its San Francisco office building in November 2023 for \$54.0 million. Due to this transaction, operating reserves increased to \$36.1 million. The State Bar has had deficit spending in the last several years and will also be in deficit spending into 2024. This reflects the unfortunate reality of a structural General Fund operating deficit, a shrinking General Fund reserve, and no scheduled attorney license fee increases to improve that fund. As a result of these factors, the State Bar will need to obtain a fee increase and take appropriate and significant cost-cutting measures in future years.

**Capital Assets and Debt Administration**

Capital assets consist of land, work in progress, buildings, building improvements, equipment and software, furniture and fixtures, lease assets and subscription intangible assets. Capital assets are partially owned by the State Bar and others are leased.

Capital assets, net of depreciation but excluding lease and subscription assets, decreased by \$36.5 million (37.2%) as of December 31, 2023, primarily due to the retirement of assets related to the State Bar's San Francisco office building sale and the continued depreciation of existing assets. Capitalization of additional capital improvement, equipment, and software costs in 2023 were less than depreciation of existing assets. Major capital asset additions in 2023 included video and audio system upgrades to conference rooms and courtroom system upgrades for the State Bar. Two elevators were placed in service at the San Francisco building and additional project costs incurred for the elevator modernization project and emergency generator project prior to the building sale and retirements of the related assets.

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Lease assets, net of amortization increased by \$50.6 million from \$0.8 million in 2022 to \$51.4 million in 2023 due to the leaseback of the San Francisco office building subsequent to the building sale on November 14, 2023.

Subscription assets, net of amortization, were first recorded in 2023 due to the implementation of GASB 96. The subscription assets, net of amortization at 2023 year-end was \$2.7 million.

Loans payables held by the State Bar are for the purpose of financing and improvements of the San Francisco building, refinancing the costs of purchasing real property of the Los Angeles building and various Information Technology capital projects. Loans payable decreased by \$19.4 million (62.6%) as of December 31, 2023, due to payoff of two existing loans associated with the San Francisco building. See Note 7 for additional information.

The lease liabilities are calculated as the present value of payments the State Bar expects to make during the lease term, including any contract renewal options reasonably certain to be exercised. Lease liabilities increased by \$50.2 million (6341.4%) as of December 31, 2023, due to the State Bar leasing back the San Francisco office building after the building was sold in November 2023. See Note 8 for additional information.

Subscription liabilities were first measured and recorded in 2023 as a result of the GASB 96 implementation. The subscription liabilities are calculated as the present value of payments the State Bar expects to make during the noncancellable subscription term, including any contract renewal options reasonably certain to be exercised and any cancellation reasonably certain not to be exercised. Subscription liabilities were \$2.5 million as of December 31, 2023. See Note 9 for additional information.

### **Financial Contact**

The State Bar's financial statements are designed to present readers with a general overview of the State Bar's finances and to demonstrate the State Bar's accountability. If you have any questions about the report or need additional financial information, please contact the Office of Finance at [finance@calbar.ca.gov](mailto:finance@calbar.ca.gov).

**THE STATE BAR OF CALIFORNIA**  
**Business-Type Activity – Enterprise Fund**  
**Statements of Net Position**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 287,570,908	\$ 133,357,937
Investments	26,071,310	22,583,103
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,883,824 in 2023 and \$1,889,585 in 2022	21,190,767	13,564,552
Lease receivable	365,164	2,452,532
Other current assets	<u>2,900,479</u>	<u>2,385,274</u>
Total current assets	<u>338,098,628</u>	<u>174,343,398</u>
Noncurrent assets		
Restricted cash	-	9,287,909
Lease receivable	3,757,605	12,711,843
Capital assets		
Nondepreciable	18,418,271	22,075,451
Depreciable, net	43,360,059	76,232,257
Lease asset, net	51,368,178	828,929
Subscription asset, net	<u>2,716,794</u>	<u>-</u>
Total noncurrent assets	<u>119,620,907</u>	<u>121,136,389</u>
Total assets	<u>457,719,535</u>	<u>295,479,787</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension items	33,054,876	30,143,693
Other postemployment benefits items	<u>9,634,039</u>	<u>7,741,421</u>
Total deferred outflows of resources	<u>42,688,915</u>	<u>37,885,114</u>
Total assets and deferred outflows of resources	<u>500,408,450</u>	<u>333,364,901</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and other liabilities	13,288,661	14,645,296
Unearned fees collected in advance	62,316,794	58,072,098
Loans payable	849,000	2,789,746
Lease liability	2,633,338	515,366
Subscription liability	<u>1,234,596</u>	<u>-</u>
Total current liabilities	<u>80,322,389</u>	<u>76,022,506</u>
Noncurrent liabilities		
Unearned fees collected in advance	4,750,001	-
Loans payable	10,747,000	28,219,244
Lease liability	48,376,130	276,540
Subscription liability	1,276,272	-
Compensated absences	5,139,280	4,322,214
Net OPEB liability	5,773,259	7,393,303
Net pension liability	<u>92,286,609</u>	<u>81,349,352</u>
Total noncurrent liabilities	<u>168,348,551</u>	<u>121,560,653</u>
Total liabilities	<u>248,670,940</u>	<u>197,583,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease items	16,880,388	14,342,822
Pension items	882,497	2,042,039
Other postemployment benefits items	<u>7,101,906</u>	<u>5,348,801</u>
Total deferred inflows of resources	<u>24,864,791</u>	<u>21,733,662</u>
Total liabilities and deferred inflows of resources	<u>273,535,731</u>	<u>219,316,821</u>
<b>NET POSITION</b>		
Net investment in capital assets	50,746,966	75,520,878
Restricted for:		
Enabling legislation	218,394,235	85,013,835
Other restrictions	1,281,991	509,945
Unrestricted	<u>(43,550,473)</u>	<u>(46,996,578)</u>
Total net position	<u>\$ 226,872,719</u>	<u>\$ 114,048,080</u>

See accompanying notes to the financial statements

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Licensee fees and donations	\$ 106,991,427	\$ 106,636,644
Examination application fees	18,673,814	17,095,587
Trust account revenue	176,403,380	54,073,155
Seminar/workshop revenue	4,300	4,800
Legal specialization fees	2,318,075	2,134,926
Law corporation registration fees	2,453,552	1,764,913
Continuing legal education fees	1,510,777	627,468
Grant revenue	119,499,118	105,464,040
EAF AB145 filing fee revenue	450,000	5,207,901
Other revenue	1,862,642	1,695,396
Unallocated pension gain	-	432,080
Total operating revenues	<u>430,167,085</u>	<u>295,136,910</u>
<b>OPERATING EXPENSES</b>		
Chief Trial Counsel	73,021,568	64,172,241
State Bar Court	14,591,140	14,568,706
Attorney Regulation and Consumer Resources	-	6,842,945
Professional Competence	3,831,007	3,875,951
Probation	2,119,162	1,901,694
Mandatory Fee Arbitration	995,828	203,022
Judicial Evaluation	892,485	887,611
Center on Access to Justice	-	628,533
Communications	1,747,465	1,554,811
Governance	4,100,542	3,617,124
Lawyer Assistance Program	2,643,260	2,348,679
Client Security Fund	7,583,507	4,864,559
Public Trust Liaison	2,445,772	-
Regulation	5,864,246	-
Admissions	25,476,915	25,449,913
Grants	168,743,605	147,011,249
General and administration	14,658,524	12,635,206
Total operating expenses	<u>328,715,026</u>	<u>290,562,244</u>
<b>OPERATING INCOME</b>	101,452,059	4,574,666
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Interest and investment income	10,078,894	380,307
Rental income	2,554,076	3,116,852
Interest expenses on loans, leases and subscriptions	(1,312,387)	(794,503)
Gain from dispositions of capital assets	51,997	-
Total nonoperating revenues and expenses	<u>11,372,580</u>	<u>2,702,656</u>
<b>CHANGE IN NET POSITION</b>	112,824,639	7,277,322
<b>NET POSITION—beginning of year</b>	<u>114,048,080</u>	<u>106,770,758</u>
<b>NET POSITION—end of year</b>	<u>\$ 226,872,719</u>	<u>\$ 114,048,080</u>

See accompanying notes to the financial statements

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Statements of Cash Flows  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from members, applicants, grants, and other professionals	\$ 432,279,684	\$ 292,436,790
Payments to suppliers and service providers	(231,322,988)	(205,527,259)
Payments to employees	(84,292,386)	(76,489,137)
Net cash provided by operating activities	<u>116,664,310</u>	<u>10,420,394</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity and sale of investments	71,625,000	29,246,760
Purchases of investments	(73,811,742)	(19,515,843)
Interest received from investments	8,437,345	373,407
Cash received from rental income	2,863,042	3,480,444
Net cash provided by investing activities	<u>9,113,645</u>	<u>13,584,768</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(4,204,661)	(3,965,686)
Payment of obligations under loan agreement	(2,789,746)	(2,718,583)
Interest paid on debt	(718,712)	(789,699)
Proceeds from sale of San Francisco building	29,971,657	-
Lease principal payments	(1,284,335)	(494,665)
Lease interest payments	(311,757)	(21,574)
Subscription principal payments	(1,410,987)	-
Subscription interest payments	(104,352)	-
Net cash provided by (used in) capital and related financing activities	<u>19,147,107</u>	<u>(7,990,207)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	144,925,062	16,014,955
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>142,645,846</u>	<u>126,630,891</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u><u>\$ 287,570,908</u></u>	<u><u>\$ 142,645,846</u></u>

See accompanying notes to the financial statements

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Statement of Cash Flows  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 101,452,059	\$ 4,574,666
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation and amortization	8,686,611	7,226,941
Loss on disposals of capital assets	-	1,230,164
Office rent paid through escrow	509,746	-
Changes in assets and liabilities:		
Net pension liability	10,937,257	60,005,553
Deferred outflows and inflows of resources related to pension items	(4,070,725)	(60,437,633)
Net OPEB liability	(1,620,044)	(223,707)
Deferred outflows and inflows of resources related to OPEB items	(139,513)	(822,950)
Accounts and other receivables	(7,326,842)	(10,386,750)
Other current assets	(341,926)	56,040
Accounts payable and other liabilities	(417,010)	2,099,188
Unearned revenues collected in advance	8,994,697	7,098,882
Net cash provided by operating activities	<u>\$ 116,664,310</u>	<u>\$ 10,420,394</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	287,570,908	133,357,937
Restricted cash	-	9,287,909
Total cash and cash equivalents	<u>\$ 287,570,908</u>	<u>\$ 142,645,846</u>
<b>Noncash transaction:</b>		
Loans and loan interest payoff through escrow	\$ 16,673,496	\$ -
Net book value of capital assets sold	34,199,046	-
Termination loss of lessor leases	595,705	-
Commission rebate from San Francisco building sale	364,327	-
Transfer of tenant security deposits & prepaid rent through escrow	361,195	-
Acquisition of capital assets through leases and subscriptions	55,423,752	-

See accompanying notes to the financial statements

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**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 (“Board”). 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 non-attorney 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 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 loan in 2016 to provide funding for tenant improvements. This fund was closed in 2022 and all balances have been moved to the General Fund as of January 1, 2022.

**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.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**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 2023 and 2022 bill years, 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 and activities to enhance access, fairness, and diversity in the legal profession and elimination of bias in the practice of law. In the 2023 and 2022 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. This fund was closed as of December 31, 2022.

***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.



**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**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 license 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, short-term investments, 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.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**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*** – As of December 31, 2022, the State Bar’s restricted cash included loan proceeds from the loan agreement with Sterling Bank that were to be used for specified capital projects. On November 14, 2023, the State Bar paid off the restricted portion of its loan with Sterling Bank using proceeds from the sale of the San Francisco office building. Remaining loan funds are classified as cash and cash equivalents at the end of 2023 as the restrictions on the use was removed.

***Capital Assets*** – 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. 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 are amortized over the shorter of the term of the lease or its useful life.

Lease and subscription assets are defined as a contract that conveys control of the right to use another entity’s underlying asset or information technology software, alone or in combination with tangible capital assets, for a specified period. The State Bar has established capitalization thresholds of \$10,000 for leases and \$25,000 for subscription assets. Lease and subscription assets are amortized on a straight-line basis over the contract term.

***Unearned Fees Collected in Advance*** – Unearned fees collected in advance are recognized as income when earned and are presented in the accompanying statements of net position. Accordingly, fees are recorded as revenue in the year to which the fees apply.

***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. 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.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Nonoperating Revenues and Expenses*** – Nonoperating revenues and expenses consist of investment income, realized and unrealized gains or losses on investments, rental income, and interest expenses on loans, leases, and subscriptions. The gain or loss from the sale or disposition of capital assets is also reported as nonoperating revenue or expense.

***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.

***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 assets 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 assets 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, 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 Commission, it will be recognized as an outstanding obligation in the State Bar’s financial statement. Application reimbursements in the CSF were approximately \$6.2 million and \$3.8 million for the years ended December 31, 2023 and 2022, respectively.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Restricted Net Position*** – Restricted net position reflects the portion of 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 \$219.7 million as of December 31, 2023, of which \$218.4 million was restricted by enabling legislation; and \$85.5 million as of December 31, 2022, of which \$85.0 million was restricted by enabling legislation.

***Net Investment in Capital Assets*** – Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization, 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 \$43.6 million as of December 31, 2023, and negative \$47.0 million as of December 31, 2022.

***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, 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.

***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 that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

***Leases and Subscription-Based Information Technology Arrangements (SBITAs)*** – Leases are defined as contracts that conveys control of the right-to-use other entity’s nonfinancial assets as specified in the contract for a period of time in exchange or exchange-like transactions. SBITAs are defined as a contract that conveys control of the right-to-use another entity’s IT software, alone or in combination with tangible capital assets for a specified period. The State Bar is a lessee and lessor for various leases of building and equipment. The State Bar has noncancellable subscription IT arrangements for the right-to-use various information technology hardware and software (SBITAs).

For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the State Bar recognizes lease revenues or expenses based on the payment provisions of the lease agreements or SBITAs.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement of Lease or Subscription Amounts as Lessee or Subscriber*

As lessee or subscriber, the State Bar recognizes a lease or subscription liability and an intangible right-to-use asset at the beginning of the lease or subscription. The State Bar's lease and subscription liability is measured as the net present value of future minimum lease or subscription payments expected to be made during the lease term, less any lease incentives received or reasonably expected to be received, as of the date of commencement. The lease or subscription liability is reduced by the principal portion of the lease payments subsequently made. The lease or subscription asset is measured as the initial amount of the lease or subscription liability, less payments made at or before the lease or subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any incentives received at or before the commencement date. For SBITAs, subscription assets also include qualifying software implementation costs. The lease or subscription asset is subsequently amortized on a straight-line basis over the lease or subscription term.

*Measurement of Lease Amounts as Lessor*

As lessor, the State Bar recognizes a lease receivable based on the net present value of future lease payments expected to be received during the lease term and a deferred inflow of resources based on the net present value plus any payments received at or before the commencement date that relate to future periods. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease.

*Estimates and Judgments*

Key estimates and judgments include how the State Bar determines (a) lease and subscription terms, and (b) the discount rate used to calculate the present value of the expected lease and subscription payments.

*Lease or Subscription Term*

The lease or subscription term includes the noncancellable period of the lease or subscription, plus any additional periods covered by either the State Bar's or the other party's unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised.

*Discount Rates*

As lessor, the State Bar discounts future lease payments to be received using the interest rate implicit in the lease.

The State Bar was the lessor for the San Francisco building prior to the building sale and is the lessor for the Los Angeles building. The fair market values of both buildings were not determined at the GASB 87 implementation date, as such, the actual loan interest rates from the most recent building financing were used for the lessor interest rates. The State Bar applied 2.76% to the San Francisco building leases and 2.3% to one Los Angeles building lease.

As lessee, the State Bar generally uses its estimated incremental borrowing rate (IBR) as the discount rate for leases and subscriptions unless the rate is implicit in the lease or SBITA.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The IBR is based on the rate of interest the State Bar would need to pay it if it borrowed an amount equal to the lease or subscription payments under similar terms at the commencement or remeasurement date.

For leases executed prior to the implementation date of GASB 87, the State Bar used an IBR of 1.83% that was established using the 30-day average Federal Reserve Bank of New York Secured Overnight Financing Rate (SOFR) of 0.08% as of January 4, 2021 (earliest information available for 2021) plus 175 basis points (1.75%). IBRs for subsequent leases were calculated by taking the 30-day average SOFR on the contract execution date plus 175 basis points.

For subscription arrangements entered into prior to the implementation date of GASB 96, the State Bar used an IBR of 5.88% based on the 30-Day Average Federal Reserve Bank of New York SOFR of 4.13% plus 175 basis points. For SBITAs executed in 2023, an annual IBR of 6.78% was applied. The 2023 annual IBR was calculated by taking the average of the 90-day average SOFR on the last day of each quarter in 2023 plus 175 basis points. The State Bar will create an annual IBR going forward and apply it to new contracts without discount rates specified in the contracts.

*Presentation in Statement of Net Position*

Lease and subscription assets are reported in both current and noncurrent assets. Lease and subscription liabilities are reported with current and noncurrent liabilities in the statement of net position.

**Effects of New Pronouncements** – During the years ended December 31, 2023 and 2022, the State Bar implemented the following GASB Statements:

**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 financing of the right-to-use an underlying asset. The State Bar implemented this statement in 2022. See note 8 to the financial statements for further information.

**GASB Statement No. 94** – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves 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). The State Bar implemented this statement in 2023, which did not have a significant impact on its financial statements.

**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. The State Bar implemented this statement in 2023. See note 9 to the financial statements for further information.

**THE STATE BAR OF CALIFORNIA**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The State Bar is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

***GASB Statement No. 99*** – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022* to address a variety of topics. The requirements related to leases, public-private partnerships (PPPs), and SBITAs are effective for the State Bar’s year ended December 31, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the State Bar’s year ending December 31, 2024.

***GASB Statement No. 100*** – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections. GASB 100 is effective for the State Bar’s year ending December 31, 2024.

