

THE STATE BAR OF CALIFORNIA

Financial Statements and
Independent Auditor's Report
For the Years Ended December 31, 2008 and 2007

and Supplementary Information
For the Year Ended December 31, 2008

THE STATE BAR OF CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

The Board of Governors
The State Bar of California
San Francisco, California

We have audited the accompanying financial statements of the Enterprise Fund and the Trust for Post-Retirement Welfare Benefit Plan for Executive Staff Employees of the State Bar of California ("State Bar") as of and for the years ended December 31, 2008 and 2007, which collectively comprise the State Bar's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State Bar's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Trust for Post-Retirement Welfare Benefit Plan for Executive Staff Employees of the State Bar as of December 31, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, for the year ended December 31, 2008, the State Bar adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*.

The management's discussion and analysis on pages 3 through 8 and the schedules of funding progress on page 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the State Bar's basic financial statements. The supplementary information on pages 30 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & Connell LLP
Certified Public Accountants

Walnut Creek, California

April 24, 2009

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2008 AND 2007

Introduction

The following Management’s Discussion and Analysis is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor’s report. This discussion and analysis presents the highlights of financial activities and financial position for the State Bar of California (the “State Bar”). The analysis is designed to provide readers with information that the State Bar’s management believes to be necessary to 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 twenty-three member Board of Governors. Fifteen members are lawyers elected by members of the State Bar. A sixteenth member is elected by the California Young Lawyers Association Board of Directors. Six “public” or non-lawyer members are appointed to the Board of Governors – four by the governor of California, one by the state Senate Committee on Rules and one by the Speaker of the Assembly. The twenty-third member of the Board of Governors is the State Bar president, who is elected by the other board members to serve a fourth year as the State Bar’s chief officer.

The State Bar provides for a wide variety of programs and member services that benefit both the public interest and the members of the State Bar. For internal reporting purposes, the State Bar’s programs are segregated into 25 separate funds, with the largest being the General Fund. The State Bar’s programs are financed primarily by fees paid by attorneys and applicants to practice law. At the end of 2008, the State Bar had approximately 221,600 members, making it the largest unified state bar in the country. Membership fees for 2008 were set by the State Legislature at \$400 for active members and \$115 for inactive members. The membership fees are allocated to the following funds:

	<u>Active Fee</u>	<u>Inactive Fee</u>
General Fund	\$ 315	\$ 75
Client Security Fund	40	10
Discipline Fund	25	25
IT Special Assessment Fund	10	-
Lawyers Assistance Program Fund	10	5
Total	<u>\$ 400</u>	<u>\$ 115</u>

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

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 Fund and the Trust for the Post-Retirement Welfare Benefits Plan for Executive Staff Employees (“OPEB Trust”). The basic financial statements and related information are organized in this report as follows:

Statements of Net Assets – present the financial position of the State Bar at the end of the fiscal year. The statements report all assets, liabilities, and the difference as net assets. The net assets section is displayed in three components – restricted net assets; invested in capital assets, net of related debt; and unrestricted net assets.

Statements of Revenues, Expenses, and Changes in Net Assets – disclose the sources of revenue, the various expenses, and the impact on net assets for the State Bar.

Statements of Cash Flows – is presented using the direct method including a reconciliation of operating income to net cash provided by or used in operating activities. The Statements of Cash Flows reflect the sources and uses of cash for the State Bar.

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

Required Supplementary Information – presents schedules of funding progress for the State Bar’s pension and OPEB Trust plans.

Financial Highlights

Fiscal Year 2008 Compared to Fiscal Year 2007

Statements of Net Assets

Following is a summary comparison of the State Bar’s Statements of Net Assets as of December 31, 2008 and 2007:

	2008	2007	Change
Cash, cash equivalents and investments	\$ 92,104,318	\$ 96,127,692	\$ (4,023,374)
Other assets	12,641,134	4,246,942	8,394,192
Capital assets—net	<u>34,927,799</u>	<u>36,525,826</u>	<u>(1,598,027)</u>
Total assets	<u>139,673,251</u>	<u>136,900,460</u>	<u>2,772,791</u>
Current liabilities	34,439,353	41,564,672	(7,125,319)
Noncurrent liabilities	<u>-</u>	<u>9,147,256</u>	<u>(9,147,256)</u>
Total liabilities	<u>34,439,353</u>	<u>50,711,928</u>	<u>(16,272,575)</u>
Net assets			
Restricted	52,300,570	32,131,383	20,169,187
Invested in capital assets, net of related debt	34,927,799	36,136,531	(1,208,732)
Unrestricted	<u>18,005,529</u>	<u>17,920,618</u>	<u>84,911</u>
Total net assets	<u>\$ 105,233,898</u>	<u>\$ 86,188,532</u>	<u>\$ 19,045,366</u>

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Assets—The State Bar's total assets increased by \$2.8 million or 2.0% from \$136.9 million at the end of 2007 to \$139.7 million at the end of 2008.

Cash, cash equivalents and investments consist of balances in demand deposit accounts, money market accounts, the State Bar's share of the Local Agency Investment Fund ("LAIF"), and investment securities. The combined balances decreased by \$4.0 million, or 4.2%, primarily due to pre-funding of the other postemployment benefits (OPEB) obligation in the amount of \$6.8 million, which is partially offset by an increase in investments of \$2.8 million.

The balance in other assets consists of interest receivable, prepayments and other receivable. The combined balance increased by \$8.4 million, or 197.7%, due primarily to the addition of Net OPEB Asset of \$6.9 million and an increase of other receivables and prepayments of \$1.5 million.

Capital assets decreased \$1.6 million from \$36.5 million at the end of 2007 to \$34.9 million at the end of 2008. The 4.4% net decrease is attributable to normal depreciation on capital assets of \$1.9 million and office equipment additions of \$0.3 million.

Liabilities—Total liabilities decreased by approximately \$16.3 million, or 32.1%. The decrease of liabilities is attributable to (1) the elimination of accrued postretirement benefits of \$9.1 million due to the implementation of GASB Statement No. 45, as discussed in Note 8; and (2) a decrease in long-term debt, accounts payable to vendors and IOLTA grant recipients for a total of \$7.2 million.

Net assets—Net assets increased by \$19.0 million, or 22.1%. The net increase in net assets reflects the result of surplus in program funds of \$10.7 million, the elimination of accrued postretirement benefit of \$9.1 million, partially offset by a General Fund deficit of \$0.8 million.

Statements of Revenues and Expenses

Following is a summary comparison of the State Bar's statements of revenues and expenses for the years ended December 31, 2008 and 2007:

	2008	2007	Change
OPERATING REVENUES:			
Program revenues	\$ 138,639,052	\$ 130,272,524	\$ 8,366,528
Other	4,913,501	4,190,434	723,067
Total operating revenues	<u>143,552,553</u>	<u>134,462,958</u>	<u>9,089,595</u>
OPERATING EXPENSES:			
Program expenses	121,625,357	113,175,503	8,449,854
General and administration	16,869,940	16,522,993	346,947
OPEB Benefit Expense	521,043	-	521,043
Total operating expenses	<u>139,016,340</u>	<u>129,698,496</u>	<u>9,317,844</u>
OPERATING INCOME	4,536,213	4,764,462	(228,249)
NONOPERATING REVENUES, NET	<u>5,361,897</u>	<u>6,571,184</u>	<u>(1,209,287)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>9,898,110</u>	<u>11,335,646</u>	<u>(1,437,536)</u>
NET ASSETS - Beginning of year	86,188,532	74,852,886	11,335,646
Change in Accounting Principle	<u>9,147,256</u>	<u>-</u>	<u>9,147,256</u>
NET ASSETS - Beginning of year (restated)	<u>95,335,788</u>	<u>74,852,886</u>	<u>20,482,902</u>
NET ASSETS - End of year	<u>\$ 105,233,898</u>	<u>\$ 86,188,532</u>	<u>\$ 19,045,366</u>

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Operating Revenues—Total operating revenues increased \$9.1 million or 6.8% from \$134.5 million in 2007 to \$143.6 million in 2008.

Program revenues increased by \$8.4 million in 2008. The net increase is attributable to (1) a net increase in membership revenue of \$1.6 million due to general membership increases, the reinstatement fee imposed on suspended members, and increases of late payment penalty, which is partially offset by members scaling adjustment, (2) an increase in the Interest On Lawyer Trust Accounts (“IOLTA”) revenue of \$4.2 million due to the comparability amendments to the IOLTA statute effective in 2008, (3) an increase in AB 145 filing fee revenue of \$1.1 million, and (4) increase in grants, seminar and workshop revenue of \$1.5 million.

Total non-operating revenues decreased \$1.2 million or 18.4%, due primarily to lower interest rates in 2008.

Operating Expenses—Total operating expenses rose by \$9.3 million or 7.2% during 2008 due largely to an increase in employee salaries, fringe benefits and an increase in both IOLTA and Equal Access Fund grants awarded to eligible participants because additional funding was available from higher IOLTA revenues.

