THE STATE BAR OF CALIFORNIA

Financial Statements and
Independent Auditor's Report
For the Years Ended December 31, 2007 and 2006

and Supplemental Information
For the Year Ended December 31, 2007

THE STATE BAR OF CALIFORNIA

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MGO
MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net assets of the State Bar of California ("State Bar") as of December 31, 2007, and the related statement of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the State Bar's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the State Bar as of December 31, 2006 were audited by other auditors whose report dated April 10, 2007 expressed an unqualified opinion on those statements. As discussed in Note 3, the State Bar has restated its 2006 financial statements during the current year to conform to the 2007 presentation. The other auditors reported on the 2006 financial statements before the restatement.

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. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the respective financial position of the State Bar as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 8 and the schedule of funding progress on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the State Bar's basic financial statements. The supplementary information on pages 24 through 34 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 & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
April 15, 2008

THE STATE BAR OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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.

Introduction—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's programs are financed primarily by fees paid by attorneys and applicants to practice law. At the end of 2007, the State Bar had approximately 212,000 members, making it the largest unified state bar in the country. Membership fees for 2007 were set by the State Legislature at $400 for active members and $125 for inactive members. The membership fees are allocated to the following funds:

	Active Fee	Inactive Fee
General Fund	$ 340	$ 100
Client Security Fund	40	10
Building Fund	10	10
Lawyers Assistance Program Fund	10	5
Total	$ 400	$ 125

For internal reporting purposes, the State Bar's programs are segregated into 23 separate funds. The largest fund, the General Fund, contains six significant programs, which include discipline and adjudication, communications, administration of justice, governance, administration of the profession, and program development. In 2007, the discipline and adjudication program had operating expenses of $47.2 million, representing 81.3% of all operating expenses within the General Fund.

Financial Statement Overview

The State Bar's financial report includes management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements. The report includes the following three basic financial statements: the statements of net assets; the statements of revenues, expenses, and changes in net assets; and the statements of cash flows.

The Statements of Net Assets present the financial position for the State Bar at the end of the fiscal year. The statements include all assets and liabilities of the State Bar. Net assets, the difference between assets and liabilities, are an indicator of the current fiscal health of the State Bar and can give an indication of improvement of its financial position over time.

The Statements of Revenues, Expenses, and Changes in Net Assets reflect how the State Bar's net assets changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The enclosed financial statements present the financial position, results of operations and changes in net assets, and cash flows of the State Bar on a combined basis.

Fiscal Year 2007 Compared to Fiscal Year 2006

Condensed Statements of Net Assets

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

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

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

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

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

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

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

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

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

Condensed Statements of Revenues and Expenses

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

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

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

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

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

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

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

Fiscal Year 2006 Compared to Fiscal Year 2005

Condensed Statements of Net Assets

The following table presents the condensed statements of net assets of the State Bar as of December 31, 2006 and 2005 and the change from year to year:

	2006 (Restated)		2005 (Restated)		Change
Cash, cash equivalents and investments	$ 80,843,459	*	$ 69,032,989	*	$ 11,810,470
Other assets	3,860,978	*	3,779,754	*	81,224
Capital assets—net	37,579,573		36,734,854		844,719
Total assets	122,284,010		109,547,597		12,736,413
Current liabilities	39,594,597		38,914,171		680,426
Noncurrent liabilities	7,836,527		6,715,918		1,120,609
Total liabilities	47,431,124		45,630,089		1,801,035
Net assets					
Restricted	24,621,114	*	20,297,678	*	4,323,436
Invested in capital assets, net of related debt	36,421,411		34,052,296		2,369,115
Unrestricted	13,810,361	*	9,567,534	*	4,242,827
Total net assets	$ 74,852,886		$ 63,917,508		$ 10,935,378

* Interest receivable of $326,528 for 2006 and $370,256 for 2005 were reclassified from investments to interest receivable, and net assets of $7,248,602 for 2006 and $6,799,971 for 2005 were reclassified from restricted to unrestricted to conform to the 2007 presentation.