***GASB Statement No. 101*** – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences. GASB 101 is effective for the State Bar’s year ending December 31, 2024.

***GASB Statement No. 102*** – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to assess and disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 is effective for the State Bar’s year ending December 31, 2025.

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents, and investments as of December 31, 2023 and 2022 are classified in the financial statements as follows:

	2023	2022
Cash and cash equivalents	\$ 287,570,908	\$ 133,357,937
Investments	26,071,310	22,583,103
Restricted cash	-	9,287,909
Totals	<u>\$ 313,642,218</u>	<u>\$ 165,228,949</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, 2023, the carrying amount of the State Bar’s unrestricted deposits is \$287,570,908 and the bank balance is \$288,591,267. As of December 31, 2022, the carrying amount of the State Bar’s unrestricted deposits is \$133,357,937 and the bank balance is \$137,060,403. The State Bar had restricted deposits held by the bank in the amount of \$9,287,909 at December 31, 2022. After the State Bar’s San Francisco office building was sold in November 2023, the cash in the loan proceeds accounts are no longer restricted and there is no restricted deposit at December 31, 2023. 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.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
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Years Ended December 31, 2023 and 2022

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

The State Bar’s pooled cash and cash equivalents at December 31, 2023 and 2022 is composed of:

	2023	2022
LAIF	\$ 33,720,952	\$ 73,995,648
Other cash	253,849,956	59,362,289
Restricted cash	-	9,287,909
Total	<u>\$ 287,570,908</u>	<u>\$ 142,645,846</u>

The State Bar is a voluntary participant in the California Local Agency Investment Fund (“LAIF”) that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (“LIAB”). The LIAB consists of five members as designated by state statute. The fair value of the State Bar’s investment in the LAIF pool is reported in the financial statements at amounts based upon the State Bar’s pro-rata share of the fair value provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the State Bar’s position in the LAIF pool.

LAIF is part of the State’s Pooled Money Investment Account (“PMIA”) that allows state and local government agencies to place money into the fund. LAIF operating account allows a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than \$5,000 and in increments of a thousand dollars. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit but are limited to one withdrawal every 30 days.

As of December 31, 2023, the PMIA balance is \$158.0 billion, of which 97.95% is invested in nonderivative financial products with 2.05% in structured notes and asset-backed securities. The total amount invested by all public agencies in LAIF is \$21.0 billion, and the State Bar’s investment in LAIF is \$33.7 million. The average maturity of PMIA investments is 230 days as of December 31, 2023. As of December 31, 2022, the PMIA balance is \$199.6 billion, of which 97.71% is invested in nonderivative financial products with 2.29% in structured notes and asset-backed securities. The total amount invested by all public agencies in LAIF is \$27.7 billion, and the State Bar’s investment in LAIF is \$74.8 million. The average maturity of PMIA investments is 287 days as of December 31, 2022.

**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.



**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

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

***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 in 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 that do not have a readily available market price; 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 data and that are significant to the fair value of the assets or liabilities.

The fair value measurements of investments at December 31, 2023 and 2022, are as follows:

Description	12/31/2023	Fair value measurements using		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. government agencies*	\$ 111,665,755	\$ -	\$ 111,665,755	\$ -
Municipal bond	1,246,650	-	1,246,650	-
U.S. treasury securities	4,947,656	4,947,656	-	-
Commercial paper	4,821,950	4,821,950	-	-
Common stock	208,235	208,235	-	-
Total investments measured at fair value	<u>\$ 122,890,246</u>	<u>\$ 9,977,841</u>	<u>\$ 112,912,405</u>	<u>\$ -</u>

\*Includes \$96,818,936 U.S. government agency securities with less than 3 months maturity at purchase and classified as cash equivalent.

Description	12/31/2022	Fair value measurements using		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. government agencies	\$ 14,630,230	\$ -	\$ 14,630,230	\$ -
Municipal bond	1,216,000	-	1,216,000	-
Corporate bonds	1,624,204	-	1,624,204	-
Commercial paper	4,886,553	4,886,553	-	-
Common stock	226,116	226,116	-	-
Total investments measured at fair value	<u>\$ 22,583,103</u>	<u>\$ 5,112,669</u>	<u>\$ 17,470,434</u>	<u>\$ -</u>

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Common stock, commercial paper and U.S. Treasury securities 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 deposit 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.

**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, 2023 and 2022, are as follows:

<b>Issuer</b>	<b>Investment Type</b>	<b>2023 Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank	U.S government agencies*	\$ 111,665,755	90.9%

\*Includes \$96,818,936 U.S. government agency securities with less than 3 months maturity at purchase and classified as cash equivalent.

<b>Issuer</b>	<b>Investment Type</b>	<b>2022 Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank	U.S government agencies	\$ 14,630,230	64.8%
Riverside California Unified School District	Municipal Bonds	1,216,000	5.4%
Toyota Motor Credit Corp	Corporate Bonds	1,624,204	7.2%
MUFG Bank LTD/New York	Commercial Paper	4,886,553	21.6%

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
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**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, 2023 and 2022, are as follows:

	<u>Fair value</u>	<u>Fair value as a percentage of fixed income securities</u>	<u>Weighted average maturity (years)</u>
<b>December 31, 2023</b>			
U.S government agencies*	\$ 111,665,755	91.0%	0.3
Municipal bonds	1,246,650	1.0%	0.1
U.S. treasury securities	4,947,656	4.0%	0.5
Commercial paper	4,821,950	4.0%	0.7
	<u>\$ 122,682,011</u>	<u>100.0%</u>	

\*Includes \$96,818,936 U.S. government agency securities with less than 3 months maturity at purchase and classified as cash equivalent.

	<u>Fair value</u>	<u>Fair value as a percentage of fixed income securities</u>	<u>Weighted average maturity (years)</u>
<b>December 31, 2022</b>			
U.S. government agencies	\$ 14,630,230	65.4%	1.0
Municipal bonds	1,216,000	5.4%	1.1
Corporate bonds	1,624,204	7.3%	0.0
Commercial paper	4,886,553	21.9%	0.5
	<u>\$ 22,356,987</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, 2023 and 2022, are as follows:

	<u>2023</u>		<u>2022</u>	
S&P's rating	<u>Fair value</u>	<u>Fair value as of a % of fixed income securities</u>	<u>Fair value</u>	<u>Fair value as of a % of fixed income securities</u>
AA+	\$ 9,986,579	8.0%	\$ 4,844,159	21.7%
AA-	-	0.0%	1,216,000	5.4%
A+	-	0.0%	1,624,204	7.3%
A-1	4,821,950	4.0%	4,886,553	21.9%
NR*	107,873,482	88.0%	9,786,071	43.8%
Total fixed income securities	<u>\$ 122,682,011</u>	<u>100.0%</u>	<u>\$ 22,356,987</u>	<u>100.0%</u>

\*2023 includes \$96,818,936 U.S. government agency securities with less than 3 months maturity at purchase and classified as cash equivalent.

**THE STATE BAR OF CALIFORNIA**  
**Business-Type Activity – Enterprise Fund**  
**Notes to the Financial Statements**  
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**5. CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2023 and 2022, are as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 19,537,615	\$ -	\$ (1,212,615)	\$ 18,325,000
Work in progress	2,537,836	2,890,453	(5,335,018)	93,271
Total capital assets, not being depreciated	22,075,451	2,890,453	(6,547,633)	18,418,271
Capital assets, being depreciated:				
Buildings and leasehold improvements	94,960,294	1,038,556	(43,994,837)	52,004,013
180 Howard Tenant Improvements	15,330,940	-	(15,330,940)	-
Equipment and software	21,489,818	1,616,832	(7,382,612)	15,724,038
Furniture and fixtures	5,512,099	161,444	-	5,673,543
Total capital assets, being depreciated	137,293,151	2,816,832	(66,708,389)	73,401,594
Less accumulated depreciation for:				
Buildings and leasehold improvements	(35,727,391)	(3,129,798)	25,929,441	(12,927,748)
180 Howard Tenant Improvements	(4,235,269)	(6,718)	4,241,987	-
Equipment and software	(15,969,806)	(2,955,822)	7,366,833	(11,558,795)
Furniture and fixtures	(5,128,428)	(426,564)	-	(5,554,992)
Total accumulated depreciation	(61,060,894)	(6,518,902)	37,538,261	(30,041,535)
Total capital assets, being depreciated, net	76,232,257	(3,702,070)	(29,170,128)	43,360,059
Right-to-use assets, being amortized:				
Right-to-use lease assets (Note 8)	1,830,804	51,501,897	-	53,332,701
Less accumulated amortization for lease assets	(1,001,875)	(962,648)	-	(1,964,523)
Right-to-use subscription assets (Note 9)	-	3,921,855	-	3,921,855
Less accumulated amortization for subscription assets	-	(1,205,061)	-	(1,205,061)
Total right-to-use assets, being amortized, net	828,929	53,256,043	-	54,084,972
Total capital assets, being depreciated or amortized, net	\$ 99,136,637	\$ 52,444,426	\$ (35,717,761)	\$ 115,863,302

  

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 19,537,615	\$ -	\$ -	\$ 19,537,615
Work in progress	240,965	2,296,871	-	2,537,836
Total capital assets, not being depreciated	19,778,580	2,296,871	-	22,075,451
Capital assets, being depreciated:				
Buildings and leasehold improvements	95,806,385	393,655	(1,239,746)	94,960,294
180 Howard Tenant Improvements	15,330,940	-	-	15,330,940
Equipment and software	20,214,658	1,275,160	-	21,489,818
Furniture and fixtures	5,512,099	-	-	5,512,099
Total capital assets, being depreciated	136,864,082	1,668,815	(1,239,746)	137,293,151
Less accumulated depreciation for:				
Buildings and leasehold improvements	(32,036,214)	(3,700,759)	9,582	(35,727,391)
180 Howard Tenant Improvements	(4,227,207)	(8,062)	-	(4,235,269)
Equipment and software	(13,343,660)	(2,626,146)	-	(15,969,806)
Furniture and fixtures	(4,744,757)	(383,671)	-	(5,128,428)
Total accumulated depreciation	(54,351,838)	(6,718,638)	9,582	(61,060,894)
Total capital assets, being depreciated, net	82,512,244	(5,049,823)	(1,230,164)	76,232,257
Right-to-use assets, being amortized:				
Right-to-use lease assets (Note 8)	1,830,804	-	-	1,830,804
Less accumulated amortization	(493,572)	(508,303)	-	(1,001,875)
Total right-to-use assets, being amortized, net	1,337,232	(508,303)	-	828,929
Total capital assets, being depreciated or amortized, net	\$ 103,628,056	\$ (3,261,255)	\$ (1,230,164)	\$ 99,136,637

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**5. CAPITAL ASSETS (Continued)**

Depreciation expenses for the years ended December 31, 2023 and 2022 was \$6,518,902 and \$6,718,638, respectively. Amortization expenses for right-to-use assets for the years ended December 31, 2023 and 2022 was \$2,167,709 and \$508,303 respectively.

**6. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

At December 31, 2023 and 2022, accounts payable and other current liabilities consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts payable	\$ 5,356,695	\$ 6,879,077
Compensated absences, current portion	3,426,188	2,881,476
Other liabilities	<u>4,505,778</u>	<u>4,884,743</u>
Total accounts payable and other liabilities	<u>\$ 13,288,661</u>	<u>\$ 14,645,296</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:

	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2023</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 7,203,690	\$ 7,785,743	\$ (6,423,965)	\$ 8,565,468	\$ 3,426,188

  

	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2022</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 6,742,034	\$ 6,546,489	\$ (6,084,833)	\$ 7,203,690	\$ 2,881,476

**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 Improvements 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 \$13,080,800 due on September 30, 2036. The taxable loan bears a rate of 2.76% per year and the tax-exempt loan bears a rate of 2.30% per year. On November 14, 2023, the State Bar's San Francisco building was sold and both taxable and tax-exempt loans related to the San Francisco building were paid off through escrow with sale proceeds from the building. The outstanding loan balance of the San Francisco loan was \$18,582,990 as of December 31, 2022, and there is no outstanding San Francisco loan balance as of December 31, 2023.

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**7. LOANS PAYABLE (Continued)**

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. As of December 31, 2023 and 2022, the outstanding loan balance was \$11,596,000 and \$12,426,000, respectively.

	<b>Balance</b>		<b>Balance</b>	<b>Amount</b>
	<b>December 31, 2022</b>	<b>Repayments</b>	<b>December 31, 2023</b>	<b>Due Within</b>
				<b>One Year</b>
San Francisco	\$ 18,582,990	\$ (18,582,990)	\$ -	\$ -
Los Angeles	12,426,000	(830,000)	11,596,000	849,000
Total	<u>\$ 31,008,990</u>	<u>\$ (19,412,990)</u>	<u>\$ 11,596,000</u>	<u>\$ 849,000</u>

  

	<b>Balance</b>		<b>Balance</b>	<b>Amount</b>
	<b>December 31, 2021</b>	<b>Repayments</b>	<b>December 31, 2022</b>	<b>Due Within</b>
				<b>One Year</b>
San Francisco	\$ 20,490,573	\$ (1,907,583)	\$ 18,582,990	\$ 1,959,746
Los Angeles	13,237,000	(811,000)	12,426,000	830,000
Total	<u>\$ 33,727,573</u>	<u>\$ (2,718,583)</u>	<u>\$ 31,008,990</u>	<u>\$ 2,789,746</u>

The annual repayment schedule as of December 31, 2023, is as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 849,000	\$ 259,423
2025	869,000	239,723
2026	889,000	219,564
2027	909,000	198,944
2028	931,000	177,848
2029-2033	4,988,000	555,128
2034-2035	2,161,000	56,292
Total	<u>\$ 11,596,000</u>	<u>\$ 1,706,922</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 occur, 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 State Bar, and require the State Bar 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.

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**8. LEASES**

***State Bar as Lessee***

The State has entered into long-term leases for office space, laptops, and office equipment. The terms for these leases range from 3 to 16 years.

A summary of intangible right-to-use lease activities for the years ended December 31, 2023 and 2022, are as follows:

	Balance January 1, 2023	Additions	Remeasurements	Deductions	Balance December 31, 2023
Right-to-use assets:					
Building	\$ 421,110	\$ 51,287,572	\$ -	\$ -	\$ 51,708,682
Equipment	1,409,694	184,339	29,986	-	1,624,019
Total lease assets	1,830,804	51,471,911	29,986	-	53,332,701
Less accumulated amortization:					
Right-to-use assets:					
Building	(190,692)	(512,607)	-	-	(703,299)
Equipment	(811,183)	(450,041)	-	-	(1,261,224)
Total accumulated amortization	(1,001,875)	(962,648)	-	-	(1,964,523)
Total lease assets, net	\$ 828,929	\$ 50,509,263	\$ 29,986	\$ -	\$ 51,368,178
	Balance January 1, 2022	Additions	Remeasurements	Deductions	Balance December 31, 2022
Right-to-use assets:					
Building	\$ 421,110	\$ -	\$ -	\$ -	\$ 421,110
Equipment	1,409,694	-	-	-	1,409,694
Total lease assets	1,830,804	-	-	-	1,830,804
Less accumulated amortization:					
Right-to-use assets:					
Building	(95,346)	(95,346)	-	-	(190,692)
Equipment	(398,226)	(412,957)	-	-	(811,183)
Total accumulated amortization	(493,572)	(508,303)	-	-	(1,001,875)
Total lease assets, net	\$ 1,337,232	\$ (508,303)	\$ -	\$ -	\$ 828,929

On November 14, 2023, the State Bar entered into a sale-leaseback transaction for its San Francisco office building. Accordingly, the State Bar removed the carrying values of the building and related capital assets and recorded the lease asset and related liabilities. The difference between the net proceeds from the sale and the carrying value of the capital assets resulted in a gain of \$13.1 million that is reported as a deferred inflow of resources related to lease items to be recognized over the term of the lease.

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**8. LEASES (Continued)**

A summary of changes in the related lease liabilities for the years ended December 31, 2023 and 2022, are as follows:

	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2023</u>	<u>Amounts due</u> <u>within one year</u>
Lease Liabilities	\$ 791,906	\$ 51,471,911	\$ 29,986	\$ (1,284,335)	\$ 51,009,468	\$ 2,633,338

	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2022</u>	<u>Amounts due</u> <u>within one year</u>
Lease Liabilities	\$ 1,286,571	\$ -	\$ -	\$ (494,665)	\$ 791,906	\$ 515,366

Future annual lease payments as of the year ended December 31, 2023, is as follows:

Year ending December 31:	<u>Principal</u> <u>amount</u>	<u>Interest</u> <u>amount</u>	<u>Total</u>
2024	\$ 2,633,338	\$ 3,505,861	\$ 6,139,199
2025	1,123,277	3,385,752	4,509,029
2026	1,286,671	3,303,259	4,589,930
2027	1,470,617	3,205,253	4,675,870
2028	1,723,043	3,093,161	4,816,204
2029-2033	13,262,528	13,073,043	26,335,571
2034-2038	23,863,563	6,666,494	30,530,057
2039	5,646,431	194,693	5,841,124
Total	51,009,468	\$36,427,516	\$ 87,436,984
Less: Current Portion	(2,633,338)		
Long-term portion as of December 31, 2023	\$ 48,376,130		

**Variable Lease Payments** - Variable lease payments based on usage, market rate and not considered fixed in substance are excluded from the measurement of the lease liabilities. They are recognized as lease expenses in the period incurred. The amounts recognized as expenses for variable lease payments and not included in the measurement of the lease liabilities were \$338,400 for both years ended December 31, 2023 and 2022.

**State Bar as Lessor**

The State Bar was a lessor for its San Francisco building before the building was sold on November 14, 2023. It also leases certain space of its Los Angeles building to one tenant as retail space. The term for the Los Angeles lease is 20 years.

Total lease revenue and interest revenue recognized under GASB 87 during the years ended December 31, 2023, and December 31, 2022, were \$2,617,421 and \$3,674,473, respectively.



