THE
STATE BAR
OF CALIFORNIA

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Title of Report: 2015 Financial Statement and Independent Auditor's Report of the State Bar of California

Statutory Citation: Business and Professions Code section 6145

Date of Report: April 29, 2016

The State Bar of California has submitted its 2015 Financial Statement and Independent Auditor's Report to the Chief Justice of the Supreme Court, and to the Assembly and Senate Judiciary Committees in accordance with Business and Professions Code section 6145.

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. The basic financial statements provide information and understanding of the State Bar's Enterprise Fund.

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

The full report is available at:

http://www.calbar.ca.gov/AboutUs/Reports.aspx

A printed copy of the report may be obtained by calling 916-442-8018.

THE STATE BAR OF CALIFORNIA

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Office of Finance

April 28, 2016

I, HEREBY CERTIFY UNDER OATH THAT THE ATTACHED FINANCIAL STATEMENT IS THE ANNUAL AUDITOR'S REPORT OF THE STATE BAR OF CALIFORNIA FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014 AND WAS PREPARED BY MOSS ADAMS LLP.

STATE BAR OF CALIFORNIA
DANETTE E. MEYERS
TREASURER

THE STATE BAR OF CALIFORNIA

Financial Statements and
Report of Independent Auditors
For the Years Ended December 31, 2015 and 2014
and Supplementary Information
For the Year Ended December 31, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
State Bar of California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the State Bar of California ("State Bar") as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinions\, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the State Bar as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 3 to the financial statements, for the year ended December 31, 2015, State Bar adopted new Governmental Accounting Standard Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment to GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As required by the standards, net position was restated as of January 1, 2014. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of pension liability, the schedule of plan fiduciary net position, the schedule of plan contribution - pension, the schedule of funding progress – post-retirement welfare benefits trust, and the schedule of employer contributions – post-retirement welfare benefit trust, on pages 3 through 9 and 32 through 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Moss Adams LLP

San Francisco, California
April 29, 2016

THE STATE BAR OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS – Unaudited
YEARS ENDED DECEMBER 31, 2015 AND 2014

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.

The State Bar of California

Created by the state legislature in 1927, the State Bar of California 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 primary purpose of the State Bar is to serve as an administrative adjunct to the California Supreme Court in all matters pertaining to the admission, discipline, and regulation of California lawyers. The State Bar Act and California court rules vest in the State Bar the duty to regulate the legal profession, formulate and elevate educational and professional standards, raise the quality of legal services, advance the science of jurisprudence, and aid in the improvement of the administration of justice.

The State Bar is a unified bar, meaning that membership is mandatory for all attorneys who are licensed to practice law in the State of California. The State Bar is governed by a Board of Trustees. Beginning in 2012, Senate Bill ("SB") 163 (Stats. 2011, Ch. 417) changed the governance structure of the State Bar. The State Bar's governing board, formerly known as the Board of Governors, has been renamed to the Board of Trustees. Between January 1, 2012 and October 31, 2014, the board was gradually transitioned from twenty-three members to nineteen members. The nineteen members will include six lawyer members elected from new State Bar Districts based on California's six appellate court districts; five lawyer members appointed by the California Supreme Court; one lawyer member appointed by the Senate Committee on Rules; one lawyer member appointed by the Speaker of the Assembly; and six public members of whom four are appointed by California's Governor, one by the State Senate Committee on Rules and one by the Speaker of the Assembly.

Beginning in 2015, Assembly Bill ("AB") 2746 (Stats. 2015, Ch. 429) allowed for the president to be elected from among those members of the board whose terms on the board would expire that year and have not been reelected or reappointed to another term and would require the president to serve as a 20th member of the board during his or her one-year term and would authorize him or her to vote.

For external financial reporting, the State Bar utilizes a unitary enterprise fund. Individual programs are accounted for in separate program funds, then they are consolidated into one enterprise fund in the financial statements. For internal management purposes, in 2015, the State Bar adopted a new fund structure which divided the program funds into three categories – restricted funds, special revenue funds, and a consolidated general fund. In 2015, the Board of Trustees initiated an assessment of the State Bar's existing fund structure and use of fund accounting in appropriately segregating earmarked resources. As a result of this assessment, nine program funds including the General Fund were combined into one Consolidated General Fund. After the consolidation, the State Bar's Enterprise Fund consists of fourteen program funds in addition to one Consolidated General Fund. Each of these funds is restricted for specific uses and purposes by statute, Rule of Court, State Bar Rule, or board resolution. The State Bar's programs are financed primarily by fees paid by attorneys and applicants to practice law. At the end of 2015, the State Bar had approximately 256,500 members, an increase of 1.8% compared to 252,000 members in 2014, making it the largest unified state bar in the country.

Membership fees for 2015 and 2014 were set by the State Legislature at $430 and $420, respectively, for active members and $155 and $145, respectively, for inactive members. The membership fees are allocated to the following funds:

	2015		2014	
	Active Fee	Inactive Fee	Active Fee	Inactive Fee
General Fund	$ 305	$ 65	$ 305	$ 65
General Fund-Discipline Activity	25	25	25	25
Legal Services Trust Fund *	40	40	30	30
Legislative Activity Fund *	5	5	5	5
Bar Relations and Elimination of Bias Fund *	5	5	5	5
Client Security Fund	40	10	40	10
Lawyers Assistance Program Fund	10	5	10	5
Total	$ 430	$ 155	$ 420	$ 145

* Optional fees; member may deduct from annual membership fee.

Financial Statement Overview

The State Bar's financial report consists of Management's Discussion and Analysis, the basic financial statements, the notes to the basic financial statements, and the required supplementary information. The basic financial statements provide information and understanding of the State Bar's Enterprise. The basic financial statements and related information are organized in this report as follows:

The Statement of Net Position – presents the financial position of the State Bar at the end of the fiscal year. The statement reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the difference as net position. The net position section is displayed in three components – restricted; invested in capital assets; and unrestricted.

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

The Statement 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 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 numbers used with the basic financial statements.

Required Supplementary Information—presents schedule of pension liability, schedule of plan fiduciary net position, schedule of plan contribution, schedule of funding process for the Other Postemployment Benefits Obligation ("OPEB") Trust plans, and the schedule of employer contributions for the OPEB Trust plan.

Financial Highlights

Statement of Net Position

The following is a summary comparison of the State Bar's Statement of Net Position as of December 31, 2015, 2014, and 2013:

	2015	2014**	2013
Cash, cash equivalents, and investments	$ 88,211,785	$ 74,275,634	$ 80,921,058
Restricted cash	4,610,000	4,610,000	4,610,000
Other assets	13,954,687	15,320,188	10,164,796
Capital assets, net	97,005,537	101,426,742	102,255,224
Deferred outflows of resources	15,671,481	2,060,055	-
Total assets and deferred outflows of resources	$ 219,453,490	$ 197,692,619	$ 197,951,078
Current liabilities	$ 38,415,869	$ 35,373,546	$ 43,761,042
Noncurrent liabilities	20,505,895	22,210,828	23,313,061
GASB 68 Net pension liability	31,156,962	18,880,140	-
Deferred inflows of resources	18,176,995	18,917,265	-
Total liabilities and deferred inflows of resources	$ 108,255,721	$ 95,381,779	$ 67,074,103
Net position			
Restricted for:			
Enabling legislation	$ 38,606,540	$ 25,671,871	$ 26,681,935
Other restrictions	17,880,052	17,608,270	17,391,401
Net investments in capital assets	75,308,441	74,555,912	78,233,012
Restatement due to GASB 68 Implementation	-	(35,737,350)	-
Unrestricted	(20,597,264)	20,212,137	8,570,627
Total net position (as restated)	$ 111,197,769	$ 102,310,840	$ 130,876,975

** The 2014 net position, Deferred inflows/outflows of resources and the Net pension liability were restated due to implementation of GASB Statement 68. In addition, the State Bar updated its analysis and classification of net position in 2015. There were no restatements of the 2013 and 2014 net positions because the impact of the reclassification was insignificant.

Fiscal Year 2015 Compared to Fiscal Year 2014

Assets and Deferred Outflows of Resources – As of December 31, 2015, the State Bar's total assets and deferred outflows of resources were $219.5 million, up by $21.8 million or 11.0% compared to $197.7 million last year. The increase is due to a combination of 1) a $13.6 million increase in deferred outflows of resources due to implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68; 2) a $13.9 million increase in cash & investment; 3) a $3 million increase in the OPEB Plan asset; partially offset by 4) a $4.4 million decrease in capital assets due to normal depreciation and 5) a $4.4 million net decrease in prepayments and grant receivables.

Cash, investments, and restricted cash consisted of balances in demand deposit accounts, money market accounts, the State Bar's share of California's Local Agency Investment Fund, and investment securities. For the year ended December 31, 2015, the combined cash and investment balance was $88.2 million, up by $13.9 million or 18.8% compared to $74.3 million last year. The higher cash balance in 2015 is due to a combination of 1) a $2.8 million increase in member due revenues as a result of the $10 increase in the optional contribution to legal services and normal growth of membership from new admittees; 2) a $2.6 million increase in member dues collected in advance for 2016 billing cycle; 3) a $2.4 million increase in various program revenues, including examination application fees, trust account revenue, law practices/Sections fees and legal specialization fees; and 3) $6.1 million from two Interest on Lawyer Trust Accounts ("IOLTA") settlement grants from Bank of America and CitiGroup. The Legal Service Trust Fund ("LSTF') Commission is currently reviewing the re-granting process of these settlement grants to IOLTA organizations.