Fiscal Year 2007 Compared to Fiscal Year 2006

Statements of Net Assets

The following table presents the condensed statements of net assets of the State Bar as of December 31, 2007 and 2006 and the change from year to year:

	2007	2006 (Restated)	Change
Cash, cash equivalents and investments	\$ 96,127,692	\$ 80,843,459 *	\$ 15,284,233
Other assets	4,246,942	3,860,978 *	385,964
Capital assets—net	<u>36,525,826</u>	<u>37,579,573</u>	<u>(1,053,747)</u>
Total assets	<u>136,900,460</u>	<u>122,284,010</u>	<u>14,616,450</u>
Current liabilities	41,564,672	39,594,597	1,970,075
Noncurrent liabilities	<u>9,147,256</u>	<u>7,836,527</u>	<u>1,310,729</u>
Total liabilities	<u>50,711,928</u>	<u>47,431,124</u>	<u>3,280,804</u>
Net assets			
Restricted	32,131,383	24,621,114 *	7,510,269
Invested in capital assets, net of related debt	36,136,531	36,421,411	(284,880)
Unrestricted	<u>17,920,618</u>	<u>13,810,361</u> *	<u>4,110,257</u>
Total net assets	<u>\$ 86,188,532</u>	<u>\$ 74,852,886</u>	<u>\$ 11,335,646</u>

* Interest receivable of \$326,528 for 2006 was reclassified from investments to interest receivable, and net assets of \$7,248,602 was reclassified from restricted to unrestricted to conform to the 2007 presentation.

Assets—The State Bar’s total assets increased \$14.6 million from \$122.3 million as of the end of 2006 to \$136.9 million as of the end of 2007 representing a 12.0% increase.

Cash, cash equivalents and investments consist of balances in demand deposit accounts, money market accounts, the State Bar’s share of the Local Agency Investment Fund (“LAIF”), and investment securities. The combined balances increased by \$15.3 million, or 18.9%, from \$80.8 million at December 31, 2006 to \$96.1 million at December 31, 2007. This increase is attributable to the net cash generated from operating and investing activities for \$9.5 million, and an increase of \$7.4 million in investment securities at the end of 2007 compared to end of 2006. These increases were partially offset by purchase of capital assets and payment of long-term obligations for a total of \$1.6 million.

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

The balance in other assets consists of interest receivable, prepayments and other receivable. The combined balance increased by \$0.4 million, or 10.0%, from \$3.9 million to \$4.3 million between the end of 2006 and 2007. This increase is due primarily to the increase in interest incomes from investment securities and the Legal Service Trust Fund interest revenue in 2007.

Capital assets decreased \$1.1 million from \$37.6 million in 2006 to \$36.5 million in 2007. The 2.8% decrease is attributable to normal depreciation on capital assets of \$1.9 million, partially offset by additions of building improvements and office equipment of \$0.8 million.

Liabilities—Total liabilities increased by approximately \$3.3 million from \$47.4 million as of the end of 2006 to \$50.7 million as of the end of 2007. The 6.9% increase is due primarily to an increase in postretirement benefits of \$1.8 million; and an increase in the grant payable and accounts payable for \$4.8 million. These increases were partially offset by a decrease in unearned membership fees of \$2.6 million, and a decrease in long-term debt of \$0.7 million due to scheduled payments.

Net assets—Net assets increased by \$11.3 million, or 15.1%, from \$74.9 million as of December 31, 2006 to \$86.2 million as of December 31, 2007. The primary reasons for the increase are operating income of \$4.8 million, investment income of \$5.5 million, and other net nonoperating income of \$1.0 million. Program funds reporting a deficiency of revenues over expenses were: Education Foundation, Elimination of Bias and Bar Relations, Information Technology Assessment, Legislative Activities, Technology Improvements, and Fixed Asset Fund.

Statements of Revenues and Expenses

The following table presents the condensed statements of revenues and expenses for the State Bar for the years ended December 31, 2007 and 2006 and the change from year to year:

	2007	2006 (Restated)	Change
OPERATING REVENUES:			
Program revenues	\$ 130,272,524	\$ 119,022,503	\$ 11,250,021
Other	4,190,434	5,585,850	(1,395,416)
Total operating revenues	<u>134,462,958</u>	<u>124,608,353</u>	<u>9,854,605</u>
OPERATING EXPENSES:			
Program expenses	113,175,503	103,315,783	9,859,720
General and administration	16,522,993	15,551,771 *	971,222
Total operating expenses	<u>129,698,496</u>	<u>118,867,554</u>	<u>10,830,942</u>
OPERATING INCOME	4,764,462	5,740,799	(976,337)
NONOPERATING REVENUES, NET	<u>6,571,184</u>	<u>5,194,579</u> *	<u>1,376,605</u>
EXCESS OF REVENUES OVER EXPENSES	<u>11,335,646</u>	<u>10,935,378</u>	<u>400,268</u>
NET ASSETS - Beginning of year (restated)	<u>74,852,886</u>	<u>63,917,508</u>	<u>10,935,378</u>
NET ASSETS - End of year	<u>\$ 86,188,532</u>	<u>\$ 74,852,886</u>	<u>\$ 11,335,646</u>

* Interest expense of \$106,460 in 2006 was reclassified from operating revenues to nonoperating revenues to conform to the 2007 presentation.

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

Operating Revenues—Total operating revenues increased \$9.9 million or 7.9% from \$124.6 million in 2006 to \$134.5 million in 2007.

Program revenues increased by \$11.3 million or 9.5% from \$119.0 million in 2006 to \$130.3 million in 2007 due primarily to the following:

- Membership revenue increased by \$4.2 million or 6.6% due to a combination of fee and general membership increases, the reinstatement fee imposed on suspended member, changes in the method of assessing late payment penalty, and the decrease in active members scaling fees in 2007.
- The Interest on Lawyer Trust Accounts (IOLTA) trust account revenue increased by 14.0% or \$2.2 million due to a combination of increased deposits held in trust by attorneys on behalf of their clients and higher short-term interest earnings on these deposits.
- The Equal Access Fund revenue increased by \$4.1 million, due primarily to the receipt of new AB 145 filing fee revenue resulting from the Uniform Civil Fees and Standard Fee Schedule Act passed in 2005.

Operating Expenses—Total operating expenses rose by \$10.8 million or 9.1% during 2007 due largely to an increase in employee salaries, fringe benefits and an increase in both IOLTA and Equal Access Fund grants awarded to eligible participants.

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 mandatory membership fee that is set by the Board of Governors to pay for discipline and other State Bar functions.

For 2009, Assembly Bill 3049 set the mandatory dues for active members at \$410 and inactive members at \$125. This bill was signed into law by the governor in the summer of 2008. The additional \$10 authorized under the bill restores the building fee that was eliminated in 2007. All fees received from the \$10 building fee authorized under this provision from January 1, 2009 until December 31, 2013 may only be used 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. The fee will sunset in 2014. The State Bar began collecting this building fee beginning with the 2009 billing cycle and is accumulating and reserving these proceeds in a special fund to meet the requirements of AB 3049.

The fee bill currently under discussion with the legislature for 2010 dues is entitled Senate Bill 641. As currently introduced, the bill simply extends the sunset on the 2009 dues by one year.

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's Chief Financial Officer at 180 Howard Street, San Francisco, California 94105.

