

THE STATE BAR OF CALIFORNIA

Financial Statements and
Independent Auditor's Report
For the Years Ended December 31, 2009 and 2008

and Supplementary Information
For the Year Ended December 31, 2009

THE STATE BAR OF CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

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, 2009 and 2008, 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 opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. 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 opinions.

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, 2009, and 2008, and the respective changes in financial position and, where applicable, cash flows 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 and the schedules of funding progress as listed in the table of contents 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 opinions on the financial statements that collectively comprise the State Bar's basic financial statements. The supplementary information as listed in the table of contents 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 20, 2010

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS – Unaudited
YEARS ENDED DECEMBER 31, 2009 AND 2008

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. The State Bar’s programs are segregated into twenty-five separate program funds, and 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 2009, the State Bar had approximately 226,400 members, making it the largest unified state bar in the country. Membership fees for 2009 were set by the State Legislature at \$410 for active members and \$125 for inactive members. The membership fees are allocated to the following funds:

	Active Fee	Inactive Fee
General Fund	\$ 315	\$ 75
Client Security Fund	40	10
Discipline Fund	25	25
Building Special Assessment Fund	10	10
IT Special Assessment Fund	10	-
Lawyers Assistance Program Fund	10	5
Total	<u>\$ 410</u>	<u>\$ 125</u>

THE STATE BAR OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS – Unaudited (Continued) YEARS ENDED DECEMBER 31, 2009 AND 2008

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:

The 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; and unrestricted net assets.

The 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.

The Statements of Cash Flows—are 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—provide integral information needed to explain the basis for the financial statement presentation and numbers used with the basic financial statements.

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

Financial Highlights

Fiscal Year 2009 Compared to Fiscal Year 2008

Statements of Net Assets

Following is a summary comparison of the State Bar's Statements of Net Assets as of December 31, 2009 and 2008:

	2009	2008	Change
Cash, cash equivalents and investments	\$ 80,502,300	\$ 92,104,318	\$ (11,602,018)
Other assets	14,681,967	12,641,134	2,040,833
Capital assets, net	<u>33,297,824</u>	<u>34,927,799</u>	<u>(1,629,975)</u>
Total assets	<u>128,482,091</u>	<u>139,673,251</u>	<u>(11,191,160)</u>
Current liabilities	<u>29,496,771</u>	<u>34,439,353</u>	<u>(4,942,582)</u>
Total liabilities	<u>29,496,771</u>	<u>34,439,353</u>	<u>(4,942,582)</u>
Net assets			
Restricted	47,221,121	52,300,570	(5,079,449)
Invested in capital assets	33,297,824	34,927,799	(1,629,975)
Unrestricted	<u>18,466,375</u>	<u>18,005,529</u>	<u>460,846</u>
Total net assets	<u>\$ 98,985,320</u>	<u>\$ 105,233,898</u>	<u>\$ (6,248,578)</u>

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – Unaudited (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

Assets— For the fiscal year ended December 31, 2009, the State Bar's total assets were \$128.5 million, liabilities were \$29.5 million and net assets were \$99.0 million. The Bar's total assets decreased by \$11.2 million compared to December 31, 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 balance decreased by \$11.6 million, or 12.6% when compared to December 31, 2008, due to the late passage of the 2010 fee bill. In October 2009, Governor Schwarzenegger vetoed the State Bar's 2010 fee bill, which removed the legal basis for collecting licensing fees, the State Bar's primary source of funding. The State Bar's membership billing cycle normally started in November, two months in advance for the current year, and dues collected in advance are recorded as other liabilities. The 2010 fee bill was passed in January 2010, two months behind the regular billing schedule, which reduced the cash flow and resulted in the lower combined cash and investment balances.

The combined balance in Other Assets consisted of interest receivable, prepayments, grants receivable, other receivable, and an Other Postemployment Benefits (OPEB) asset. The combined balance increased by \$2.0 million, or 16.1% when compared to December 31, 2008 due to additional grants and other receivables of \$4.9 million as a result of delayed grant approval from the State of California, which was partially offset by a decline in the OPEB asset of \$2.8 million.

Capital assets decreased by \$1.6 million from \$34.9 million at the end of 2008 to \$33.3 million at the end of 2009. The 4.7% decrease was primarily attributable to normal depreciation on capital assets of \$1.7 million.

Liabilities—Total liabilities decreased by approximately \$4.9 million, or 14.4%. The decrease in liabilities was attributable to the \$15.4 million decline in unearned fees collected in advance as a result of the late passage of the 2010 fee bill, partially offset by a \$3.5 million increase in accounts payable and other liabilities due to a \$3.9 million increase in Client Security Fund claims liability as a result of increased claims and \$6.9 million increase in grants payable that resulted from outstanding payments to grantees as a result of delayed approval of grant funding from the State of California.

Net assets—Net assets decreased by \$6.2 million, or 5.9%. The decrease of net assets reflected the result of net losses in various program funds, such as the Admission Fund, Client Security Fund, Justice Gap Fund, Legal Service Trust Fund, and Fixed Asset Fund. The largest decrease in net assets of \$6.4 million belonged to the Legal Services Trust Fund whose trust account revenues decreased by 70.6% to \$6.5 million in 2009 as a result of significant decrease in interest rates in 2009 when compared to 2008, as discussed in the operating revenue section.

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS – Unaudited (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 and 2008:

	2009	2008	Change
OPERATING REVENUES			
Program revenues	\$ 124,418,500	\$ 138,639,052	\$ (14,220,552)
Other	5,860,060	4,913,501	946,559
Total operating revenues	<u>130,278,560</u>	<u>143,552,553</u>	<u>(13,273,993)</u>
OPERATING EXPENSES			
Program expenses	122,988,991	121,625,357	1,363,634
General and administration	15,342,164	16,869,940	(1,527,776)
OPEB benefit expense	568,416	521,043	47,373
Total operating expenses	<u>138,899,571</u>	<u>139,016,340</u>	<u>(116,769)</u>
OPERATING INCOME/(LOSS)	(8,621,011)	4,536,213	(13,157,224)
NONOPERATING REVENUES, NET	<u>2,372,433</u>	<u>5,361,897</u>	<u>(2,989,464)</u>
CHANGE IN NET ASSETS	<u>(6,248,578)</u>	<u>9,898,110</u>	<u>(16,146,688)</u>
NET ASSETS - beginning of year	105,233,898	86,188,532	19,045,366
Change in accounting principle	-	9,147,256	(9,147,256)
NET ASSETS - beginning of year (restated)	<u>105,233,898</u>	<u>95,335,788</u>	<u>9,898,110</u>
NET ASSETS - end of year	<u>\$ 98,985,320</u>	<u>\$ 105,233,898</u>	<u>\$ (6,248,578)</u>

Operating Revenues— For the fiscal year ended December 31, 2009, the State Bar’s total operating and non-operating revenue were \$132.7 million, and total expenses were \$138.9 million, resulting in a net loss of \$6.2 million.