Capital assets consisted of land, buildings, building and leasehold improvements, tenant improvement, office equipment, and furniture and fixtures, net of accumulated depreciation. Net capital assets balance as of December 31, 2015, was $97.0 million, a $4.4 million decrease compared to $101.4 million last year. The decrease is due to normal depreciation and amortization of tenant improvement costs.

Other assets consisted of interest receivable, prepayments, grants receivable, other receivable, and the OPEB asset. The combined balance as of December 31, 2015, was $13.9 million, down slightly by $1.4 million or 8.9% compared to $15.3 million last year. The decrease is due to a $4.4 million decrease in other receivable and grant prepayments as a result of timing of payments of the IOLTA and Equal Access Fund ("EAF") grants; partially offset by a $3 million increase in the OPEB plan asset. The 2015 first quarter grant payments for the LSTF and EAF programs were prepaid in December 2014.

Liabilities and Deferred Inflows of Resources – The State Bar's total liabilities and deferred inflows of resources consisted of accounts payable to vendor accounts, unearned fees collected in advance, grants payable, loans payable, net pension liability and employee vacation and sick leave accruals. As of December 31, 2015, State Bar's total liabilities and deferred inflows of resources were $108.3 million, up by $12.9 million or 13.5% compared to $95.4 million last year. The increase is a result of a $11.6 million increase of pension liabilities and changes in deferred inflows of resources from GASB Statement No. 68 implementation, and a $2.6 million increase in unearned membership dues collected in advance, partially offset by a $1.3 million reduction in the loan payable from the repayment of the Los Angeles building mortgage.

Net Position –This component of statement of net position consists of restricted net position, net investments in capital assets, and unrestricted net position. The State Bar's total net position as of December 31, 2015 is $111.2 million, up by $8.9 million or 8.7% compared to $102.3 million in 2014. The increase represents the excess of revenues over expenditures from various programs in 2015. In 2015, the State Bar updated its analysis of fund classification and the net positions of certain program funds were reclassified. There were no restatement to the 2014 net position because the impact was insignificant. In addition, due to the implementation of GASB 68, the 2014 beginning net position was restated and decreased by $35.7 million. ***Restricted Net Position*** – the part of net position that is subject to internal constraints and external constraints imposed by grantors, or law through constitutional provisions or enabling legislation – increased by $13.1 million or 30.2% from $43.3 million at the end of 2014 to $56.4 million at the end of 2015. The increase is due to the reclassification of net position in 2015 and a $6.1 million grant settlement received in the Legal Service Trust Fund as explained above. ***Net Investments in Capital Assets*** – the part of net position that consists of capital assets, net of accumulated depreciation, outstanding balances of mortgages or borrowings that are attributable to the acquisition, construction, and improvement of those assets – increased by $0.7 million from $74.6 million in 2014 to $75.3 million in 2015. The net increase is due to reclassification of the 2015 net position, offsetting by the loan repayment and normal depreciation. ***Unrestricted Net Position*** – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position for 2014 was restated and decreased by $35.7 million due to the implementation of GASB 68. As of December 31, 2015, the negative unrestricted net position was $20.6 million.

Fiscal Year 2014 Compared to Fiscal Year 2013

Assets and Deferred Outflows of Resources – The 2014 total assets and deferred outflow of resources were restated and increased by $2.1 million due to implementation of GASB Statement No. 68. As of December 31, 2014, the State Bar's total assets and deferred outflows of resources were $197.7 million, down slightly by $0.2 million, or 10.1% compared to $197.9 million in as of December 31, 2013. The decrease is due to a combination of 1) a $6.7 million decrease in cash & investment; 2) a $0.8 million net decrease in capital assets; partially offset by 3) a $4.8 million net increase in prepayments and accounts receivables; 4) $2.0 million increase in deferred outflows of resources due to GASB Statement No. 68 adjustment and 5) a $0.5 million net increase in OPEB assets.

Cash, investments, and restricted cash consisted of balances in demand deposit accounts, money market accounts, the State Bar's share of California's Local Agency Investment Fund, and investment securities. For the year ended December 31, 2014, the combined cash and investment balance was $78.9 million, down by $6.6 million or 7.8% from $85.6 million for the year ended December 31, 2013. The lower cash balance is due primarily to grant prepayments made for 2015 and a $1.5 million contribution made to the State Bar's OPEB Plan.

Capital assets consisted of land, buildings, building and leasehold improvements, tenant improvements, office equipment, and furniture and fixtures, net of accumulated depreciation. Net capital assets balance as of December 31, 2014, was $101.4 million, a $0.8 million decrease compared to $102.2 million as of December 31, 2013. The decrease is due to normal depreciation of $3.6 million, partially offset by $2.8 million additional capital expenditures incurred in 2014.

Other assets consisted of interest receivable, prepayments, grants receivable, other receivable, and the OPEB asset. The combined balance as of December 31, 2014, was $15.3 million, up by $5.1 million or 50.0% from $10.2 million in 2013. The increase is due to a $0.6 million net increase in the OPEB plan asset and a higher prepayment balance as a result of timing of payments of the Bar's two grant funds. The 2015 first quarter grant payments for the Legal Service Trust Fund and Equal Access Fund programs were prepaid in December 2014.

Liabilities and Deferred Inflows of Resources – The State Bar's total liabilities and deferred inflows of resources consisted of accounts payable to vendor The State Bar's total liabilities and deferred inflows of resources consisted of accounts payable to vendor accounts, unearned fees collected in advance, grants payable, loans payable, net pension liability and employee vacation and sick leave accruals. To reflect the implementation of GASB Statement No. 68, the net pension liability for 2014 was restated and increased by $37.8 million. As of December 31, 2014, State Bar's total liabilities were $95.4 million, up by $28.3 million or 42.2% compared to $67.1 million last year. The increase is a result of a combination of 1) a $37.8 million increase in deferred inflows of resources and net pension liability due to implementation of GASB Statement No. 68; partially offset by 2) a $1.3 million reduction in the loan payable from the repayment of the Los Angeles building mortgage, and 3) a $8.2 million decrease in IOLTA grant and accounts payable. The higher accounts payable balance in 2013 was due to the timing of payments for the L.A. building construction costs at year-end. The decrease in grants payable in 2014 is due to the restructuring of the IOLTA grant program. In March, 2014, the Board adopted a resolution to align the IOLTA grant year to a calendar year. As a result, all of the 2014 grant distributions were processed in 2014 and there was not a grants payable balance as of December 31, 2014.

Net Position – This component of the statement of net position consists of restricted net position, net investments in capital assets, and unrestricted net position. Due to the implementation of GASB Statement No. 68, the State Bar's net position as of December 31, 2014 was restated and decreased by $35.7 million. . As of December 31, 2014, the State Bar's total net position was $102.3 million, down by $28.6 million or 21.8% compared to $130.9 million in 2013. ***Restricted Net Position*** – the part of net position that is subject to constraints imposed by grantors, or law through constitutional provisions or enabling legislation – decreased by $0.8 million or 22.6% from $44.1 million at the end of 2013 to $43.3 million at the end of 2014. ***Net Investments in Capital Assets*** – the part of net position that consists of capital assets, net of accumulated depreciation, outstanding balances of mortgages or borrowings that are attributable to the acquisition, construction, and improvement of those assets – decreased by $3.6 million from $78.2 million in 2013 to $74.6 million in 2014. Changes in restricted net position off-set the changes in net investments in capital assets due largely to the fund transfers to finance the acquisition and construction of the new facility in Los Angeles. ***Unrestricted Net Position*** – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position as of December 31, 2014 was restated and decreased by $35.7 million to reflect the implementation of GASB Statement No. 68. Due to this adjustment, the negative net position as of December 31, 2014 was restated to $20.2 million. Other changes in unrestricted net position represent the excess of expenditures over revenues from various programs in 2014.

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, 2015, 2014 and 2013:

	2015	2014**	2013
OPERATING REVENUES			
Program revenues	$ 138,176,755	$ 133,126,981	$ 131,263,185
Settlement grants	6,085,197	-	-
Affinity Insurance revenue	2,428,236	1,724,857	1,976,027
Other	2,950,427	3,037,169	2,912,502
Total operating revenues	149,640,615	137,889,007	136,151,714
OPERATING EXPENSES			
Program expenses	124,020,913	115,759,128	107,180,728
General and administration	17,660,625	16,075,847	34,347,751
Total operating expenses	141,681,538	131,834,975	141,528,479
OPERATING INCOME/(LOSS)	7,959,077	6,054,032	(5,376,765)
NONOPERATING REVENUES	927,852	1,117,183	1,291,671
CHANGE IN NET POSITION	8,886,929	7,171,215	(4,085,094)
NET POSITION - beginning of year	102,310,840	130,876,975	134,962,069
Restatement due to GASB 68 implementation	-	(35,737,350)	-
NET POSITION - end of year	$ 111,197,769	$ 102,310,840	$ 130,876,975

** The 2014 Net Position was restated due to the implementation of GASB 68.

Fiscal Year 2015 Compared to Fiscal Year 2014

Operating Revenues – For the year ended December 31, 2015, the State Bar's total operating and nonoperating revenues were $150.6 million, up by $11.6 million or 8.4% compared to $139.0 million in 2014. The increase is due to a combination of 1) a $2.8 million increase in membership revenue as a result of the $10 increase in the optional contribution to legal services and overall growth in the membership due to new admittees; 2) a $6.1 million settlement grant received from Bank of America and CitiGroup in the Legal Service Trust Fund; and 3) a $2.7 million increase in various program funds due to fee increases in 2015.