THE STATE BAR OF CALIFORNIA

**ENTERPRISE FUND
STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 53,180,550	\$ 59,979,207
Accounts and other receivables, net	4,637,613	2,815,000
Other current assets	<u>1,129,308</u>	<u>1,431,942</u>
Total current assets	<u>58,947,471</u>	<u>64,226,149</u>
Noncurrent assets		
Investments	38,923,768	36,148,485
OPEB Asset	6,874,213	-
Capital assets, net	<u>34,927,799</u>	<u>36,525,826</u>
Total noncurrent assets	<u>80,725,780</u>	<u>72,674,311</u>
Total assets	<u>139,673,251</u>	<u>136,900,460</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	11,520,646	18,481,981
Unearned fees collected in advance	18,952,589	19,209,221
Grants payable	3,966,118	3,481,727
Current portion of long term debt	<u>-</u>	<u>391,743</u>
Total current liabilities	<u>34,439,353</u>	<u>41,564,672</u>
Noncurrent liabilities		
Accrued postretirement benefits	<u>-</u>	<u>9,147,256</u>
Total noncurrent liabilities	<u>-</u>	<u>9,147,256</u>
Total liabilities	<u>34,439,353</u>	<u>50,711,928</u>
NET ASSETS		
Restricted	52,300,570	32,131,383
Invested in capital assets, net of related debt	34,927,799	36,136,531
Unrestricted	<u>18,005,529</u>	<u>17,920,618</u>
Total net assets	<u>\$ 105,233,898</u>	<u>\$ 86,188,532</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Membership fees	\$ 69,950,427	\$ 68,363,453
Examination application fees	16,223,463	16,167,195
Trust account revenue	22,268,850	18,055,095
Law practices (Sections) fees	4,694,303	4,538,799
Seminar/workshop revenue	1,509,741	1,200,482
Advertising revenue	945,838	1,144,022
Convention income	1,008,628	1,027,994
Legal specialization fees	909,600	1,075,512
Law corporation registration fees	700,717	669,096
Continuing legal education fees	1,605,451	1,614,589
Grants	12,717,639	11,477,237
EAF AB145 filing fees	6,104,395	4,939,050
Other	<u>4,913,501</u>	<u>4,190,434</u>
Total operating revenue	<u>143,552,553</u>	<u>134,462,958</u>
OPERATING EXPENSES:		
Discipline and adjudication	51,796,969	47,207,419
Examination costs and administration	17,752,880	16,785,842
Grants	31,702,133	28,381,311
Law practices (Sections)	4,262,759	4,054,910
Claims, net of reimbursements	4,089,346	4,768,802
Communications	2,902,571	2,659,034
Administration of justice	901,095	841,053
Governance	2,445,397	3,421,441
Administration of the profession	3,983,100	3,418,551
Program development	1,789,107	1,637,140
General and administration	16,869,940	16,522,993
OPEB Benefit Expense	<u>521,043</u>	<u>-</u>
Total operating expenses	<u>139,016,340</u>	<u>129,698,496</u>
OPERATING INCOME	<u>4,536,213</u>	<u>4,764,462</u>
NONOPERATING REVENUES/(EXPENSES):		
Investment income	4,190,541	5,514,607
Rental income	1,181,706	1,101,571
Interest expense on debt	<u>(10,350)</u>	<u>(44,994)</u>
Total nonoperating revenues, net	<u>5,361,897</u>	<u>6,571,184</u>
CHANGE IN NET ASSETS	9,898,110	11,335,646
NET ASSETS—Beginning of year	86,188,532	74,852,886
Change in Accounting Principle	<u>9,147,256</u>	<u>-</u>
NET ASSETS—Beginning of year (restated)	<u>95,335,788</u>	<u>74,852,886</u>
NET ASSETS—End of year	<u>\$ 105,233,898</u>	<u>\$ 86,188,532</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members, applicants, grants and other professionals	\$ 141,473,308	\$ 131,741,271
Payments to suppliers	(79,879,526)	(59,327,170)
Payments to employees	<u>(70,297,476)</u>	<u>(62,156,276)</u>
Net cash provided by (used in) operating activities	<u>(8,703,694)</u>	<u>10,257,825</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity and sale of investments	42,333,906	53,804,528
Purchases of investments	(45,109,189)	(61,200,291)
Interest received from investments	4,190,541	5,514,607
Cash received from rental income	<u>1,181,706</u>	<u>1,101,571</u>
Net cash provided by (used in) investing activities	<u>2,596,964</u>	<u>(779,585)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(289,834)	(805,312)
Payment of obligations under debt agreements	(391,743)	(739,464)
Interest paid on debt	<u>(10,350)</u>	<u>(44,994)</u>
Net cash used in capital and related financing activities	<u>(691,927)</u>	<u>(1,589,770)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,798,657)	7,888,470
CASH AND CASH EQUIVALENTS—Beginning of year	<u>59,979,207</u>	<u>52,090,737</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 53,180,550</u>	<u>\$ 59,979,207</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 4,536,213	\$ 4,764,462
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,887,861	1,859,059
Changes in assets and liabilities:		
Accounts and other receivables	(1,822,613)	(154,725)
OPEB Asset	(6,874,213)	-
Other current assets	302,634	(231,239)
Accounts payable and accrued liabilities	(6,961,335)	4,649,785
Unearned fees collected in advance	(256,632)	(2,566,962)
Grants payable	484,391	180,807
Accrued postretirement benefits	<u>-</u>	<u>1,756,638</u>
Net cash provided by (used in) operating activities	<u>\$ (8,703,694)</u>	<u>\$ 10,257,825</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
TRUST FOR POST-RETIREMENT WELFARE BENEFITS
PLAN FOR EXECUTIVE STAFF EMPLOYEES
STATEMENT OF TRUST NET ASSETS
DECEMBER 31, 2008

	2008
ASSETS	
Cash and cash equivalents	
Money market fund	\$ 3,617,207
Investments	
U.S. treasury obligations	2,997,780
U.S. government agencies	<u>2,532,235</u>
Total investments	<u>5,530,015</u>
 Total assets	 <u>9,147,222</u>
 NET ASSETS HELD IN TRUST FOR	
POST-RETIREMENT WELFARE BENEFITS	 <u><u>\$ 9,147,222</u></u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
TRUST FOR POST-RETIREMENT WELFARE BENEFITS
PLAN FOR EXECUTIVE STAFF EMPLOYEES
STATEMENT OF CHANGES IN TRUST NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	2008
ADDITIONS	
Employer contributions	\$ 9,147,256
Investment income/(expense)	
Interest income	3,119
Net depreciation in the fair value of plan investments	<u>(3,153)</u>
Total additions	<u>9,147,222</u>
 Increase in trust net assets	 9,147,222
 NET ASSETS HELD IN TRUST FOR	
POST-RETIREMENT WELFARE BENEFITS	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 9,147,222</u></u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

1. DESCRIPTION OF ENTITY

The State Bar of California (the “State Bar”) is a public corporation established by the California Legislature on June 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. 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 Education Foundation (the “Education Foundation”), a nonprofit public benefit corporation, organizes and administers the educational programs and activities conducted by the State Bar. The Education Foundation is governed by a Board of Directors that consists of 5 management-level staff of the State Bar. The State Bar is financially accountable for and provides administrative services to the Education Foundation. Because its financial and operational relationship with the State Bar is closely integrated, the Education Foundation is included in the State Bar’s financial statements as a blended component unit.

2. BASIS OF PRESENTATION

The basic financial statements, providing information of the State Bar’s Enterprise Fund and the Trust for Post-Retirement Welfare Benefits Plan for Executive Staff Employees (“OPEB Trust”), 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 of California follows the “business-type” activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the State Bar’s financial activities.

Basis of Accounting—The Enterprise Fund of the State Bar follows all Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board (“APB”) Opinions, and Accounting Research Bulletins (“ARB”) issued on or before November 30, 1989, unless pronouncements conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their enterprise fund(s), subject to the same limitation. The State Bar has elected not to follow subsequent private-sector guidance. The State Bar’s financial statements are presented on the accrual basis of accounting.

Enterprise Fund—The Enterprise Fund is used to report all business-type activities. The State Bar maintains twenty-five individual program funds for internal reporting purposes. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

2. BASIS OF PRESENTATION (Continued)

Fiduciary Fund—The State Bar uses the Fiduciary Fund to account for assets held in trust for the Post-Retirement Welfare Benefits Plan for Executive Staff Employees (“OPEB Plan”). The OPEB Plan does not issue a separate stand-alone financial statement. The assets in this OPEB Plan are held by the State Bar as a trustee to pay health care premiums for retired executive employees, and the resources in this Plan are not available to support the State Bar’s other programs. Contributions are recognized as additions when paid into the OPEB Trust. Benefits are recognized when due and payable under the provisions of the OPEB Plan. Administrative costs are paid by the State Bar.

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 remaining maturity of three months or less at the date of purchase. At December 31, 2008 and 2007, cash equivalents consisted of demand deposit accounts, money market accounts and 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.

The State Bar’s Enterprise Fund and Fiduciary Fund are subject to the same investment policy. Investment transactions are recorded on the trade date, and all investments are reported at estimated fair market value. The market 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 market value of investments is obtained by using quotations from independent published sources.

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. 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.

Revenue and 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 assets.

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 net assets are available are first satisfied with restricted net assets, to the extent available.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenue, Expense and Grants Payable—Grant revenue for the Equal Access Fund is contingent on the availability of funding from the State of California. The State Bar’s policy is to recognize grant revenue in the period in which grant funding is received from the grantor. Accordingly, the State Bar’s payments to eligible sub-grantees depend on the receipt of State funds and the related eligible expenses are recorded when payments are made.

The Legal Services Trust Fund receives interest on attorney-client trust accounts and distributes those funds as grants to eligible programs throughout California. Grant expense is recognized in the period in which the Legal Services Trust Fund Commission awards the grants. Grants payable represent unpaid installments on awarded grants.

Restricted Net Assets reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, 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 assets were \$52.3 million at December 31, 2008, of which \$36.6 million was restricted by enabling legislation; and \$32.1 million at December 31, 2007, of which \$24.6 million was restricted by enabling legislation.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Standards:

Other Postemployment Benefits—The State Bar provides postretirement health care benefits for its eligible executive staff employees. Historically, the State Bar followed guidance provided by Financial Accounting Standards Board (FASB) Statement No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*, to report its liabilities for postretirement health care benefits. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of other postretirement benefits (OPEB) cost (expense) over a period that approximates employees’ years of service, and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

On January 1, 2008, the State Bar adopted the provisions of GASB Statement No. 45 prospectively and established its OPEB liability at zero at the beginning of the initial year of implementation. As a result, the State Bar’s beginning net assets were restated and increased by \$9.1 million to reflect this change in accounting principle. Annual OPEB cost for the State Bar is based on an actuarially calculated amount.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On December 15, 2008, the State Bar created the Trust for the State Bar of California Post-Retirement Welfare Benefits Plan for Executive Staff Employees (“OPEB Trust”) to facilitate the provision of post-retirement medical benefits to eligible executive employees. The OPEB Trust is presented in the accompanying financial statements in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 provides uniform financial reporting standards for pension plans that provide postemployment benefits. It addresses how plan administrators should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. It also establishes disclosure standards of actuarial information about the funded status and funding progress of the OPEB plan, and the contributions made by the plan sponsor in comparison to the annual required contributions of the employer. The State Bar has implemented the provisions of GASB Statement No. 43 for the year ended December 31, 2008. The changes related to GASB Statements 43 and 45 are discussed in Note 8.