Assets—Cash, cash equivalents and investments increased by $11.8 million from $69.0 million as of the end of 2005 to $80.8 million as of the end of 2006 representing a 17.1% increase. This increase is primarily attributable to the receipt of an additional $6.1 million in member dues resulting from the 2006 fee increases and changes in fee eligibility requirements, a $2.0 million increase in investment income, a $2.0 million increase in the Legal Services Trust Fund Interest on Lawyer Trust Accounts program ("IOLTA"), and a $2.2 million in increased bar examination application fees. The above increases were offset by a decrease of $0.8 million due to declines in Convention income, legal specialization fees, and continuing legal education fees.

Capital assets increased $0.8 million from $36.7 million in 2005 to $37.6 million in 2006. The 2.3% increase is attributable to additions of building improvements and office equipment of $2.6 million, offset by normal depreciation on capital assets of $1.8 million.

Total assets increased $12.7 million from $109.5 million as of the end of 2005 to $122.3 million as of the end of 2006 representing an 11.6% increase.

Liabilities—Total liabilities increased by approximately $1.8 million from $45.6 million as of the end of 2005 to $47.4 million as of the end of 2006. The 3.9% increase is due primarily to an increase in post retirement benefits of $1.8 million, an increase in unearned membership fees of $1.1 million, and a minimal increase in the grant payable and accounts payable for $0.5 million. These increases were partially offset by a decrease in long-term debt of $1.6 million due to scheduled payments.

Net assets**—**Net assets increased $10.9 million as a result of the combined excess of revenues over expenses for 2006. Program funds reporting a deficiency of revenues over expenses were: Discipline, Elimination of Bias and Bar Relations, Equal Access, Grants, Legal Specialization, Legislative Activities, Technology Improvements and Fixed Asset Fund. All of these program funds were budgeted to spend down accumulated reserve funds during 2006 representing the planned drawdown of net assets for programmatic or technology funds.

Condensed 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, 2006 and 2005 and the change from year to year:

	2006 (Restated)	**2005** (Restated)	**Change**
OPERATING REVENUES:			
Program revenues	$ 119,022,503	$ 106,707,835	$ 12,314,668
Other	5,585,850	3,940,734	1,645,116
Total operating revenues	124,608,353	110,648,569	13,959,784
OPERATING EXPENSES:			
Program expenses	103,315,783	96,700,308	6,615,475
General and administration	15,551,771 *	15,364,462 *	187,309
Total operating expenses	118,867,554	112,064,770	6,802,784
OPERATING INCOME	5,740,799	(1,416,201)	7,157,000
NET NONOPERATING REVENUES	5,194,579 *	2,478,080 *	2,716,499
EXCESS OF REVENUES OVER EXPENSES	$ 10,935,378	$ 1,061,879	$ 9,873,499

* Interest expense of $106,460 in 2006 and $175,752 in 2005 were reclassified from operating expenses to nonoperating expenses to conform to the 2007 presentation.

Operating Revenues**—**Total operating revenues increased $14.0 million or 12.6% from $110.6 million in 2005 to $124.6 million in 2006.

Program revenues increased by $12.3 million or 11.5% from $106.7 million in 2005 to $119.0 million in 2006 due primarily to the following:

- Membership revenue increased by 10.5% or $6.1 million as a result of fee increases enacted in 2006 as well as changes in scaling eligibility requirements that reduced the revenue loss associated with low income scaling.
- Examination application fees increased by 16.3% or $2.2 million due to an increase in applicants and fees for the California Bar Examination.
- The IOLTA trust account revenue increased by 14.3% or $2.0 million due to a combination of increased deposits held in trust by attorneys on behalf of their clients and higher short-term interest earnings on these deposits.
- The Equal Access Fund grant revenue increased by $2.0 million or 20.8%, due primarily to $1.8 million of additional grant funding from the Administrative Office of the Courts.