Total operating revenues decreased by \$13.3 million in 2009 when compared to 2008, which is largely attributable to a \$15.7 million decline in the Legal Services Trust Fund’s Interest On Lawyer Trust Account (“IOLTA”) revenue due primarily to low interest rates in 2009. The decrease is partially offset by the \$3.5 million increase of membership fees and donations revenue as a result of additional active members in 2009.

Total non-operating revenues decreased \$3.0 million or 55.8%, due primarily to lower investment income resulting from the decline in government bond yields and the stock market downturn in 2009.

Operating Expenses—Total operating expenses decreased by \$0.1 million or 0.1% in 2009, which resulted from a combination of (1) a \$2.7 million increase in Client Security Fund claim reimbursements due to an increase of new claims filed related to illicit loan modification activities in 2009; (2) a \$0.4 million increase in governance expenses; (3) a \$1.6 million decrease in grant expenses due to the decline in available funds from IOLTA interest revenues; and (4) a \$1.5 million decrease in general and administration expenses due to the budget cut subsequent to the 2010 fee bill veto.

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS – Unaudited (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

Fiscal Year 2008 Compared to Fiscal Year 2007

Statements of Net Assets

The 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	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>

Assets—The State Bar’s total assets increased \$2.8 million from \$136.9 million as of the end of 2007 to \$139.7 million as of 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 balance decreased by \$4.0 million, or 4.2%, due primarily to pre-funding of the other postemployment benefits (OPEB) obligation in the amount of \$9.1 million, partially offset by net increases in cash collection of \$2.3 million and 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 prepayment of \$1.5 million.

Capital assets decreased \$1.6 million from \$36.5 million in 2007 to \$34.9 million in 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) 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 and the elimination of accrued postretirement benefit of \$9.1 million, which is partially offset by a General Fund net loss of \$0.8 million.

THE STATE BAR OF CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS – Unaudited (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 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>
CHANGE IN NET ASSETS	<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>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>

Operating Revenues—Total operating revenues increased by \$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 or 6.4% 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.

THE STATE BAR OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – Unaudited (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

Economic Factors Facing the State Bar

Each year, the California State Legislature approves a State Bar Dues Bill that authorizes the State Bar to charge the annual membership fee that is set by the Board of Governors to pay for discipline and other State Bar functions.

In the summer of 2009, the Assembly and the Senate passed Senate Bill No. 641 that would have established the 2010 member fees at the same level as 2009. The bill was forwarded to the Governor's Office for signature; however, in October, the Governor returned the bill unsigned, citing his concerns regarding inefficiencies within the State Bar and its role in the evaluation of judicial nominees. These concerns included a State Audit report that was critical of the State Bar's discipline system; the theft of rental income by a former State Bar executive staff member; and the reliability of the State Bar's Judicial Nominees Evaluation Commission's recommendations. Because of the Governor's veto, the State Bar was unable to bill members for 2010 dues for collection by the February 1st statutory deadline.

In order to restore funding to the State Bar, the Assembly and the Senate approved emergency legislation, in the form of Senate Bill 55, in January 2010. This bill was forwarded to the Governor who signed it into law on January 25, 2010. The annual fee for active members was set at \$410 and inactive members at \$125 – the same levels as 2009. Statements were sent to the membership in January with a due date of March 1, 2010. Due to the emergency effective date of the legislation, the State Bar's funding for 2010 will not be adversely affected.