Operating Expenses – In 2014 the general and administration expense was restated and decreased by $2.1 million to reflect the implementation of GASB Statement No. 68. For fiscal year 2015, the State Bar's total operating expenses were $141.6 million, an increase of $9.8 million or 7.4% compared to $131.8 million in 2014. The increase is due to a combination of 1) a $1.6 million increase in general operation due to higher operating expenses and personnel costs as a result of step increases and cost of living adjustment; 2) an $11.4 million increase in IOLTA and EAF grant distribution, partially offset by a $3.2 million decrease in the Client Security Fund application payouts. IOLTA and EAF grant expenses in 2014 were lower than a normal year due to the Board's action in March in 2014 to restructure the grant program to align the IOLTA grant year to a calendar year.

Fiscal Year 2014 Compared to Fiscal Year 2013

Operating Revenues – For the year ended December 31, 2014, the State Bar's total operating and non-operating revenues were $139.0 million. Total operating revenues for all programs for 2014 were $137.9 million, up by $1.7 million or 1.3% compared to $136.2 million for the year ended December 31, 2013. The increase is due to a $3.5 million increase in membership revenue, partially offset by a $1.8 million decrease in the AB145 filing fees in the Equal Access Fund program. The increase in membership revenue is due largely to higher membership revenues received as a result of the $10 increase in the optional contribution to legal services and overall growth in the membership due to new admittees. Total non-operating revenues were $2.1 million, up by $0.8 million or 61.5% from $1.3 million last year.

Operating Expenses – For fiscal year 2014, the State Bar's total operating expenses were $131.8 million, down by $9.7 million or 6.9% compared to $141.5 million in 2013. The decrease is a due to a decline of $9 million in IOLTA grant distributions as a result of the program restructuring explained above and a $2.2 million decrease in the Client Security Fund application payouts. These decreases are partially offset by higher operating costs from the new L.A. facility and higher personnel costs from the State Bar's implementation of the 2014 MOU.

Additional information on the State Bar's capital assets and loans payable can be found in Notes 5 and 7, respectively, of the financial statements.

Economic Factors Facing the State Bar

Each year, the California State Legislature approves a State Bar dues bill that authorizes the State Bar to charge the annual membership fee that is set by the Board of Trustees to pay for discipline and other State Bar functions. The Bar may be challenged in maintaining the existing level of primary funding due to a flattening in the number of active and inactive attorneys in the state, as well as by anticipated declines in the numbers of people seeking admission to the California State Bar. In addition, the Bar is faced with certain financial commitments, including negotiated personnel cost increases and the need to implement the recommendations of statutorily required workforce planning and classification and compensation analysis, that may impact the Bar's ability to continue to operate at a static revenue level. In April 2016, the Bar obtained a loan for $10 million to finance a tenant improvement project at its San Francisco location; there are currently three unoccupied floors in that building. This investment is needed to renovate the space to appropriate rental quality. The loan is expected to be paid off in less than six years. Once fully leased, the space should generate an additional $2.5 to $3 million in new revenue annually. The loan is however secured by a debt service reserve fund totaling approximately $2.5 million. Taken together with the Los Angeles building debt service reserve, over $7 million is currently encumbered as a capital obligation security.

Authority for the collection of 2016 dues was approved on September 11, 2015, under Senate Bill 387. This bill established the 2016 dues at $430 for active members and $155 for inactive members. Of these fees, $40 is to be allocated only to support nonprofit organizations that provide free legal services to persons of limited means, except to the extent that a member elects not to support those activities.

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 State Bar at 180 Howard Street, San Francisco, California 94105.

THE STATE BAR OF CALIFORNIA
BUSINESS-TYPE ACTIVITY – ENTERPRISE FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	(Restated) 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 66,356,858	$ 28,609,122
Investments	21,854,927	45,666,512
Accounts and other receivables, net of allowance for uncollectible accounts of $1,797,802 in 2015 and $1,803,811 in 2014	2,260,004	2,921,762
Other current assets	1,902,412	5,619,699
Total current assets	92,374,201	82,817,095
Noncurrent assets		
Restricted cash	4,610,000	4,610,000
Other postemployment benefits assets	9,792,271	6,778,727
Capital assets		
Nondepreciable	19,537,615	19,537,615
Depreciable, net	77,467,922	81,889,127
Total noncurrent assets	111,407,808	112,815,469
Total assets	203,782,009	195,632,564
Deferred outflows of resources	15,671,481	2,060,055
Total assets and deferred outflows of resources	$ 219,453,490	$ 197,692,619
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	$ 10,007,847	$ 9,609,309
Unearned fees collected in advance	26,977,263	24,392,347
Loans payable	1,414,006	1,355,137
Grants payable	16,753	16,753
Total current liabilities	38,415,869	35,373,546
Noncurrent liabilities		
Loans payable	19,944,519	21,363,546
Compensated absences	561,376	847,282
Net pension liability	31,156,962	18,880,140
Total noncurrent liabilities	51,662,857	41,090,968
Total liabilities	90,078,726	76,464,514
Deferred inflows of resources	18,176,995	18,917,265
Total liabilities and deferred inflows of resources	$ 108,255,721	$ 95,381,779
NET POSITION		
Restricted for:		
Enabling legislation	$ 38,606,540	$ 25,671,871
Other restrictions	17,880,052	17,608,270
Net investments in capital assets	75,308,441	74,555,912
Unrestricted	(20,597,264)	(15,525,213)
Total net position	$ 111,197,769	$ 102,310,840

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, 2015 AND 2014

	2015	(Restated) 2014
OPERATING REVENUES		
Membership fees and donations	$ 85,181,801	$ 82,386,223
Examination application fees	19,433,946	18,577,436
Trust account revenue	5,584,435	5,225,763
Law practices (sections) fees	5,891,380	5,427,598
Seminar/workshop revenue	1,532,465	1,138,249
Advertising revenue	216,390	175,053
Convention income	1,102,141	1,177,518
Legal specialization fees	2,538,384	2,019,085
Law corporation registration fees	1,499,333	1,446,497
Continuing legal education fees	971,849	1,036,432
Grants	10,523,350	10,710,799
EAF AB145 filing fees	3,701,281	3,806,328
Settlement grants	6,085,197	-
Affinity Insurance revenue	2,428,236	1,724,857
Other	2,950,427	3,037,169
Total operating revenue	149,640,615	137,889,007
OPERATING EXPENSES		
Discipline and adjudication	54,831,350	53,454,610
Examination costs and administration	19,198,663	18,854,076
Grants	27,870,122	16,829,045
Law practices (sections)	7,023,723	8,217,778
CSF application payments	5,350,082	8,552,566
Communications	1,714,206	1,919,877
Administration of justice	856,744	802,387
Governance	1,965,311	2,008,274
Administration of the profession	3,215,160	3,075,323
Program development	1,995,552	2,045,192
General and administration	17,660,625	16,075,847
Total operating expenses	141,681,538	131,834,975
OPERATING INCOME	7,959,077	6,054,032
NONOPERATING REVENUES		
Investment income	185,745	228,728
Rental income	1,683,779	1,886,746
Interest expense on loan	(941,672)	(998,291)
Total nonoperating revenues	927,852	1,117,183
CHANGE IN NET POSITION	8,886,929	7,171,215
NET POSITION—beginning of year	102,310,840	130,876,975
Restatement - GASB Statement No. 68 Implementation	-	(35,737,350)
NET POSITION—beginning of year	102,310,840	95,139,625
NET POSITION—end of year	$ 111,197,769	$ 102,310,840

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, 2015 AND 2014

	2015	(Restated) 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members, applicants, grants, and other professionals	$ 152,887,289	$ 139,249,380
Payments to suppliers	(75,145,076)	(88,205,289)
Payments to employees	(63,420,523)	(55,693,259)
Net cash provided by (used in) operating activities	14,321,690	(4,649,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	38,854,087	20,002,763
Purchases of investments	(15,042,502)	(15,004,132)
Interest received from investments	185,745	228,728
Cash received from rental income	1,683,779	1,886,746
Net cash provided by investing activities	25,681,109	7,114,105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(38,838)	(2,808,201)
Sale of capital assets	85,605	-
Proceeds from loan agreement	-	-
Payment of obligations under loan agreement	(1,360,158)	(1,303,529)
Interest paid on debt	(941,672)	(998,291)
Net cash used in capital and related financing activities	(2,255,063)	(5,110,021)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,747,736	(1,646,793)
CASH AND CASH EQUIVALENTS—Beginning of year	33,219,122	34,865,915
CASH AND CASH EQUIVALENTS—End of year	$ 70,966,858	$ 33,219,122
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income	$ 7,959,077	$ 7,173,334
Adjustments to reconcile operating income provided by to net cash (used in) operating activities		
Depreciation and amortization	4,374,438	3,636,683
Changes in assets and liabilities		
Changes in deferred inflows and outflows of resources related to pension	(14,351,696)	18,800,718
Changes in net pension liability	12,276,822	(20,918,311)
Accounts and other receivables	661,758	(400,787)
Other postemployment benefits assets	(3,013,544)	(534,567)
Other current assets	3,717,287	(4,220,038)
Accounts payable and other liabilities	112,632	(3,889,199)
Unearned fees collected in advance	2,584,916	1,761,160
Grants payable	-	(6,058,161)
Net cash provided by (used in) operating activities	$ 14,321,690	$ (4,649,168)
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION:		
Cash paid during the year for:		
Interest on loan	$ 941,672	$ 998,291
NONCASH DISCLOSURES		
Purchase of capital assets financed through accounts payable	$ -	$ 18,880,140

See accompanying notes to the financial statements.