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**8. LEASES (Continued)**

Variable lease payments including percentage of gross sales without minimum amounts were excluded from the measurement of lease receivables and were recognized as revenues when earned. The amounts recognized as revenues for variable lease payments not included in the measurement of the lease receivables were \$46,970 and \$36,057 during the years ended December 31, 2023 and 2022, respectively.

Principal and interest requirements to maturity for the lease receivable for the year ended December 31, 2023, are as follows:

Year ended December 31:	Principal amount	Interest amount	Total
2023	\$ 365,164	\$ 90,990	\$ 456,154
2024	373,652	82,502	456,154
2025	382,337	73,817	456,154
2026	391,224	64,930	456,154
2027	421,427	55,635	477,062
2028-2032	2,188,965	126,019	2,314,984
Total	4,122,769	\$ 493,893	\$ 4,616,662
Less: Current Portion	(365,164)		
Long-term portion as of December 31, 2023	\$ 3,757,605		

**9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

The State has subscription arrangements for the right-to-use various information technology hardware and software. Some of these arrangements cover a period of multiple years and are subject to the provisions of GASB Statement No. 96.

A summary of intangible right-to-use subscription IT assets for the year ended December 31, 2023, are as follows:

	Balance January 1, 2023	Additions	Remeasurements	Deductions	Balance December 31, 2023
Subscription assets	\$ -	\$ 3,921,855	\$ -	\$ -	\$ 3,921,855
Less accumulated amortization:	-	(1,205,061)	-	-	(1,205,061)
Total subscription assets, net	\$ -	\$ 2,716,794	\$ -	\$ -	\$ 2,716,794

A summary of changes in the related subscription liabilities for the year ended December 31, 2023, is as follows:

	Balance Jan 1, 2023	Additions	Remeasurements	Deductions	Balance Dec 31, 2023	Amounts due within one year
Subscription liability	\$ -	\$ 3,921,855	\$ -	\$ (1,410,987)	\$ 2,510,868	\$ 1,234,596

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**9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)  
(Continued)**

Future annual subscription payments as of the year ended December 31, 2023, are as follows:

Year ending December 31:	<b>Principal amount</b>	<b>Interest amount</b>	<b>Total</b>
2024	\$ 1,234,596	\$ 143,555	\$ 1,378,151
2025	826,961	69,931	896,892
2026	264,247	20,635	284,882
2027	185,064	4,857	189,921
Total	2,510,868	\$ 238,978	\$ 2,749,846
Less: Current Portion	(1,234,596)		
Long-term portion as of December 31, 2023	\$ 1,276,272		

**Variable SBITA Payments** – Variable SBITA payments based on usage, future performance of a government, number of user seats, or not considered fixed in substance are excluded from the measurement of the subscription liabilities. They are recognized as subscription expenses in the period incurred. The amount recognized as expenses for variable SBITA payments and not included in the measurement of the subscription liabilities was \$1,300,495 for the year ended December 31, 2023.

**Restatement** – The State Bar did not restate prior year's financial statement as it was not practical given the immaterial impact. Restating would have been a time-consuming process considering the current limitations of the reporting tools.

**10. 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 full-time 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.

**THE STATE BAR OF CALIFORNIA**  
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**10. 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, 2023, the most recent information available, the State Bar’s pension plan included 577 active employees, 483 inactive employees entitled to but not yet receiving benefits, and 634 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, 2023 and 2022, 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 employer contribution rates - 7/1/2021 to 6/30/2022	20.30%	20.30%
Required employer contribution rates - 7/1/2022 to 6/30/2023	19.85%	19.85%
Required employer contribution rates - 7/1/2023 to 12/31/2023	17.26%	17.26%

**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.

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**10. PENSION PLAN (Continued)**

**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, 2023, the total pension liability for the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard procedures. For the year ended December 31, 2022, the total pension liability for the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard procedures.

**Actuarial Assumptions** – A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2023, and 2022, are as follows:

Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll Growth	2.80%	2.80%
Projected Salary Increase	Varies by entry age and service	
Post Retirement Benefit Increase	(1)	
Mortality	Derived using CalPERS' membership data (2)	

(1) During the measurement period 2023 and 2022, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

(2) The mortality table used was developed based on CalPERS-specific data. As of June 30, 2023, and June 30, 2022, the probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

The actuarial assumptions used in the June 30, 2022, and June 30, 2021, valuations were based on the results of the CalPERS 2021 experience study for the period 2000 to 2019, including changes to the rates of decrement, salary increase rates and economic assumptions. Further details of the experience study can be found on the CalPERS website.

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**10. PENSION PLAN (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability for the Plan as of June 30, 2023, and 2022, was 6.90 percent. 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The expected real rates of return by asset class for the actuarial valuation of June 30, 2023, and June 30, 2022, are as follows:

<b>Asset Class</b>	<b>Assumed asset Allocation</b>	<b>Real return (a), (b)</b>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
Total	100.00%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

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**10. 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, 2023 and 2022, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2022</b>	<b>\$ 463,211,034</b>	<b>\$ 381,861,682</b>	<b>\$ 81,349,352</b>
<b>Changes in the year:</b>			
Service cost	10,687,502	-	10,687,502
Interest on the total pension liability	32,099,352	-	32,099,352
Changes of benefit terms	445,283	-	445,283
Differences between actual and expected experience	8,648,044	-	8,648,044
Contribution - employer	-	13,004,411	(13,004,411)
Contribution - employee	-	4,860,008	(4,860,008)
Net investment income	-	23,359,308	(23,359,308)
Administrative expenses	-	(280,803)	280,803
Benefit payments, including refunds of employee contributions	(24,880,232)	(24,880,232)	-
<b>Net changes</b>	<b>26,999,949</b>	<b>16,062,692</b>	<b>10,937,257</b>
<b>Balance at June 30, 2023</b>	<b>\$ 490,210,983</b>	<b>\$ 397,924,374</b>	<b>\$ 92,286,609</b>

  

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2021</b>	<b>\$ 439,966,442</b>	<b>\$ 418,622,643</b>	<b>\$ 21,343,799</b>
<b>Changes in the year:</b>			
Service cost	10,414,335	-	10,414,335
Interest on the total pension liability	30,276,187	-	30,276,187
Changes of Assumptions	5,602,752	-	5,602,752
Differences between actual and expected experience	(933,412)	-	(933,412)
Contribution - employer	-	12,140,925	(12,140,925)
Contribution - employee	-	4,655,824	(4,655,824)
Net investment income	-	(31,181,663)	31,181,663
Administrative expenses	-	(260,777)	260,777
Benefit payments, including refunds of employee contributions	(22,115,270)	(22,115,270)	-
<b>Net changes</b>	<b>23,244,592</b>	<b>(36,760,961)</b>	<b>60,005,553</b>
<b>Balance at June 30, 2022</b>	<b>\$ 463,211,034</b>	<b>\$ 381,861,682</b>	<b>\$ 81,349,352</b>

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
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Years Ended December 31, 2023 and 2022

**10. PENSION PLAN (Continued)**

***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*** – The State Bar recognized pension expense of \$19,483,021 for the year ended December 31, 2023, and pension expense of \$12,012,240 for the year ended December 31, 2022. Deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<b>2023</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 2,574,238	\$ -
Differences between actual and expected experience	6,245,810	(882,497)
Contributions made after the measurement date: June 30, 2023	5,851,627	-
Net differences between projected and actual earning on plan investments	18,383,201	-
Total	<u>\$ 33,054,876</u>	<u>\$ (882,497)</u>

  

	<b>2022</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 4,088,495	\$ -
Differences between actual and expected experience	366,772	(2,042,039)
Contributions made after the measurement date: June 30, 2022	6,239,549	-
Net differences between projected and actual earning on plan investments	19,448,877	-
Total	<u>\$ 30,143,693</u>	<u>\$ (2,042,039)</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, 2023 and 2022, the State Bar reported \$5,851,627 and \$6,239,549, 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, 2024 and 2023, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension as of December 31, 2023, will be recognized as pension expense as follows:

<b><u>Year Ending December 31</u></b>	
2024	\$ 6,604,599
2025	5,221,140
2026	13,952,375
2027	542,638
Total	<u>\$ 26,320,752</u>

**THE STATE BAR OF CALIFORNIA**  
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**10. PENSION PLAN (Continued)**

***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 State Bar’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:

As of December 31, 2023	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Plan's net pension liability	\$ 154,709,615	\$ 92,286,609	\$ 40,511,385
As of December 31, 2022	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Plan's net pension liability	\$ 140,964,080	\$ 81,349,352	\$ 31,864,486

**11. 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 service 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.

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 website.



**THE STATE BAR OF CALIFORNIA**  
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**11. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)**

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 \$151 per month for 2023 but is adjusted by CalPERS on an annual basis. In 2023, the State Bar contributed \$151 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, 2023, the OPEB Plan included 563 active participants and 162 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. 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 \$16.70, \$24.23, and \$43.45 for retiree, couple, and family, respectively.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
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**11. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)**

**Net OPEB Liability and Assumptions:** The net OPEB liability for the OPEB Plan is measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. For the years ended December 31, 2023 and 2022, the total OPEB liability for the OPEB Plan is measured as of June 30, 2023 and 2022, respectively, using an annual actuarial valuation as of January 1, 2022.

The total OPEB liability in the January 1, 2022, actuarial valuation 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	6.50%
Inflation	2.50%
Healthcare Trend Rate	Trend assumption based on the "Getzen" model developed by the Society of Actuaries. Assumed the vision cost would increase at an annual rate of 3.00% for January 1, 2022 valuations. Assumed the PEMCHA minimum contribution would grow with general medical inflation. The minimum amount is \$149 per month for calendar year 2022 and \$151 for 2023 and assumed the medical CPI increase at an annual rate of 4.00% in 2024, 3.75% in 2025, 3.50% in 2026 and 3.25% in 2027 and after, for January 1, 2022 valuation.
Mortality	CalPERS Mortality rates projected generationally using 80 percent of scale MP-2020.

For the actuarial valuation as of January 1, 2022, the healthcare trend rate for vision will increase at a rate of 3.00% per year, no change from the prior full valuation. PEMCHA minimum contribution is \$149 per month for calendar year 2022 and \$151 for 2023. It will increase by 4.00% in 2024, 3.75% in 2025, 3.50% in 2026 and 3.25% in 2027 and after.

**THE STATE BAR OF CALIFORNIA**  
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**11. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)**

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 for the actuarial valuation of January 1, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Expected Arithmetic Normal Return (30 yrs)</u>
Global Equity	36%	8.77%
U.S. Fixed Income	37%	4.57%
Treasury Inflation-Protected Securities	7%	4.08%
Real Estate Investment Trusts	17%	9.84%
Commodities	3%	5.36%
Total	<u>100%</u>	

Expected Geometric Return (30 yrs) - 6.52%

The discount rate used to measure the total OPEB liability was 6.50 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.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

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

***Changes in the Net OPEB Liability*** The changes in the net OPEB liability of the OPEB Plan, measured as of June 30, 2023 and 2022, are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2022</b>	<b>\$ 44,029,471</b>	<b>\$ 36,636,168</b>	<b>\$ 7,393,303</b>
<b>Changes in the year:</b>			
Service cost	2,113,304	-	2,113,304
Interest on the total OPEB liability	2,714,466	-	2,714,466
Differences between actual and experience with regard to or demographic factors	1,628,896	-	1,628,896
Changes in assumptions	(2,764,054)	-	(2,764,054)
Benefit payments	(1,827,741)	(1,827,741)	-
Contributions from employer	-	4,628,741	(4,628,741)
Net investment income	-	702,503	(702,503)
Administrative expenses	-	(18,588)	18,588
<b>Net changes</b>	<b>1,864,871</b>	<b>3,484,915</b>	<b>(1,620,044)</b>
<b>Balance at June 30, 2023</b>	<b>\$ 45,894,342</b>	<b>\$ 40,121,083</b>	<b>\$ 5,773,259</b>

  

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2021</b>	<b>\$ 45,289,136</b>	<b>\$ 37,672,126</b>	<b>\$ 7,617,010</b>
<b>Changes in the year:</b>			
Service cost	2,686,342	-	2,686,342
Interest on the total OPEB liability	2,835,237	-	2,835,237
Differences between actual and experience with regard to or demographic factors	(3,420,777)	-	(3,420,777)
Changes in assumptions	(1,896,095)	-	(1,896,095)
Benefit payments	(1,464,372)	(1,464,372)	-
Contributions from employer	-	4,967,372	(4,967,372)
Net investment income	-	(4,519,803)	4,519,803
Administrative expenses	-	(19,155)	19,155
<b>Net changes</b>	<b>(1,259,665)</b>	<b>(1,035,958)</b>	<b>(223,707)</b>
<b>Balance at June 30, 2022</b>	<b>\$ 44,029,471</b>	<b>\$ 36,636,168</b>	<b>\$ 7,393,303</b>

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**11. 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate:

	<b>1% Decrease in Discount Rate 5.50%</b>	<b>Current Discount Rate 6.50%</b>	<b>1% Increase in Discount Rate 7.50%</b>
Net OPEB Liability (NOL) for December 31, 2023	\$ 11,545,281	\$ 5,773,259	\$ 896,306
	<b>1% Decrease in Discount Rate 5.00%</b>	<b>Current Discount Rate 6.00%</b>	<b>1% Increase in Discount Rate 7.00%</b>
Net OPEB Liability (NOL) for December 31, 2022	\$ 13,117,157	\$ 7,393,303	\$ 2,577,502

***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:

	<b>1% Decrease in Healthcare Cost Trend Rate 5.50%</b>	<b>Current Healthcare Cost Trend Rate 6.50%</b>	<b>1% Increase in Healthcare Cost Trend Rate 7.50%</b>
Net OPEB Liability (NOL) for December 31, 2023	\$ (553,975)	\$ 5,773,259	\$ 13,590,317
	<b>1% Decrease in Healthcare Cost Trend Rate 5.00%</b>	<b>Current Healthcare Cost Trend Rate 6.00%</b>	<b>1% Increase in Healthcare Cost Trend Rate 7.00%</b>
Net OPEB Liability (NOL) for December 31, 2022	\$ 1,495,059	\$ 7,393,303	\$ 14,689,694

**THE STATE BAR OF CALIFORNIA**  
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Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

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

***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 expenses for the years ended December 31, 2023 and 2022, was \$2,909,351 and \$3,397,423, respectively.

As of the year ended December 31, 2023, 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	\$ 1,594,860	\$ (2,653,787)
Changes of assumptions	-	(4,448,119)
Net difference between projected and actual earnings	4,448,455	-
Contributions made subsequent to measurement date	3,590,724	-
Total	<u>\$ 9,634,039</u>	<u>\$ (7,101,906)</u>

As of the year ended December 31, 2022, 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	\$ 178,411	\$ (3,037,282)
Changes of assumptions	-	(2,311,519)
Net difference between projected and actual earnings	4,012,453	-
Contributions made subsequent to measurement date	3,550,557	-
Total	<u>\$ 7,741,421</u>	<u>\$ (5,348,801)</u>

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

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

At December 31, 2023, and 2022, the State Bar reported \$3,590,724 and \$3,550,557, 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 years ending December 31, 2024, and 2023, respectively. Other amounts reported as deferred inflows of resources related to OPEB as of December 31, 2023, will be recognized as OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred (Inflows) and Outflows of Resources</u>
2024	\$ 412,474
2025	431,184
2026	893,707
2027	(482,918)
2028	(797,002)
Thereafter	(1,516,036)
Total	<u>\$ (1,058,591)</u>

**12. 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.

**13. 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, 2023, and 2022.

**Major Projects** – As of December 31, 2023, the State Bar had contracts and purchase order commitments for major projects of approximately \$2.0 million. Those commitments consist of \$0.9 million for IT subscriptions, \$0.4 million for ongoing ERP system support and licensing, \$0.4 million for leasing of laptops, and \$0.3 million for consulting services related to the IT Maturity Assessment Project.