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, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 40,331,534	\$ 53,180,550
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,917,174 in 2009 and \$1,710,201 in 2008	9,623,939	4,637,613
Other current assets	<u>1,078,246</u>	<u>1,129,308</u>
Total current assets	<u>51,033,719</u>	<u>58,947,471</u>
Noncurrent assets		
Investments	40,170,766	38,923,768
OPEB asset	3,979,782	6,874,213
Capital assets		
Nondepreciable	4,596,490	4,596,490
Depreciable, net	<u>28,701,334</u>	<u>30,331,309</u>
Total noncurrent assets	<u>77,448,372</u>	<u>80,725,780</u>
Total assets	<u>128,482,091</u>	<u>139,673,251</u>
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	15,040,250	11,520,646
Unearned fees collected in advance	3,599,854	18,952,589
Grants payable	<u>10,856,667</u>	<u>3,966,118</u>
Total current liabilities	<u>29,496,771</u>	<u>34,439,353</u>
Total liabilities	<u>29,496,771</u>	<u>34,439,353</u>
NET ASSETS		
Restricted	47,221,121	52,300,570
Invested in capital assets	33,297,824	34,927,799
Unrestricted	<u>18,466,375</u>	<u>18,005,529</u>
Total net assets	<u>\$ 98,985,320</u>	<u>\$ 105,233,898</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, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Membership fees and donations	\$ 73,468,974	\$ 69,950,427
Examination application fees	15,836,909	16,223,463
Trust account revenue	6,540,851	22,268,850
Law practices (sections) fees	4,959,640	4,694,303
Seminar/workshop revenue	1,262,187	1,509,741
Advertising revenue	898,091	945,838
Convention income	1,062,089	1,008,628
Legal specialization fees	1,131,230	909,600
Law corporation registration fees	723,866	700,717
Continuing legal education fees	1,592,408	1,605,451
Grants	11,246,187	12,717,639
EAF AB145 filing fees	5,696,068	6,104,395
Other	5,860,060	4,913,501
	<u>130,278,560</u>	<u>143,552,553</u>
OPERATING EXPENSES		
Discipline and adjudication	52,316,740	51,796,969
Examination costs and administration	17,494,364	17,752,880
Grants	30,110,663	31,702,133
Law practices (sections)	4,641,655	4,262,759
Claims, net of reimbursements	6,791,431	4,089,346
Communications	2,855,258	2,902,571
Administration of justice	897,406	901,095
Governance	2,799,331	2,445,397
Administration of the profession	3,690,505	3,983,100
Program development	1,391,638	1,789,107
General and administration	15,342,164	16,869,940
OPEB benefit expense	568,416	521,043
	<u>138,899,571</u>	<u>139,016,340</u>
OPERATING INCOME/(LOSS)	<u>(8,621,011)</u>	<u>4,536,213</u>
NONOPERATING REVENUES/(EXPENSES)		
Investment income	1,208,129	4,190,541
Rental income	1,164,304	1,181,706
Interest expense on debt	-	(10,350)
	<u>2,372,433</u>	<u>5,361,897</u>
CHANGE IN NET ASSETS	(6,248,578)	9,898,110
NET ASSETS—beginning of year	105,233,898	86,188,532
Change in accounting principle	-	9,147,256
NET ASSETS—beginning of year (restated)	<u>105,233,898</u>	<u>95,335,788</u>
NET ASSETS—end of year	<u>\$ 98,985,320</u>	<u>\$ 105,233,898</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members, applicants, grants and other professionals	\$ 110,028,574	\$ 141,494,115
Payments to suppliers	(62,763,434)	(78,104,258)
Payments to employees	<u>(62,780,491)</u>	<u>(73,960,605)</u>
Net cash used in operating activities	<u>(15,515,351)</u>	<u>(10,570,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	34,544,002	42,333,906
Purchases of investments	(35,791,000)	(45,109,189)
Interest received from investments	1,185,630	4,169,734
Cash received from rental income	<u>1,097,728</u>	<u>1,181,706</u>
Net cash provided by investing activities	<u>1,036,360</u>	<u>2,576,157</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	1,629,975	1,598,027
Payment of obligations under debt agreements	-	(391,743)
Interest paid on debt	<u>-</u>	<u>(10,350)</u>
Net cash used in capital and related financing activities	<u>1,629,975</u>	<u>1,195,934</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(12,849,016)	(6,798,657)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>53,180,550</u>	<u>59,979,207</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 40,331,534</u>	<u>\$ 53,180,550</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income/(loss)	\$ (8,621,011)	\$ 4,536,213
Adjustments to reconcile operating income/(loss) to net cash used in operating activities		
Depreciation and amortization	-	-
Changes in assets and liabilities		
Accounts and other receivables	(4,897,251)	(1,801,806)
OPEB asset	2,894,431	(6,874,213)
Other current assets	51,062	302,634
Accounts payable and other liabilities	3,519,604	(6,961,335)
Unearned fees collected in advance	(15,352,735)	(256,632)
Grants payable	<u>6,890,549</u>	<u>484,391</u>
Net cash used in operating activities	<u>\$ (15,515,351)</u>	<u>\$ (10,570,748)</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
TRUST FOR POST-EMPLOYMENT WELFARE BENEFITS
PLAN FOR EXECUTIVE STAFF EMPLOYEES
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents		
Money market funds	\$ 5,377,012	\$ 3,617,207
Investments		
U.S. Treasury obligations	2,999,970	2,997,780
U.S. government agencies	<u>-</u>	<u>2,532,235</u>
Total investments	<u>2,999,970</u>	<u>5,530,015</u>
 Total assets	 <u>8,376,982</u>	 <u>9,147,222</u>
 NET ASSETS HELD IN TRUST FOR		
POST-RETIREMENT WELFARE BENEFITS	 <u>\$ 8,376,982</u>	 <u>\$ 9,147,222</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
TRUST FOR POST-EMPLOYMENT WELFARE BENEFITS
PLAN FOR EXECUTIVE STAFF EMPLOYEES
STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
ADDITIONS		
Employer contributions	\$ -	\$ 9,147,256
Investment income/(expense)		
Interest income	41,824	3,119
Net depreciation in the fair value of plan investments	<u>(27,021)</u>	<u>(3,153)</u>
Total additions	<u>14,803</u>	<u>9,147,222</u>
DEDUCTIONS		
Bank processing fees	4,007	-
Reimbursement to employer for benefits payments	<u>781,036</u>	<u>-</u>
Total deductions	<u>785,043</u>	<u>-</u>
Change in trust net assets	<u>(770,240)</u>	<u>9,147,222</u>
NET ASSETS HELD IN TRUST FOR		
POST-RETIREMENT WELFARE BENEFITS		
Beginning of year	<u>9,147,222</u>	<u>-</u>
End of year	<u>\$ 8,376,982</u>	<u>\$ 9,147,222</u>

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

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 (State). The State Bar’s activities relate primarily to admission, discipline, and regulation of attorneys, and to other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system. The State Bar has engaged in such functions as administering the bar examination, formulating rules of professional conduct, disciplining members for misconduct, administering mandated continuing legal education requirements, administering other regulatory provisions affecting the profession or the practice of law, conducting a variety of education programs for members and the public, studying and recommending changes in legislation, cooperating with the Judicial Council, and providing various member services.

The State Bar 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 follows the “business-type” activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, that provides a comprehensive 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 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.

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 Fiduciary Fund is reported using the economic measurement focus and the accrual basis of accounting. The

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

2. BASIS OF PRESENTATION (Continued)

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 principle 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, 2009, and 2008, cash equivalents consisted of demand deposit accounts, money market accounts and deposits in the California Local Agency Investment Fund (LAIF).

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

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 non-operating. 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, 2009 AND 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenue, Expense and Grants Payable— The State Bar receives grants from the State of California under the Equal Access Fund and distributes those grant funds to nonprofit legal aid organizations. These grants are contingent on the availability of funding from the State. The State Bar's policy is to recognize grants revenue from the State and the corresponding grant expenses to the sub-grantees in the period in which grant funds become collectible from the State granting agency.

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.

Compensated Absences are reported for earned but unused vacation and sick leave benefits. State Bar employees have a vested interest in accrued compensated absences.

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 \$47.2 million at December 31, 2009, of which \$32.9 million was restricted by enabling legislation; and \$52.3 million at December 31, 2008, of which \$36.6 million was restricted by enabling legislation.

Reclassifications – Certain financial statement items from the June 30, 2008 financial statements have been reclassified for comparative purposes. Such reclassifications did not have an effect on previously reported net assets.

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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2009, the carrying amount of the State Bar's deposits was \$3,138,126 and the bank balance was \$2,076,764. Compared to December 31, 2008, the carrying amount of the State Bar's deposits was \$15,231,593 and the bank balance was \$11,105,947. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit. The State Bar's deposits were insured up to \$250,000 by the Federal Deposit Insurance Corporation and the balance in excess of \$250,000 was fully collateralized.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 fair value. PMIA is not SEC-registered and is not rated, but is required to invest according to the California State Code. The Local Investment Advisory Board, which consisted of five members designated by state statutes, has oversight responsibility for LAIF.

At December 31, 2009, the PMIA balance was \$67.2 billion, of which 91.8% is invested in non-derivative financial products with 3.6% in structured notes and 4.6% in asset-backed securities. The total amount invested by all public agencies in LAIF was \$24.8 billion, and the State Bar's investment in LAIF was \$37.2 million. The average maturity of PMIA investments was 222 days as of December 31, 2009. 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.