Pensions Disclosures—In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. On January 1, 2008, the State Bar adopted the provisions of GASB Statement No. 50, and the changes related to this statement are discussed in Note 7.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Enterprise Fund

Cash and cash equivalents—At December 31, 2008, the carrying amount of the State Bar’s deposits was \$15,231,593 and the bank balance was \$11,105,947. Compared to December 31, 2007, the carrying amount of the State Bar’s deposits was \$21,276,846 and the bank balance was \$16,135,118. 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 balances in excess of \$250,000 were fully collateralized.

The State Bar invests in the State of California Local Agency Investment Fund (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 market value. PMIA is not SEC-registered, but is required to invest according to California State Code. The Local Investment Advisory Board, which consisted of five members designated by the state statutes, has oversight responsibility for LAIF.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At December 31, 2008, the PMIA balance was \$63.3 billion, of which 87.1% is invested in non-derivative financial products with 10.4% in structured notes and 2.6% in asset-backed securities. The total amount invested by all public agencies in LAIF was \$23.4 billion, and the State Bar's investment in LAIF was \$37.9 million. The average maturity of PMIA investments was 223 days as of December 31, 2008. At December 31, 2007, the PMIA balance was \$62.9 billion, of which 90.2% is invested in non-derivative financial products with 4.4% in structured notes and 5.5% in asset-backed securities. The total amount invested by all public agencies in LAIF was \$21.2 billion, and the State Bar's investment in LAIF was \$38.7 million. The average maturity of PMIA investments was 204 days as of December 31, 2007.

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 Governors. 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.

Investments by type as of December 31, 2008 and 2007 are as follows:

	2008	2007
	Market Value	Market Value
U.S. government and agencies	\$ 37,817,029	\$ 30,973,650
Corporate bonds	1,004,390	3,043,880
Commercial paper	-	1,951,184
Equity securities	102,349	179,771
Total investments	<u>\$ 38,923,768</u>	<u>\$ 36,148,485</u>

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 is the risk that in the event of the failure of the custodian, the investments may not be returned to it. The California Government Code and the State Bar of California'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 market 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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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	2008 Market Value	2007 Market Value
Federal Home Loan Bank	U.S. government agencies	\$ 16,442,975	\$ 18,969,890
Federal Farm Credit Bank	U.S. government agencies	9,096,254	4,001,260
Federal National Mortgage Association	U.S. government agencies	8,166,900	8,002,500
Federal Home Loan Mortgage Corporation	U.S. government agencies	4,110,900	-
General Electric Capital Corporation	Commercial Paper	-	1,951,184

Interest Rate Risk is the risk that changes in interest rates will adversely affect the market value of an investment. The terms of a debt investment may cause its market value to be highly sensitive to changes in interest rates. Fixed income security investments subject to interest rate risk at December 31, 2008 and 2007 are as follows:

	Market Value December 31, 2008	Percentage of All Fixed Income Securities	Weighted Average Maturity (Years)
U.S. government agencies	\$ 37,817,029	97.4%	0.83
Corporate bonds	1,004,390	2.6%	2.05
	<u>\$ 38,821,419</u>	<u>100.0%</u>	

	Market Value December 31, 2007	Percentage of All Fixed Income Securities	Weighted Average Maturity (Years)
U.S. government agencies	\$ 30,973,650	86.1%	0.88
Corporate bonds	3,043,880	8.5%	1.47
Commercial paper	1,951,184	5.4%	0.47
Total	<u>\$ 35,968,714</u>	<u>100.0%</u>	

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 Investor Services; corporate bonds to the rating of A by Moody’s Investor Services; 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, 2008 and 2007 are as follows:

	2008		2007	
	Market Value	Fair Value as a Percentage of Total Debt Security Investments	Market Value	Fair Value as a Percentage of Total Debt Security Investments
Moody's Rating:				
AAA	\$ 37,817,029	97.4%	\$ 30,973,650	86.1%
AA3	-	0.0%	1,044,210	2.9%
AA2	-	0.0%	989,880	2.8%
A2	1,004,390	2.6%	-	0.0%
A1	-	0.0%	1,009,790	2.8%
P-1	-	0.0%	1,951,184	5.4%
Total fixed income securities	\$ 38,821,419	100.0%	\$ 35,968,714	100.0%

B. Fiduciary Fund – Trust for the Post-Retirement Welfare Benefits Plan for Executive Staff Employees (“OPEB Trust Fund”)

Cash, cash equivalents and investments reported in the Fiduciary Fund for the OPEB Trust Fund as of December 31, 2008 are as follows:

	2008 Market Value
Cash and Cash Equivalents	\$ 3,617,207
Investments:	
U.S. government and agencies	2,532,235
U.S. Treasury obligations	2,997,780
Total Cash, Cash Equivalents and Investments	\$ 9,147,222

Investment Policy—The OPEB Trust is subject to the same investment policy as the Enterprise Fund.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

As the State Bar established the OPEB Trust Fund on December 15, 2008, information for the year of 2007 is not applicable. Investments by type as of December 31, 2008 are as follows:

	2008
	Market Value
U.S. Treasury obligations	\$ 2,997,780
U.S. government agencies	2,532,235
Total investments	\$ 5,530,015

Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, interest rate risk, and credit risk. The following sections describe those risks.

Custodial Credit Risk is the risk that the OPEB Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if that outside party fails. The OPEB Trust does not have a policy addressing this risk, but the OPEB Trust's custodian holds all trust investments in the OPEB Trust's name.

Concentration of Credit Risk. At December 31, 2008, the OPEB Trust held the following investments that are subject to concentration of credit risk:

Issuer	Investment Type	2008
		Market Value
U.S. Treasury	U.S. treasury obligations	\$ 2,997,780
Federal Farm Credit Bank	U.S. government agencies	2,532,235

Interest Rate Risk. Fixed income security investments subject to interest rate risk at December 31, 2008 are as follows:

	Market Value	Percentage of All	Weighted Average
	December 31, 2008	Fixed Income	Maturity (Years)
		Securities	
U.S. Treasury bill	\$ 2,997,780	54.2%	0.46
U.S. government agencies	2,532,235	45.8%	0.50
	\$ 5,530,015	100.0%	

Credit Risk. At December 31, 2008, the OPEB Trust's investments in the OPEB Trust were all rated AAA by Moody's Investors Service.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2008 and 2007 are as follows:

	Balance December 31, 2007	Increases	Decreases	Balance December 31, 2008
Capital assets, not being depreciated:				
Land	\$ 4,596,490	\$ -	\$ -	\$ 4,596,490
Total capital assets, not being depreciated	<u>4,596,490</u>	<u>-</u>	<u>-</u>	<u>4,596,490</u>
Capital assets, being depreciated:				
Buildings and leasehold improvements	38,888,377	-	-	38,888,377
Equipment	3,516,380	289,834	(69,918)	3,736,296
Furniture and fixtures	1,675,389	-	-	1,675,389
Total capital assets, being depreciated	<u>44,080,146</u>	<u>289,834</u>	<u>(69,918)</u>	<u>44,300,062</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	(8,528,281)	(1,111,639)	-	(9,639,920)
Equipment	(2,227,415)	(608,569)	69,918	(2,766,066)
Furniture and fixtures	(1,395,114)	(167,653)	-	(1,562,767)
Total accumulated depreciation	<u>(12,150,810)</u>	<u>(1,887,861)</u>	<u>69,918</u>	<u>(13,968,753)</u>
Total capital assets, being depreciated, net	<u>31,929,336</u>	<u>(1,598,027)</u>	<u>-</u>	<u>30,331,309</u>
Capital assets, net	<u>\$ 36,525,826</u>	<u>\$ (1,598,027)</u>	<u>\$ -</u>	<u>\$ 34,927,799</u>
	Balance December 31, 2006	Increases	Decreases	Balance December 31, 2007
Capital assets, not being depreciated:				
Land	\$ 4,596,490	\$ -	\$ -	\$ 4,596,490
Total capital assets, not being depreciated	<u>4,596,490</u>	<u>-</u>	<u>-</u>	<u>4,596,490</u>
Capital assets, being depreciated:				
Buildings and leasehold improvements	38,240,287	648,090	-	38,888,377
Equipment	3,359,158	157,222	-	3,516,380
Furniture and fixtures	1,675,389	-	-	1,675,389
Total capital assets, being depreciated	<u>43,274,834</u>	<u>805,312</u>	<u>-</u>	<u>44,080,146</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	(7,424,603)	(1,103,678)	-	(8,528,281)
Equipment	(1,639,650)	(587,765)	-	(2,227,415)
Furniture and fixtures	(1,227,498)	(167,616)	-	(1,395,114)
Total accumulated depreciation	<u>(10,291,751)</u>	<u>(1,859,059)</u>	<u>-</u>	<u>(12,150,810)</u>
Total capital assets, being depreciated, net	<u>32,983,083</u>	<u>(1,053,747)</u>	<u>-</u>	<u>31,929,336</u>
Capital assets, net	<u>\$ 37,579,573</u>	<u>\$ (1,053,747)</u>	<u>\$ -</u>	<u>\$ 36,525,826</u>

Depreciation and amortization expense for the years ended December 31, 2008 and 2007 was \$1,887,861 and \$1,859,059, respectively.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