- Other revenue increased by $1.6 million or 41.7% from $3.9 million in 2005 to $5.6 million in 2006 due primarily to an increase in certificate fees, school visitation, transcript fees and campus sponsorships.

Operating Expenses—Total operating expenses increased by $6.8 million or 6.1% during 2006 due primarily to an increase in employee salaries, fringe benefits and an increase in both IOLTA and Equal Access Fund grants awarded to eligible participants.

Economic Factors Facing the State Bar

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

In the spring of 2005, the State Bar sought legislative approval for a two-year dues bill and fee increases for both the active and inactive fees. On September 22, 2005, Governor Schwarzenegger signed into law AB 1529 which extended for two years the State Bar's authority to charge the annual mandatory membership dues for attorneys and authorized increased dues to ensure the State Bar's ongoing ability to fund its services. AB 1529 also significantly changed the criteria for low income scaling of active dues.

The new legislation authorized increases in dues for active members in 2006 by $5, to a total of $395. The additional $5 was dedicated to the Client Security Fund, a program that reimburses client victims up to $50,000 for losses due to attorney theft when disciplinary action has been taken against the attorney. In 2007, the authorized dues increased to $400. The $5 increase was used to support the General Fund.

The dues for inactive members, which had not been raised since their inception almost 20 years ago, were increased from $50 to $115 in 2006. Of the $65 increase, $50 was allocated to the General Fund, $10 to the Client Security Fund and $5 to the Lawyer Assistance Program. In 2007, inactive fees increased to $125 with the additional $10 allocated to the General Fund. The increased inactive dues more accurately reflect the services, benefits, and regulatory obligations of inactive attorneys.

In October 2007, Governor Schwarzenegger signed into law, Senate Bill 686 authored by Senator Ellen Corbett. SB 686 extends the State Bar's authority to charge the annual mandatory membership fee for 2008 and sets the active fee at $400 and the inactive fee at $115. For 2008, the $10 portion of the active fees previously dedicated to the State Bar's building fund was eliminated and replaced with a three-year special assessment of $10 dedicated to information technology needs. The $10 building fund fee previously assessed against inactive members was eliminated. Discussions with the legislature regarding the State Bar's 2009 dues bill have yet to begin.

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

STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 59,979,207	$ 52,090,737
Accounts and other receivables	2,815,000	2,660,275
Other current assets	1,431,942	1,200,703
Total current assets	64,226,149	55,951,715
Noncurrent assets		
Investments	36,148,485	28,752,722
Capital assets—net	36,525,826	37,579,573
Total noncurrent assets	72,674,311	66,332,295
Total assets	136,900,460	122,284,010
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	18,481,981	13,832,196
Unearned fees collected in advance	19,209,221	21,776,183
Grants payable	3,481,727	3,300,920
Current portion of long term debt	391,743	685,298
Total current liabilities	41,564,672	39,594,597
Noncurrent liabilities		
Accrued postretirement benefits	9,147,256	7,390,618
Long term debt	-	445,909
Total noncurrent liabilities	9,147,256	7,836,527
Total liabilities	50,711,928	47,431,124
NET ASSETS		
Restricted	32,131,383	24,621,114
Invested in capital assets—net of related debt	36,136,531	36,421,411
Unrestricted	17,920,618	13,810,361
Total net assets	$ 86,188,532	$ 74,852,886