Investment—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, 2009 and 2008 are as follows:

	2009	2008
	Fair Value	Fair Value
U.S. government and agencies	\$ 39,021,258	\$ 37,817,029
Corporate bonds	1,045,720	1,004,390
Equity securities	103,788	102,349
Total investments	<u>\$ 40,170,766</u>	<u>\$ 38,923,768</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— The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the State Bar of

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

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

Issuer	Investment Type	2009 Fair Value	2008 Fair Value
Federal Home Loan Bank	U.S. government agencies	\$ 15,657,045	\$ 16,442,975
Federal Farm Credit Bank	U.S. government agencies	14,139,410	9,096,254
Federal National Mortgage Association	U.S. government agencies	3,056,250	8,166,900
Federal Home Loan Mortgage Corporation	U.S. government agencies	6,168,553	4,110,900

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 fair value to be highly sensitive to changes in interest rates. Fixed income security investments subject to interest rate risk at December 31, 2009, and 2008, are as follows:

	2009 Fair Value	Fair Value as a Percentage of Fixed Income Securities	Weighted Average Maturity (Years)
U.S. government agencies	\$ 39,021,258	97.4%	0.58
Corporate bonds	1,045,720	2.6%	1.05
Total fixed income securities	<u>\$ 40,066,978</u>	<u>100.0%</u>	

	2008 Fair Value	Fair Value as a Percentage of 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
Total fixed income securities	<u>\$ 38,821,419</u>	<u>100.0%</u>	

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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 Investors Service; corporate bonds to the rating of A by Moody’s Investors Service; 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, 2009, and 2008, are as follows:

	2009		2008	
	Fair Value	Fair Value as a Percentage of Fixed Income Securities	Fair Value	Fair Value as a Percentage of Fixed Income Securities
Moody's Rating:				
AAA	\$ 39,021,258	97.4%	\$ 37,817,029	97.4%
A2	-	0.0%	1,004,390	2.6%
A3	1,045,720	2.6%	-	0.0%
Total fixed income securities	\$ 40,066,978	100.0%	\$ 38,821,419	100.0%

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

Cash, cash equivalents and investments reported in the Fiduciary Fund for the OPEB Trust as of December 31, 2009, and 2008, are as follows:

	2009 Fair Value	2008 Fair Value
Cash and cash equivalents	\$ 5,377,012	\$ 3,617,207
Investments:		
U.S. Treasury obligations	2,999,970	2,997,780
U.S. government and agencies	-	2,532,235
Total Cash, cash equivalents and investments	\$ 8,376,982	\$ 9,147,222

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 for investments is the risk that the State Bar 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, 2009, and 2008, the OPEB Trust held the following investments that are subject to concentration of credit risk:

Issuer	Investment Type	2009 Fair Value	2008 Fair Value
U.S. Treasury	U.S. Treasury obligations	\$ 2,999,970	\$ 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, 2009, and 2008, are as follows:

	2009 Fair Value	Fair Value as a Percentage of Fixed Income Securities	Weighted Average Maturity (Years)
U.S. Treasury bill	\$ 2,999,970	100.0%	0.04
Total fixed income securities	\$ 2,999,970	100.0%	

	2008 Fair Value	Fair Value as a Percentage of Fixed Income Securities	Weighted Average Maturity (Years)
U.S. Treasury bill	\$ 2,997,780	54.2%	0.46
U.S. government agencies	2,532,235	45.8%	0.50
Total fixed income securities	\$ 5,530,015	100.0%	

Credit Risk. At December 31, 2009, and 2008, the State Bar's investments in the OPEB Trust were rated AAA by Moody's Investors Service.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2009 and 2008 are as follows:

	Balance January 1, 2009	Increases	Decreases / Adjustments	Balance December 31, 2009
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	3,736,296	64,688	69,918	3,870,902
Furniture and fixtures	1,675,389	-	-	1,675,389
Total capital assets, being depreciated	<u>44,300,062</u>	<u>64,688</u>	<u>69,918</u>	<u>44,434,668</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	(9,639,920)	(1,108,972)	-	(10,748,892)
Equipment	(2,766,066)	(532,138)	(69,918)	(3,368,122)
Furniture and fixtures	(1,562,767)	(53,553)	-	(1,616,320)
Total accumulated depreciation	<u>(13,968,753)</u>	<u>(1,694,663)</u>	<u>(69,918)</u>	<u>(15,733,334)</u>
Total capital assets, being depreciated, net	<u>30,331,309</u>	<u>(1,629,975)</u>	<u>-</u>	<u>28,701,334</u>
Capital assets, net	<u>\$ 34,927,799</u>	<u>\$ (1,629,975)</u>	<u>\$ -</u>	<u>33,297,824</u>
	Balance January 1, 2008	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>

Depreciation expenses for the years ended December 31, 2009, and 2008, were \$1,694,663 and \$1,887,861, respectively.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

At December 31, 2009, and 2008, accounts payable and other liabilities consisted of the following:

	<u>2009</u>	<u>2008</u>
Accounts payable	\$ 2,278,007	\$ 2,265,896
Compensated absences	3,823,569	3,663,129
Claims payable	8,712,766	4,829,343
Other liabilities	225,908	762,278
	<u>\$ 15,040,250</u>	<u>\$ 11,520,646</u>

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 of \$3,234,709 in 2009 and \$3,218,825 in 2008 on the employees’ behalf based on contractual agreements with its employee groups. In addition, 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 percentage of pay in each year from the age of hire (entry age) to the assumed retirement age. The State Bar’s required employer contributions were 10.271% for the period of July 1, 2009 to December 31, 2009, 10.235% for the period of July 1, 2008 to June 30, 2009, 10.870% for the period of July 1, 2007 to June 30, 2008, and 10.949% for the period of January 1, 2007 to June 30, 2007. The State Bar’s annual pension cost for the years ended December 31, 2009, 2008 and 2007 were \$4,502,986, \$4,559,722, and \$4,272,876, 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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

7. PENSION PLAN (Continued)

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, 2009, and 2008, were determined as part of the June 30, 2007, 2006, and 2005 actuarial valuations.

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

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/07	\$ 4,272,876	100.0%	\$ —
12/31/08	4,559,722	100.0%	—
12/31/09	4,502,986	100.0%	—

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

Valuation Date	June 30, 2005, June 30, 2006, June 30, 2007, and June 30, 2008 *
Actuarial Cost Method	Entry Age Normal Cost Method for the June 30, 2008 valuation Entry Age Actuarial Cost Method for all other valuations
Amortization Method	Level Percent of Payroll
Average Remaining Period	23 Years as of June 30, 2005; 19 Years as of June 30, 2006; 18 Years as of June 30, 2007; 19 Years as of June 30, 2008
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 unless 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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

7. PENSION PLAN (Continued)

Funded Status and Funding Progress—As of June 30, 2008, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$	202,907,693
Actuarial value of plan assets		197,710,693
Unfunded actuarial accrued liability (UAAL)		5,197,000
Funded ratio (actuarial value of plan assets/AAL)		97.4%
Annual covered payroll (active plan members)	\$	43,370,614
UAAL as percentage of annual covered payroll		12.0%

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.