**THE STATE BAR OF CALIFORNIA**  
Business-Type Activity – Enterprise Fund  
Notes to the Financial Statements  
Years Ended December 31, 2023 and 2022

**14. SUBSEQUENT EVENT**

After December 31, 2023, and before the issuance of financial statements dated May 10, 2024, 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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# THE STATE BAR OF CALIFORNIA

## Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited) As of December 31, 2023 Last 10 Years

Measurement Period Ended June 30	2023	2022	2021	2020	2019
<b>TOTAL PENSION LIABILITY</b>					
Service Cost	\$ 10,687,502	\$ 10,414,335	\$ 9,507,566	\$ 8,917,807	\$ 8,457,483
Interest on total pension liability	32,099,352	30,276,187	29,737,918	28,675,153	27,203,790
Differences between expected and actual experience	8,648,044	(933,412)	(3,175,437)	3,117,562	4,632,331
Changes in assumptions	-	5,602,752	-	-	-
Changes in benefits	445,283	-	-	-	-
Benefit payments, including refunds of employee contributions	(24,880,232)	(22,115,270)	(20,880,413)	(18,816,672)	(18,044,328)
Net change in total pension liability	26,999,949	23,244,592	15,189,634	21,893,850	22,249,276
Total pension liability - beginning	463,211,034	439,966,442	424,776,808	402,882,958	380,633,682
Total pension liability - ending	\$ 490,210,983	\$ 463,211,034	\$ 439,966,442	\$ 424,776,808	\$ 402,882,958
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - employer	\$ 13,004,411	\$ 12,140,925	\$ 10,953,471	\$ 9,733,180	\$ 8,155,168
Contributions - employee	4,860,008	4,655,824	4,372,707	4,418,214	3,793,577
Net investment income	23,359,308	(31,181,663)	77,444,578	16,489,470	20,781,606
Benefit payments, including refunds of employee contributions	(24,880,232)	(22,115,270)	(20,880,413)	(18,816,672)	(18,044,328)
Net Plan to Plan Resource Movement	-	-	-	-	745
Administrative expenses	(280,803)	(260,777)	(346,711)	(473,294)	(229,266)
Other Miscellaneous Income/(Expense)	-	-	-	-	-
Net change in plan fiduciary net position	16,062,692	(36,760,961)	71,543,632	11,350,898	14,457,502
Plan fiduciary net position - beginning	381,861,682	418,622,643	347,079,011	335,728,113	321,270,611
Plan fiduciary net position - ending	\$ 397,924,374	\$ 381,861,682	\$ 418,622,643	\$ 347,079,011	\$ 335,728,113
Net pension liability - ending	\$ 92,286,609	\$ 81,349,352	\$ 21,343,799	\$ 77,697,797	\$ 67,154,845
Plan fiduciary net position as a percentage of the total pension liability	81.17%	82.44%	95.15%	81.71%	83.33%
Covered - employee payroll	\$ 63,578,237	\$ 61,659,769	\$ 58,652,475	\$ 54,145,762	\$ 50,333,174

# THE STATE BAR OF CALIFORNIA

## Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited) As of December 31, 2023 Last 10 Years

Measurement Period Ended June 30	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service Cost	\$ 8,413,051	\$ 8,895,961	\$ 7,565,782	\$ 7,286,606	\$ 7,138,657
Interest on total pension liability	25,675,376	25,355,446	24,173,396	22,279,424	20,821,887
Differences between expected and actual experience	(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	(16,688,769)	(13,722,132)	(12,312,756)	(11,068,730)	(10,088,607)
Net change in total pension liability	3,069,704	39,771,961	26,169,361	14,650,568	17,871,937
Total pension liability - beginning	377,563,978	337,792,017	311,622,656	296,972,088	279,100,151
Total pension liability - ending	<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	\$ 6,191,049	\$ 5,519,957	\$ 4,864,102	\$ 4,167,567	\$ 4,166,043
Contributions - employee	3,726,557	3,697,300	3,437,015	3,387,652	3,262,781
Net investment income	25,383,692	31,072,914	1,591,381	6,203,991	41,450,031
Benefit payments, including refunds of employee contributions	(16,688,769)	(13,722,132)	(12,312,756)	(11,068,730)	(10,088,607)
Net Plan to Plan Resource Movement	(745)	-	-	-	-
Administrative expenses	(473,766)	(410,263)	(170,929)	(316,734)	-
Other Miscellaneous Income/(Expense)	(899,690)	-	-	-	-
Net change in plan fiduciary net position	17,238,328	26,157,776	(2,591,187)	2,373,746	38,790,248
Plan fiduciary net position - beginning	304,032,283	277,874,507	280,465,694	278,091,948	239,301,700
Plan fiduciary net position - ending	<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>\$ 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	84.40%	80.52%	82.26%	90.00%	93.64%
Covered - employee payroll	\$ 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, 2022, valuation date. This applies for voluntary benefit changes as well as any offers of two Years Additional Service Credit (a.k.a. Golden Handshakes). In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

**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 changes in assumptions during the measurement period 2019, 2020 and 2021. During measurement period 2022, the discount rate was reduced from 7.15% to 6.90%. Demographic assumptions and inflation rate assumptions were changed in accordance with the 2021 CalPERS experience Study and Review of Actuarial Assumptions. There were no changes in assumptions during measurement period 2023.

**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 related to postemployment benefits for participation in the State of California's agent (multiple-employer) OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

# THE STATE BAR OF CALIFORNIA

## Schedule of Plan Contributions - Pension (Unaudited) As of December 31, 2023 Last 10 Years

For the Year Ended June 30	2023	2022	2021	2020	2019
Actuarially Determined Contribution	\$ 13,004,411	\$ 12,140,925	\$ 10,953,471	\$ 9,733,180	\$ 8,155,168
Contributions in relation to the actuarially determined contributions	<u>(13,004,411)</u>	<u>(12,140,925)</u>	<u>(10,953,471)</u>	<u>(9,733,180)</u>	<u>(8,155,168)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 63,578,237</u>	<u>\$ 61,659,769</u>	<u>\$ 58,652,475</u>	<u>\$ 54,145,762</u>	<u>\$ 50,333,174</u>
Contributions as a percentage of covered-employee payroll	12.50%	10.85%	18.68%	17.98%	16.20%

  

For the Year Ended June 30	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 6,191,049	\$ 5,519,957	\$ 4,864,102	\$ 4,167,567	\$ 4,166,043
Contributions in relation to the actuarially determined contributions	<u>(6,191,049)</u>	<u>(5,519,957)</u>	<u>(4,864,102)</u>	<u>(4,167,567)</u>	<u>(4,166,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 49,538,071</u>	<u>\$ 50,889,313</u>	<u>\$ 48,452,015</u>	<u>\$ 46,082,759</u>	<u>\$ 43,282,954</u>
Contributions as a percentage of covered-employee payroll	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, 2023, was derived from the June 30, 2020, funding valuation report.

Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level percent of payroll
Remaining Amortization Period	16 years as of the valuation date
Asset Valuation Method	Fair Value of Assets
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.00% net of pension plan investment and administrative expenses, includes inflation
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period 1997 to 2015.
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.

# THE STATE BAR OF CALIFORNIA

## Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios (Unaudited) As of December 31, 2023 Last 10 Years\*

Measurement Period Ended June 30	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 2,113,304	\$ 2,686,342	\$ 2,534,285	\$ 580,569	\$ 547,707	\$ 489,826
Interest on total OPEB liability	2,714,466	2,835,237	2,600,287	1,071,758	1,043,546	1,611,348
Differences between actual and expected experience	1,628,896	(3,420,777)	-	267,916	-	-
Changes of assumptions	(2,764,054)	(1,896,095)	-	(943,036)	-	-
Changes of benefit terms	-	-	-	23,750,838	-	(10,325,826)
Benefits payments, including refunds of employee contributions	(1,827,741)	(1,464,372)	(1,281,476)	(1,133,033)	(1,172,820)	(1,418,516)
<b>Net change in total OPEB liability</b>	<b>1,864,871</b>	<b>(1,259,665)</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>44,029,471</b>	<b>45,289,136</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>45,894,342</b>	<b>44,029,471</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	4,628,741	4,967,372	4,941,476	1,133,033	1,922,820	2,168,516
Net investment income	702,503	(4,519,803)	4,209,476	1,776,547	1,892,678	1,111,880
Benefits payments, including refunds of employee contributions	(1,827,741)	(1,464,372)	(1,281,476)	(1,133,033)	(1,172,820)	(1,418,516)
Administrative expense	(18,588)	(19,155)	(16,556)	(14,162)	(12,821)	(12,109)
<b>Net change in plan fiduciary net position</b>	<b>3,484,915</b>	<b>(1,035,958)</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>36,636,168</b>	<b>37,672,126</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>40,121,083</b>	<b>36,636,168</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>\$ 5,773,259</b>	<b>\$ 7,393,303</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>87.4%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>72.0%</b>	<b>157.3%</b>	<b>145.9%</b>
<b>Covered-employee payroll</b>	<b>\$ 63,578,237</b>	<b>\$ 61,659,769</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>9.08%</b>	<b>11.99%</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%. During Measurement Period 2022, PEMCHA minimum contribution is changed to \$149 per month for calendar year 2022 and \$151 for 2023, \$157 for 2024 and increase by 3.75% in 2025, 3.50% in 2026 and 3.25% in 2027 and after.

**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 \$23.8 million change.

**Change in Discount Rate (liabilities) and Long Term Expected Return** - During Measurement Period 2023, the discount rate and long term expected return changed to 6.50% from 6.00% in Measurement Period 2022.

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

# THE STATE BAR OF CALIFORNIA

## Schedule of Contributions - OPEB Plan (Unaudited) As of December 31, 2023 Last 10 Years\*

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,754,000	\$ 2,915,000	\$ 3,503,000	\$ 3,660,000	\$ -	\$ -
Contributions	4,234,261	4,158,533	4,623,159	4,603,702	1,150,166	2,179,258
Contribution deficiency (excess)	<u>\$ (1,480,261)</u>	<u>\$ (1,243,533)</u>	<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)	\$ 63,578,237	\$ 61,659,769	\$ 58,652,475	\$ 54,145,762	\$ 50,333,174	\$ 49,538,071
Contribution as a percentage of covered-employee payroll	6.7%	6.7%	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, 2023, was derived from the January 1, 2022, 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	6.50%
Inflation	2.50%
Healthcare Trend Rate	Trend assumption based on the "Getzen" model developed by the Society of Actuaries. Assumed the vision cost would increase at an annual rate of 3.00% for January 1, 2022 valuations. Assumed the PEMCHA minimum contribution would grow with general medical inflation. The minimum amount is \$149 per month for calendar year 2022, \$151 for 2023 and \$157 for 2024 and assumed the medical CPI increase at an annual rate of 3.75% in 2025, 3.50% in 2026 and 3.25% in 2027 and after, for January 1, 2022 valuation.

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



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**SUPPLEMENTARY INFORMATION**

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# THE STATE BAR OF CALIFORNIA

## Supplementary Information Program Funds Schedule of Net Position December 31, 2023

	General Fund	Admissions	Grants	Client Security	Elimination of Bias
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 38,226,669	\$ 6,039,080	\$ 32,635,368	\$ 10,659,063	\$ 78,461
Investments	26,071,310	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,883,824 in 2023	1,409,008	-	645,211	-	-
Lease receivable	365,164	-	-	-	-
Other current assets	2,883,865	1,647	-	-	-
Total current assets	68,956,016	6,040,727	33,280,579	10,659,063	78,461
Noncurrent assets					
Lease receivable	3,757,605	-	-	-	-
Capital assets					
Nondepreciable	18,418,271	-	-	-	-
Depreciable, net	43,360,059	-	-	-	-
Lease asset, net	51,368,178	-	-	-	-
Subscription asset, net	2,716,794	-	-	-	-
Total noncurrent assets	119,620,907	-	-	-	-
Total assets	188,576,923	6,040,727	33,280,579	10,659,063	78,461
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension items	33,054,876	-	-	-	-
Other postemployment benefits items	9,634,039	-	-	-	-
Total deferred outflows of resources	42,688,915	-	-	-	-
Total assets and deferred outflows of resources	231,265,838	6,040,727	33,280,579	10,659,063	78,461
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and other liabilities	11,361,125	264,114	11,998	78,616	7,157
Unearned fees collected in advance	19,166,986	6,417,371	27,218,593	1,731,085	73,368
Loans payable	849,000	-	-	-	-
Lease liability	2,633,338	-	-	-	-
Subscription liability	1,234,596	-	-	-	-
Total current liabilities	35,245,045	6,681,485	27,230,591	1,809,701	80,525
Noncurrent liabilities					
Unearned fees collected in advance	-	-	4,750,001	-	-
Loans payable	10,747,000	-	-	-	-
Lease liability	48,376,130	-	-	-	-
Subscription liability	1,276,272	-	-	-	-
Compensated absences	4,450,510	396,171	17,996	117,924	10,736
Net OPEB liability	5,773,259	-	-	-	-
Net pension liability	92,286,609	-	-	-	-
Total noncurrent liabilities	162,909,780	396,171	4,767,997	117,924	10,736
Total liabilities	198,154,825	7,077,656	31,998,588	1,927,625	91,261
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Lease items	16,880,388	-	-	-	-
Pension items	882,497	-	-	-	-
Other postemployment benefits items	7,101,906	-	-	-	-
Total deferred inflows of resources	24,864,791	-	-	-	-
Total liabilities and deferred inflows of resources	223,019,616	7,077,656	31,998,588	1,927,625	91,261
<b>NET POSITION</b>					
Net investment in capital assets	50,746,966	-	-	-	-
Restricted for:					
Enabling legislation	-	-	-	8,731,438	-
Other restrictions	-	-	1,281,991	-	-
Unrestricted	(42,500,744)	(1,036,929)	-	-	(12,800)
Total net position	\$ 8,246,222	\$ (1,036,929)	\$ 1,281,991	\$ 8,731,438	\$ (12,800)

# THE STATE BAR OF CALIFORNIA

## Supplementary Information Program Funds Schedule of Net Position December 31, 2023

	Equal Access	Justice Gap Fund	Lawyers Assistance Program	Legislative Activities	Legal Services Trust
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 8,625,879	\$ 5,146,263	\$ 1,463,057	\$ 252,982	\$ 171,701,122
Investments	-	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,883,824 in 2023	582,825	-	-	-	18,553,723
Lease receivable	-	-	-	-	-
Other current assets	-	-	14,967	-	-
Total current assets	9,208,704	5,146,263	1,478,024	252,982	190,254,845
Noncurrent assets					
Lease receivable	-	-	-	-	-
Capital assets					
Nondepreciable	-	-	-	-	-
Depreciable, net	-	-	-	-	-
Lease asset, net	-	-	-	-	-
Subscription asset, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	9,208,704	5,146,263	1,478,024	252,982	190,254,845
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension items	-	-	-	-	-
Other postemployment benefits items	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	9,208,704	5,146,263	1,478,024	252,982	190,254,845
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and other liabilities	1,062,313	-	30,205	-	237,867
Unearned fees collected in advance	5,425,676	229,345	451,956	9,699	1,592,715
Loans payable	-	-	-	-	-
Lease liability	-	-	-	-	-
Subscription liability	-	-	-	-	-
Total current liabilities	6,487,989	229,345	482,161	9,699	1,830,582
Noncurrent liabilities					
Unearned fees collected in advance	-	-	-	-	-
Loans payable	-	-	-	-	-
Lease liability	-	-	-	-	-
Subscription liability	-	-	-	-	-
Compensated absences	37,896	-	45,307	-	52,772
Net OPEB liability	-	-	-	-	-
Net pension liability	-	-	-	-	-
Total noncurrent liabilities	37,896	-	45,307	-	52,772
Total liabilities	6,525,885	229,345	527,468	9,699	1,883,354
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Lease items	-	-	-	-	-
Pension items	-	-	-	-	-
Other postemployment benefits items	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Total liabilities and deferred inflows of resources	6,525,885	229,345	527,468	9,699	1,883,354
<b>NET POSITION</b>					
Net investment in capital assets	-	-	-	-	-
Restricted for:					
Enabling legislation	2,682,819	4,916,918	950,556	243,283	188,371,491
Other restrictions	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	\$ 2,682,819	\$ 4,916,918	\$ 950,556	\$ 243,283	\$ 188,371,491

# THE STATE BAR OF CALIFORNIA

## Supplementary Information Program Funds Schedule of Net Position December 31, 2023

	Legal Specialization	Bank Settlement	Grand Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 7,665,100	\$ 5,077,864	\$ 287,570,908
Investments	-	-	26,071,310
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,883,824 in 2023	-	-	21,190,767
Lease receivable	-	-	365,164
Other current assets	-	-	2,900,479
Total current assets	<u>7,665,100</u>	<u>5,077,864</u>	<u>338,098,628</u>
Noncurrent assets			
Lease receivable	-	-	3,757,605
Capital assets			
Nondepreciable	-	-	18,418,271
Depreciable, net	-	-	43,360,059
Lease asset, net	-	-	51,368,178
Subscription asset, net	-	-	2,716,794
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>119,620,907</u>
Total assets	<u>7,665,100</u>	<u>5,077,864</u>	<u>457,719,535</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items	-	-	33,054,876
Other postemployment benefits items	-	-	9,634,039
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>42,688,915</u>
Total assets and deferred outflows of resources	<u>7,665,100</u>	<u>5,077,864</u>	<u>500,408,450</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and other liabilities	5,038	230,228	13,288,661
Unearned fees collected in advance	-	-	62,316,794
Loans payable	-	-	849,000
Lease liability	-	-	2,633,338
Subscription liability	-	-	1,234,596
Total current liabilities	<u>5,038</u>	<u>230,228</u>	<u>80,322,389</u>
Noncurrent liabilities			
Unearned fees collected in advance	-	-	4,750,001
Loans payable	-	-	10,747,000
Lease liability	-	-	48,376,130
Subscription liability	-	-	1,276,272
Compensated absences	7,558	2,410	5,139,280
Net OPEB liability	-	-	5,773,259
Net pension liability	-	-	92,286,609
Total noncurrent liabilities	<u>7,558</u>	<u>2,410</u>	<u>168,348,551</u>
Total liabilities	<u>12,596</u>	<u>232,638</u>	<u>248,670,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Lease items	-	-	16,880,388
Pension items	-	-	882,497
Other postemployment benefits items	-	-	7,101,906
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>24,864,791</u>
Total liabilities and deferred inflows of resources	<u>12,596</u>	<u>232,638</u>	<u>273,535,731</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	-	50,746,966
Restricted for:			
Enabling legislation	7,652,504	4,845,226	218,394,235
Other restrictions	-	-	1,281,991
Unrestricted	-	-	(43,550,473)
Total net position	<u>\$ 7,652,504</u>	<u>\$ 4,845,226</u>	<u>\$ 226,872,719</u>

**THE STATE BAR OF CALIFORNIA**  
**Supplementary Information**  
**Program Funds Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2023**