6. LONG-TERM DEBT

Long-term debt payable at December 31 consists of the following:

	2008	2007
Term loan under \$1,300,000 note payable to bank for 180 Howard Street to finance leasehold improvements. Principal repayment due in monthly installments of \$54,167 including interest at 5.6% with the final installment due on July 31, 2008.	\$ -	\$ 379,166
Obligations under a capital lease agreement, due in monthly installments of \$3,210 through April 2008, with imputed interest of 5.39%, collateralized by equipment.	-	12,577
Total long-term debt	\$ -	\$ 391,743

A summary of changes in long-term debt during the years ended December 31, 2008 and 2007 is as follows:

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008
Term loan—Wells Fargo Bank leasehold improvement	\$ 379,166	\$ -	\$ (379,166)	\$ -
Obligations under a capital lease agreement	12,577	-	(12,577)	-
Total long-term debt	\$ 391,743	\$ -	\$ (391,743)	\$ -

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
Term loan—Wells Fargo Bank leasehold improvement	\$ 1,083,333	\$ -	\$ (704,167)	\$ 379,166
Obligations under a capital lease agreement	47,874	-	(35,297)	12,577
Total long-term debt	\$ 1,131,207	\$ -	\$ (739,464)	\$ 391,743

Interest expense for the years ended December 31, 2008 and 2007 was \$10,350 and \$44,994, respectively.

THE STATE BAR OF CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS (Continued) YEARS ENDED DECEMBER 31, 2008 AND 2007

7. PENSION PLAN

Plan Description—The State Bar’s defined benefit plan, the Miscellaneous Plan of the State Bar of California (the “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 the 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. State Bar employees who retire at age 50 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.426% of their highest 12 consecutive months of average salary for each year of credited service. The rate incrementally increases for each successive year before retirement to a maximum of 2.418% at age 63. These benefit provisions and all other requirements are established by state statute.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CalPERS. That report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, California, 95814.

Funding Policy—State Bar employees are required to contribute 7% of their annual covered salary (less allowable CalPERS deductions). The State Bar paid the required employee contributions in both 2008 and 2007 on the employee’s behalf based on contractual agreements with employee groups. The State Bar is required to contribute the remaining amounts necessary to fund the benefits for its members. The actuarial funding method used for the Plan is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The State Bar’s required employer contribution for the years ended December 31, 2008, 2007, and 2006 was \$7,585,198, \$7,206,030, and \$5,803,055, respectively. The contribution requirements of the Plan members are established by state statute, and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost—CalPERS performs annual actuarial valuations that establish contribution rates for fiscal periods from July 1 to June 30. The State Bar’s required contributions for the years ended December 31, 2008 and 2007 were determined as part of the June 30, 2006, 2005, and 2004 actuarial valuations.

The three-year trend information for the Plan is as follows:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 5,803,055	100.0%	\$ —
12/31/07	7,206,030	100.0%	—
12/31/08	7,585,198	100.0%	—

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. PENSION PLAN (Continued)

Actuarial Cost Method and Assumptions—A summary of principal assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

Valuation Date	June 30, 2004, June 30, 2005, June 30, 2006, and June 30, 2007 *
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 Years as of June 30, 2004; 23 Years as of June 30, 2005; 19 Years as of June 30, 2006; 18 Years as of June 30, 2007
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25 to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

* The actuarial valuation assumptions are the same for all valuations except as otherwise noted.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year.

Funded Status and Funding Progress—As of June 30, 2007, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$ 185,152,577
Actuarial value of plan assets	<u>180,742,593</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,409,984</u>
Funded ratio (actuarial value of plan assets/AAL)	97.6%
Annual covered payroll (active plan members)	\$ 39,007,399
UAAL as percentage of annual covered payroll	11.3%

The schedules presented as required supplementary information following the notes to the financial statements present multiyear trend information. The Schedule of Funding Progress for the Pension Plan presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

THE STATE BAR OF CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS (Continued) YEARS ENDED DECEMBER 31, 2008 AND 2007

8. 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 Governors, the President of the Board of Governors, and the Executive Director, or their designees.

For executive staff employed as of August 19, 2006, eligibility requires fifteen years of service 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. Sixty and seventy-one employees meet those eligibility requirements as of December 31, 2008 and 2007, respectively; and fifty-three and fifty-six retirees and beneficiaries received benefits as of December 31, 2008 and 2007. The State Bar has the right to modify plan provisions prospectively at its discretion.

On December 15, 2008, the State Bar created and transferred \$9.1 million to an irrevocable trust for the OPEB Plan (“OPEB Trust”) to set aside assets funds for the cost of retiree health care benefits to eligible executive employees. The OPEB Trust is administered by the State Bar and is presented as a fiduciary fund in the State Bar’s financial statements.

Funding Policy—The OPEB Plan does not have a defined funding requirement. Contributions to the OPEB Trust by the State Bar are made at the Committee’s direction and are recognized by the OPEB Trust on a cash basis when received. Based on an actuarial valuation of the OPEB Plan as of January 1, 2008, the required contribution for the year ended December 31, 2008 was \$2,799,926.

Annual OPEB Cost and Net OPEB Obligation—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 obligation.

Determination of Annual Required Contribution	
Normal cost at year end	\$ 1,039,393
Amortization of UAAL	1,760,533
Annual Required Contribution (ARC)	\$ 2,799,926
 Determination of Net OPEB Obligation	
Annual Required Contribution	\$ 2,799,926
Interest on prior year Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	2,799,926
State Bar contributions made	9,674,139
Increase in Net OPEB Asset	6,874,213
Net OPEB Asset - January 1, 2008	-
Net OPEB Asset - December 31, 2008	\$ 6,874,213

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

The following table shows the annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB Assets for current year.

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Assets
12/31/2008	\$2,799,926	326.7%	\$6,874,213

Funded Status and Funding Progress. As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for the benefits was \$28.7 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded accrued liability of \$28.7 million.

Actuarial accrued liability (AAL)	\$ 28,677,152
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 28,677,152</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 44,731,829
UAAL as percentage of annual covered payroll	64.1%

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 estimate are made about the future. The schedule of funding progress, 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.

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 as a level dollar amount over 30 years. The actuarial assumptions included a 4.5% effective annual rate of return; a medical cost trend rate of 10% in the year ended December 2008, graded down by 0.5% per year to an ultimate rate of 5% after ten years; and annual vision cost trend rate of 4%.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. 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 Operations and Office of General Counsel review risks to which the State Bar is exposed and ensure that sufficient insurance coverage is in place.

10. 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, 2008.

Leases—The State Bar is obligated under various noncancelable operating leases for office space. The remaining lease terms range between one and seven years. In addition, the State Bar leases certain office space at its primary facility in San Francisco, California to tenants under various lease agreements. As of December 31, 2008, the carrying value of the building was \$38,888,377 with accumulated depreciation of \$9,639,920. Future minimum lease obligations and future minimum revenue under these noncancelable operating leases at December 31, 2008 are as follows:

Year Ending December 31	Future Minimum Revenue	Future Minimum Lease Obligations
2009.....	\$ 1,183,078	\$ 3,974,093
2010.....	836,493	3,956,299
2011.....	865,058	3,882,514
2012.....	891,732	3,882,514
2013.....	821,541	3,882,514
2014 - 2015.....	226,375	298,543
Total	<u>\$ 4,824,277</u>	<u>\$ 19,876,477</u>

Expense under operating leases for the years ended December 31, 2008 and 2007 was \$3,643,864 and \$3,803,251, respectively.

THE STATE BAR OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2008

Schedule of Funding Progress – Pension

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.

The table below presents three-year historical information about the funding status of the pension plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as a % of Payroll
June 30, 2007	\$ 185,152,577	\$ 180,742,593	\$ 4,409,984	97.6%	\$ 39,007,399	11.3%
June 30, 2006	\$ 167,929,876	\$ 162,955,016	\$ 4,974,860	97.0%	\$ 38,032,621	13.1%
June 30, 2005	\$ 154,989,374	\$ 147,383,323	\$ 7,606,051	95.1%	\$ 37,974,788	20.0%

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2008	\$ -	\$ 28,677,152	\$ 28,677,152	0.0%	\$ 44,731,829	64.1%

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2008

FUND DESCRIPTION

General Fund—The General Fund accounts for membership fees and resources of the State Bar not related to other fund activities. The General Fund also accounts for the revenues and expenses of maintaining, operating and supporting the attorney discipline system.

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.

Benefit Reserve Fund—The Benefit Reserve Fund accounts for resources set aside by the State Bar to fund the future costs of post-employment benefits other than pensions. Resources in this fund are provided by other State Bar funds in proportion to their salary expenditures.

Building Fund—The Building Fund is used to account for the State Bar's physical facilities, including purchasing, constructing and equipping furnishings, land and buildings. Resources are provided through \$10 assessments of all active and inactive members as part of the annual membership fee.

Building Special Assessment Fund—The State Bar fee bill for 2009, AB 3049, was approved in 2008 by the Assembly to add a \$10 building assessment fee to the base fee with other assessments. This additional fee was authorized for five years and will fund the State Bar's facilities in Southern California, either with new rental space or construction or purchase of a new building.