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 services to the State Bar as a regular employee. For employees who become executive staff after August 19, 2006, eligibility requires fifteen years of service to the State Bar as a regular employee, with at least the last ten years of service preceding retirement as an executive staff employee. The employee must also elect to receive retirement benefits effective within one hundred twenty days of retirement from State Bar employment under CalPERS. Active executive employees who are not eligible for retirement benefits are assumed to have an equal portion of the present value of the benefits attributed to each year of service from date of hire to expected retirement age. The OPEB Plan included fifty-six and sixty active executive staff employees as of December 31, 2009, and 2008, respectively, and fifty-nine and fifty-three retirees and beneficiaries received benefits as of December 31, 2009, and 2008. 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 to fund 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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Funding Policy—Contributions to the OPEB Plan are made by the State Bar at the Committee’s direction. Based on an actuarial valuation of the OPEB Plan as of January 1, 2008, the required contributions for the years ended December 31, 2009, and 2008, were \$2,799,926 and \$2,799,926, respectively.

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.

	2009	2008
Determination of Net OPEB Asset		
Annual required contribution (ARC)	\$ 2,799,926	\$ 2,799,926
Interest on prior year net OPEB asset	(309,340)	-
Adjustment to ARC	403,845	-
Annual OPEB cost	2,894,431	2,799,926
State Bar contributions made	-	9,674,139
Increase/(decrease) in net OPEB asset	(2,894,431)	6,874,213
Net OPEB asset - January 1	6,874,213	-
Net OPEB asset - December 31	\$ 3,979,782	\$ 6,874,213

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
12/31/2009	\$2,894,431	0.0%	\$3,979,782

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)	\$ 28,677,152
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 7,379,116
UAAL as percentage of annual covered payroll	388.6%

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Actuarial Cost Method and Assumptions—Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new 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%.

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.

THE STATE BAR OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009, and 2008.

Leases—The State Bar is obligated under various noncancelable operating leases for office space. The lease terms range between three and six 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, 2009, the carrying value of the building was \$38,888,377 less accumulated depreciation of \$10,748,892. Future minimum lease obligations and future minimum revenue under these noncancelable operating leases at December 31, 2009, are as follows:

Year Ending December 31	Future Minimum Revenue	Future Minimum Lease Obligations
2010	\$ 863,802	\$ 4,014,654
2011	836,753	3,977,792
2012	800,135	4,025,066
2013	757,173	4,073,759
2014	408,299	159,329
2015	16,450	-
Total	<u>\$ 3,682,612</u>	<u>\$ 16,250,600</u>

Expenses under operating leases for the years ended December 31, 2009, and 2008, were \$3,989,084 and \$3,643,864, respectively.

THE STATE BAR OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2009 AND 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, 2008	\$ 202,907,693	\$ 197,710,693	\$ 5,197,000	97.4%	\$ 43,370,614	12.0%
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%

Schedule of Funding Progress – OPEB Trust

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

Valuation Date	Actuarial Accrued Liability (AAL) - Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2008	\$ 28,677,152	\$ -	\$ 28,677,152	0.0%	\$ 7,379,116	388.6%

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2009

PROGRAM FUND DESCRIPTIONS

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. Its primary source of resources is provided through rental income from tenants under various lease agreements.

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, 2009 and 2008 to be \$8,712,766 and \$4,829,343, 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, 2009 and 2008, the Discipline Fund includes \$1,145,903 and \$1,137,977 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, 2009

PROGRAM FUND DESCRIPTIONS (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 (AB145) was approved by the Legislature and the Governor. The Act established a new distribution of \$4.80 per filing to the Equal Access Fund. These revenues were collected by the trial courts starting in January 2006 to fund grants to nonprofit legal aid organizations for the grant year.

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

Information Technology Special Assessment Fund —The Information Technology Special Assessment Fund is used to upgrade the information technology system, including purchasing and maintenance costs 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, 2009

PROGRAM FUND DESCRIPTIONS (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 period from January 1 through June 30 of the following year.

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 nineteen sections in 2009 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. Capital 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 capital assets is transferred to the Fixed Assets Fund, except for buildings which are accounted for in the Building Fund.

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET ASSETS
DECEMBER 31, 2009

	General Fund	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activities
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 39,550,448	\$ 50	\$ -	\$ 781,036	\$ -	\$ -	\$ -
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,917,174	1,034,527	-	-	-	66,576	-	-
Interfund receivable	-	5,401,359	425,951	4,095,767	1,781,074	1,999,763	3,254,955
Other current assets	545,342	95,760	-	-	-	-	-
Total current assets	<u>41,130,317</u>	<u>5,497,169</u>	<u>425,951</u>	<u>4,876,803</u>	<u>1,847,650</u>	<u>1,999,763</u>	<u>3,254,955</u>
Noncurrent assets							
Investments	40,170,766	-	-	-	-	-	-
OPEB assets	-	-	-	3,979,782	-	-	-
Capital assets							
Nondepreciable	-	-	-	-	889,211	-	-
Depreciable, net	-	-	-	-	13,465,468	-	-
Total noncurrent assets	<u>40,170,766</u>	<u>-</u>	<u>-</u>	<u>3,979,782</u>	<u>14,354,679</u>	<u>-</u>	<u>-</u>
Total assets	<u>81,301,083</u>	<u>5,497,169</u>	<u>425,951</u>	<u>8,856,585</u>	<u>16,202,329</u>	<u>1,999,763</u>	<u>3,254,955</u>
LIABILITIES							
Current liabilities							
Accounts payable and other liabilities	4,673,985	301,482	51,747	-	124,084	-	51,564
Interfund payable	67,475,149	-	-	-	-	-	-
Unearned fees collected in advance	134,182	3,465,672	-	-	-	-	-
Grants payable	-	-	-	-	-	-	-
Total current liabilities	<u>72,283,316</u>	<u>3,767,154</u>	<u>51,747</u>	<u>-</u>	<u>124,084</u>	<u>-</u>	<u>51,564</u>
Total liabilities	<u>72,283,316</u>	<u>3,767,154</u>	<u>51,747</u>	<u>-</u>	<u>124,084</u>	<u>-</u>	<u>51,564</u>
NET ASSETS							
Restricted	-	1,730,015	374,204	8,856,585	1,723,566	1,999,763	3,203,391
Invested in capital assets	-	-	-	-	14,354,679	-	-
Unrestricted	9,017,767	-	-	-	-	-	-
Total net assets	<u>\$ 9,017,767</u>	<u>\$ 1,730,015</u>	<u>\$ 374,204</u>	<u>\$ 8,856,585</u>	<u>\$ 16,078,245</u>	<u>\$ 1,999,763</u>	<u>\$ 3,203,391</u>

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET ASSETS (Continued)
DECEMBER 31, 2009