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. Membership in 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 members for misconduct, administering mandated continuing legal education requirements, administering other regulatory provisions affecting the profession or the practice of law, conducting a variety of education programs for members and the public, studying and recommending changes in legislation, cooperating with the Judicial Council, and providing various member services.

The State Bar's reporting entity includes a blended component unit – the State Bar Access and Education Foundation (the "Foundation"), a nonprofit public benefit corporation established in 2013 that conducts activities that are charitable and educational on behalf of the State Bar. The Foundation is governed by a Board of Directors that consists of the Executive Director, Deputy Executive Director and Assistant Secretary. The State Bar provides administrative services to the Foundation in a third party, trustee capacity. Because its financial and operational relationship with the State Bar was closely integrated, the Foundation was included in the State Bar's financial statements as a blended component unit in 2014 and 2015. The Foundation was subsequently dissolved in March 2016.

2. BASIS OF PRESENTATION

The basic 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 follows the "business-type" activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* that provides a comprehensive look at the State Bar's financial activities.

For external reporting purposes, the State Bar reports all business-type activities as one consolidated unitary 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 funds noted from here to the end of this note are used as a management tool internally only. Prior to 2015, the State Bar maintained twenty-five individual program funds for internal reporting purposes. In 2015, the Board of Trustees initiated an assessment of the State Bar's existing fund structure and use of fund accounting in appropriately segregating earmarked resources. As a result of this assessment, nine program funds including the General Fund were consolidated into one Consolidated General Fund. In 2015, after the consolidation, the State Bar's Enterprise Fund consists of fourteen program funds in addition to one Consolidated General Fund. Each of these funds is restricted for specific uses and purposes by statute, Rule of Court, State Bar Rule, or board resolution. For net position classification, the program funds are classified as follows:

Consolidated General Fund

The Consolidated General Fund is generally available for State Bar purposes, subject to budget priorities set by the Board. Current funds that are consolidated into the General Fund are:

2. BASIS OF PRESENTATION (Continued)

- General Fund
- Howard Building Fund
- Legal and Education Development Fund
- Los Angeles Facility Fund
- Public Protection Fund
- Support and Administration Fund
- Technology Improvement Fund
- Fixed Assets Fund
- Benefits Reserve Fund

3. SUMMARY OF 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 include all cash and liquid investments with initial maturity of three months or less at the date of purchase. At December 31, 2015 and 2014, cash equivalents consisted of demand deposit accounts, money market accounts, and deposits in the California Local Agency Investment Fund ("LAIF").

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 The State Bar's loan agreement contains certain covenants that include the maintenance of a $4.6 million deposit with Bank of America as a debt service reserve fund, which is classified as restricted cash as of December 31, 2015.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Nonoperating Revenues consist of investment income, realized and unrealized gains or losses on investments, rental income, interest expense on loan, and loss on disposal of capital assets.

The Legal Services Trust Fund Program administers three funds: Interest on Lawyers' Trust Accounts ("IOLTA"), 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 members. Revenue is recognized as income when received.

Accounts and Other Receivables consists 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 report the noncurrent portion for earned but unused vacation and sick leave benefits. State Bar employees have a vested interest in accrued compensated absences.

Net Pension Liability is reported in accordance with the provisions of, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* . See Note (8) for related disclosures.

Other Postemployment Benefits are reported in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. See Note (9) for related disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Client Security Fund ("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 members of the bar". Payment from CSF is completely discretionary. The State Bar is free to prescribe applicable regulations and conditions for payments and no applicant to the program has any right to payment. In 2012, the State Bar conducted a legal analysis of CSF and the governing rules of the program and determined that when a CSF application is finally approved by the Committee, it will be recognized as an outstanding obligation in the State Bar's financial statement. There are 5,465 applications pending for processing as of December 31, 2015 in the amount of $49.9 million, and for December 31, 2014, there were 5,674 pending applications in the amount of $46.7 million. As of December 31, 2015, estimated application payout amount is $18.9 million based on a rolling average of 24 month historical applications payout ratio of 37.9%. Cash and investments available for applications reimbursement in the CSF were approximately $2.2 million as of December 31, 2015.

Restricted Net Position reflects the net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, trust agreements, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Restricted net position was $56.4 million as of December 31, 2015, of which $38.6 million was restricted by enabling legislation; and $43.3 million as of December 31, 2014, of which $25.7 million was restricted by enabling legislation.

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

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 Positions for 2014 was restated to reflect the implementation of GASB Statement No. 68. The Unrestricted Net Positions were negative $20.6 million as of December 31, 2015 and negative $25.7 million as of December 31, 2014, respectively.

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

Reclassifications Certain amounts in the 2014 notes to the financial statements have been reclassified to conform to the 2015 presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("GASB No. 68"), which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. The State Bar has adopted this statement for the year ended December 31, 2014, and as a result, the financial statements presented herein have been restated retrospectively as follows:

	December 31, 2014		
	As previously Reported	GASB 68 Adjustment	As Adjusted
Total net position, end of year	$ 138,048,190	$ (35,737,350)	$ 102,310,840
Deferred outflow of resources	$ -	$ 2,060,055	$ 2,060,055
Deferred inflow of resources	$ -	$ 18,917,265	$ 18,917,265
Net pension liabilities	$ -	$ 18,880,140	$ 18,880,140

Implementation of New Accounting Standards

GASB Statements No. 71 and No. 68: As discussed above, in November 2013, GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68. GASB Statement No. 71 is effective for fiscal years beginning after June 15, 2014, simultaneously with the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions* to replace the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*. For the year ended December 31, 2015, the State Bar adopted GASB Statement No. 71 and No. 68, which resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. As a result of the adoption of GASB Statements No. 71 and No. 68, the State Bar restated the 2014 financial statement and recognized a new pension liability of $18.9 million, deferred outflows of resources of $2.1 million, deferred inflows of resources of $18.9 million and a reduction of $35.7 million of the net position ending balance as of December 31, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 82: In March 2016, GASB issued a new standard, GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73.* GASB Statement No. 82 addresses presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. The Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. GASB Statement No. 82 applies to financial reports of all state and local governmental entities and the requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The State Bar will evaluate this pronouncement and determine the impact to its financial statements in 2016.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents—As of December 31, 2015, cash equivalents consisted of demand deposit accounts, money market accounts, and deposits in LAIF. As of December 31, 2015, the carrying amount of the State Bar's deposits was $70,930,190 and the bank balance was $66,689,446. At December 31, 2014, the carrying amount of the State Bar's deposits was $32,363,978 and the bank balance was $30,072,288. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit. The State Bar's deposits were insured up to $250,000 by the Federal Deposit Insurance Corporation and the balance in excess of $250,000 was fully collateralized.

The State Bar invests in the LAIF. LAIF is part of the State of California Pooled Money Investment Account ("PMIA"). The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. PMIA is not SEC-registered and is not rated, but is required to invest according to the California State Code. The Local Investment Advisory Board, which consists of five members designated by state statutes, has oversight responsibility for LAIF.

As of December 31, 2015, the PMIA balance was $65.6 billion, of which 98.2% is invested in nonderivative financial products with 0.3% in structured notes and 1.5% in asset-backed securities. The total amount invested by all public agencies in LAIF was $20.3 billion, and the State Bar's investment in LAIF was $49.1 million. The average maturity of PMIA investments was 179 days as of December 31, 2015. As of December 31, 2014, the PMIA balance was $60.3 billion, of which 98.7% is invested in nonderivative financial products with 1.3% in asset-backed securities. The total amount invested by all public agencies in LAIF was $19.5 billion, and the State Bar's investment in LAIF was $18.5 million. The average maturity of PMIA investments was 200 days as of December 31, 2014.

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 of California 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.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments by type as of December 31, 2015 and 2014 are as follows:

	2015	2014
U.S. government agencies	$ 20,968,350	$ 42,009,150
Certificate of deposit	745,032	3,498,554
Equity securites	141,545	158,808
Total investments	$ 21,854,927	$ 45,666,512

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.