Certification Activities Fund—The Certification Activities Fund administers and regulates the programs related to the practice of law: Mandatory Continuing Legal Education, Lawyer Referral Services (Certification and Regulation), Law Corporations, Counsel Pro HAC Vice, Out-of-State Attorney Arbitration Counsel, Foreign Legal Consultants, Limited Liability Partnerships, Practical Training of Law Students and Special Masters. Funding is provided by fees, penalties and other payments authorized by statute or court rule.

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 \$50,000 per application for reimbursement on any one transaction, as prescribed by the Board of Governors. Management of the State Bar has estimated reimbursement related to claims submitted as of December 31, 2008 and 2007 to be \$4,829,343 and \$5,013,830, respectively, which are accrued in the accompanying statements of net assets. This fund is replenished through annual assessments of \$40 per active member, and \$10 per inactive member.

Discipline Fund—The Discipline Fund was established principally to account for revenues and expenses of maintaining, operating and supporting the attorney discipline system. Resources were largely composed of the special regulatory assessment set by the Supreme Court in its December 3, 1998 order and rule requiring every active member to pay \$173 to maintain minimum funding of the discipline program until the enactment of legislation authorizing the collection of membership fees and regular funding. Given the enactment of legislation in 2000, the activities supporting the attorney discipline system are currently accounted for in the General Fund. At December 31, 2008 and 2007, the Discipline Fund includes \$1,137,977 and \$1,153,924, respectively, representing a carryover of the balance of the revenue from the pre-2000 \$173 special regulatory assessment, which will be used for future discipline-related projects.

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION (Continued)
YEAR ENDED DECEMBER 31, 2008

FUND DESCRIPTION (Continued)

Education Foundation Fund—The Education Foundation Fund accounts for the activities of the State Bar Education Foundation, which includes organizing and administering certain educational programs and activities conducted by the State Bar.

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.

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 was approved by the Legislature and the Governor. The Act established a new distribution of \$4.80 per filing fee to the Equal Access Fund. These revenues were collected by the trial courts starting in January 2006. As of December 31, 2008, filing fees of approximately \$6.1 million have been received and distributed to the 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 and 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.

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. The program is funded by an annual \$10 fee assessment as part of the membership fee to all members.

Legal Education and Development Fund—The Legal Education and Development Fund uses certain monies traditionally deposited in the Lawyers Education and Development Fund for competency based education programs whose major purpose shall be to reduce the severity and frequency of professional liability claims.

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION (Continued)
YEAR ENDED DECEMBER 31, 2008

FUND DESCRIPTION (Continued)

Legal Services Trust Fund—The Legal Services Trust Fund is used to expand the availability and improve the quality of existing free legal services in civil matters to indigent persons and to initiate new programs that would provide such services. Under this program, interest earned on certain client trust accounts held by California attorneys is legally required to be forwarded to the State Bar and, after deduction of the State Bar’s administration costs, the remainder is to be distributed as grants.

Grants payable at year end represent the unpaid balance of the grants approved by the Board of Governors for the period July 1 through June 30 of the following year. Additional revenue to fund these grants is received during the following period from January 1 through June 30.

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.

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.

Public Protection Fund—The Public Protection Fund was established to assure continuity of the State Bar’s disciplinary system and its other essential public protection programs.

Sections Fund—The Sections Fund accounts for the activities of sixteen sections consisting 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.

Support and Administration Fund—The Support and Administrative Fund was created to account for all indirect costs. Indirect costs are those expenses that benefit multiple programs or that cannot be matched with a single program, such as General Counsel, Finance, Human Resources, Real Property Operations and Information Technology.

Technology Improvements Fund—The Technology Improvements Fund was established to fund technology projects that the State Bar had previously funded through the General Fund.

Fixed Assets Fund—The Fixed Assets Fund accounts for all completed capital assets. Fixed assets financed by debt or capital leases remain in the fund carrying the related obligations. When the obligations are repaid, the net book value of the related fixed assets is transferred to the Fixed Assets Fund.

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
ENTERPRISE FUNDS STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	General Fund	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activities
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 53,180,500	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables	741,613	-	-	-	-	-	-
Interfund receivable	-	6,387,325	385,620	1,752,000	767,756	420,828	3,672,333
Other current assets	708,565	80,000	-	-	98,064	-	-
Total current assets	<u>54,630,678</u>	<u>6,467,375</u>	<u>385,620</u>	<u>1,752,000</u>	<u>865,820</u>	<u>420,828</u>	<u>3,672,333</u>
Noncurrent assets							
Investments	38,923,768	-	-	-	-	-	-
OPEB Assets	-	-	-	6,874,213	-	-	-
Capital assets—net	-	-	-	-	14,912,769	-	-
Total noncurrent assets	<u>38,923,768</u>	<u>-</u>	<u>-</u>	<u>6,874,213</u>	<u>14,912,769</u>	<u>-</u>	<u>-</u>
Total assets	<u>93,554,446</u>	<u>6,467,375</u>	<u>385,620</u>	<u>8,626,213</u>	<u>15,778,589</u>	<u>420,828</u>	<u>3,672,333</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	5,112,604	298,872	58,961	-	67,512	-	41,940
Interfund payable	67,760,790	-	-	-	-	-	-
Unearned fees collected in advance	11,671,519	3,167,639	-	-	-	420,828	-
Grants payable	-	-	-	-	-	-	-
Current portion of long term debt	-	-	-	-	-	-	-
Total current liabilities	<u>84,544,913</u>	<u>3,466,511</u>	<u>58,961</u>	<u>-</u>	<u>67,512</u>	<u>420,828</u>	<u>41,940</u>
Noncurrent liabilities							
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>84,544,913</u>	<u>3,466,511</u>	<u>58,961</u>	<u>-</u>	<u>67,512</u>	<u>420,828</u>	<u>41,940</u>
NET ASSETS/(DEFICIT)							
Restricted	-	3,000,864	326,659	8,626,213	798,308	-	3,630,393
Invested in capital assets—net of related debt	-	-	-	-	14,912,769	-	-
Unrestricted	9,009,533	-	-	-	-	-	-
Total net assets	<u>\$ 9,009,533</u>	<u>\$ 3,000,864</u>	<u>\$ 326,659</u>	<u>\$ 8,626,213</u>	<u>\$ 15,711,077</u>	<u>\$ -</u>	<u>\$ 3,630,393</u>

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
ENTERPRISE FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2008

Client Security	Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
							ASSETS
							Current Assets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Cash and cash equivalents
-	-	-	-	2,680,472	56,526	-	Accounts and other receivables
10,579,890	1,137,977	41,750	1,157,396	1,055,653	23,349	873,155	Interfund receivable
-	-	-	-	-	-	-	Other current assets
<u>10,579,890</u>	<u>1,137,977</u>	<u>41,750</u>	<u>1,157,396</u>	<u>3,736,125</u>	<u>79,875</u>	<u>873,155</u>	Total current assets
							Noncurrent assets
-	-	-	-	-	-	-	Investments
-	-	-	-	-	-	-	OPEB assets
-	-	-	-	-	-	-	Capital assets—net
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total noncurrent assets
<u>10,579,890</u>	<u>1,137,977</u>	<u>41,750</u>	<u>1,157,396</u>	<u>3,736,125</u>	<u>79,875</u>	<u>873,155</u>	Total assets
							LIABILITIES
							Current liabilities
4,910,750	-	41,750	16,893	-	-	-	Accounts payable and accrued liabilities
-	-	-	-	-	-	-	Interfund payable
1,364,622	-	-	192,690	-	-	314,777	Unearned fees collected in advance
-	-	-	-	-	-	-	Grants payable
-	-	-	-	-	-	-	Current portion of long term debt
<u>6,275,372</u>	<u>-</u>	<u>41,750</u>	<u>209,583</u>	<u>-</u>	<u>-</u>	<u>314,777</u>	Total current liabilities
							Noncurrent liabilities
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total noncurrent liabilities
<u>6,275,372</u>	<u>-</u>	<u>41,750</u>	<u>209,583</u>	<u>-</u>	<u>-</u>	<u>314,777</u>	Total liabilities
							NET ASSETS/(DEFICIT)
4,304,518	1,137,977	-	947,813	3,736,125	79,875	558,378	Restricted
-	-	-	-	-	-	-	Invested in capital assets—net of related debt
-	-	-	-	-	-	-	Unrestricted
<u>\$ 4,304,518</u>	<u>\$ 1,137,977</u>	<u>\$ -</u>	<u>\$ 947,813</u>	<u>\$ 3,736,125</u>	<u>\$ 79,875</u>	<u>\$ 558,378</u>	Total net assets

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
ENTERPRISE FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2008