	<b>General Fund</b>	<b>Admissions</b>	<b>Grants</b>	<b>Client Security</b>	<b>Elimination of Bias</b>
<b>OPERATING REVENUES</b>					
Licensee fees and donations	\$ 86,200,160	\$ 842,462	\$ -	\$ 8,283,581	\$ 361,093
Examination application fees	-	18,609,531	-	-	-
Trust account revenue	-	-	-	-	-
Seminar/workshop revenue	4,300	-	-	-	-
Legal specialization fees	126,201	-	-	-	-
Law corporation registration fees	2,453,552	-	-	-	-
Continuing legal education fees	1,510,695	-	-	-	-
Grant revenue	-	-	84,414,925	-	-
EAF AB145 filing fee revenue	-	-	-	-	-
Other revenue	936,940	776,722	-	112,444	-
Total operating revenues	<u>91,231,848</u>	<u>20,228,715</u>	<u>84,414,925</u>	<u>8,396,025</u>	<u>361,093</u>
<b>OPERATING EXPENSES</b>					
Chief Trial Counsel	73,021,568	-	-	-	-
State Bar Court	14,591,140	-	-	-	-
Professional Competence	3,831,007	-	-	-	-
Probation	2,119,162	-	-	-	-
Mandatory Fee Arbitration	995,828	-	-	-	-
Judicial Evaluation	892,485	-	-	-	-
Communications	1,747,465	-	-	-	-
Governance	4,100,542	-	-	-	-
Lawyer Assistance Program	-	-	-	-	-
Client Security Fund	-	-	-	7,583,507	-
Public Trust Liaison	2,445,772	-	-	-	-
Regulation	5,864,246	-	-	-	-
Admissions	-	25,476,915	-	-	-
Grants	-	-	82,931,813	-	-
General and administration	6,192,489	-	1,171,143	-	324,706
Total operating expenses	<u>115,801,704</u>	<u>25,476,915</u>	<u>84,102,956</u>	<u>7,583,507</u>	<u>324,706</u>
OPERATING INCOME (LOSS)	<u>(24,569,856)</u>	<u>(5,248,200)</u>	<u>311,969</u>	<u>812,518</u>	<u>36,387</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Interest and investment income	3,346,365	314,639	460,077	536,738	6,673
Rental income	2,554,076	-	-	-	-
Interest expenses on loans, leases and subscriptions	(1,312,387)	-	-	-	-
Gain on dispositions of capital assets	51,997	-	-	-	-
Total nonoperating revenues and expenses	<u>4,640,051</u>	<u>314,639</u>	<u>460,077</u>	<u>536,738</u>	<u>6,673</u>
INCOME/(LOSS) BEFORE TRANSFERS	<u>(19,929,805)</u>	<u>(4,933,561)</u>	<u>772,046</u>	<u>1,349,256</u>	<u>43,060</u>
Transfer in	62,989	-	-	6,090	-
Transfer out	(467,122)	(1,389)	-	(1,852)	-
CHANGE IN NET POSITION	<u>(20,333,938)</u>	<u>(4,934,950)</u>	<u>772,046</u>	<u>1,353,494</u>	<u>43,060</u>
NET POSITION—beginning of year	<u>28,580,160</u>	<u>3,898,021</u>	<u>509,945</u>	<u>7,377,944</u>	<u>(55,860)</u>
NET POSITION—end of year	<u>\$ 8,246,222</u>	<u>\$ (1,036,929)</u>	<u>\$ 1,281,991</u>	<u>\$ 8,731,438</u>	<u>\$ (12,800)</u>

# THE STATE BAR OF CALIFORNIA

## Supplementary Information

### Program Funds Schedule of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2023

	Equal Access	Justice Gap Fund	Lawyers Assistance Program	Legislative Activities	Legal Services Trust
<b>OPERATING REVENUES</b>					
Licensee fees and donations	\$ -	\$ 1,797,696	\$ 2,166,935	\$ 47,680	\$ 7,291,820
Examination application fees	-	-	-	-	-
Trust account revenue	-	-	-	-	176,403,380
Seminar/workshop revenue	-	-	-	-	-
Legal specialization fees	-	-	-	-	-
Law corporation registration fees	-	-	-	-	-
Continuing legal education fees	-	-	-	-	-
Grant revenue	35,084,193	-	-	-	-
EAF AB145 filing fee revenue	450,000	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total operating revenues</b>	<b>35,534,193</b>	<b>1,797,696</b>	<b>2,166,935</b>	<b>47,680</b>	<b>183,695,200</b>
<b>OPERATING EXPENSES</b>					
Chief Trial Counsel	-	-	-	-	-
State Bar Court	-	-	-	-	-
Professional Competence	-	-	-	-	-
Probation	-	-	-	-	-
Mandatory Fee Arbitration	-	-	-	-	-
Judicial Evaluation	-	-	-	-	-
Communications	-	-	-	-	-
Governance	-	-	-	-	-
Lawyer Assistance Program	-	-	2,643,260	-	-
Client Security Fund	-	-	-	-	-
Public Trust Liaison	-	-	-	-	-
Regulation	-	-	-	-	-
Admissions	-	-	-	-	-
Grants	34,406,184	-	-	-	51,405,608
General and administration	1,872,487	9,897	-	282,475	2,894,608
<b>Total operating expenses</b>	<b>36,278,671</b>	<b>9,897</b>	<b>2,643,260</b>	<b>282,475</b>	<b>54,300,216</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(744,478)</b>	<b>1,787,799</b>	<b>(476,325)</b>	<b>(234,795)</b>	<b>129,394,984</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Interest and investment income	504,783	229,504	89,912	16,243	4,019,436
Rental income	-	-	-	-	-
Interest expenses on loans, leases and subscriptions	-	-	-	-	-
Gain on dispositions of capital assets	-	-	-	-	-
<b>Total nonoperating revenues and expenses</b>	<b>504,783</b>	<b>229,504</b>	<b>89,912</b>	<b>16,243</b>	<b>4,019,436</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>(239,695)</b>	<b>2,017,303</b>	<b>(386,413)</b>	<b>(218,552)</b>	<b>133,414,420</b>
Transfer in	-	-	1,545	-	1,400,000
Transfer out	-	(1,000,000)	-	-	(261)
<b>CHANGE IN NET POSITION</b>	<b>(239,695)</b>	<b>1,017,303</b>	<b>(384,868)</b>	<b>(218,552)</b>	<b>134,814,159</b>
<b>NET POSITION—beginning of year</b>	<b>2,922,514</b>	<b>3,899,615</b>	<b>1,335,424</b>	<b>461,835</b>	<b>53,557,332</b>
<b>NET POSITION—end of year</b>	<b>\$ 2,682,819</b>	<b>\$ 4,916,918</b>	<b>\$ 950,556</b>	<b>\$ 243,283</b>	<b>\$ 188,371,491</b>



**THE STATE BAR OF CALIFORNIA**  
Supplementary Information  
Program Funds Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended December 31, 2023

	<b>Legal Specialization</b>	<b>Bank Settlement</b>	<b>Interfunds Eliminations</b>	<b>Grand Total</b>
<b>OPERATING REVENUES</b>				
Licensee fees and donations	\$ -	\$ -	\$ -	\$ 106,991,427
Examination application fees	64,283	-	-	18,673,814
Trust account revenue	-	-	-	176,403,380
Seminar/workshop revenue	-	-	-	4,300
Legal specialization fees	2,191,874	-	-	2,318,075
Law corporation registration fees	-	-	-	2,453,552
Continuing legal education fees	82	-	-	1,510,777
Grant revenue	-	-	-	119,499,118
EAF AB145 filing fee revenue	-	-	-	450,000
Other revenue	36,536	-	-	1,862,642
Total operating revenues	<u>2,292,775</u>	<u>-</u>	<u>-</u>	<u>430,167,085</u>
<b>OPERATING EXPENSES</b>				
Chief Trial Counsel	-	-	-	73,021,568
State Bar Court	-	-	-	14,591,140
Professional Competence	-	-	-	3,831,007
Probation	-	-	-	2,119,162
Mandatory Fee Arbitration	-	-	-	995,828
Judicial Evaluation	-	-	-	892,485
Communications	-	-	-	1,747,465
Governance	-	-	-	4,100,542
Lawyer Assistance Program	-	-	-	2,643,260
Client Security Fund	-	-	-	7,583,507
Public Trust Liaison	-	-	-	2,445,772
Regulation	-	-	-	5,864,246
Admissions	-	-	-	25,476,915
Grants	-	-	-	168,743,605
General and administration	1,790,540	120,179	-	14,658,524
Total operating expenses	<u>1,790,540</u>	<u>120,179</u>	<u>-</u>	<u>328,715,026</u>
OPERATING INCOME (LOSS)	502,235	(120,179)	-	101,452,059
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Interest and investment income	339,399	215,125	-	10,078,894
Rental income	-	-	-	2,554,076
Interest expenses on loans, leases and subscriptions	-	-	-	(1,312,387)
Gain on dispositions of capital assets	-	-	-	51,997
Total nonoperating revenues and expenses	<u>339,399</u>	<u>215,125</u>	<u>-</u>	<u>11,372,580</u>
INCOME/(LOSS) BEFORE TRANSFERS	841,634	94,946	-	112,824,639
Transfer in	-	-	(1,470,624)	-
Transfer out	-	-	1,470,624	-
CHANGE IN NET POSITION	<u>841,634</u>	<u>94,946</u>	<u>-</u>	<u>112,824,639</u>
NET POSITION—beginning of year	<u>6,810,870</u>	<u>4,750,280</u>	<u>-</u>	<u>114,048,080</u>
NET POSITION—end of year	<u>\$ 7,652,504</u>	<u>\$ 4,845,226</u>	<u>\$ -</u>	<u>\$ 226,872,719</u>

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# The State Bar of California

ATTACHMENT B

## **Statement of Expenditures of Mandatory Fees and Independent Accountant's Report Year Ended December 31, 2023**

**May 10, 2024**

## **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, 2023. The expenditures of mandatory fees for the year ended December 31, 2023 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 the specified requirements. Our responsibility is to express an opinion on the State Bar's compliance with the specified requirements 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 referenced above. 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 noncompliance, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, for the year ended December 31, 2023.

Walnut Creek, California  
May 10, 2024

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees  
Year Ended December 31, 2023

	<u>Dollar Amount</u>	<u>Percentage of Total Program Expenses</u>
CHARGEABLE EXPENSES AND RELATED		
PROGRAM REVENUES:		
Chief Trial Counsel	\$ 73,021,568	66.07%
State Bar Court	14,591,140	13.20%
Client Security Fund	7,583,507	6.86%
Regulation	5,864,246	5.31%
Professional Competence	3,831,007	3.47%
Lawyer Assistance Program	2,643,260	2.39%
Probation	2,119,162	1.92%
Communications	1,747,465	1.58%
Judicial Evaluation	892,485	0.81%
Mandatory Fee Arbitration	995,828	0.90%
Public Trust Liaison	2,445,772	2.21%
Program Revenues	<u>(5,214,725)</u>	<u>-4.72%</u>
Total chargeable program expenses	<u>\$ 110,520,716</u>	<u>100.0%</u>

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

**THE STATE BAR OF CALIFORNIA**  
Notes to Statement of Expenditures of Mandatory Fees  
Year Ended December 31, 2023

**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 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 2023 financial statements.

**Use of Estimates** – The preparation of the Statement requires management to make estimates and assumptions related to the amounts of chargeable expenses during the 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 expenses into chargeable and non-chargeable categories. Although derived from the State Bar’s audited 2023 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 expenses, 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 for program costs funded by filing fees or other fees), Client Security Fund, and the Lawyers Assistance Program Fund of the State Bar.

**THE STATE BAR OF CALIFORNIA**  
Statement of Expenditures of Mandatory Fees (Continued)  
Year Ended December 31, 2023

**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 2023, the legislature changed this from an optional deduction to an optional addition. In addition, 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 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 may exclude these 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, 2023.

**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, 2023

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

b. *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)

c. *Client Security Fund*

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

d. *Regulation*

On behalf of the California Supreme Court, the Regulation Division maintains the official roll of attorneys, manages the registration of law corporations and limited partnerships, is responsible for ensuring the compliance of all licensees with various administrative requirements, and is charged with implementing the State Bar's Client Trust Account Protection Program (CTAPP).

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 reproof 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, 2023

**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. *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.

### 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.

j. *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 (1999).)

k. *Public Trust Liaison*

The Public Trust Liaison (PTL) receives inquiries and responds to the questions and concerns brought by members of the public that remain unresolved through other channels. The PTL also manages the Contact Center. The PTL has an independent dotted-line relationship to the Board's Audit Committee.

- 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, 2023

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

The 2023 State Bar indirect cost allocation to chargeable programs is summarized below:

General Counsel	\$ 5,478,694
Finance	2,615,097
Member Billing	732,620
Human Resources	1,914,761
Recruitment & Retention	1,072,647
General Services - Los Angeles	4,878,153
General Services - San Francisco	4,181,332
Building	868,300
Information Technology	15,803,842
Governance	4,047,180
OPEB	2,801,000
Indirect Cost Pool	<u>44,393,626</u>
Less: Overhead Allocation Charged to Other Programs	<u>(9,824,036)</u>
Overhead Allocation to Chargeable Program	<u><u>\$ 34,569,590</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, 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 collection of member dues. Program revenues for 2023 are comprised of:

Law Corporation Registration Fees	\$ 2,453,552
Continuing Legal Education Fees	1,510,695
Seminar/Workshop Revenue	4,300
Legal Specialization Fees	126,201
Other	1,119,977
Total	<u><u>\$ 5,214,725</u></u>

#### 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 \$47 for active and inactive attorneys. This amount included \$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. *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.)

b. *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.)

#### 5. OPTIONAL ADDITION

The State Bar sets an amount that attorneys are not required to pay and may add to the annual licensing fees. This donation for lobbying was \$5 for active and inactive attorneys.

The donation is allowed for the following activity:

a. *Lobbying*

Attorneys who want to fund lobbying and other legislative activity may add \$5. (Bus. & Prof. Code §6140.05.)



# The State Bar of California

ATTACHMENT C

## **2023 Annual Legal Services Trust Fund Program Report**

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

**May 10, 2024**

## **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, 2023, 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 legal 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 the specified requirements. Our responsibility is to express an opinion on the State Bar's compliance with the specified requirements 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 referenced above. 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 noncompliance, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 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, 2023, 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 legal support centers.

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, Schedule 2, and Schedule 3 are presented for 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.

Walnut Creek, California  
May 10, 2024

**The State Bar of California  
Office of Access & Inclusion  
Legal Services Trust Fund Operating Statement  
For the Year Ended December 31, 2023**

	<u>2023</u>	
<b>Revenues:</b>		
Trust Account Revenue	\$ 176,403,380	
Fee Statement Donations	6,476,804	
Transfers from General Fund	400,000	
Transfers from Justice Gap Fund	1,000,000	
Investment Income	4,019,436	
Voluntary Fees/Donations - PLL	8,990	
Voluntary Fees/Donations - Law Fellowship	<u>806,026</u>	
<b>Total Revenues</b> (Note 2)		<b>\$ 189,114,636</b>
<b>Expenses:</b>		
Grants to Legal Services Projects (Schedule 1A)	40,010,895	
Additional Grants to Pro Bono Programs (Schedule 1A)	3,078,673	
Grants to Support Centers (Schedule 2)	7,587,783	
<b>Total Grant Allocation</b> (Note 3)		<b>50,677,351</b>
<b>Add:</b>		
Grant Expense - Law Fellowship (Schedule 3)	757,375	
Administrative Costs (Note 4)	<u>2,894,869</u>	
<b>Total Additional Expenses</b>		<b><u>3,652,244</u></b>
<b>Less:</b>		
Returned / Declined Grant Funds	<u>(29,118)</u>	
<b>Total Expenses</b>		<b><u>54,300,477</u></b>
Net Operating Surplus (Note 5)		134,814,159
Beginning Fund Balance		<u>53,557,332</u>
<b>Ending Fund Balance</b> (Note 6)		<b><u><u>\$ 188,371,491</u></u></b>

*See Accompanying Notes to Operating Statement.*

**The State Bar of California**  
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**Notes to the Legal Services Trust Fund Operating Statement**  
**For the Year Ended December 31, 2023**

(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 2023 grant allocation was calculated as follows:

Projected Net Position as of January 1, 2023	\$	30,973,572
Projected IOLTA Interest Revenue		38,789,182
Legal Services Contributions from Fee Statement		6,150,000
Projected Justice Gap Revenue		1,440,000
Net Administrative Expenses		(2,100,000)
Net Position/Reserve Balance		(24,667,500)
Adjustments to Grants		92,097
2023 Calendar Year Grant Allocation	\$	<u>50,677,351</u>



**The State Bar of California**  
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(4) Administrative Costs

Operating expenses of \$2,894,869 incurred to administer the program are deducted from the Trust Fund revenue. Administrative costs include direct of \$2,083,290 and indirect of \$811,579 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 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.

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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.

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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 (2023 Grants by County). The detailed breakdown of grants to qualified legal services projects can be found in Schedule 1A (2023 Grants to Legal Services Projects by County). Grants to qualified Support Centers are described in Schedule 2 (2023 Grants to Support Centers).

Law Student Fellowship Grant Section 6140.03(b)(1). Five dollars (\$5) of the forty-five-dollar (\$45) fee shall be allocated to qualified legal services projects or qualified support centers, as defined in Section 6213, to fund law student summer fellowships for the purpose of supporting law students interested in pursuing a career in legal services for indigent persons. The State Bar shall not make any deductions from the five dollars (\$5) for any reason, including, but not limited to, administrative fees, costs, or expenses of the State Bar.