Client Security	Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
							ASSETS
							Current Assets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Cash and cash equivalents
				7,774,225	63,611		Accounts and other receivables, net of allowance for uncollectible accounts of \$1,917,174
11,474,261	1,145,903	26,011	1,170,234	3,671,621	92,994	1,928,829	Interfund receivable
-	-	-	-	-	-	-	Other current assets
<u>11,474,261</u>	<u>1,145,903</u>	<u>26,011</u>	<u>1,170,234</u>	<u>11,445,846</u>	<u>156,605</u>	<u>1,928,829</u>	Total current assets
							Noncurrent assets
-	-	-	-	-	-	-	Investments
-	-	-	-	-	-	-	OPEB assets
							Capital assets
-	-	-	-	-	-	-	Nondepreciable
-	-	-	-	-	-	-	Depreciable, net
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total noncurrent assets
<u>11,474,261</u>	<u>1,145,903</u>	<u>26,011</u>	<u>1,170,234</u>	<u>11,445,846</u>	<u>156,605</u>	<u>1,928,829</u>	Total assets
							LIABILITIES
							Current liabilities
8,795,297	-	26,011	27,331	-	-	-	Accounts payable and other liabilities
-	-	-	-	-	-	-	Interfund payable
-	-	-	-	-	-	-	Unearned fees collected in advance
-	-	-	-	7,199,757	-	-	Grants payable
<u>8,795,297</u>	<u>-</u>	<u>26,011</u>	<u>27,331</u>	<u>7,199,757</u>	<u>-</u>	<u>-</u>	Total current liabilities
<u>8,795,297</u>	<u>-</u>	<u>26,011</u>	<u>27,331</u>	<u>7,199,757</u>	<u>-</u>	<u>-</u>	Total liabilities
							NET ASSETS
2,678,964	1,145,903	-	1,142,903	4,246,089	156,605	1,928,829	Restricted
-	-	-	-	-	-	-	Invested in capital assets
-	-	-	-	-	-	-	Unrestricted
<u>\$ 2,678,964</u>	<u>\$ 1,145,903</u>	<u>\$ -</u>	<u>\$ 1,142,903</u>	<u>\$ 4,246,089</u>	<u>\$ 156,605</u>	<u>\$ 1,928,829</u>	Total net assets

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET ASSETS (Continued)
DECEMBER 31, 2009

	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, net of allowance for uncollectible accounts of \$1,917,174	-	-	-	685,000	-	-
Interfund receivable	57,834	1,512,451	1,344,384	11,375,570	1,845,046	1,193,226
Other current assets	-	-	-	-	-	-
Total current assets	<u>57,834</u>	<u>1,512,451</u>	<u>1,344,384</u>	<u>12,060,570</u>	<u>1,845,046</u>	<u>1,193,226</u>
Noncurrent assets						
Investments	-	-	-	-	-	-
OPEB assets	-	-	-	-	-	-
Capital assets						
Nondepreciable	-	-	-	-	-	-
Depreciable, net	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>57,834</u>	<u>1,512,451</u>	<u>1,344,384</u>	<u>12,060,570</u>	<u>1,845,046</u>	<u>1,193,226</u>
LIABILITIES						
Current liabilities						
Accounts payable and other liabilities	-	48,507	6,565	59,798	6,242	31,367
Interfund payable	-	-	-	-	-	-
Unearned fees collected in advance	-	-	-	-	-	-
Grants payable	-	-	-	3,656,910	-	-
Total current liabilities	<u>-</u>	<u>48,507</u>	<u>6,565</u>	<u>3,716,708</u>	<u>6,242</u>	<u>31,367</u>
Total liabilities	<u>-</u>	<u>48,507</u>	<u>6,565</u>	<u>3,716,708</u>	<u>6,242</u>	<u>31,367</u>
NET ASSETS						
Restricted	57,834	-	-	8,343,862	1,838,804	1,161,859
Invested in capital assets	-	-	-	-	-	-
Unrestricted	-	1,463,944	1,337,819	-	-	-
Total net assets	<u>\$ 57,834</u>	<u>\$ 1,463,944</u>	<u>\$ 1,337,819</u>	<u>\$ 8,343,862</u>	<u>\$ 1,838,804</u>	<u>\$ 1,161,859</u>

THE STATE BAR OF CALIFORNIA
SUPPLEMENTARY INFORMATION
PROGRAM FUNDS SCHEDULE OF NET ASSETS (Continued)
DECEMBER 31, 2009

Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Interfund Elimination	Total	
							ASSETS
							Current Assets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,331,534	Cash and cash equivalents
-	-	-	-	-	-	9,623,939	Accounts and other receivables, net of allowance for uncollectible accounts of \$1,917,174
6,414,781	6,737,251	316,313	209,571	-	(67,475,149)	-	Interfund receivable
-	819	436,325	-	-	-	1,078,246	Other current assets
<u>6,414,781</u>	<u>6,738,070</u>	<u>752,638</u>	<u>209,571</u>	<u>-</u>	<u>(67,475,149)</u>	<u>51,033,719</u>	Total current assets
							Noncurrent assets
-	-	-	-	-	-	40,170,766	Investments
-	-	-	-	-	-	3,979,782	OPEB assets
				3,707,279	-	4,596,490	Capital assets
-	-	-	-	15,235,866	-	28,701,334	Nondepreciable Depreciable, net
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,943,145</u>	<u>-</u>	<u>77,448,372</u>	Total noncurrent assets
<u>6,414,781</u>	<u>6,738,070</u>	<u>752,638</u>	<u>209,571</u>	<u>18,943,145</u>	<u>(67,475,149)</u>	<u>128,482,091</u>	Total assets
							LIABILITIES
							Current liabilities
-	106,125	730,145	-	-	-	15,040,250	Accounts payable and other liabilities
-	-	-	-	-	(67,475,149)	-	Interfund payable
-	-	-	-	-	-	3,599,854	Unearned fees collected in advance
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,856,667</u>	Grants payable
<u>-</u>	<u>106,125</u>	<u>730,145</u>	<u>-</u>	<u>-</u>	<u>(67,475,149)</u>	<u>29,496,771</u>	Total current liabilities
<u>-</u>	<u>106,125</u>	<u>730,145</u>	<u>-</u>	<u>-</u>	<u>(67,475,149)</u>	<u>29,496,771</u>	Total liabilities
							NET ASSETS
-	6,631,945	-	-	-	-	47,221,121	Restricted
-	-	-	-	18,943,145	-	33,297,824	Invested in capital assets
6,414,781	-	22,493	209,571	-	-	18,466,375	Unrestricted
<u>\$ 6,414,781</u>	<u>\$ 6,631,945</u>	<u>\$ 22,493</u>	<u>\$ 209,571</u>	<u>\$ 18,943,145</u>	<u>\$ -</u>	<u>\$ 98,985,320</u>	Total net assets