	Justice Gap Fund	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables	-	-	-	1,159,000	-	-
Interfund receivable	1,307,995	1,777,336	1,055,650	17,605,871	2,091,727	1,122,324
Other current assets	-	-	36,585	-	-	-
Total current assets	<u>1,307,995</u>	<u>1,777,336</u>	<u>1,092,235</u>	<u>18,764,871</u>	<u>2,091,727</u>	<u>1,122,324</u>
Noncurrent assets						
Investments	-	-	-	-	-	-
OPEB assets	-	-	-	-	-	-
Capital assets—net	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,307,995</u>	<u>1,777,336</u>	<u>1,092,235</u>	<u>18,764,871</u>	<u>2,091,727</u>	<u>1,122,324</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	-	44,663	2,038	58,265	5,903	34,064
Interfund payable	-	-	-	-	-	-
Unearned fees collected in advance	100	370,238	-	-	247,715	191,155
Grants payable	-	-	-	3,966,118	-	-
Current portion of long term debt	-	-	-	-	-	-
Total current liabilities	<u>100</u>	<u>414,901</u>	<u>2,038</u>	<u>4,024,383</u>	<u>253,618</u>	<u>225,219</u>
Noncurrent liabilities						
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>100</u>	<u>414,901</u>	<u>2,038</u>	<u>4,024,383</u>	<u>253,618</u>	<u>225,219</u>
NET ASSETS/(DEFICIT)						
Restricted	1,307,895	-	-	14,740,488	1,838,109	897,105
Invested in capital assets—net of related debt	-	-	-	-	-	-
Unrestricted	-	1,362,435	1,090,197	-	-	-
Total net assets	<u>\$ 1,307,895</u>	<u>\$ 1,362,435</u>	<u>\$ 1,090,197</u>	<u>\$ 14,740,488</u>	<u>\$ 1,838,109</u>	<u>\$ 897,105</u>

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
ENTERPRISE FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2008

Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Interfund Elimination	Total	
							ASSETS
							Current Assets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,180,550	Cash and cash equivalents
-	2	-	-	-	-	4,637,613	Accounts and other receivables
6,350,437	7,497,316	504,175	192,927	-	(67,760,790)	-	Interfund receivable
-	819	205,275	-	-	-	1,129,308	Other current assets
<u>6,350,437</u>	<u>7,498,137</u>	<u>709,450</u>	<u>192,927</u>	<u>-</u>	<u>(67,760,790)</u>	<u>58,947,471</u>	Total current assets
							Noncurrent assets
-	-	-	-	-	-	38,923,768	Investments
-	-	-	-	-	-	6,874,213	OPEB assets
-	-	-	-	20,015,030	-	34,927,799	Capital assets—net
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,015,030</u>	<u>-</u>	<u>80,725,780</u>	Total noncurrent assets
<u>6,350,437</u>	<u>7,498,137</u>	<u>709,450</u>	<u>192,927</u>	<u>20,015,030</u>	<u>(67,760,790)</u>	<u>139,673,251</u>	Total assets
							LIABILITIES
							Current liabilities
-	116,981	709,450	-	-	-	11,520,646	Accounts payable and accrued liabilities
-	-	-	-	-	(67,760,790)	-	Interfund payable
-	1,011,306	-	-	-	-	18,952,589	Unearned fees collected in advance
-	-	-	-	-	-	3,966,118	Grants payable
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Current portion of long term debt
<u>-</u>	<u>1,128,287</u>	<u>709,450</u>	<u>-</u>	<u>-</u>	<u>(67,760,790)</u>	<u>34,439,353</u>	Total current liabilities
							Noncurrent liabilities
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total noncurrent liabilities
<u>-</u>	<u>1,128,287</u>	<u>709,450</u>	<u>-</u>	<u>-</u>	<u>(67,760,790)</u>	<u>34,439,353</u>	Total liabilities
							NET ASSETS/(DEFICIT)
-	6,369,850	-	-	-	-	52,300,570	Restricted
-	-	-	-	20,015,030	-	34,927,799	Invested in capital assets—net of related debt
6,350,437	-	-	192,927	-	-	18,005,529	Unrestricted
<u>\$ 6,350,437</u>	<u>\$ 6,369,850</u>	<u>\$ -</u>	<u>\$ 192,927</u>	<u>\$ 20,015,030</u>	<u>\$ -</u>	<u>\$ 105,233,898</u>	Total net assets

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – ENTERPRISE FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008**

	General Fund	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activities
OPERATING REVENUES:							
Membership fees	\$ 57,327,636	\$ -	\$ -	\$ -	\$ 10,997	\$ -	\$ -
Examination application fees	-	16,223,463	-	-	-	-	-
Trust account revenue	-	-	-	-	-	-	-
Law practices (Sections) fees	-	-	-	-	-	-	-
Seminar/workshop Revenue	61,591	-	-	-	-	-	-
Advertising Revenue/CalBar Journal	945,838	-	-	-	-	-	-
Convention income	450	-	743,800	-	-	-	-
Legal specialization fees	-	-	-	-	-	-	-
Law corp. registration fees	-	-	-	-	-	-	700,717
Continuing legal education fees	873,131	-	-	-	-	-	725,270
Grants	2,600	-	-	-	-	-	-
AB145 Filing Fee Revenue	-	-	-	-	-	-	-
Other	643,623	410,607	142,373	-	-	-	271,743
Total operating revenues	<u>59,854,869</u>	<u>16,634,070</u>	<u>886,173</u>	<u>-</u>	<u>10,997</u>	<u>-</u>	<u>1,697,730</u>
OPERATING EXPENSES:							
Discipline and adjudication	51,796,969	-	-	-	-	-	-
Examination costs and administration	-	17,752,880	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Law practices (Sections)	-	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	-	-
Communications	2,902,571	-	-	-	-	-	-
Administration of justice	901,095	-	-	-	-	-	-
Governance	2,445,397	-	-	-	-	-	-
Administration of the profession	2,679,358	-	-	-	-	-	1,303,742
Program development	1,789,107	-	-	-	-	-	-
General and administration	(174,603)	-	1,037,051	-	1,164,506	-	-
OPEB Benefit Expense	-	-	-	521,043	-	-	-
Total operating expenses	<u>62,339,894</u>	<u>17,752,880</u>	<u>1,037,051</u>	<u>521,043</u>	<u>1,164,506</u>	<u>-</u>	<u>1,303,742</u>
OPERATING INCOME (LOSS)	<u>(2,485,025)</u>	<u>(1,118,810)</u>	<u>(150,878)</u>	<u>(521,043)</u>	<u>(1,153,509)</u>	<u>-</u>	<u>393,988</u>
NONOPERATING REVENUES:							
Investment income/(expense)	1,642,475	281,013	21,730	-	6,627	-	121,728
Rental Income	-	-	-	-	1,154,061	-	-
Interest expense on debt	-	-	-	-	(7,179)	-	-
Total nonoperating revenues	<u>1,642,475</u>	<u>281,013</u>	<u>21,730</u>	<u>-</u>	<u>1,153,509</u>	<u>-</u>	<u>121,728</u>
INCOME (LOSS) BEFORE TRANSFERS	(842,550)	(837,797)	(129,148)	(521,043)	-	-	515,716
Transfers In	8,549	-	17,500	-	-	-	300
Transfers Out	(8,549)	(14,034)	-	-	-	-	-
Changes of Net Assets	(842,550)	(851,831)	(111,648)	(521,043)	-	-	516,016
NET ASSETS—Beginning of year	9,852,083	3,852,695	438,307	-	15,711,077	-	3,114,377
Change in Accounting Principle	-	-	-	9,147,256	-	-	-
NET ASSETS—Beginning of year (restated)	<u>9,852,083</u>	<u>3,852,695</u>	<u>438,307</u>	<u>9,147,256</u>	<u>15,711,077</u>	<u>-</u>	<u>3,114,377</u>
NET ASSETS/(DEFICIT)—End of year	<u>\$ 9,009,533</u>	<u>\$ 3,000,864</u>	<u>\$ 326,659</u>	<u>\$ 8,626,213</u>	<u>\$ 15,711,077</u>	<u>\$ -</u>	<u>\$ 3,630,393</u>

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – ENTERPRISE FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2008**