Custodial Credit Risk—The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the State Bar's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments; however, the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state laws (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 are as follows:

Issuer	Investment Type	2015 Fair Value	2014 Fair Value
Federal Home Loan Bank	U.S. government agencies	$ 5,995,170	$ 11,992,740
Federal Farm Credit Bank	U.S. government agencies	$ 5,990,220	$ 24,016,530
Federal Home Loan Mortgage Corp	U.S. government agencies	$ 8,982,960	$ 5,999,880

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2015 and 2014, are as follows:

	Fair Value	Fair Value as a Percentage of Fixed Income Securities	Weighted Average Maturity (Years)
December 31, 2015			
U.S. government agencies	$ 20,968,350	100%	0.77
December 31, 2014			
U.S. government agencies	$ 42,009,150	100%	0.64

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 security investments that are subject to credit risk at December 31, 2015 and 2014, are as follows:

	2015		2014	
	Fair Value	Fair Value as a Percentage of Fixed Income Securities	Fair Value	Fair Value as a Percentage of Fixed Income Securities
S & P's rating				
AA+	$ 20,968,350	100.0%	$ 42,009,150	100.0%
Total fixed income securities	$ 20,968,350	100.0%	$ 42,009,150	100.0%

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 are as follows:

	Balance January 1, 2015	Increases	Decreases	Reclassification	Balance December 31, 2015
Capital assets, not being depreciated:					
Land	$ 19,537,615	$ -	$ -	$ -	$ 19,537,615
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	19,537,615	-	-	-	19,537,615
Capital assets, being depreciated:					
Buildings and leasehold improvements	91,314,433	38,838	(85,605)	-	91,267,666
Equipment and software	8,623,120	-	-	-	8,623,120
Furniture and fixtures	5,512,099	-	-	-	5,512,099
Total capital assets, being depreciated	105,449,652	38,838	(85,605)	-	105,402,885
Less accumulated depreciation for:					
Buildings and leasehold improvements	(15,774,087)	(3,047,252)	-	-	(18,821,339)
Equipment and software	(5,761,771)	(943,514)	-	-	(6,705,285)
Furniture and fixtures	(2,024,667)	(383,672)	-	-	(2,408,339)
Total accumulated depreciation	(23,560,525)	(4,374,438)	-	-	(27,934,963)
Total capital assets, being depreciated, net	81,889,127	(4,335,600)	(85,605)	-	77,467,922
Capital assets, net	$ 101,426,742	$ (4,335,600)	$ (85,605)	$ -	$ 97,005,537

	Balance January 1, 2014	Increases	Decreases	Reclassification	Balance December 31, 2014
Capital assets, not being depreciated:					
Land	$ 19,537,615	$ -	$ -	$ -	$ 19,537,615
Construction in progress	56,220,681	-	-	(56,220,681)	-
Total capital assets, not being depreciated	75,758,296	-	-	(56,220,681)	19,537,615
Capital assets, being depreciated:					
Buildings and leasehold improvements	39,238,486	2,362,391	(1,489,243)	51,202,799	91,314,433
Equipment and software	7,030,530	445,810	(34,392)	1,181,172	8,623,120
Furniture and fixtures	1,675,389	-	-	3,836,710	5,512,099
Total capital assets, being depreciated	47,944,405	2,808,201	(1,523,635)	56,220,681	105,449,652
Less accumulated depreciation for:					
Buildings and leasehold improvements	(14,932,312)	(2,331,018)	1,489,243	-	(15,774,087)
Equipment and software	(4,839,778)	(921,993)	-	-	(5,761,771)
Furniture and fixtures	(1,675,387)	(383,672)	34,392	-	(2,024,667)
Total accumulated depreciation	(21,447,477)	(3,636,683)	1,523,635	-	(23,560,525)
Total capital assets, being depreciated, net	26,496,928	(828,482)	-	56,220,681	81,889,127
Capital assets, net	$ 102,255,224	$ (828,482)	$ -	$ -	$ 101,426,742

Depreciation expense for the years ended December 31, 2015 and 2014, was $4,374,438 and $3,636,683, respectively.

Assembly Bill ("AB") No. 3049 was signed into law in July 2008, and authorized a $10 special assessment fee in the State Bar's membership fee beginning in 2009 and ending by December 31, 2013. AB 3049 required that all fees collected under this provision from January 1, 2009, be accumulated and reserved in a special fund for the construction, purchase or lease of a facility in southern California upon the expiration of the State Bar's existing lease of a facility in Los Angeles in January 2014.

5. CAPITAL ASSETS (Continued)

To meet the requirements of AB 3049, in November 2012, the State Bar purchased real property located at 845 South Figueroa Street in Los Angeles for $50 million. To finance this purchase, the State Bar sold its parking lot in Los Angeles for $29 million, and also entered into a 15-year loan agreement in the amount of $25.5 million with Bank of America, N.A. The construction on this property was completed and in operating in January 2014.

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

At December 31, 2015 and 2014, current accounts payable and other liabilities consisted of the following:

	2015	2014
Accounts payable	$ 5,402,928	$ 4,496,863
Compensated absences	3,584,113	3,391,942
Other liabilities	1,020,806	1,720,504
Total accounts payable and other liabilities	$ 10,007,847	$ 9,609,309

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

	Balance January 1, 2015	Additions	Retirements	Balance December 31, 2015	Amount Due within One Year
Compensated absences	$ 4,239,224	$ 4,490,837	$ (4,584,572)	$ 4,145,489	$ 3,584,113

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014	Amount Due within One Year
Compensated absences	$ 3,943,229	$ 4,447,072	$ (4,151,077)	$ 4,239,224	$ 3,391,942

7. LOAN PAYABLE

On November 1, 2012, the State Bar entered into a Real Estate Loan Agreement in the amount of $25,500,000 with Bank of America, N.A. for the purpose of financing the costs of purchasing real property located at 845 South Figueroa Street, Los Angeles, California 90017. The loan bears a tax-exempt fixed rate of 4.26% per year and is due on November 1, 2027, with a fiscal monthly payment of $191,802. The loan agreement contains certain covenants including the maintenance of a $4.6 million deposit with Bank of America as debt service reserve fund, and requirements to provide financial information and statements.

Loan balance:

Term loan - Bank of America, December 31, 2014	$ 22,718,683
Repayments	(1,360,157)
Balance as of December 31, 2015	$ 21,358,526

7. LOAN PAYABLE (continued)

The annual repayment schedule as of December 31, 2015, is as follows:

Year Ending December 31,	Principal	Interest
2016	$ 1,414,007	$ 887,613
2017	1,475,433	826,186
2018	1,539,529	762,091
2019	1,606,408	695,211
2020	1,676,194	625,426
2021-2025	9,538,581	1,969,517
2026-2028	4,108,374	182,493
Total	$ 21,358,526	$ 5,948,537

8. PENSION PLAN

Plan Description –The State Bar's defined benefit plan, the Miscellaneous Plan of the State Bar of California ("Plan"), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of California Public Employees' Retirement System ("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.

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 December 31, 2015, the State Bar's pension plan included 532 active members and 452 retirees and beneficiaries received 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.

8. PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at December 31, 2015, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @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%
Require employee contribution rates	7.0%	6.5%
Required employer contribution rates	8.798% - 9.952%	8.798% - 9.952%

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.

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. The net pension liability for the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard procedures. A summary of principal assumptions and methods used to determine the pension liability is shown below.

Actuarial assumptions – the total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	30-Jun-14
Measurement Date	30-Jun-15
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all Funds

8. PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund ("PERF"). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management ("ALM") review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and 68 calculations through at least the 2018 fiscal year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

8. PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Current Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability – The changes in the Net Pension Liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	$ 296,972,088	$ 278,091,948	$ 18,880,140
Changes in the year:			
Service cost	$ 7,286,606	$ -	$ 7,286,606
Interest on the total pension liability	22,279,424	-	22,279,424
Changes in assumptions	(5,466,470)	-	(5,466,470)
Differences between actual and expected	1,619,738	-	1,619,738
Contribution - employer	-	4,167,567	(4,167,567)
Contribution - employee	-	3,387,652	(3,387,652)
Net investment income	-	6,203,991	(6,203,991)
Administrative expenses	-	(316,734)	316,734
Benefit payments, including refunds of employee contributions	(11,068,730)	(11,068,730)	-
Net changes	14,650,568	2,373,746	12,276,822
Balance at June 30, 2015	$ 311,622,656	$ 280,465,694	$ 31,156,962

8. PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Plan's net pension liability	$ 73,160,908	$ 31,156,962	$ (3,771,629)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the State Bar recognized pension expense of $4,167,567 and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ -	$ -
Changes in assumptions	-	(3,989,046)
Differences between actual and expected experience	1,181,971	-
Contributions made after the measurement date: June 30, 2015	2,585,606	-
Net differences between protected and actual earning on plan investments	11,903,904	(14,187,949)
Total	$ 15,671,481	$ (18,176,995)

$2,585,606 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	$ (2,792,997)
2017	(2,792,997)
2018	(2,481,102)
2019	2,975,976
2020	-
Thereafter	-
	$ (5,091,120)

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

Plan Description – The State Bar administers a single-employer defined benefit Post-Retirement Welfare Benefits Plan for Executive Staff Employees ("OPEB Plan"). The OPEB Plan provides postretirement health care benefits for its eligible executive staff 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 Treasurer of the Board of Trustees, the President of the Board of Trustees, and the Executive Director, or their designees.

For executive staff employed as of August 19, 2006, eligibility requires fifteen years of services to the State Bar as a regular employee. For employees who become executive staff after August 19, 2006, eligibility requires fifteen 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 one hundred twenty 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. The OPEB Plan included fifty-four and fifty-nine active executive staff employees as of December 31, 2015 and 2014, respectively, and sixty-two and eighty-two retirees and beneficiaries received benefits as of December 31, 2015 and 2014, respectively. The State Bar has the right to modify plan provisions prospectively at its discretion.