**The State Bar of California  
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2023 Grants by County**

COUNTY	GRANTS	COUNTY	GRANTS
<b>Alameda Total</b>	\$ 1,282,840	<b>Orange Total</b>	\$ 2,825,500
<b>Alpine Total</b>	1,150	<b>Placer Total</b>	233,350
<b>Amador Total</b>	27,500	<b>Plumas Total</b>	20,470
<b>Butte Total</b>	343,050	<b>Riverside Total</b>	2,710,370
<b>Calaveras Total</b>	45,670	<b>Sacramento Total</b>	1,839,820
<b>Colusa Total</b>	25,850	<b>San Benito Total</b>	54,430
<b>Contra Costa Total</b>	866,472	<b>San Bernardino Total</b>	2,772,130
<b>Del Norte Total</b>	39,590	<b>San Diego Total</b>	3,159,350
<b>El Dorado Total</b>	137,170	<b>San Francisco Total</b>	734,697
<b>Fresno Total</b>	1,743,088	<b>San Joaquin Total</b>	920,950
<b>Glenn Total</b>	35,910	<b>San Luis Obispo Total</b>	259,460
<b>Humboldt Total</b>	226,780	<b>San Mateo Total</b>	413,970
<b>Imperial Total</b>	343,480	<b>Santa Barbara Total</b>	480,390
<b>Inyo Total</b>	15,250	<b>Santa Clara Total</b>	1,196,700
<b>Kern Total</b>	1,583,470	<b>Santa Cruz Total</b>	269,310
<b>Kings Total</b>	190,840	<b>Shasta Total</b>	229,060
<b>Lake Total</b>	94,630	<b>Sierra Total</b>	2,650
<b>Lassen Total</b>	24,350	<b>Siskiyou Total</b>	64,490
<b>Los Angeles Total</b>	12,485,381	<b>Solano Total</b>	352,340
<b>Madera Total</b>	247,290	<b>Sonoma Total</b>	386,340
<b>Marin Total</b>	151,500	<b>Stanislaus Total</b>	690,420
<b>Mariposa Total</b>	23,740	<b>Sutter Total</b>	116,930
<b>Mendocino Total</b>	118,130	<b>Tehama Total</b>	105,780
<b>Merced Total</b>	461,010	<b>Trinity Total</b>	23,820
<b>Modoc Total</b>	12,330	<b>Tulare Total</b>	861,190
<b>Mono Total</b>	12,900	<b>Tuolumne Total</b>	49,830
<b>Monterey Total</b>	489,450	<b>Ventura Total</b>	702,480
<b>Napa Total</b>	88,550	<b>Yolo Total</b>	313,160
<b>Nevada Total</b>	81,560	<b>Yuba Total</b>	101,250
Total Distributed to Legal Services Providers			43,089,568
Total Distributed to Support Centers (Statewide)			<u>7,587,783</u>
<b>GRAND TOTAL 2023 IOLTA GRANT EXPENDITURES</b>			<b><u>\$ 50,677,351</u></b>

**The State Bar of California  
Office of Access & Inclusion  
2023 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Alameda	Advancing Justice - Asian Law Caucus	\$20,690	\$-	\$20,690
Alameda	Aids Legal Referral Panel	3,090	-	3,090
Alameda	Alameda County Homeless Action Center	246,790	-	246,790
Alameda	Asian Pacific Islander Legal Outreach	37,420	-	37,420
Alameda	Bay Area Legal Aid	206,860	-	206,860
Alameda	California Indian Legal Services	840	-	840
Alameda	Centro Legal de la Raza	155,580	-	155,580
Alameda	Disability Rights California	40,610	-	40,610
Alameda	East Bay Community Law Center	232,550	-	232,550
Alameda	Family Violence Law Center	42,040	-	42,040
Alameda	Housing and Economic Rights Advocates	15,720	-	15,720
Alameda	IEP Collaborative, Inc.	20	-	20
Alameda	Lawyers' Committee for Civil Rights	19,930	61,330	81,260
Alameda	Legal Access Alameda	21,760	66,960	88,720
Alameda	Legal Aid at Work	15,720	-	15,720
Alameda	Legal Assistance for Seniors	58,840	-	58,840
Alameda	Legal Services for Children	18,200	-	18,200
Alameda	Prison Law Office	2,890	-	2,890
Alameda	Public Advocates Inc.	10,300	-	10,300
Alameda	Social Justice Collaborative	4,700	-	4,700
<b>Alameda Total</b>		<b>1,154,550</b>	<b>128,290</b>	<b>1,282,840</b>
Alpine	California Indian Legal Services	590	-	590
Alpine	Disability Rights California	560	-	560
<b>Alpine Total</b>		<b>1,150</b>	<b>-</b>	<b>1,150</b>
Amador	California Indian Legal Services	10	-	10

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Amador	Disability Rights California	\$4,930	\$-	\$4,930
Amador	Legal Services of Northern California	12,050	-	12,050
Amador	Prison Law Office	530	-	530
Amador	Public Advocates Inc.	270	-	270
Amador	UnCommon Law	9,710	-	9,710
<b>Amador Total</b>		<b>27,500</b>	<b>-</b>	<b>27,500</b>
Butte	California Indian Legal Services	12,670	-	12,670
Butte	Centro Legal de la Raza	14,900	-	14,900
Butte	Disability Rights California	156,320	-	156,320
Butte	Legal Aid at Work	2,410	-	2,410
Butte	Legal Services of Northern California	140,060	-	140,060
Butte	Prison Law Office	6,930	-	6,930
Butte	Public Advocates Inc.	9,760	-	9,760
<b>Butte Total</b>		<b>343,050</b>	<b>-</b>	<b>343,050</b>
Calaveras	California Indian Legal Services	10	-	10
Calaveras	Disability Rights California	18,800	-	18,800
Calaveras	Legal Services of Northern California	24,470	-	24,470
Calaveras	Prison Law Office	950	-	950
Calaveras	Public Advocates Inc.	1,440	-	1,440
<b>Calaveras Total</b>		<b>45,670</b>	<b>-</b>	<b>45,670</b>
Colusa	California Indian Legal Services	70	-	70
Colusa	California Rural Legal Assistance, Inc.	24,050	-	24,050
Colusa	Disability Rights California	1,560	-	1,560
Colusa	Legal Services of Northern California	80	-	80
Colusa	Prison Law Office	90	-	90
<b>Colusa Total</b>		<b>25,850</b>	<b>-</b>	<b>25,850</b>

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Contra Costa	Advancing Justice - Asian Law Caucus	\$200,388	\$-	\$200,388
Contra Costa	Aids Legal Referral Panel	1,265	-	\$1,265
Contra Costa	Asian Pacific Islander Legal Outreach	35,638	-	\$35,638
Contra Costa	Bay Area Legal Aid	176,403	-	176,403
Contra Costa	California Indian Legal Services	1,308	-	1,308
Contra Costa	Centro Legal de la Raza	20,200	-	20,200
Contra Costa	Contra Costa Senior Legal Services	58,943	-	58,943
Contra Costa	Disability Rights California	84,491	-	84,491
Contra Costa	Housing and Economic Rights Advocates	5,305	-	5,305
Contra Costa	Lawyers' Committee for Civil Rights	71,627	86,649	158,276
Contra Costa	Legal Aid at Work	76,049	-	76,049
Contra Costa	Legal Services for Children	18,021	-	18,021
Contra Costa	Prison Law Office	5,763	-	5,763
Contra Costa	Public Advocates Inc.	18,053	-	18,053
Contra Costa	Social Justice Collaborative	6,369	-	6,369
<b>Contra Costa Total</b>		<b>779,823</b>	<b>86,649</b>	<b>866,472</b>
Del Norte	California Indian Legal Services	6,860	-	6,860
Del Norte	Disability Rights California	9,660	-	9,660
Del Norte	Legal Services of Northern California	13,270	-	13,270
Del Norte	Prison Law Office	780	-	780
Del Norte	Public Advocates Inc.	610	-	610
Del Norte	UnCommon Law	8,410	-	8,410
<b>Del Norte Total</b>		<b>39,590</b>	<b>-</b>	<b>39,590</b>
El Dorado	California Indian Legal Services	4,820	-	4,820
El Dorado	Disability Rights California	35,490	-	35,490
El Dorado	Legal Aid at Work	970	-	970

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
El Dorado	Legal Services of Northern California	\$90,140	\$-	\$90,140
El Dorado	Prison Law Office	3,020	-	3,020
El Dorado	Public Advocates Inc.	\$2,730	-	\$2,730
<b>El Dorado Total</b>		<b>137,170</b>	<b>-</b>	<b>\$137,170</b>
Fresno	California Indian Legal Services	14,053	-	14,053
Fresno	California Rural Legal Assistance, Inc.	95,427	-	95,427
Fresno	Central California Legal Services	1,283,061	-	1,283,061
Fresno	Disability Rights California	153,823	-	153,823
Fresno	Disability Rights Legal Center	5,889	-	5,889
Fresno	Housing and Economic Rights Advocates	6,052	-	6,052
Fresno	Legal Aid at Work	83,517	-	83,517
Fresno	Prison Law Office	16,541	-	16,541
Fresno	Public Advocates Inc.	23,212	-	23,212
Fresno	San Joaquin College of Law	53,512	-	53,512
Fresno	UnCommon Law	8,001	-	8,001
<b>Fresno Total</b>		<b>1,743,088</b>	<b>-</b>	<b>1,743,088</b>
Glenn	California Indian Legal Services	2,540	-	2,540
Glenn	Disability Rights California	16,030	-	16,030
Glenn	Legal Services of Northern California	13,290	-	13,290
Glenn	Prison Law Office	1,930	-	1,930
Glenn	Public Advocates Inc.	2,120	-	2,120
<b>Glenn Total</b>		<b>35,910</b>	<b>-</b>	<b>35,910</b>
Humboldt	California Indian Legal Services	32,030	-	32,030
Humboldt	Disability Rights California	49,830	-	49,830
Humboldt	Legal Aid at Work	12,230	-	12,230
Humboldt	Legal Services of Northern California	127,780	-	127,780



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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Humboldt	Prison Law Office	\$1,800	\$-	\$1,800
Humboldt	Public Advocates Inc.	3,110	-	3,110
<b>Humboldt Total</b>		<b>226,780</b>	<b>-</b>	<b>226,780</b>
Imperial	California Indian Legal Services	2,280	-	\$2,280
Imperial	California Rural Legal Assistance, Inc.	162,100	-	\$162,100
Imperial	Disability Rights California	26,500	-	26,500
Imperial	Disability Rights Legal Center	8,950	-	8,950
Imperial	Elder Law & Advocacy	56,990	-	56,990
Imperial	Lawyers' Committee for Civil Rights	29,580	34,350	63,930
Imperial	Legal Aid at Work	860	-	860
Imperial	Prison Law Office	1,320	-	1,320
Imperial	Public Advocates Inc.	4,270	-	4,270
Imperial	UnCommon Law	16,280	-	16,280
<b>Imperial Total</b>		<b>309,130</b>	<b>34,350</b>	<b>343,480</b>
Inyo	California Indian Legal Services	14,070	-	14,070
Inyo	Disability Rights California	1,140	-	1,140
Inyo	Prison Law Office	20	-	20
Inyo	Public Advocates Inc.	20	-	20
<b>Inyo Total</b>		<b>15,250</b>	<b>-</b>	<b>15,250</b>
Kern	California Indian Legal Services	8,760	-	8,760
Kern	California Rural Legal Assistance, Inc.	255,770	-	255,770
Kern	Centro Legal de la Raza	153,020	-	153,020
Kern	Disability Rights California	154,670	-	154,670
Kern	Disability Rights Legal Center	7,950	-	7,950
Kern	Greater Bakersfield Legal Assistance	886,910	-	886,910
Kern	Housing and Economic Rights Advocates	11,530	-	11,530

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Kern	Legal Aid at Work	\$2,750	\$-	\$2,750
Kern	Prison Law Office	25,930	-	25,930
Kern	Public Advocates Inc.	23,380	-	23,380
Kern	UnCommon Law	52,800	-	52,800
<b>Kern Total</b>		<b>1,583,470</b>	<b>-</b>	<b>\$1,583,470</b>
Kings	California Indian Legal Services	10	-	\$10
Kings	California Rural Legal Assistance, Inc.	98,930	-	98,930
Kings	Central California Legal Services	20,690	-	20,690
Kings	Disability Rights California	23,090	-	23,090
Kings	Legal Aid at Work	960	-	960
Kings	Prison Law Office	5,040	-	5,040
Kings	Public Advocates Inc.	1,010	-	1,010
Kings	San Joaquin College of Law	1,470	-	1,470
Kings	UnCommon Law	39,640	-	39,640
<b>Kings Total</b>		<b>190,840</b>	<b>-</b>	<b>190,840</b>
Lake	California Indian Legal Services	310	-	310
Lake	Disability Rights California	32,470	-	32,470
Lake	Legal Aid at Work	620	-	620
Lake	Legal Services of Northern California	59,080	-	59,080
Lake	Prison Law Office	1,010	-	1,010
Lake	Public Advocates Inc.	1,140	-	1,140
<b>Lake Total</b>		<b>94,630</b>	<b>-</b>	<b>94,630</b>
Lassen	California Indian Legal Services	1,780	-	1,780
Lassen	Disability Rights California	3,690	-	3,690
Lassen	Legal Aid at Work	100	-	100
Lassen	Legal Services of Northern California	6,250	-	6,250

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2023 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Lassen	Prison Law Office	\$830	\$-	\$830
Lassen	Public Advocates Inc.	320	-	320
Lassen	UnCommon Law	11,380	-	11,380
<b>Lassen Total</b>		<b>24,350</b>	<b>-</b>	<b>24,350</b>
Los Angeles	Alliance for Children's Rights	539,610	191,330	730,940
Los Angeles	Asian Americans Advancing Justice Southern CA	614,850	-	\$614,850
Los Angeles	Bet Tzedek Legal Services	1,222,170	433,360	1,655,530
Los Angeles	California Indian Legal Services	25,430	-	25,430
Los Angeles	Community Lawyers Inc.	16,790	-	16,790
Los Angeles	Community Legal Aid SoCal	208,710	-	208,710
Los Angeles	Disability Rights California	877,730	-	877,730
Los Angeles	Disability Rights Legal Center	81,970	29,070	111,040
Los Angeles	Harriett Buhai Center for Family Law	205,060	72,710	277,770
Los Angeles	Housing and Economic Rights Advocates	4,720	-	4,720
Los Angeles	Inner City Law Center	1,384,040	-	1,384,040
Los Angeles	LACBA Counsel for Justice	97,892	34,714	132,606
Los Angeles	Learning Rights Law Center	191,550	-	191,550
Los Angeles	Legal Aid at Work	45,610	-	45,610
Los Angeles	Legal Aid Foundation of Los Angeles	1,615,400	-	1,615,400
Los Angeles	Los Angeles Center for Law and Justice	228,250	-	228,250
Los Angeles	Loyola Marymount University	454,300	-	454,300
Los Angeles	Mental Health Advocacy Services	167,970	-	167,970
Los Angeles	Neighborhood Legal Services	1,589,710	-	1,589,710
Los Angeles	Prison Law Office	110,940	-	110,940
Los Angeles	Public Advocates Inc.	93,640	-	93,640
Los Angeles	Public Counsel	1,348,260	478,070	1,826,330

**The State Bar of California  
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2023 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Los Angeles	UnCommon Law	\$50,190	\$-	\$50,190
Los Angeles	Veterans Legal Institute	26,720	9,480	36,200
Los Angeles	Wage Justice Center	35,135	-	35,135
<b>Los Angeles Total</b>		<b>11,236,647</b>	<b>1,248,734</b>	<b>12,485,381</b>
Madera	California Indian Legal Services	4,220	-	4,220
Madera	California Rural Legal Assistance, Inc.	176,100	-	176,100
Madera	Disability Rights California	17,730	-	17,730
Madera	Housing and Economic Rights Advocates	5,340	-	5,340
Madera	Legal Aid at Work	640	-	640
Madera	Prison Law Office	2,500	-	2,500
Madera	Public Advocates Inc.	2,800	-	2,800
Madera	San Joaquin College of Law	7,730	-	7,730
Madera	UnCommon Law	30,230	-	30,230
<b>Madera Total</b>		<b>247,290</b>	<b>-</b>	<b>247,290</b>
Marin	Aids Legal Referral Panel	1,530	-	1,530
Marin	Asian Pacific Islander Legal Outreach	3,420	-	3,420
Marin	California Indian Legal Services	160	-	160
Marin	Disability Rights California	9,730	-	9,730
\$Marin	Housing and Economic Rights Advocates	100	-	100
Marin	Lawyers' Committee for Civil Rights	15,630	15,150	30,780
Marin	Legal Aid at Work	920	-	920
Marin	Legal Aid of Marin	93,110	-	93,110
Marin	Prison Law Office	340	-	340
Marin	Public Advocates Inc.	1,450	-	1,450
Marin	Social Justice Collaborative	2,490	-	2,490
Marin	UnCommon Law	7,470	-	7,470

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
<b>Marin Total</b>		<b>\$136,350</b>	<b>\$15,150</b>	<b>\$151,500</b>
Mariposa	California Indian Legal Services	10	-	10
Mariposa	Central California Legal Services	8,650	-	8,650
Mariposa	Disability Rights California	11,590	-	11,590
Mariposa	Prison Law Office	1,880	-	1,880
Mariposa	Public Advocates Inc.	1,610	-	1,610
<b>Mariposa Total</b>		<b>23,740</b>	<b>-</b>	<b>23,740</b>
Mendocino	California Indian Legal Services	6,960	-	6,960
Mendocino	Disability Rights California	25,750	-	25,750
Mendocino	Legal Aid at Work	550	-	550
Mendocino	Legal Services of Northern California	81,470	-	81,470
Mendocino	Prison Law Office	1,760	-	1,760
Mendocino	Public Advocates Inc.	1,640	-	1,640
<b>Mendocino Total</b>		<b>118,130</b>	<b>-</b>	<b>118,130</b>
Merced	California Indian Legal Services	4,420	-	4,420
Merced	California Rural Legal Assistance, Inc.	177,550	-	177,550
Merced	Central California Legal Services	146,660	-	146,660
Merced	Disability Rights California	65,170	-	65,170
Merced	Housing and Economic Rights Advocates	1,870	-	1,870
Merced	Legal Aid at Work	43,290	-	43,290
Merced	Prison Law Office	7,050	-	7,050
Merced	Public Advocates Inc.	8,970	-	8,970
Merced	San Joaquin College of Law	6,030	-	6,030
<b>Merced Total</b>		<b>461,010</b>	<b>-</b>	<b>461,010</b>
Modoc	California Indian Legal Services	9,190	-	9,190
Modoc	Disability Rights California	2,590	-	2,590

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Modoc	Legal Services of Northern California	\$30	\$-	\$30
Modoc	Prison Law Office	310	-	310
Modoc	Public Advocates Inc.	210	-	210
<b>Modoc Total</b>		<b>12,330</b>	<b>-</b>	<b>12,330</b>
Mono	California Indian Legal Services	12,060	-	12,060
Mono	Disability Rights California	650	-	650
Mono	Prison Law Office	50	-	50
Mono	Public Advocates Inc.	140	-	140
<b>Mono Total</b>		<b>12,900</b>	<b>-</b>	<b>12,900</b>
Monterey	California Indian Legal Services	1,750	-	1,750
Monterey	California Rural Legal Assistance, Inc.	116,330	-	116,330
Monterey	Disability Rights California	66,300	-	66,300
Monterey	Housing and Economic Rights Advocates	3,060	-	3,060
Monterey	Legal Aid at Work	24,180	-	24,180
Monterey	Legal Services for Seniors	150,830	-	150,830
Monterey	Prison Law Office	8,690	-	8,690
Monterey	Public Advocates Inc.	6,940	-	6,940
Monterey	UnCommon Law	27,890	-	27,890
Monterey	Watsonville Law Center	83,480	-	83,480
<b>Monterey Total</b>		<b>489,450</b>	<b>-</b>	<b>489,450</b>
Napa	Bay Area Legal Aid	35,150	-	35,150
Napa	California Indian Legal Services	80	-	80
Napa	California Rural Legal Assistance, Inc.	39,390	-	39,390
Napa	Disability Rights California	11,680	-	11,680
Napa	Housing and Economic Rights Advocates	130	-	130
Napa	Legal Aid at Work	580	-	580