Client Security	Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
\$ 6,715,339	\$ -	\$ -	\$ 799,125	\$ -	\$ -	\$ 1,582,645	OPERATING REVENUES:
-	-	-	-	-	-	-	- Membership fees
-	-	-	-	-	-	-	- Examination application fees
-	-	-	-	-	-	-	- Trust account Revenue
-	-	-	-	-	-	-	- Law practices (Sections) fees
-	-	1,400,101	-	-	-	-	- Seminar/workshop Revenue
-	-	-	-	-	-	-	- Advertising Revenue/CalBar Journal
-	-	234,454	-	-	-	-	- Convention income
-	-	-	-	-	-	-	- Legal specialization fees
-	-	-	-	-	-	-	- Law corp. registration fees
-	-	-	-	-	-	-	- Continuing legal education fees
-	-	-	7,300	12,215,898	491,841	-	- Grants
-	-	-	-	6,104,395	-	-	- AB145 Filing Fee Revenue
-	-	213,449	-	530,257	-	-	- Other
<u>6,715,339</u>	<u>-</u>	<u>1,848,004</u>	<u>806,425</u>	<u>18,850,550</u>	<u>491,841</u>	<u>1,582,645</u>	Total operating revenues
-	-	-	-	-	-	-	OPERATING EXPENSES:
-	-	-	-	-	-	-	- Discipline and adjudication
-	-	-	-	-	-	-	- Examination costs and administration
-	-	-	-	16,158,761	-	-	- Grants
-	-	-	-	-	-	-	- Law practices (Sections)
4,089,346	-	-	-	-	-	-	- Claims, net of reimbursements
-	-	-	-	-	-	-	- Communications
-	-	-	-	-	-	-	- Administration of justice
-	-	-	-	-	-	-	- Governance
-	-	-	-	-	-	-	- Administration of the profession
-	-	-	-	-	-	-	- Program development
1,734,368	57,776	2,858,979	795,749	394,466	499,990	-	- General and administration
-	-	-	-	-	-	-	- OPEB Benefit Expense
<u>5,823,714</u>	<u>57,776</u>	<u>2,858,979</u>	<u>795,749</u>	<u>16,553,227</u>	<u>499,990</u>	<u>-</u>	Total operating expenses
<u>891,625</u>	<u>(57,776)</u>	<u>(1,010,975)</u>	<u>10,676</u>	<u>2,297,323</u>	<u>(8,149)</u>	<u>1,582,645</u>	OPERATING INCOME (LOSS)
-	-	-	-	-	-	-	NONOPERATING REVENUES:
422,005	41,829	(5,013)	43,710	80,673	-	51,804	- Investment income/(expense)
-	-	-	-	-	-	-	- Rental Income
-	-	-	-	-	-	-	- Interest expense on debt
<u>422,005</u>	<u>41,829</u>	<u>(5,013)</u>	<u>43,710</u>	<u>80,673</u>	<u>-</u>	<u>51,804</u>	Total nonoperating revenues
1,313,630	(15,947)	(1,015,988)	54,386	2,377,996	(8,149)	1,634,449	INCOME (LOSS) BEFORE TRANSFERS
-	-	1,015,988	-	-	-	-	- Transfers In
-	-	-	(11,399)	-	-	(1,076,064)	- Transfers Out
1,313,630	(15,947)	-	42,987	2,377,996	(8,149)	558,385	Changes of Net Assets
2,990,888	1,153,924	-	904,826	1,358,129	88,024	(7)	NET ASSETS—Beginning of year
-	-	-	-	-	-	-	- Change in Accounting Principle
<u>2,990,888</u>	<u>1,153,924</u>	<u>-</u>	<u>904,826</u>	<u>1,358,129</u>	<u>88,024</u>	<u>(7)</u>	NET ASSETS—Beginning of year (restated)
<u>\$ 4,304,518</u>	<u>\$ 1,137,977</u>	<u>\$ -</u>	<u>\$ 947,813</u>	<u>\$ 3,736,125</u>	<u>\$ 79,875</u>	<u>\$ 558,378</u>	NET ASSETS/(DEFICIT)—End of year

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – ENTERPRISE FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2008**

	Justice Gap Fund	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities
OPERATING REVENUES:						
Membership fees	\$ 923,141	\$ 1,794,119	\$ -	\$ -	\$ -	\$ 787,425
Examination application fees	-	-	-	-	-	-
Trust account Revenue	-	-	-	22,268,850	-	-
Law practices (Sections) fees	-	-	-	-	-	-
Seminar/workshop Revenue	-	-	-	-	-	-
Advertising Revenue/CalBar Journal	-	-	-	-	-	-
Convention income	-	-	-	-	-	-
Legal specialization fees	-	-	-	-	909,600	-
Law corp. registration fees	-	-	-	-	-	-
Continuing legal education fees	-	-	-	-	7,050	-
Grants	-	-	-	-	-	-
AB145 Filing Fee Revenue	-	-	-	-	-	-
Other	-	1,145,031	932,770	6,128	3,465	-
	<u>923,141</u>	<u>2,939,150</u>	<u>932,770</u>	<u>22,274,978</u>	<u>920,115</u>	<u>787,425</u>
Total operating revenues						
OPERATING EXPENSES:						
Discipline and adjudication	-	-	-	-	-	-
Examination costs and administration	-	-	-	-	-	-
Grants	-	-	-	15,543,372	-	-
Law practices (Sections)	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	-
Communications	-	-	-	-	-	-
Administration of justice	-	-	-	-	-	-
Governance	-	-	-	-	-	-
Administration of the profession	-	-	-	-	-	-
Program development	-	-	-	-	-	-
General and administration	106	2,323,678	783,545	1,245,595	1,034,368	674,728
OPEB Benefit Expense	-	-	-	-	-	-
	<u>106</u>	<u>2,323,678</u>	<u>783,545</u>	<u>16,788,967</u>	<u>1,034,368</u>	<u>674,728</u>
Total operating expenses						
OPERATING INCOME (LOSS)	<u>923,035</u>	<u>615,472</u>	<u>149,225</u>	<u>5,486,011</u>	<u>(114,253)</u>	<u>112,697</u>
NONOPERATING REVENUES:						
Investment income/(expense)	35,044	60,687	36,724	599,229	76,503	40,107
Rental Income	-	-	-	-	-	27,645
Interest expense on debt	-	-	-	-	-	-
	<u>35,044</u>	<u>60,687</u>	<u>36,724</u>	<u>599,229</u>	<u>76,503</u>	<u>67,752</u>
Total nonoperating revenues						
INCOME (LOSS) BEFORE TRANSFERS	958,079	676,159	185,949	6,085,240	(37,750)	180,449
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(11,399)
	<u>958,079</u>	<u>676,159</u>	<u>185,949</u>	<u>6,085,240</u>	<u>(37,750)</u>	<u>169,050</u>
Changes of Net Assets						
NET ASSETS—Beginning of year	349,816	686,276	904,248	8,655,248	1,875,859	728,055
Change in Accounting Principle	-	-	-	-	-	-
NET ASSETS—Beginning of year (restated)	<u>349,816</u>	<u>686,276</u>	<u>904,248</u>	<u>8,655,248</u>	<u>1,875,859</u>	<u>728,055</u>
NET ASSETS/(DEFICIT)—End of year	<u>\$ 1,307,895</u>	<u>\$ 1,362,435</u>	<u>\$ 1,090,197</u>	<u>\$ 14,740,488</u>	<u>\$ 1,838,109</u>	<u>\$ 897,105</u>

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – ENTERPRISE FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2008**

Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Interfund Elimination	Total	
\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 69,950,427	OPERATING REVENUES:
-	-	-	-	-	-	16,223,463	Membership fees
-	-	-	-	-	-	22,268,850	Examination application fees
-	4,694,303	-	-	-	-	4,694,303	Trust account Revenue
-	48,049	-	-	-	-	1,509,741	Law practices (Sections) fees
-	-	-	-	-	-	945,838	Seminar/workshop Revenue
-	29,924	-	-	-	-	1,008,628	Advertising Revenue/CalBar Journal
-	-	-	-	-	-	909,600	Convention income
-	-	-	-	-	-	700,717	Legal specialization fees
-	-	-	-	-	-	1,605,451	Law corp. registration fees
-	-	-	-	-	-	12,717,639	Continuing legal education fees
-	-	-	-	-	-	6,104,395	Grants
-	-	-	-	-	-	6,104,395	AB145 Filing Fee Revenue
-	614,055	-	-	-	-	4,913,501	Other
-	5,386,331	10,000	-	-	-	143,552,553	Total operating revenues
-	-	-	-	-	-	51,796,969	OPERATING EXPENSES:
-	-	-	-	-	-	17,752,880	Discipline and adjudication
-	-	-	-	-	-	31,702,133	Examination costs and administration
-	4,262,759	-	-	-	-	4,262,759	Grants
-	-	-	-	-	-	4,089,346	Law practices (Sections)
-	-	-	-	-	-	2,902,571	Claims, net of reimbursements
-	-	-	-	-	-	901,095	Communications
-	-	-	-	-	-	2,445,397	Administration of justice
-	-	-	-	-	-	3,983,100	Governance
-	-	-	-	-	-	1,789,107	Administration of the profession
-	-	82,513	1,039,011	1,318,114	-	16,869,940	Program development
-	-	-	-	-	-	521,043	General and administration
-	4,262,759	82,513	1,039,011	1,318,114	-	139,016,340	OPEB Benefit Expense
-	1,123,572	(72,513)	(1,039,011)	(1,318,114)	-	4,536,213	Total operating expenses
232,046	317,715	90,878	(6,973)	-	-	4,190,541	OPERATING INCOME (LOSS)
-	-	-	-	-	-	1,181,706	NONOPERATING REVENUES:
-	-	(3,171)	-	-	-	(10,350)	Investment income/(expense)
232,046	317,715	87,707	(6,973)	-	-	5,361,897	Rental Income
232,046	1,441,287	15,194	(1,045,984)	(1,318,114)	-	9,898,110	Interest expense on debt
-	-	-	1,139,899	289,836	(2,472,072)	-	Total nonoperating revenues
-	(1,074,825)	(165,237)	(110,565)	-	2,472,072	-	INCOME (LOSS) BEFORE TRANSFERS
232,046	366,462	(150,043)	(16,650)	(1,028,278)	-	9,898,110	Transfers In
6,118,391	6,003,388	150,043	209,577	21,043,308	-	86,188,532	Transfers Out
-	-	-	-	-	-	9,147,256	Changes of Net Assets
6,118,391	6,003,388	150,043	209,577	21,043,308	-	95,335,788	NET ASSETS—Beginning of year
\$ 6,350,437	\$ 6,369,850	\$ -	\$ 192,927	\$ 20,015,030	\$ -	\$ 105,233,898	Change in Accounting Principle
							NET ASSETS—Beginning of year (restated)
							NET ASSETS/(DEFICIT)—End of year