On December 15, 2008, the State Bar created an irrevocable trust for the OPEB Plan ("OPEB Trust") to set aside assets to fund the cost of retiree health care benefits to eligible executive employees. The OPEB Trust was administered by the State Bar and was presented as a fiduciary fund in the State Bar's financial statements. Separate financial statements are not prepared for the OPEB Trust. In December 2012, the State Bar began to transfer funds from the OPEB Trust managed by Wells Fargo Bank to a higher-yielding California Employers' Retiree Benefit Trust ("CERBT") managed by CalPERS and, on an ongoing basis, to make annual transfers to the CERBT to pay the State Bar's Annual Required Contribution (ARC), as determined by the State Bar's actuary. The first $3 million OPEB asset transfer to CalPERS was completed in December 2012, and the remaining OPEB assets balance of $11.4 million was transferred to CalPERS in 2013. In 2014, there were no assets in the OPEB Trust. The State Bar decided to leave the trust dormant rather than terminating it so that there is flexibility to reactivate it in the future if necessary. CalPERS issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, California, 95814.

Funding Policy – Contributions to the OPEB Plan are made by the State Bar at the Committee's direction. Based on actuarial valuations of the OPEB Plan as of June 30, 2015, the annual required contributions for the years ended December 31, 2015 and 2014 were $902,819 and $1,660,946, respectively.

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (Continued)

Annual OPEB Cost and Net OPEB Asset – The following table shows the calculation of the annual required contribution, annual OPEB cost, the amount contributed to the OPEB Plan, and changes in the State Bar's OPEB asset.

	2015	2014
Determination of Net OPEB Asset		
Annual required contribution (ARC)	$ 902,819	$ 1,660,946
Interest on prior year net OPEB asset	(406,724)	(374,650)
Adjustment to ARC	464,592	427,955
Annual OPEB cost	960,687	1,714,251
State Bar contributions made	3,974,231	2,248,818
Increase/(decrease) in net OPEB asset	3,013,544	534,567
Net OPEB asset - January 1	6,778,727	6,244,160
Net OPEB asset - December 31	$ 9,792,271	$ 6,778,727

The following table shows the annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan and the net OPEB asset for the last three years.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
12/31/15	$ 960,687	413.7%	$ 9,792,271
12/31/14	$ 1,714,251	131.2%	$ 6,778,727
12/31/13	$ 1,340,888	61.18	$ 6,244,160

Funded Status and Funding Progress—As of June 30, 2015, the most recent actuarial valuation date, the plan was 83.0% funded. The actuarial accrued liability for the benefits was $22.6 million and the actuarial value of assets based on market value was $18.8 million, resulting in an unfunded accrued liability of $3.8 million.

Actuarial accrued liability (AAL)	$ 22,645,246
Actuarial value of plan assets (Valuation basis: Market)	18,788,226
Unfunded actuarial accrued liability (UAAL)	$ 3,857,020
Funded ratio (actuarial value of plan assets/AAL)	83.0%
Annual covered payroll (active plan members)	$ 8,323,583
UAAL as percentage of annual covered payroll	46.3%

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (Continued)

Actuarial Cost Method and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress – Post Retirement Welfare Benefits Trust, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits are based on the types of benefits provided under the substantive plan (the plan as understood by the employer and plan member) at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Accordingly, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Annual required contributions for the year ended December 31, 2015 and 2014 were based on the actuarial valuation as of June 30, 2015 and June 30, 2013, respectively. The actuarial methods and significant assumptions used in both actuarial valuations are the same unless otherwise specified. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees. In determining the annual required contribution, the unfunded actuarial accrued liability is amortized on an open basis as a level dollar amount over 30 years.

The actuarial valuation as of June 30, 2013, assumed a 6.0% rate of return and an annual vision cost trend rate of 4%. The trend rate started at 7.25% in calendar year 2012, graded down by 0.25% per year to an ultimate rate of 4.75% in 2079 and beyond. The actuarial valuation as of January 1, 2010, assumed a 4.5% effective annual rate of return and an annual vision cost trend rate of 4%. The January 1, 2010, actuarial valuation also assumed a medical cost trend rate of 7% in calendar year 2010, graded down by 0.5% per year to an ultimate rate of 5.93% after ten years.

10. RISK MANAGEMENT

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

11. COMMITMENTS AND CONTINGENCIES

Litigation – The State Bar is a defendant in various lawsuits. It is management's opinion, based on the advice of legal counsel, that the outcome of many of these matters will not have a material adverse effect on the financial position and results of operations of the State Bar. However, the outcome of certain lawsuits and tort claims related to disciplinary actions against members, 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, 2015 and 2014.

Leases – The State Bar was obligated under a noncancelable operating lease for office space. The lease term expired in January 2014. In addition, the State Bar leases certain office space at its primary facilities in San Francisco and Los Angeles, California, to tenants under various lease agreements. As of December 31, 2015, the carrying value of the San Francisco building was $41,324,243 less accumulated depreciation of $15,468,156, and the carrying value of the Los Angeles building was $69,527,797 less accumulated depreciation of $2,561,345. Future minimum lease revenue under these noncancelable operating leases at December 31, 2015, are as follows:

	Future Minimum Revenue	
Year Ending December 31,	San Francisco	Los Angeles
2016	$ 1,322,291	$ 396,656
2017	1,372,868	396,656
2018	1,373,806	396,656
2019	1,038,452	396,656
2020	788,914	396,656
Thereafter	345,716	5,501,949
	$ 6,242,047	$ 7,485,229

Expenses under operating leases for the years ended December 31, 2015 and 2014 were $0 and $381,356, respectively.

12. SUBSEQUENT EVENTS

In April 2016, the Bar obtained a loan for $10 million to finance a tenant improvement project at its San Francisco location; there are currently three unoccupied floors in that building.. This investment is needed to renovate the space to appropriate rental quality. The loan is expected to be paid off in less than six years. Once fully leased, the space should generate an additional $2.5 to $3 million in new revenue annually. The loan is however secured by a debt service reserve fund totaling approximately $2.5 million. Taken together with the Los Angeles building debt service reserve, over $7 million is currently encumbered as a capital obligation security.

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THE STATE BAR OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

Schedule of Pension Liability

Measurement Period Ended June 30	2015	2014
TOTAL PENSION LIABILITY		
Service Cost	$ 7,286,606	$ 7,138,657
Interest on total pension liability	22,279,424	20,821,887
Differences between expected and actual experience	1,619,738	-
Changes in assumptions	(5,466,470)	-
Benefit payments, including refunds of employee contributions	(11,068,730)	(10,088,607)
Net change in total pension liability	14,650,568	17,871,937
Total pension liability - beginning	296,972,088	279,100,151
Total pension liability - ending	$ 311,622,656	$ 296,972,088

Schedule of Plan Fiduciary Net Position – Pension

Contributions - employer	$ 4,167,567	$ 4,166,043
Contributions - employee	3,387,652	3,262,781
Net investment income	6,203,991	41,450,031
Benefit payments, including refunds of employee contributions	(11,068,730)	(10,088,607)
Administrative expenses	(316,734)	
Net change in plan fiduciary net position	2,373,746	38,790,248
Plan fiduciary net position - beginning	278,091,948	239,301,700
Plan fiduciary net position - ending	$ 280,465,694	$ 278,091,948
Net pension liability - ending	$ 31,156,962	$ 18,880,140
Plan fiduciary net position as a percentage of the total pension liability	90.00%	93.64%
Covered - employee payroll	$ 47,369,513	$ 44,859,580
Net pension liability as percentage of covered-employee payroll	65.77%	42.09%

[1]Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

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, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Schedule of Plan Contribution

The measurement period is for the period ended June 30,

Employer Fiscal Year End	2015	2014
Actuarially Determined Contribution	$ 4,167,567	$ 4,166,043
Contributions in relation to the actuarially determined contributions	(4,167,567)	(4,166,043)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 47,369,524	$ 44,859,583
Contributions as a percentage of covered-employee payroll	8.80%	9.10%

The schedule of funding progress presents a consolidated snapshot of the State Bar's ability to meet current and future liabilities with its plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Schedule of Funding Progress – Post-Retirement Welfare Benefits Trust

The following table shows a schedule of funding progress required under GASB Statement No. 45.

Valuation date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2015	$ 22,645,246	$ 18,788,226	$ 3,857,020	83.0%	$ 8,433,008	45.7%
June 30, 2013	$ 25,857,708	$ 14,251,590	$ 11,606,118	55.1%	$ 8,433,008	137.6%
June 30, 2011	$ 22,669,821	$ 15,376,544	$ 8,293,277	67.8%	$ 6,969,210	119.0%

Schedule of Employer Contributions – Post-Retirement Welfare Benefits Trust

The following table shows the annual required contributions ("ARC") and the percentage of ARC contributed to the OPEB Plan for the last three years.

Year Ended	Annual Required Contribution	Percent Contributed
12/31/15	$ 902,819	440.2%
12/31/14	$ 1,660,946	135.4%
12/31/13	$ 1,328,641	61.8%

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PROGRAM FUND DESCRIPTIONS

The State Bar maintains separate program funds. For financial statement purposes, the State Bar follows the "business-type" activities reporting requirement of GASB Statement No. 34 and all program funds are consolidated into one Enterprise Fund. For internal management reporting purposes, in 2015, nine program funds including the General Fund were consolidated into one Consolidated General Fund.

Consolidated General Fund – All revenues, expenditures and other uses of sub-funds will be accounted for in the General Fund. These funds will be generally available for State Bar purposes, subject to budget priorities set by the Board. For internal management reporting purposes, the Consolidated General Fund consists of the following sub-funds:

- General Fund
- Howard Building Fund
- Legal and Education Development Fund
- Los Angeles Facility Fund
- Public Protection Fund
- Support and Administration Fund
- Technology Improvement Fund
- Fixed Assets Fund
- Benefits Reserve Fund

Other Program Funds

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.