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – PROGRAM FUNDS SCHEDULE OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009**

	General Fund	Admissions	Annual Meeting	Benefit Reserve	Building	Building Special Assessment	Certification Activities
OPERATING REVENUES							
Membership fees and donations	\$ 58,952,336	\$ -	\$ -	\$ -	\$ 7,870	\$ 1,980,348	\$ -
Examination application fees	-	15,836,909	-	-	-	-	-
Trust account revenue	-	-	-	-	-	-	-
Law practices (sections) fees	-	-	-	-	-	-	-
Seminar/workshop revenue	7,690	-	-	-	-	-	-
Advertising revenue	826,155	-	4,200	-	-	-	-
Convention income	-	-	802,506	-	-	-	-
Legal specialization fees	-	-	-	-	-	-	-
Law corporation registration fees	719,710	-	-	-	-	-	4,156
Continuing legal education fees	1,265,158	-	-	-	-	-	297,525
Grants	9,500	-	-	-	-	-	-
EAF AB145 filing fee revenue	-	-	-	-	-	-	-
Other	579,250	310,348	92,364	781,036	365,378	-	299,380
Total operating revenues	62,359,799	16,147,257	899,070	781,036	373,248	1,980,348	601,061
OPERATING EXPENSES							
Discipline and adjudication	52,316,740	-	-	-	-	-	-
Examination costs and administration	-	17,494,364	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Law practices (sections)	-	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	-	-
Communications	2,855,258	-	-	-	-	-	-
Administration of justice	897,406	-	-	-	-	-	-
Governance	2,799,331	-	-	-	-	-	-
Administration of the profession	2,623,713	-	-	-	-	-	1,066,792
Program development	1,391,638	-	-	-	-	-	-
General and administration	(139,045)	-	886,198	-	1,103,888	-	-
OPEB benefit expense	-	-	-	568,416	-	-	-
Total operating expenses	62,745,041	17,494,364	886,198	568,416	1,103,888	-	1,066,792
OPERATING INCOME/(LOSS)	(385,242)	(1,347,107)	12,872	212,620	(730,640)	1,980,348	(465,731)
NONOPERATING REVENUES							
Investment income/(loss)	393,780	76,428	8,273	17,752	11,365	19,415	38,909
Rental income	-	-	-	-	1,119,897	-	-
Total nonoperating revenues	393,780	76,428	8,273	17,752	1,131,262	19,415	38,909
INCOME/(LOSS) BEFORE TRANSFERS	8,538	(1,270,679)	21,145	230,372	400,622	1,999,763	(426,822)
Transfers in	45,890	-	26,400	-	-	-	-
Transfers out	(46,194)	(170)	-	-	(33,454)	-	(180)
Change in Net Assets	8,234	(1,270,849)	47,545	230,372	367,168	1,999,763	(427,002)
NET ASSETS—beginning of year	9,009,533	3,000,864	326,659	8,626,213	15,711,077	-	3,630,393
NET ASSETS—end of year	\$ 9,017,767	\$ 1,730,015	\$ 374,204	\$ 8,856,585	\$ 16,078,245	\$ 1,999,763	\$ 3,203,391

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – PROGRAM FUNDS SCHEDULE OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2009**

Client Security	Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
\$ 6,872,572	\$ -	\$ -	\$ 795,066	\$ -	\$ -	\$ 1,624,426	OPERATING REVENUES
-	-	-	-	-	-	-	Membership fees and donations
-	-	-	-	-	-	-	Examination application fees
-	-	-	-	-	-	-	Trust account revenue
-	-	-	-	-	-	-	Law practices (sections) fees
-	-	1,204,347	125	-	-	-	Seminar/workshop revenue
-	-	2,736	-	-	-	-	Advertising revenue
-	-	245,570	1,000	-	-	-	Convention income
-	-	-	-	-	-	-	Legal specialization fees
-	-	-	-	-	-	-	Law corporation registration fees
-	-	-	-	-	-	-	Continuing legal education fees
-	-	-	2,400	10,979,325	254,962	-	Grants
-	-	-	-	5,696,068	-	-	EAF AB145 filing fee revenue
6,500	-	264,694	-	572,312	-	-	Other
<u>6,879,072</u>	<u>-</u>	<u>1,717,347</u>	<u>798,591</u>	<u>17,247,705</u>	<u>254,962</u>	<u>1,624,426</u>	Total operating revenues
-	-	-	-	-	-	-	OPERATING EXPENSES
-	-	-	-	-	-	-	Discipline and adjudication
-	-	-	-	-	-	-	Examination costs and administration
-	-	-	-	16,158,554	-	-	Grants
-	-	-	-	-	-	-	Law practices (sections)
6,791,431	-	-	-	-	-	-	Claims, net of reimbursements
-	-	-	-	-	-	-	Communications
-	-	-	-	-	-	-	Administration of justice
-	-	-	-	-	-	-	Governance
-	-	-	-	-	-	-	Administration of the profession
-	-	-	-	-	-	-	Program development
1,858,696	3,604	2,714,624	611,479	598,048	174,692	-	General and administration
-	-	-	-	-	-	-	OPEB benefit expense
<u>8,650,127</u>	<u>3,604</u>	<u>2,714,624</u>	<u>611,479</u>	<u>16,756,602</u>	<u>174,692</u>	<u>-</u>	Total operating expenses
<u>(1,771,055)</u>	<u>(3,604)</u>	<u>(997,277)</u>	<u>187,112</u>	<u>491,103</u>	<u>80,270</u>	<u>1,624,426</u>	OPERATING INCOME/(LOSS)
145,501	11,530	(2,225)	14,197	18,861	-	21,563	NONOPERATING REVENUES
-	-	-	-	-	-	-	Investment income/(loss)
-	-	-	-	-	-	-	Rental income
<u>145,501</u>	<u>11,530</u>	<u>(2,225)</u>	<u>14,197</u>	<u>18,861</u>	<u>-</u>	<u>21,563</u>	Total nonoperating revenues
(1,625,554)	7,926	(999,502)	201,309	509,964	80,270	1,645,989	INCOME/(LOSS) BEFORE TRANSFERS
-	-	999,502	-	-	-	-	Transfers in
-	-	-	(6,219)	-	(3,540)	(275,538)	Transfers out
<u>(1,625,554)</u>	<u>7,926</u>	<u>-</u>	<u>195,090</u>	<u>509,964</u>	<u>76,730</u>	<u>1,370,451</u>	Change in Net Assets
<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—beginning of year
<u>\$ 2,678,964</u>	<u>\$ 1,145,903</u>	<u>\$ -</u>	<u>\$ 1,142,903</u>	<u>\$ 4,246,089</u>	<u>\$ 156,605</u>	<u>\$ 1,928,829</u>	NET ASSETS—end of year