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Membership fees	$ 68,363,453	$ 64,147,081
Examination application fees	16,167,195	16,067,846
Trust account revenue	18,055,095	15,835,597
Law practices (Sections) fees	4,538,799	4,251,136
Seminar/workshop revenue	1,200,482	1,525,259
Advertisting revenue	1,144,022	1,292,226
Convention income	1,027,994	971,188
Legal specialization fees	1,075,512	874,675
Law corporation registration fees	669,096	654,289
Continuing legal education fees	1,614,589	1,357,305
Grants	11,477,237	12,045,901
EAF AB145 filing fees	4,939,050	-
Other	4,190,434	5,585,850
Total operating revenue	134,462,958	124,608,353
OPERATING EXPENSES:		
Discipline and adjudication	47,207,419	44,441,527
Examination costs and administration	16,785,842	15,056,230
Grants	28,381,311	24,147,603
Law practices (Sections)	4,054,910	4,487,397
Claims—net of reimbursements	4,768,802	4,270,463
Communications	2,659,034	2,624,012
Administration of justice	841,053	701,509
Governance	3,421,441	3,372,330
Administration of the profession	3,418,551	2,811,883
Program development	1,637,140	1,402,829
General and administration	16,522,993	15,551,771
Total operating expenses	129,698,496	118,867,554
OPERATING INCOME	4,764,462	5,740,799
NONOPERATING REVENUES/(EXPENSES):		
Investment income	5,514,607	4,346,750
Rental income	1,101,571	955,318
Loss on disposal of capital assets	-	(1,029)
Interest expense on debt	(44,994)	(106,460)
Total nonoperating revenues/(expenses)	6,571,184	5,194,579
CHANGE IN NET ASSETS	11,335,646	10,935,378
NET ASSETS—Beginning of year	74,852,886	63,917,508
NET ASSETS—End of year	$ 86,188,532	$ 74,852,886

See accompanying notes to the financial statements.

THE STATE BAR OF CALIFORNIA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members, applicants, grants and other professionals	$ 131,741,271	$ 125,781,516
Payments to suppliers	(59,327,170)	(56,150,310)
Payments to employees	(62,156,276)	(58,817,467)
Net cash provided by operating activities	10,257,825	10,813,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity and sale of investments	53,804,528	54,929,125
Purchases of investments	(61,200,291)	(44,344,751)
Interest received from investments, net	5,514,607	1,616,204
Cash received from rental income	1,101,571	955,324
Net cash provided by (used in) investing activities	(779,585)	13,155,902
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(805,312)	(2,647,526)
Payment of obligations under debt agreements	(739,464)	(1,551,351)
Interest paid on debt	(44,994)	(106,460)
Net cash used in capital and related financing activities	(1,589,770)	(4,305,337)
INCREASE IN CASH AND CASH EQUIVALENTS	7,888,470	19,664,304
CASH AND CASH EQUIVALENTS—Beginning of year	52,090,737	32,426,433
CASH AND CASH EQUIVALENTS—End of year	$ 59,979,207	$ 52,090,737
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 4,764,462	$ 5,740,799
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,859,059	1,801,778
Changes in assets and liabilities:		
Accounts and other receivables	(154,725)	33,454
Other current assets	(231,239)	(114,678)
Accounts payable and accrued liabilities	4,649,785	253,435
Unearned fees collected in advance	(2,566,962)	1,139,709
Grants payable	180,807	207,501
Accrued postretirement benefits	1,756,638	1,751,741
Net cash provided by operating activities	$ 10,257,825	$ 10,813,739

See accompanying notes to the financial statements.

1. DESCRIPTION OF ENTITY

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

The State Bar Education Foundation (the "Education Foundation"), a nonprofit public benefit corporation, is included in the State Bar's financial statements because this foundation is a blended component unit of the State Bar, and the State Bar is financially accountable for the Education Foundation. The Education Foundation does not have a separate governing board.

The Foundation of the State Bar of California (the "Foundation"), a nonprofit public benefit corporation, is not reflected in the accompanying financial statements because the State Bar is not financially accountable for the Foundation.

2. BASIS OF PRESENTATION

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The State Bar of California follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the State Bar's financial activities.

Additionally, the State Bar of California 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 GASB. The State Bar's financial statements are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents include all cash and liquid investments with remaining maturity of three months or less at date of purchase. At December 31, 2007 and 2006, cash equivalents consisted of demand deposit accounts, money market accounts and the California Local Agency Investment Fund (LAIF).

Investments are stated at estimated market value. The market value represents the amount the State Bar could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The market value of investments is obtained by using quotations from independent published sources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital assets are stated at cost, less accumulated depreciation and amortization, provided on the straight-line basis 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. Capital assets with a useful life greater than one year and a cost of $5,000 or more are capitalized.