Annual Meeting Fund – The Annual Meeting Fund accounts for Annual Meeting registration fees and expenses. The Annual Meeting Fund allocates its revenue and expenses among itself, the Conference of Delegates of California Bar Associations which operates as an independent entity, and the Sections Fund.

Sections Fund – Accounts for the activities of sixteen sections, which consist of specific practice areas or areas of professional interest and provides members with a vehicle for communicating with each other, educating themselves, and commenting on relevant legislation. Resources are provided through assessments of the sections' membership and revenue from seminars and workshops.

Client Security Fund – The Client Security Fund maintains funds from which members' 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 positions based on final approved applications by the Client Security Fund Commission. This fund is replenished through annual assessments of $40 per active member and $10 per inactive member.

Elimination of Bias and Bar Relations Fund – The Elimination of Bias and Bar Relations Fund supports certain programs similar to those once undertaken by the Legal Services, Program Development and Bar Relations Offices. This fund is supported by a fee of $5 and is part of the annual membership fees; however, members have the option to not remit this fee.

PROGRAM FUND DESCRIPTIONS (Continued)

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.

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

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 of $10 and is part of annual membership fees to all active members, which sunsetted after December 31, 2013.

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. Members 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 members 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 member and $5 per inactive member.

Legal Services Trust Fund – 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. In 2015, section 6140.3 allocated $40 of the membership fee to the Trust Fund. Under the legislation, members may elect to reduce their fees by this amount if they choose not to support the activities authorized under this bill. The funding associated with the $40 optional fee will be directed to the State Bar's Legal Services Trust Fund Program for distribution to nonprofit organizations that provide free civil legal services to low-income Californians.

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 membership fees.

PROGRAM FUND DESCRIPTIONS (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 members electing to support these activities. This fee of $5 is part of the membership fees; however, members have the option to not remit this fee.

Blended Component Unit:

State Bar Access and Education Fund – The Foundation is a nonprofit public benefit corporation that conducts activities that are charitable and educational on behalf of the State Bar. The Foundation is governed by a Board of Directors that consists of the Executive Director, Deputy Executive Director, and Assistant Secretary. The State Bar provides administrative services to the Foundation in a third party, trustee capacity. These funds are not available for the State Bar's operations. The State Bar Access and Education Fund was subsequently dissolved in March 2016.

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET POSITION
DECEMBER 31, 2015

	Consolidated General Fund	Admissions	Annual Meeting	Grants	Sections
ASSETS					
Current assets					
Cash and cash equivalents	$ 66,356,808	$ 50	$ -	$ -	$ -
Investments	21,854,927	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of $1,797,802	712,080	-	-	-	-
Interfund receivable	15,261,282	8,545,899	-	374,532	10,258,923
Other current assets	1,272,406	629,187	-	-	819
Total current assets	105,457,503	9,175,136	-	374,532	10,259,742
Noncurrent assets					
Restricted cash	4,610,000	-	-	-	-
Other postemployment benefits assets	9,792,271	-	-	-	-
Capital assets					
Nondepreciable	19,537,615	-	-	-	-
Depreciable, net	77,467,922	-	-	-	-
Total noncurrent assets	111,407,808	-	-	-	-
Total assets	216,865,311	9,175,136	-	374,532	10,259,742
Deferred outflows of resources	15,671,481	-	-	-	-
Total assets and deferred outflows of resources	232,536,792	9,175,136	-	374,532	10,259,742
LIABILITIES					
Current liabilities					
Accounts payable and other liabilities	$ 6,092,506	$ 249,845	$ 21,511	$ -	$ 150,421
Interfund payable	66,745,232	-	45,133	-	-
Unearned fees collected in advance	15,633,578	4,909,755	-	-	1,497,610
Loans payable	1,414,006	-	-	-	-
Grants payable	-	-	-	-	-
Total current liabilities	89,885,322	5,159,600	66,644	-	1,648,031
Noncurrent liabilities					
Loans payable	19,944,519	-	-	-	-
Compensated absences	454,798	38,123	3,274	-	18,552
GASB 68 Net pension liability	31,156,962	-	-	-	-
Total noncurrent liabilities	51,556,279	38,123	3,274	-	18,552
Total liabilities	141,441,601	5,197,723	69,918	-	1,666,583
Deferred inflows of resources	18,176,995	-	-	-	-
Total liabilities and deferred inflows of resources	159,618,596	5,197,723	69,918	-	1,666,583
NET POSITION					
Restricted for:					
Enabling legislation	$ 1,230,154	$ 3,977,413	$ -	$ -	$ 8,593,159
Other restrictions	16,906,947	-	-	374,532	-
Net invested in capital assets, net of related debt	75,308,441	-	-	-	-
Unrestricted	(20,527,346)	-	(69,918)	-	-
Total net position	$ 72,918,196	$ 3,977,413	$ (69,918)	$ 374,532	$ 8,593,159

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET POSITION (Continued)
DECEMBER 31, 2015

	Client Security	Elimination of Bias and Bar Relations	Equal Access	Information Technology Assessment	Justice Gap Fund	Lawyers Assistance Program
ASSETS						
Current assets						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-	-
Accounts and other receivables, net of allowance for uncollectible accounts of $1,797,802	-	-	976,408	-	-	-
Interfund receivable	4,110,966	851,879	2,377,775	1,211,193	512,501	2,765,625
Other current assets	-	-	-	-	-	-
Total current assets	4,110,966	851,879	3,354,183	1,211,193	512,501	2,765,625
Noncurrent assets						
Restricted cash	-	-	-	-	-	-
Other postemployment benefits assets	-	-	-	-	-	-
Capital assets						
Nondepreciable	-	-	-	-	-	-
Depreciable, net	-	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-	-
Total assets	4,110,966	851,879	3,354,183	1,211,193	512,501	2,765,625
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	4,110,966	851,879	3,354,183	1,211,193	512,501	2,765,625
LIABILITIES						
Current liabilities						
Accounts payable and other liabilities	$ 91,452	$ 35,564	$ 3,193,250	$ -	$ -	$ 45,923
Interfund payable	-	-	-	-	-	-
Unearned fees collected in advance	1,804,177	211,984	-	-	-	480,047
Loans payable	-	-	-	-	-	-
Grants payable	-	-	-	-	-	-
Total current liabilities	1,895,629	247,548	3,193,250	-	-	525,970
Noncurrent liabilities						
Loans payable	-	-	-	-	-	-
Compensated absences	14,897	5,758	-	-	-	6,635
GASB 68 Net pension liability	-	-	-	-	-	-
Total noncurrent liabilities	14,897	5,758	-	-	-	6,635
Total liabilities	1,910,526	253,306	3,193,250	-	-	532,605
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	1,910,526	253,306	3,193,250	-	-	532,605
NET POSITION						
Restricted for:						
Enabling legislation	$ 2,200,440	$ -	$ 160,933	$ 1,211,193	$ 512,501	$ 2,233,020
Other restrictions	-	598,573	-	-	-	-
Net invested in capital assets, net of related debt	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total net position	$ 2,200,440	$ 598,573	$ 160,933	$ 1,211,193	$ 512,501	$ 2,233,020

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET POSITION (Continued)
DECEMBER 31, 2015

Legislative Activities	Legal Services Trust	Legal Specialization	SB Access & Education	Interfund Elimination	Total	
						ASSETS
						Current assets
$ -	$ -	$ -	$ -	$ -	$ 66,356,858	Cash and cash equivalents
-	-	-	-	-	21,854,927	Investments
-	571,516	-	-	-	2,260,004	Accounts and other receivables, net of allowance for uncollectible accounts of $1,797,802
968,303	13,559,923	5,991,564	-	(66,790,365)	-	Interfund receivable
-	-	-	-	-	1,902,412	Other current assets
968,303	14,131,439	5,991,564	-	(66,790,365)	92,374,201	Total current assets
						Noncurrent assets
-	-	-	-	-	4,610,000	Restricted cash
-	-	-	-	-	9,792,271	Other postemployment benefits assets
						Capital assets
-	-	-	-	-	19,537,615	Nondepreciable
-	-	-	-	-	77,467,922	Depreciable, net
-	-	-	-	-	111,407,808	Total noncurrent assets
968,303	14,131,439	5,991,564	-	(66,790,365)	203,782,009	Total assets
-	-	-	-	-	15,671,481	Deferred outflows of resources
968,303	14,131,439	5,991,564	-	(66,790,365)	219,453,490	Total assets
						LIABILITIES
						Current liabilities
$ 39,214	$ 61,912	$ 26,249	$ -	$ -	$ 10,007,847	Accounts payable and other liabilities
-	-	-	-	(66,790,365)	-	Interfund payable
208,485	1,684,117	547,510	-	-	26,977,263	Unearned fees collected in advance
-	-	-	-	-	1,414,006	Loans payable
-	16,753	-	-	-	16,753	Grants payable
247,699	1,762,782	573,759	-	(66,790,365)	38,415,869	Total current liabilities
						Noncurrent liabilities
-	-	-	-	-	19,944,519	Loans payable
6,255	8,932	4,152	-	-	561,376	Compensated absences
-	-	-	-	-	31,156,962	GASB 68 Net pension liability
6,255	8,932	4,152	-	-	51,662,857	Total noncurrent liabilities
253,954	1,771,714	577,911	-	(66,790,365)	90,078,726	Total liabilities
-	-	-	-	-	18,176,995	Deferred inflows of resources
253,954	1,771,714	577,911	-	(66,790,365)	108,255,721	Total liabilities and deferred inflows of resources
						NET POSITION
						Restricted for:
$ 714,349	$ 12,359,725	$ 5,413,653	$ -	$ -	$ 38,606,540	Enabling legislation
-	-	-	-	-	17,880,052	Other restrictions
-	-	-	-	-	75,308,441	Net invested in capital assets, net of related debt
-	-	-	-	-	(20,597,264)	Unrestricted
$ 714,349	$ 12,359,725	$ 5,413,653	$ -	$ -	$ 111,197,769	Total net position