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Napa	Prison Law Office	\$560	\$-	\$560
Napa	Public Advocates Inc.	980	-	980
<b>Napa Total</b>		<b>88,550</b>	<b>-</b>	<b>88,550</b>
Nevada	Disability Rights California	14,440	-	14,440
Nevada	IEP Collaborative, Inc.	70	-	70
Nevada	Legal Aid at Work	1,300	-	1,300
Nevada	Legal Services of Northern California	63,000	-	63,000
Nevada	Prison Law Office	1,100	-	1,100
Nevada	Public Advocates Inc.	1,650	-	1,650
<b>Nevada Total</b>		<b>81,560</b>	<b>-</b>	<b>81,560</b>
Orange	Asian Americans Advancing Justice Southern CA	63,323	-	63,323
Orange	California Indian Legal Services	4,643	-	4,643
Orange	Community Legal Aid SoCal	1,252,383	-	1,252,383
Orange	Disability Rights California	246,404	-	246,404
Orange	Disability Rights Legal Center	35,519	-	\$35,519
Orange	Housing and Economic Rights Advocates	6,928	-	6,928
Orange	IEP Collaborative, Inc.	20	-	20
Orange	Learning Rights Law Center	6,727	-	6,727
Orange	Legal Aid at Work	20,584	-	20,584
Orange	Prison Law Office	27,150	-	27,150
Orange	Public Advocates Inc.	33,464	-	33,464
Orange	Public Law Center	743,593	248,408	992,001
Orange	Veterans Legal Institute	102,205	34,149	136,354
<b>Orange Total</b>		<b>2,542,943</b>	<b>282,557</b>	<b>2,825,500</b>
Placer	California Indian Legal Services	1,690	-	1,690
Placer	Disability Rights California	34,070	-	34,070

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Placer	Legal Aid at Work	\$7,420	\$-	\$7,420
Placer	Legal Services of Northern California	184,930	-	184,930
Placer	Prison Law Office	2,430	-	2,430
Placer	Public Advocates Inc.	2,810	-	2,810
<b>Placer Total</b>		<b>233,350</b>	<b>-</b>	<b>233,350</b>
Plumas	Disability Rights California	6,530	-	6,530
Plumas	Legal Services of Northern California	13,000	-	13,000
Plumas	Prison Law Office	410	-	410
Plumas	Public Advocates Inc.	530	-	530
<b>Plumas Total</b>		<b>20,470</b>	<b>-</b>	<b>20,470</b>
Riverside	California Indian Legal Services	25,250	-	25,250
Riverside	California Rural Legal Assistance, Inc.	217,850	-	217,850
Riverside	Disability Rights California	494,750	-	494,750
Riverside	Disability Rights Legal Center	15,940	-	15,940
Riverside	Housing and Economic Rights Advocates	16,040	-	16,040
Riverside	Inland Counties Legal Services	1,194,870	-	1,194,870
Riverside	Inland Empire Latino Lawyers Association, Inc.	88,650	82,400	171,050
Riverside	Legal Aid at Work	31,950	-	31,950
Riverside	Legal Aid Society of San Bernardino	10,710	-	10,710
Riverside	Prison Law Office	57,870	-	57,870
Riverside	Public Advocates Inc.	46,780	-	46,780
Riverside	Riverside Legal Aid	202,950	188,640	391,590
Riverside	UnCommon Law	35,720	-	35,720
<b>Riverside Total</b>		<b>2,439,330</b>	<b>271,040</b>	<b>2,710,370</b>
Sacramento	Advancing Justice - Asian Law Caucus	282,326	-	282,326
Sacramento	Asian Pacific Islander Legal Outreach	10,982	-	10,982



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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Sacramento	California Indian Legal Services	\$19,542	\$-	\$19,542
Sacramento	Capital Pro Bono Inc.	55,642	120,525	176,167
Sacramento	Disability Rights California	305,923	-	305,923
Sacramento	Housing and Economic Rights Advocates	3,214	-	3,214
Sacramento	IEP Collaborative, Inc.	140	-	140
Sacramento	Lawyers' Committee for Civil Rights	29,293	63,461	92,754
Sacramento	Legal Aid at Work	19,872	-	19,872
Sacramento	Legal Services of Northern California	559,677	-	559,677
Sacramento	McGeorge Community Legal Services	160,330	-	160,330
Sacramento	Prison Law Office	29,453	-	29,453
Sacramento	Public Advocates Inc.	22,505	-	22,505
Sacramento	UC Davis School of Law Legal Clinics	140,517	-	140,517
Sacramento	UnCommon Law	16,418	-	16,418
<b>Sacramento Total</b>		<b>1,655,834</b>	<b>183,986</b>	<b>1,839,820</b>
San Benito	California Indian Legal Services	50	-	50
San Benito	California Rural Legal Assistance, Inc.	45,140	-	45,140
San Benito	Disability Rights California	3,030	-	3,030
San Benito	Legal Aid at Work	220	-	220
San Benito	Prison Law Office	190	-	190
San Benito	Public Advocates Inc.	250	-	250
San Benito	Senior Citizens Legal Services	5,550	-	5,550
<b>San Benito Total</b>		<b>54,430</b>	<b>-</b>	<b>54,430</b>
San Bernardino	California Indian Legal Services	20,300	-	20,300
San Bernardino	Disability Rights California	440,680	-	440,680
San Bernardino	Disability Rights Legal Center	6,910	-	6,910
San Bernardino	Housing and Economic Rights Advocates	5,400	-	5,400

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
San Bernardino	Inland Counties Legal Services	\$1,579,820	\$-	\$1,579,820
San Bernardino	Inland Empire Latino Lawyers Association, Inc.	11,790	11,260	23,050
San Bernardino	Learning Rights Law Center	18,470	-	18,470
San Bernardino	Legal Aid at Work	16,060	-	16,060
San Bernardino	Legal Aid Society of San Bernardino	278,530	265,950	544,480
San Bernardino	Prison Law Office	47,630	-	47,630
San Bernardino	Public Advocates Inc.	53,420	-	53,420
San Bernardino	UnCommon Law	15,910	-	15,910
<b>San Bernardino Total</b>		<b>2,494,920</b>	<b>277,210</b>	<b>2,772,130</b>
San Diego	Affordable Housing Advocates	17,530	-	17,530
San Diego	California Indian Legal Services	13,880	-	13,880
San Diego	California Rural Legal Assistance, Inc.	59,900	-	59,900
San Diego	Casa Cornelia Law Center	298,820	175,880	474,700
San Diego	Disability Rights California	341,510	-	341,510
San Diego	Disability Rights Legal Center	20,510	-	20,510
San Diego	Elder Law & Advocacy	174,150	-	174,150
San Diego	Housing and Economic Rights Advocates	2,930	-	2,930
San Diego	Legal Aid at Work	100,380	-	100,380
San Diego	Legal Aid Society of San Diego	1,321,350	-	1,321,350
San Diego	Prison Law Office	25,510	-	25,510
San Diego	Public Advocates Inc.	25,470	-	25,470
San Diego	San Diego Volunteer Lawyer Program	237,950	140,060	378,010
San Diego	UnCommon Law	6,270	-	6,270
San Diego	USD School of Law Legal Clinics	197,250	-	197,250
<b>San Diego Total</b>		<b>2,843,410</b>	<b>315,940</b>	<b>3,159,350</b>
San Francisco	Advancing Justice - Asian Law Caucus	22,120	-	22,120

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
San Francisco	Aids Legal Referral Panel	\$24,780	\$-	\$24,780
San Francisco	Asian Pacific Islander Legal Outreach	46,210	-	46,210
San Francisco	Bay Area Legal Aid	106,060	-	106,060
San Francisco	California Indian Legal Services	690	-	690
San Francisco	Disability Rights California	17,900	-	17,900
San Francisco	Eviction Defense Collaborative	94,330	-	94,330
San Francisco	Housing and Economic Rights Advocates	2,910	-	2,910
San Francisco	Justice & Diversity Center of the Bar Association of San Francisco	115,150	69,077	184,227
San Francisco	La Raza Centro Legal	21,100	-	21,100
San Francisco	Lawyers' Committee for Civil Rights	7,930	4,620	12,550
San Francisco	Legal Aid at Work	35,500	-	35,500
San Francisco	Legal Assistance to the Elderly	55,810	-	55,810
San Francisco	Legal Services for Children	48,380	-	48,380
San Francisco	Open Door Legal	58,980	-	58,980
San Francisco	Prison Law Office	430	-	430
San Francisco	Public Advocates Inc.	2,720	-	2,720
<b>San Francisco Total</b>		<b>661,000</b>	<b>73,697</b>	<b>734,697</b>
San Joaquin	Asian Pacific Islander Legal Outreach	105,390	-	105,390
San Joaquin	California Indian Legal Services	1,850	-	1,850
San Joaquin	California Rural Legal Assistance, Inc.	521,130	-	521,130
San Joaquin	Disability Rights California	84,070	-	84,070
San Joaquin	Housing and Economic Rights Advocates	40,230	-	40,230
San Joaquin	IEP Collaborative, Inc.	50	-	50
San Joaquin	Legal Aid at Work	13,860	-	13,860
San Joaquin	Prison Law Office	19,110	-	19,110
San Joaquin	Public Advocates Inc.	14,780	-	14,780

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
San Joaquin	Social Justice Collaborative	\$107,350	\$-	\$107,350
San Joaquin	UnCommon Law	13,130	-	13,130
<b>San Joaquin Total</b>		<b>920,950</b>	<b>-</b>	<b>920,950</b>
San Luis Obispo	California Indian Legal Services	440	-	440
San Luis Obispo	California Rural Legal Assistance, Inc.	121,550	-	121,550
San Luis Obispo	Disability Rights California	36,930	-	36,930
San Luis Obispo	Disability Rights Legal Center	9,030	-	9,030
San Luis Obispo	Legal Aid at Work	740	-	740
San Luis Obispo	Prison Law Office	3,270	-	3,270
San Luis Obispo	Public Advocates Inc.	3,340	-	3,340
San Luis Obispo	San Luis Obispo Legal Assistance Foundation	72,460	-	72,460
San Luis Obispo	UnCommon Law	11,700	-	11,700
<b>San Luis Obispo Total</b>		<b>259,460</b>	<b>-</b>	<b>259,460</b>
San Mateo	Advancing Justice - Asian Law Caucus	10,000	-	10,000
San Mateo	Aids Legal Referral Panel	2,000	-	2,000
San Mateo	Asian Pacific Islander Legal Outreach	3,140	-	3,140
San Mateo	Bay Area Legal Aid	36,120	-	36,120
San Mateo	California Indian Legal Services	180	-	180
San Mateo	Community Legal Services in East Palo Alto	111,970	39,020	150,990
San Mateo	Disability Rights California	12,820	-	12,820
San Mateo	Housing and Economic Rights Advocates	1,040	-	1,040
San Mateo	IEP Collaborative, Inc.	2,340	-	2,340
San Mateo	La Raza Centro Legal	7,750	-	7,750
San Mateo	Lawyers' Committee for Civil Rights	6,820	2,380	9,200
San Mateo	Legal Aid at Work	15,160	-	15,160
San Mateo	Legal Aid Society of San Mateo County	159,670	-	159,670

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
San Mateo	Prison Law Office	\$1,010	\$-	\$1,010
San Mateo	Public Advocates Inc.	2,550	-	2,550
<b>San Mateo Total</b>		<b>372,570</b>	<b>41,400</b>	<b>413,970</b>
Santa Barbara	California Indian Legal Services	3,160	-	3,160
Santa Barbara	California Rural Legal Assistance, Inc.	177,070	-	177,070
Santa Barbara	Disability Rights California	68,380	-	68,380
Santa Barbara	Disability Rights Legal Center	7,560	-	7,560
Santa Barbara	Legal Aid at Work	1,920	-	1,920
Santa Barbara	Legal Aid Foundation of Santa Barbara County	211,450	-	211,450
Santa Barbara	Prison Law Office	5,180	-	5,180
Santa Barbara	Public Advocates Inc.	5,670	-	5,670
<b>Santa Barbara Total</b>		<b>480,390</b>	<b>-</b>	<b>480,390</b>
Santa Clara	Advancing Justice - Asian Law Caucus	14,590	-	14,590
Santa Clara	Bay Area Legal Aid	94,140	-	94,140
Santa Clara	California Indian Legal Services	1,180	-	1,180
Santa Clara	California Rural Legal Assistance, Inc.	32,040	-	32,040
Santa Clara	Community Legal Services in East Palo Alto	63,360	98,600	161,960
Santa Clara	Dependency Advocacy Center	137,810	-	137,810
Santa Clara	Disability Rights California	53,280	-	53,280
Santa Clara	Housing and Economic Rights Advocates	1,600	-	1,600
Santa Clara	IEP Collaborative, Inc.	40	-	40
Santa Clara	Law Foundation of Silicon Valley	456,460	-	456,460
Santa Clara	Lawyers' Committee for Civil Rights	13,540	21,070	34,610
Santa Clara	Legal Aid at Work	6,040	-	6,040
Santa Clara	Prison Law Office	5,760	-	5,760
Santa Clara	Public Advocates Inc.	10,340	-	10,340

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Santa Clara	Santa Clara County Asian Law Alliance	\$100,020	\$-	\$100,020
Santa Clara	Santa Clara University Alexander Law Center	46,750	-	46,750
Santa Clara	Senior Adults Legal Assistance	40,080	-	40,080
<b>Santa Clara Total</b>		<b>1,077,030</b>	<b>119,670</b>	<b>1,196,700</b>
Santa Cruz	California Indian Legal Services	780	-	780
Santa Cruz	California Rural Legal Assistance, Inc.	116,640	-	116,640
Santa Cruz	Disability Rights California	32,440	-	32,440
Santa Cruz	Housing and Economic Rights Advocates	1,820	-	1,820
Santa Cruz	Legal Aid at Work	9,540	-	9,540
Santa Cruz	Prison Law Office	2,380	-	2,380
Santa Cruz	Public Advocates Inc.	2,990	-	2,990
Santa Cruz	Senior Citizens Legal Services	42,990	-	42,990
Santa Cruz	Watsonville Law Center	59,730	-	59,730
<b>Santa Cruz Total</b>		<b>269,310</b>	<b>-</b>	<b>269,310</b>
Shasta	California Indian Legal Services	3,720	-	3,720
Shasta	Disability Rights California	60,630	-	60,630
Shasta	Disability Rights Legal Center	14,950	-	14,950
Shasta	Legal Aid at Work	1,200	-	1,200
Shasta	Legal Services of Northern California	141,760	-	141,760
Shasta	Prison Law Office	3,360	-	3,360
Shasta	Public Advocates Inc.	3,440	-	3,440
<b>Shasta Total</b>		<b>229,060</b>	<b>-</b>	<b>229,060</b>
Sierra	California Indian Legal Services	260	-	260
Sierra	Legal Services of Northern California	2,080	-	2,080
Sierra	Prison Law Office	140	-	140
Sierra	Public Advocates Inc.	170	-	170

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
<b>Sierra Total</b>		<b>\$2,650</b>	<b>\$-</b>	<b>\$2,650</b>
Siskiyou	California Indian Legal Services	650	-	650
Siskiyou	Disability Rights California	26,010	-	26,010
Siskiyou	Legal Aid at Work	880	-	880
Siskiyou	Legal Services of Northern California	32,760	-	32,760
Siskiyou	Prison Law Office	1,930	-	1,930
Siskiyou	Public Advocates Inc.	2,260	-	2,260
<b>Siskiyou Total</b>		<b>64,490</b>	<b>-</b>	<b>64,490</b>
Solano	Aids Legal Referral Panel	1,700	-	1,700
Solano	California Indian Legal Services	630	-	630
Solano	Disability Rights California	70,870	-	70,870
Solano	Housing and Economic Rights Advocates	1,190	-	1,190
Solano	Legal Aid at Work	9,520	-	9,520
Solano	Legal Services of Northern California	127,640	-	127,640
Solano	Prison Law Office	3,090	-	3,090
Solano	Public Advocates Inc.	7,760	-	7,760
Solano	UC Davis School of Law Legal Clinics	52,930	-	52,930
Solano	UnCommon Law	77,010	-	77,010
<b>Solano Total</b>		<b>352,340</b>	<b>-</b>	<b>352,340</b>
Sonoma	Aids Legal Referral Panel	2,440	-	2,440
Sonoma	California Indian Legal Services	630	-	630
Sonoma	California Rural Legal Assistance, Inc.	54,850	-	54,850
Sonoma	Disability Rights California	39,700	-	39,700
Sonoma	Housing and Economic Rights Advocates	750	-	750
Sonoma	Legal Aid at Work	16,790	-	16,790
Sonoma	Legal Aid of Sonoma County	263,320	-	263,320