Accrued postretirement benefits represent the liability recognized on the State Bar's financial statements for certain health care and life insurance benefits for retired employees (see Note 8).

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

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

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

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

Income taxes**—**The State Bar is a governmental entity and, as such, is not required to pay federal or state income taxes.

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 $32.1 million at December 31, 2007, of which $24.6 million was restricted by enabling legislation; and $24.6 million at December 31, 2006, of which $17.7 million was restricted by enabling legislation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Standards—In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of Statement No. 34, effective for periods beginning after June 15, 2005. Statement No. 46 clarifies that 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. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. The State Bar adopted the provisions of Statement No. 46 effective January 1, 2006. The adoption of this statement did not have a significant impact on its financial position or results of operations.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions Plans*. 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. Statement No. 45 is effective for the State Bar for the year ending December 31, 2008.

As of December 31, 2007, the State Bar applied the provisions of Statement of Financial Accounting Standard (SFAS) No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, as prescriptive guidance under GASB was not available until the issuance of Statement No. 45. The implementation of Statement No. 45 will have a significant effect on the results of the year ended December 31, 2008, in that Statement No. 45 will change the accounting for postemployment healthcare costs, the actuarial cost method, and the assumptions required by the independent third party actuary to value the State Bar's obligation related to postemployment healthcare coverage.

Management of the State Bar has not completed the process of evaluating the impact that will result from adopting Statement No. 45, including its valuation of the OPEB obligation at transition.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*, 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*. Application of this statement is effective for the State Bar's year ending December 31, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications—Certain amounts reported in the 2006 financial statements and related notes have been reclassified to conform to the 2007 presentation. Interest receivable of $326,528 for 2006 was reclassified from investments to interest receivable; interest expense of $106,460 for 2006 was reclassified from operating expense to nonoperating expense, and net assets of $7,248,602 was reclassified from restricted to unrestricted to correct the classifications.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents—At December 31, 2007, the carrying amount of the State Bar's deposits was $21,276,846 and the bank balance was $16,135,118. Compared to December 31, 2006, the carrying amount of the State Bar's deposits was $17,345,892 and the bank balance was $17,529,248. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit. The first $100,000 of the State Bar's deposits was insured by the Federal Deposit Insurance Corporation and the balance in excess of $100,000 was uninsured and uncollateralized.

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). At December 31, 2007, the PMIA balance was $62.9 billion, of which 90.2% is invested in non-derivative financial products with 4.4% in structured notes and 5.5% in asset-backed securities. The total amount invested by all public agencies in LAIF was $21.2 billion, and the State Bar's investment in LAIF was $38.7 million. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates market value. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 204 days as of December 31, 2007. The Local Investment Advisory Board, which consisted of five members designated by the state statutes, has oversight responsibility for LAIF.

Investments—It is the investment policy of the State Bar to invest public funds in a manner which will provide the maximum security with best investment return, while meeting the daily cash flow demands of the State Bar, and conforming to all state of California statutes governing the investment of public funds and all resolutions of the Board of Governors. The State Bar invests a substantial portion of its funds in fixed income securities, which limits the State Bar's exposure to most types of risk. Investment of funds is authorized by the Board of Governors and is limited to 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.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments by type as of December 31, 2007 and 2006 are as follows:

	2007 Market Value	2006 Market Value
U.S. government and agencies	$ 30,973,650	$ 22,954,673
Corporate bonds	3,043,880	4,300,725
Mutual funds	-	776,539
Commercial paper	1,951,184	-
Equity securities	179,771	720,785
Total investments	$ 36,148,485	$ 28,752,722

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

Custodial Credit Risk is the risk that in the event of the failure of the custodian, the investments may not be returned to it. The California Government Code and the State Bar of California's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state laws (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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	2007 Market Value	2006 Market Value
Federal Home Loan Bank	U.S. government agencies	$ 18,969,890	$ 16,723,780
Federal National Mortgage Association	U.S. government agencies	8,002,500	4,162,543
Federal Farm Credit Bank	U.S. government agencies	4,001,260	1,958,760
General Electric Capital Corporation	Commercial Paper	1,951,184	-

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the market value of an investment. The terms of a debt investment may cause its market value to be highly sensitive to changes in interest rates.