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2015

	Consolidated General Fund	Admissions	Annual Meeting	Grants	Sections
OPERATING REVENUES					
Membership fees and donations	$ 66,270,967	$ 172,777	$ -	$ -	$ -
Examination application fees	-	19,433,946	-	-	-
Trust account revenue	-	-	-	-	-
Law practices (sections) fees	-	-	-	-	5,891,380
Seminar/workshop revenue	20,740	-	-	-	1,508,680
Advertising revenue	153,488	-	5,500	-	57,402
Convention income	-	-	577,195	-	524,946
Legal specialization fees	-	-	-	-	-
Law corporation registration fees	1,499,333	-	-	-	-
Continuing legal education fees	691,633	256,486	-	-	-
Grants	15,000	-	-	102,350	-
EAF AB145 filing fee revenue	-	-	-	-	-
Settlement Grants	-	-	-	-	-
Affinity Insurance revenue	2,428,236	-	-	-	-
Other	616,541	547,684	85,692	-	1,237,929
Total operating revenues	71,695,938	20,410,893	668,387	102,350	9,220,337
OPERATING EXPENSES					
Discipline and adjudication	54,831,350	-	-	-	-
Examination costs and administration	-	19,198,663	-	-	-
Grants	-	-	-	185,577	-
Law practices (sections)	-	-	-	-	7,023,723
CSF application payments	-	-	-	-	-
Communications	1,714,206	-	-	-	-
Administration of justice	856,744	-	-	-	-
Governance	1,965,311	-	-	-	-
Administration of the profession	3,215,160	-	-	-	-
Program development	1,995,552	-	-	-	-
General and administration	5,376,116	874,045	888,097	30,782	1,257,963
Total operating expenses	69,954,439	20,072,708	888,097	216,359	8,281,686
OPERATING INCOME/(LOSS)	1,741,499	338,185	(219,710)	(114,009)	938,651
NONOPERATING REVENUES					
Investment income/(loss)	100,118	17,898	4,299	-	19,668
Gain on disposal of capital assets	-	-	-	-	-
Rental income	1,683,779	-	-	-	-
Interest expense on loan	(941,672)	-	-	-	-
Total nonoperating revenues	842,225	17,898	4,299	-	19,668
INCOME/(LOSS) BEFORE TRANSFERS	2,583,724	356,083	(215,411)	(114,009)	958,319
Transfers in	48,326	-	35,857	-	10,617
Transfers out	(500,308)	(1,230)	-	-	(5,775)
CHANGE IN NET POSITION	2,131,742	354,853	(179,554)	(114,009)	963,161
NET POSITION—beginning of year	70,786,454	3,622,560	109,636	488,541	7,629,998
NET POSITION—end of year	$ 72,918,196	$ 3,977,413	$ (69,918)	$ 374,532	$ 8,593,159

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)
DECEMBER 31, 2015

	Client Security	Elimination of Bias and Bar Relations	Equal Access	Information Technology Assessment	Justice Gap Fund	Lawyers Assistance Program
OPERATING REVENUES						
Membership fees and donations	$ 7,701,943	$ 781,510	$ -	$ -	$ 1,022,211	$ 2,025,190
Examination application fees	-	-	-	-	-	-
Trust account revenue	-	-	-	-	-	-
Law practices (sections) fees	-	-	-	-	-	-
Seminar/workshop revenue	-	3,045	-	-	-	-
Advertising revenue	-	-	-	-	-	-
Convention income	-	-	-	-	-	-
Legal specialization fees	-	-	-	-	-	-
Law corporation registration fees	-	-	-	-	-	-
Continuing legal education fees	-	-	-	-	-	-
Grants	-	4,000	10,392,000	-	-	-
EAF AB145 filing fee revenue	-	-	3,701,281	-	-	-
Settlement Grants	-	-	-	-	-	-
Affinity Insurance revenue	-	-	-	-	-	-
Other	18,145	-	442,413	-	-	-
Total operating revenues	7,720,088	788,555	14,535,694	-	1,022,211	2,025,190
OPERATING EXPENSES						
Discipline and adjudication	-	-	-	-	-	-
Examination costs and administration	-	-	-	-	-	-
Grants	-	-	17,610,257	-	-	-
Law practices (sections)	-	-	-	-	-	-
CSF application payments	5,350,082	-	-	-	-	-
Communications	-	-	-	-	-	-
Administration of justice	-	-	-	-	-	-
Governance	-	-	-	-	-	-
Administration of the profession	-	-	-	-	-	-
Program development	-	-	-	-	-	-
General and administration	2,394,419	1,038,739	502,114	-	19,915	1,627,560
Total operating expenses	7,744,501	1,038,739	18,112,371	-	19,915	1,627,560
OPERATING INCOME/(LOSS)	(24,413)	(250,184)	(3,576,677)	-	1,002,296	397,630
NONOPERATING REVENUES						
Investment income/(loss)	13,363	1,803	(1,324)	(216)	1,368	5,482
Gain on disposal of capital assets	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Interest expense on loan	-	-	-	-	-	-
Total nonoperating revenues	13,363	1,803	(1,324)	(216)	1,368	5,482
INCOME/(LOSS) BEFORE TRANSFERS	(11,050)	(248,381)	(3,578,001)	(216)	1,003,664	403,112
Transfers in	4,120	-	-	-	-	1,050
Transfers out	(1,185)	(595)	-	-	(800,000)	(4,975)
CHANGE IN NET POSITION	(8,115)	(248,976)	(3,578,001)	(216)	203,664	399,187
NET POSITION—beginning of year	2,208,555	847,549	3,738,934	1,211,409	308,837	1,833,833
NET POSITION—end of year	$ 2,200,440	$ 598,573	$ 160,933	$ 1,211,193	$ 512,501	$ 2,233,020

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)
DECEMBER 31, 2015

Legislative Activities	Legal Services Trust	Legal Specialization	SB Access & Education	Interfund Elimination	Total	
						OPERATING REVENUES
$ 760,885	$ 6,446,318	$ -	$ -	$ -	$ 85,181,801	Membership fees and donations
-	-	-	-	-	19,433,946	Examination application fees
-	5,584,435	-	-	-	5,584,435	Trust account revenue
-	-	-	-	-	5,891,380	Law practices (sections) fees
-	-	-	-	-	1,532,465	Seminar/workshop revenue
-	-	-	-	-	216,390	Advertising revenue
-	-	-	-	-	1,102,141	Convention income
-	-	2,538,384	-	-	2,538,384	Legal specialization fees
-	-	-	-	-	1,499,333	Law corporation registration fees
-	-	23,730	-	-	971,849	Continuing legal education fees
-	-	-	10,000	-	10,523,350	Grants
-	-	-	-	-	3,701,281	EAF AB145 filing fee revenue
-	6,085,197	-	-	-	6,085,197	Settlement Grants
-	-	-	-	-	2,428,236	Affinity Insurance revenue
-	-	2,023	-	-	2,950,427	Other
760,885	18,115,950	2,564,137	10,000	-	149,640,615	Total operating revenues
						OPERATING EXPENSES
-	-	-	-	-	54,831,350	Discipline and adjudication
-	-	-	-	-	19,198,663	Examination costs and administration
-	10,064,288	-	10,000	-	27,870,122	Grants
-	-	-	-	-	7,023,723	Law practices (sections)
-	-	-	-	-	5,350,082	CSF application payments
-	-	-	-	-	1,714,206	Communications
-	-	-	-	-	856,744	Administration of justice
-	-	-	-	-	1,965,311	Governance
-	-	-	-	-	3,215,160	Administration of the profession
-	-	-	-	-	1,995,552	Program development
501,992	1,510,709	1,637,547	627	-	17,660,625	General and administration
501,992	11,574,997	1,637,547	10,627	-	141,681,538	Total operating expenses
258,893	6,540,953	926,590	(627)	-	7,959,077	OPERATING INCOME/(LOSS)
						NONOPERATING REVENUES
1,643	12,825	8,818	-	-	185,745	Investment income/(loss)
-	-	-	-	-	-	Gain on disposal of capital assets
-	-	-	-	-	1,683,779	Rental income
-	-	-	-	-	(941,672)	Interest expense on loan
1,643	12,825	8,818	-	-	927,852	Total nonoperating revenues
260,536	6,553,778	935,408	(627)	-	8,886,929	INCOME/(LOSS) BEFORE TRANSFERS
-	1,200,000	1,800	14,838	(1,316,608)	-	Transfers in
(380)	(105)	(2,055)	-	1,316,608	-	Transfers out
260,156	7,753,673	935,153	14,211	-	8,886,929	CHANGE IN NET POSITION
454,193	4,606,052	4,478,500	(14,211)	-	102,310,840	NET POSITION—beginning of year
$ 714,349	$ 12,359,725	$ 5,413,653	$ -	$ -	$ 111,197,769	NET POSITION—end of year

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