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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Sonoma	Prison Law Office	\$1,990	\$-	\$1,990
Sonoma	Public Advocates Inc.	5,870	-	5,870
<b>Sonoma Total</b>		<b>386,340</b>	<b>-</b>	<b>386,340</b>
Stanislaus	Asian Pacific Islander Legal Outreach	2,040	-	2,040
Stanislaus	California Indian Legal Services	4,030	-	4,030
Stanislaus	California Rural Legal Assistance, Inc.	394,350	-	394,350
Stanislaus	Disability Rights California	87,540	-	87,540
Stanislaus	Housing and Economic Rights Advocates	11,160	-	11,160
Stanislaus	Legal Aid at Work	15,140	-	15,140
Stanislaus	Prison Law Office	9,190	-	9,190
Stanislaus	Public Advocates Inc.	8,620	-	8,620
Stanislaus	Senior Advocacy Network	93,060	-	93,060
Stanislaus	Social Justice Collaborative	65,290	-	65,290
<b>Stanislaus Total</b>		<b>690,420</b>	<b>-</b>	<b>690,420</b>
Sutter	California Indian Legal Services	690	-	690
Sutter	California Rural Legal Assistance, Inc.	90,250	-	90,250
Sutter	Disability Rights California	4,570	-	4,570
Sutter	Legal Aid at Work	430	-	430
Sutter	Prison Law Office	1,310	-	1,310
Sutter	Public Advocates Inc.	1,460	-	1,460
Sutter	Yuba-Sutter Legal Center for Seniors	18,220	-	18,220
<b>Sutter Total</b>		<b>116,930</b>	<b>-</b>	<b>116,930</b>
Tehama	California Indian Legal Services	5,730	-	5,730
Tehama	Disability Rights California	38,740	-	38,740
Tehama	Legal Aid at Work	12,300	-	12,300
Tehama	Legal Services of Northern California	44,170	-	44,170



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COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
Tehama	Prison Law Office	\$1,780	\$-	\$1,780
Tehama	Public Advocates Inc.	3,060	-	3,060
<b>Tehama Total</b>		<b>105,780</b>	<b>-</b>	<b>105,780</b>
Trinity	California Indian Legal Services	5,480	-	5,480
Trinity	Disability Rights California	8,040	-	8,040
Trinity	Legal Aid at Work	330	-	330
Trinity	Legal Services of Northern California	8,110	-	8,110
Trinity	Prison Law Office	800	-	800
Trinity	Public Advocates Inc.	1,060	-	1,060
<b>Trinity Total</b>		<b>23,820</b>	<b>-</b>	<b>23,820</b>
Tulare	California Indian Legal Services	11,830	-	11,830
Tulare	California Rural Legal Assistance, Inc.	384,360	-	384,360
Tulare	Central California Legal Services	337,170	-	337,170
Tulare	Disability Rights California	60,010	-	60,010
Tulare	Housing and Economic Rights Advocates	1,000	-	1,000
Tulare	Legal Aid at Work	4,380	-	4,380
Tulare	Prison Law Office	31,080	-	31,080
Tulare	Public Advocates Inc.	19,480	-	19,480
Tulare	San Joaquin College of Law	11,880	-	11,880
<b>Tulare Total</b>		<b>861,190</b>	<b>-</b>	<b>861,190</b>
Tuolumne	California Indian Legal Services	9,810	-	9,810
Tuolumne	Central California Legal Services	6,790	-	6,790
Tuolumne	Disability Rights California	7,720	-	7,720
Tuolumne	Prison Law Office	2,360	-	2,360
Tuolumne	Public Advocates Inc.	1,920	-	1,920
Tuolumne	UnCommon Law	21,230	-	21,230

**The State Bar of California  
Office of Access & Inclusion  
2023 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
<b>Tuolumne Total</b>		<b>\$49,830</b>	<b>\$-</b>	<b>\$49,830</b>
Ventura	California Indian Legal Services	11,050	-	11,050
Ventura	California Rural Legal Assistance, Inc.	291,100	-	291,100
Ventura	Disability Rights California	236,570	-	236,570
Ventura	Disability Rights Legal Center	16,270	-	16,270
Ventura	Housing and Economic Rights Advocates	10,690	-	10,690
Ventura	Learning Rights Law Center	71,950	-	71,950
Ventura	Legal Aid at Work	15,960	-	15,960
Ventura	Prison Law Office	22,130	-	22,130
Ventura	Public Advocates Inc.	26,760	-	26,760
<b>Ventura Total</b>		<b>702,480</b>	<b>-</b>	<b>702,480</b>
Yolo	California Indian Legal Services	280	-	280
Yolo	Disability Rights California	21,840	-	21,840
Yolo	Legal Aid at Work	3,860	-	3,860
Yolo	Legal Services of Northern California	173,690	-	173,690
Yolo	Prison Law Office	1,950	-	1,950
Yolo	Public Advocates Inc.	2,840	-	2,840
Yolo	UC Davis School of Law Legal Clinics	108,700	-	108,700
<b>Yolo Total</b>		<b>313,160</b>	<b>-</b>	<b>313,160</b>
Yuba	California Indian Legal Services	860	-	860
Yuba	California Rural Legal Assistance, Inc.	71,360	-	71,360
Yuba	Disability Rights California	7,440	-	7,440
Yuba	Legal Aid at Work	360	-	360
Yuba	Prison Law Office	1,670	-	1,670
Yuba	Public Advocates Inc.	1,130	-	1,130
Yuba	Yuba-Sutter Legal Center for Seniors	18,430	-	18,430

**The State Bar of California  
Office of Access & Inclusion  
2023 Legal Services Organizations by County**

COUNTY	ORGANIZATION	BASIC	PRO BONO	TOTAL
<b>Yuba Total</b>		<b>101,250</b>	<b>-</b>	<b>101,250</b>
<b>GRAND TOTAL</b>		<b>\$40,010,895</b>	<b>\$ 3,078,673</b>	<b>\$43,089,568</b>

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**The State Bar of California  
Office of Access & Inclusion  
2023 Grants to Support Centers**

<b>ORGANIZATION</b>	<b>IOLTA Grant Allocation</b>	
California Advocates for Nursing Home Reform	\$	361,323
California Rural Legal Assistance Foundation		361,323
California Women's Law Center		361,323
Center for Gender and Refugee Studies - California		361,323
Center for Human Rights and Constitutional Law		361,323
Child Care Law Center		361,323
Coalition of California Welfare Rights Organizations		361,323
Disability Rights Education and Defense Fund		361,323
Family Violence Appellate Project		361,323
Immigrant Legal Resource Center		361,323
Impact Fund		361,323
Justice in Aging		361,323
Legal Services for Prisoners with Children		361,323
National Center for Youth Law		361,323
National Health Law Program		361,323
National Housing Law Project		361,323
OneJustice		361,323
Public Interest Law Project		361,323
Western Center on Law and Poverty		361,323
Worksafe, Inc.		361,323
Youth Law Center		361,323
<b>TOTAL</b>	<b>\$</b>	<b>7,587,783</b>

**The State Bar of California  
Office of Access & Inclusion  
2023 Law Student Fellowship**

<b>ORGANIZATION</b>	<b>2023 Grant Distribution</b>
Alliance for Children's Rights	\$ 40,000
Asian Americans Advancing Justice Southern California	20,000
Bet Tzedek Legal Services	60,000
California Rural Legal Assistance, Inc.	30,000
Casa Cornelia Law Center	20,000
Center for Gender and Refugee Studies - California	20,000
Centro Legal de la Raza	20,000
Family Violence Law Center	10,000
Harriett Buhai Center for Family Law	40,000
Impact Fund	10,000
Inner City Law Center	50,000
Law Foundation of Silicon Valley	20,000
Lawyers' Committee for Civil Rights	40,000
Learning Rights Law Center	10,000
Legal Access Alameda	10,000
Legal Aid at Work	10,000
Legal Aid at Work	8,500
Legal Aid Foundation of Los Angeles	10,000
Legal Aid of Marin	20,000
Legal Aid of Sonoma County	30,000
Legal Aid Society of San Bernardino	10,000
Legal Assistance for Seniors	20,000
Legal Assistance to the Elderly	20,000
Legal Services for Children	28,875
Los Angeles Center for Law and Justice	20,000
Loyola Marymount University	10,000
Mental Health Advocacy Services	20,000
National Center for Youth Law	20,000
Neighborhood Legal Services	10,000
Open Door Legal	10,000
Public Counsel	20,000
Public Law Center	30,000
San Joaquin College of Law	20,000
Senior Citizens Legal Services	10,000
Social Justice Collaborative	20,000
Youth Law Center	10,000
<b>TOTAL</b>	<b>\$ 757,375</b>

**ATTACHMENT D**

**STATE BAR OF CALIFORNIA**

Report to the Board of Trustees

Year Ended December 31, 2023

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**DATE**

To the Board of Trustees of the  
State Bar of California  
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of the State Bar of California (State Bar), as of and for the year ended December 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the State Bar's financial reporting process.

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

This report is intended solely for the information and use of the Board of Trustees, the State Bar's management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the State Bar.

Walnut Creek, California



## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audits as well as observations arising from our audits that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audits**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* have been described to you in our engagement letter dated December 18, 2023. Our audit of the State Bar's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audits**

We have issued a separate engagement letter dated December 18, 2023 regarding the planned scope and timing of our audits and identified significant risks.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the State Bar. A summary of the significant policies adopted by the State Bar is included in Note 3 to the financial statements. As described in Note 3 to the financial statements, the State Bar implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA); and certain provisions of Statement No. 99, *Omnibus 2022*. The implementation of these standards did not have a significant impact on the State Bar's financial statements.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### **Significant Unusual Transactions**

On November 14, 2023, the State Bar sold land and property located at 180 Howard Street, San Francisco and entered into a leaseback agreement with buyer. Details of the transaction are disclosed in the notes 3, 6, and 8 to the financial statements. We did not identify any other significant unusual transactions.

## Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.

The following is summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates in relation to the financial statements as a whole.

Significant Accounting Estimates	
<b>Measurement of investments at fair value</b>	<p>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.</p> <p>The State Bar categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.</p> <p>The State Bar's investments are classified as level 1 and level 2 of the fair value hierarchy.</p> <p>MGO compared investment values to market data from sources independent of the State Bar and determined that they were reasonable.</p>
<b>Allowance for doubtful accounts on accounts receivable</b>	<p>The allowance for losses on accounts receivable was based on historical experience and management's estimate regarding the likelihood of collectability.</p> <p>MGO assessed the reasonableness of the allowance based on the nature of the accounts and performed substantive analytical procedures and tests of details and determined the estimates were reasonable.</p>
<b>Depreciation of capital assets, including leases and subscription-based information technology arrangements (SBITAs)</b>	<p>Useful lives for depreciable capital assets were determined by management based on the nature of the capital asset. Lease and SBITA terms are derived from existing agreements and the State Bar's expectations for optional extensions or cancellations, where applicable. The State Bar uses the straight-line method of depreciation and amortization.</p> <p>The discount rate used for the calculation of the lease receivables and the subscription liabilities are based on the State Bar's incremental borrowing rate unless the rate is implicit in the lease.</p> <p>MGO assessed the reasonableness of the useful lives based on the nature of the capital assets and performed substantive analytical procedures on depreciation and amortization expenses. For leases and SBITAs, MGO reviewed a sample of agreements to verify the terms and assumptions used to estimate the net present values of the lease and SBITA balances. The estimates were considered reasonable.</p>
<b>Net pension liability, contributions, pension expense and other related balances</b>	<p>The pension plan's employer and employee contribution requirements, the net pension liability and related deferred outflows and inflows of resources are based on actuarial calculations performed by the California Public Employees' Retirement System's independent actuaries.</p> <p>MGO reviewed the actuarial methodology and assumptions, and performed analytical procedures and tests of details to determine the reasonableness of valuation results.</p>

## Significant Accounting Estimates

### Net OPEB liability, contributions, OPEB expense, and other related balances

The OPEB plan's employer and employee contribution requirements, the net OPEB liability and related deferred outflows and inflows of resources are based on an actuarial calculation performed by the State Bar's independent actuaries.

MGO reviewed the actuarial methodology and assumptions, and performed analytical procedures and tests of details to determine the reasonableness of valuation results.

## Audit Adjustments and Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

## Departure From the Auditor's Standard Report

There were no departures from the Auditor's Standard Report.

## Other Information Included in 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:

### Required Supplementary Information

We have 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 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.

### Supplementary Information

We were engaged to report on the combining schedules of Program Funds (supplementary information), which accompany the financial statements but are not RSI. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

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 basic financial statements.

## **Observations About the Audit Process**

### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the State Bar's financial statements.

### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

## **Shared Responsibilities for Independence**

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Trustees, and MGO each play an important role.

### **Our Responsibilities**

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
2. Maintain a system of quality management over compliance with independence rules and firm policies.

### **The State Bar's Responsibilities**

1. Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - a. New affiliates, directors, or officers.
  - b. Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
2. Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
3. Understand and conclude on the permissibility, prior to the State Bar and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.

4. Not entering into arrangements of non-audit services resulting in MGO being involved in making management decisions on behalf of the State Bar.
5. Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the State Bar.

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**EXHIBIT A**  
**Accounting Pronouncements**

## ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the State Bar.

Pronouncement	Summary
<b>GASB Statement No. 99, <i>Omnibus 2022</i></b>	<p>The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.</p> <p>The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the State Bar’s fiscal year ending December 31, 2024.</p>
<b>GASB Statement No. 100, <i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i></b>	<p>The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.</p> <p>Statement No. 100 is effective for the State Bar’s fiscal year ending December 31, 2024.</p>
<b>GASB Statement No. 101, <i>Compensated Absences</i></b>	<p>The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.</p> <p>Statement No. 101 is effective for the State Bar’s fiscal year ending December 31, 2024.</p>
<b>GASB Statement No. 102, <i>Certain Risk Disclosures</i></b>	<p>The objective of this statement is to require governments to assess and disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.</p> <p>Statement No. 102 is effective for the State Bar’s year ending December 31, 2025.</p>

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**EXHIBIT B**

**Current Year Recommendation**



**Comment 2023-001**  
**Compensated Absences**

**Criteria:**

Accounting principles generally accepted in the United States of America require that the enterprise fund statement of net position classify assets and liabilities as current and noncurrent based on whether they are expected to generate or use cash within one year of the end of the fiscal year.

**Condition:**

The State Bar's current practice of reporting compensated absences is to estimate 40% of the total balance as current liabilities. This percentage was determined many years ago and has been used year after year. Our audit procedures identified the estimated current portions of such balances fall below actual usage of accrued sick leave and vacation by approximately 45% in the past two years.

**Cause and Effect or Potential Effect:**

Current practice has not been reviewed in recent years to determine whether an update is necessary.

**Recommendation:**

We recommend management revisit its current practice to estimate the current and noncurrent portions of compensated absences, and consider adopting a methodology that more accurately reflects current experience and expectations.

**Management Response:**

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**EXHIBIT C**

**Status of Prior Year Findings**

## **Finding 2022-001 – Significant Deficiency Information Technology Program**

### **Criteria:**

Internal controls over financial reporting are reliant on effectively designed information technology (IT) controls. In that regard, an effectively designed IT control environment is one where an organization:

- a) develops, documents, and disseminates to appropriate personnel, policies that address purpose, scope, roles and responsibilities, management commitment, coordination among the State Bar departments and compliance; and procedures to facilitate the implementation of the policy and associated controls;
- b) periodically reviews and updates the current policies and procedures; and
- c) systematically monitors and evaluates its environment to ensure that policies and procedures are operating as designed.

### **Condition:**

We noted that the Change Management Workflow policy was last updated on September 7, 2005. The policy does not reflect the current change management process at the State Bar. Likewise, the Incident Response Plan was last updated on November 20, 2017. In addition, we were unable to obtain formally documented policy and procedures for: provisioning access; deprovisioning access; periodic reviews of user access; backup policy; and procedures to monitor Oracle Fusion interfaces and resolve abnormal endings.

In March 2023, we received the updated Change Management Workflow policy and Incident Respond Plan. In addition, management formally documented and provided the Provisioning and Deprovisioning procedures, and the Backup policy. The updated documentation will be assessed as part of the year ended December 31, 2023 audit procedures.

### **Cause and Effect or Potential Effect:**

The State Bar's staffing and resources constraints have prevented the State Bar from reviewing and updating the Change Management Workflow; and formally documenting the access and backup policies.

### **Recommendation:**

The IT Policies should be reviewed annually and updated as needed to verify that current policies and practices are documented in the IT Policies and communicated to those responsible for the State Bar's information systems. In addition, the State Bar should implement a process to ensure that its employees are knowledgeable of the policies by conducting regular training on the State Bar requirements and obtain written or electronic acknowledgement from personal of their responsibilities.

### **Management Response:**

The State Bar agrees with this recommendation. We acknowledge that we have fallen behind in updating or creating formal documentation for various IT policies and procedures, though we do believe that, in most cases, procedures that are currently in place are sufficient in practice, but must be more formally documented to provide greater assurance that they are consistently implemented and that the implementation can be more readily validated. Several of the items noted above were already updated or remediated during the course of the audit, and the State Bar's Office of Information Technology is undertaking a more comprehensive review of all IT policies and procedures, that will fully incorporate audit findings and other recent reviews, as well as updated industry best practices. An outside resource will be engaged to assist in this effort.

### **Status:**

Corrective actions have been implemented.

**Finding 2022-002 – Significant Deficiency**  
**Annual Review of Access to Oracle Fusion and IT Administrator Access**

**Criteria:**

The State Bar has not formally documented and implemented a periodic review of user access to Oracle Fusion or user ids with IT Administrator and privileged access rights.

**Condition:**

A review of users with privileged access to Oracle Fusion and IT Administrator and privileged user IDs was not performed in the year ended December 31, 2022.

**Cause and Effect or Potential Effect:**

The State Bar's staffing and resource constraints prevented the State Bar from conducting an annual review of users with access to Oracle Fusion, and user ids with IT administrator and privileged access rights since the processes have not been developed or established. The State Bar is at risk of personnel having unauthorized access to Oracle Fusion if job functions change and no longer require privileged access.

**Recommendation:**

The State Bar departments should perform an annual review of users with access to Oracle Fusion, and user ids with IT Administrator and privileged access to recertify that access is based on job requirements. Results of the review should be submitted to the body responsible for monitoring compliance with the State Bar policy.

**Management Response:**

The State Bar agrees with this recommendation and will implement the recommended process immediately. We do believe that, as a practical matter, the identified risk is low, as employees with IT administrator and privileged access rights to Oracle work in specialized functional areas and do not generally transfer to programmatic roles where such access would not be permitted.

**Status:**

Corrective actions have been implemented.