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – PROGRAM FUNDS SCHEDULE OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2009**

	Justice Gap Fund	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities
OPERATING REVENUES						
Membership fees and donations	\$ 609,392	\$ 1,837,345	\$ -	\$ -	\$ -	\$ 781,936
Examination application fees	-	-	-	-	-	-
Trust account revenue	-	-	-	6,540,851	-	-
Law practices (sections) fees	-	-	-	-	-	-
Seminar/workshop revenue	-	3,015	-	-	-	-
Advertising revenue	-	-	65,000	-	-	-
Convention income	-	-	-	-	-	-
Legal specialization fees	-	-	-	-	1,131,230	-
Law corporation registration fees	-	-	-	-	-	-
Continuing legal education fees	-	-	-	-	29,725	-
Grants	-	-	-	-	-	-
EAF AB145 filing fee revenue	-	-	-	-	-	-
Other	-	2,941	1,753,980	13,993	2,392	29,139
	<u>609,392</u>	<u>1,843,301</u>	<u>1,818,980</u>	<u>6,554,844</u>	<u>1,163,347</u>	<u>811,075</u>
Total operating revenues						
OPERATING EXPENSES						
Discipline and adjudication	-	-	-	-	-	-
Examination costs and administration	-	-	-	-	-	-
Grants	-	-	-	13,952,109	-	-
Law practices (sections)	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	-
Communications	-	-	-	-	-	-
Administration of justice	-	-	-	-	-	-
Governance	-	-	-	-	-	-
Administration of the profession	-	-	-	-	-	-
Program development	-	-	-	-	-	-
General and administration	-	2,760,727	564,682	1,036,231	1,185,454	601,395
OPEB benefit expense	-	-	-	-	-	-
	<u>-</u>	<u>2,760,727</u>	<u>564,682</u>	<u>14,988,340</u>	<u>1,185,454</u>	<u>601,395</u>
Total operating expenses						
OPERATING INCOME/(LOSS)	<u>609,392</u>	<u>(917,426)</u>	<u>1,254,298</u>	<u>(8,433,496)</u>	<u>(22,107)</u>	<u>209,680</u>
NONOPERATING REVENUES						
Investment income/(loss)	17,676	21,390	14,724	159,741	23,802	13,631
Rental income	-	-	-	-	-	44,407
	<u>17,676</u>	<u>21,390</u>	<u>14,724</u>	<u>159,741</u>	<u>23,802</u>	<u>58,038</u>
Total nonoperating revenues						
INCOME/(LOSS) BEFORE TRANSFERS	627,068	(896,036)	1,269,022	(8,273,755)	1,695	267,718
Transfers in	-	1,000,000	-	1,877,129	1,800	-
Transfers out	<u>(1,877,129)</u>	<u>(2,455)</u>	<u>(1,021,400)</u>	<u>-</u>	<u>(2,800)</u>	<u>(2,964)</u>
Change in Net Assets	(1,250,061)	101,509	247,622	(6,396,626)	695	264,754
NET ASSETS—beginning 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>
NET ASSETS—end of year	<u>\$ 57,834</u>	<u>\$ 1,463,944</u>	<u>\$ 1,337,819</u>	<u>\$ 8,343,862</u>	<u>\$ 1,838,804</u>	<u>\$ 1,161,859</u>

THE STATE BAR OF CALIFORNIA

**SUPPLEMENTARY INFORMATION – PROGRAM FUNDS SCHEDULE OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2009**

	Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Interfund Elimination	Total	
								OPERATING REVENUES
\$	-	\$ -	\$ 7,683	\$ -	\$ -	\$ -	\$ 73,468,974	Membership fees and donations
	-	-	-	-	-	-	15,836,909	Examination application fees
	-	-	-	-	-	-	6,540,851	Trust account revenue
	-	4,959,640	-	-	-	-	4,959,640	Law practices (sections) fees
	-	47,010	-	-	-	-	1,262,187	Seminar/workshop revenue
	-	-	-	-	-	-	898,091	Advertising revenue
	-	13,013	-	-	-	-	1,062,089	Convention income
	-	-	-	-	-	-	1,131,230	Legal specialization fees
	-	-	-	-	-	-	723,866	Law corporation registration fees
	-	-	-	-	-	-	1,592,408	Continuing legal education fees
	-	-	-	-	-	-	11,246,187	Grants
	-	-	-	-	-	-	5,696,068	EAF AB145 filing fee revenue
	-	786,353	-	-	-	-	5,860,060	Other
	-	5,806,016	7,683	-	-	-	130,278,560	Total operating revenues
								OPERATING EXPENSES
	-	-	-	-	-	-	52,316,740	Discipline and adjudication
	-	-	-	-	-	-	17,494,364	Examination costs and administration
	-	-	-	-	-	-	30,110,663	Grants
	-	4,641,655	-	-	-	-	4,641,655	Law practices (sections)
	-	-	-	-	-	-	6,791,431	Claims, net of reimbursements
	-	-	-	-	-	-	2,855,258	Communications
	-	-	-	-	-	-	897,406	Administration of justice
	-	-	-	-	-	-	2,799,331	Governance
	-	-	-	-	-	-	3,690,505	Administration of the profession
	-	-	-	-	-	-	1,391,638	Program development
	-	-	2,098	242,820	1,136,573	-	15,342,164	General and administration
	-	-	-	-	-	-	568,416	OPEB benefit expense
	-	4,641,655	2,098	242,820	1,136,573	-	138,899,571	Total operating expenses
	-	1,164,361	5,585	(242,820)	(1,136,573)	-	(8,621,011)	OPERATING INCOME/(LOSS)
								NONOPERATING REVENUES
	64,344	100,271	18,387	(1,186)	-	-	1,208,129	Investment income/(loss)
	-	-	-	-	-	-	1,164,304	Rental income
	64,344	100,271	18,387	(1,186)	-	-	2,372,433	Total nonoperating revenues
	64,344	1,264,632	23,972	(244,006)	(1,136,573)	-	(6,248,578)	INCOME/(LOSS) BEFORE TRANSFERS
	-	-	-	291,884	64,688	(4,307,293)	-	Transfers in
	-	(1,002,537)	(1,479)	(31,234)	-	4,307,293	-	Transfers out
	64,344	262,095	22,493	16,644	(1,071,885)	-	(6,248,578)	Change in Net Assets
	6,350,437	6,369,850	-	192,927	20,015,030	-	105,233,898	NET ASSETS—beginning of year
\$	6,414,781	\$ 6,631,945	\$ 22,493	\$ 209,571	\$ 18,943,145	\$ -	\$ 98,985,320	NET ASSETS—end of year

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