Fixed income security investments subject to interest rate risk at December 31, 2007 and 2006 are as follows:

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

	Market Value December 31, 2006	Percentage of All Fixed Income Securities	Weighted Average Maturity (Years)
U.S. government agencies	$ 22,954,673	84.2%	1.96
Corporate bonds	4,300,725	15.8%	1.04
Total	$ 27,255,398	100.0%	

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

Fixed income security investments that are subject to credit risk at December 31, 2007 and 2006 are as follows:

	2007		2006	
Moody's Rating:	Market Value	Fair Value as a Percentage of Total Debt Security Investments	Market Value	Fair Value as a Percentage of Total Debt Security Investments
AAA	$ 30,973,650	86.1%	$ 24,019,952	88.1%
AA3	1,044,210	2.9%	2,236,738	8.2%
AA2	989,880	2.8%	98,827	0.4%
AA1	-	0.0%	197,824	0.7%
A3	-	0.0%	249,266	0.9%
A2	-	0.0%	270,643	1.0%
A1	1,009,790	2.8%	182,148	0.7%
P-1	1,951,184	5.4%	-	0.0%
Total fixed income securities	$ 35,968,714	100.0%	$ 27,255,398	100.0%

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2007 and 2006 are as follows:

	Balance December 31, 2006	Increases	Decreases	Balance December 31, 2007
Capital assets, not being depreciated:				
Land	$ 4,596,490	$ -	$ -	$ 4,596,490
Total capital assets, not being depreciated	4,596,490	-	-	4,596,490
Capital assets, being depreciated:				
Buildings and leasehold improvements	38,240,287	648,090	-	38,888,377
Equipment	3,359,158	157,222	-	3,516,380
Furniture and fixtures	1,675,389	-	-	1,675,389
Total capital assets, being depreciated	43,274,834	805,312	-	44,080,146
Less accumulated depreciation for:				
Buildings and leasehold improvements	(7,424,603)	(1,103,678)	-	(8,528,281)
Equipment	(1,639,650)	(587,765)	-	(2,227,415)
Furniture and fixtures	(1,227,498)	(167,616)	-	(1,395,114)
Total accumulated depreciation	(10,291,751)	(1,859,059)	-	(12,150,810)
Total capital assets, being depreciated, net	32,983,083	(1,053,747)	-	31,929,336
Capital assets, net	$ 37,579,573	$ (1,053,747)	$ -	$ 36,525,826

	Balance December 31, 2005	Increases	Decreases	Balance December 31, 2006
Capital assets, not being depreciated:				
Land	$ 4,596,490	$ -	$ -	$ 4,596,490
Total capital assets, not being depreciated	4,596,490	-	-	4,596,490
Capital assets, being depreciated:				
Buildings and leasehold improvements	36,006,392	2,233,895	-	38,240,287
Equipment	2,947,002	413,631	(1,475)	3,359,158
Furniture and fixtures	1,675,389	-	-	1,675,389
Total capital assets, being depreciated	40,628,783	2,647,526	(1,475)	43,274,834
Less accumulated depreciation for:				
Buildings and leasehold improvements	(6,389,872)	(1,034,731)	-	(7,424,603)
Equipment	(1,040,665)	(599,431)	446	(1,639,650)
Furniture and fixtures	(1,059,882)	(167,616)	-	(1,227,498)
Total accumulated depreciation	(8,490,419)	(1,801,778)	446	(10,291,751)
Total capital assets, being depreciated, net	32,138,364	845,748	(1,029)	32,983,083
Capital assets, net	$ 36,734,854	$ 845,748	$ (1,029)	$ 37,579,573

Depreciation and amortization expense for the years ended December 31, 2007 and 2006 was $1,859,059 and $1,801,778, respectively.

6. LONG-TERM DEBT

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

	2007	2006
Term loan under $1,300,000 note payable to bank for 180 Howard Street to finance leasehold improvements. Principal repayment due in monthly installments of $54,167 including interest at 5.6% with the final installment due on July 31, 2008.	$ 379,166	$ 1,083,333
Obligations under a capital lease agreement, due in monthly installments of $3,210 through April 2008, with imputed interest of 5.39%, collateralized by equipment.	12,577	47,874
Total long-term debt	$ 391,743	$ 1,131,207

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2008………………………………………..………………	$ 391,743	$ 7,342	$ 399,085
Total……………………………………...………………	$ 391,743	$ 7,342	$ 399,085

A summary of changes in long-term debt during the years ended December 31, 2007 and 2006 is as follows:

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

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Term loan—Wells Fargo Bank leasehold improvement	$ 1,300,000	$ -	$ (216,667)	$ 1,083,333
Obligations under a capital lease agreement	88,085	-	(40,211)	47,874
Term loan	1,294,473	-	(1,294,473)	-
Total long-term debt	$ 2,682,558	$ -	$ (1,551,351)	$ 1,131,207 *

* Of the outstanding balance, $685,298 is due within one year.

Interest expense for the years ended December 31, 2007 and 2006 was $44,994 and $106,460, respectively.

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), of which the State Bar pays 100% and 64.3% of this amount in 2007 and 2006, respectively, on the employee's behalf based on contractual agreements with employee groups. The State Bar is required to contribute the remaining amounts necessary to fund the benefits for its members. The actuarial funding method used for the Plan is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The State Bar's required employer contribution for the years ended December 31, 2007, 2006 and 2005 was $7,206,030, $5,803,055, and $5,622,306, respectively. The contribution requirements of the Plan members are established by state statute, and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost—For the years ended December 31, 2007, 2006 and 2005, the State Bar's annual pension cost was $7,206,030, $5,803,055, and $5,622,306, respectively, which represents the total amounts required and actual contributions by the State Bar. The required contributions for the years ended December 31, 2007 and 2006 were determined as part of the June 30, 2005, 2004, and 2003 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% per year, depending on age, service and type of employment, (c) payroll growth of 3.25%, and (d) individual salary growth assumptions based on a merit scale varying by duration of employment coupled with an annual production growth of 0.25%. Assumptions (a), (b), and (d) included an inflation component of 3.0%. The actuarial value of CalPERS assets attributable to the State Bar was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a 15-year period. The unfunded actuarial accrued liability is amortized as a level percentage of projected payrolls on a closed basis over 30 years. All changes in liability due to Plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized as a level percentage of pay over a closed 20-year period.

8. POSTRETIREMENT BENEFITS

The State Bar provides postretirement health care benefits to retired State Bar executives. For executive staff employed as of August 19, 2006, eligibility requires fifteen years of service to the State Bar as a regular employee. For employees who become executive staff after August 19, 2006, eligibility requires fifteen years of service to the State Bar as a regular employee, with at least the last ten years of service preceding retirement as an executive staff employee. The employee must also elect to receive retirement benefits effective within one hundred twenty days of retirement from State Bar employment under CalPERS. Seventy-two and sixty-eight employees meet those eligibility requirements as of December 31, 2007 and 2006, respectively, and thirty-three and thirty-one retirees received benefits as of as of December 31, 2007 and 2006. The postretirement benefits are funded on a pay-as-you-go basis by the State Bar and are not required to be pre-funded by the plan. Employee contributions are not required to be made to the plan and the State Bar has the right to modify plan provisions prospectively at its discretion.

The funding status of postretirement benefit obligations as of December 31 are as follows:

	2007	2006
Accumulated postretirement benefit obligation:		
Retirees	$ 7,486,784	$ 7,915,152
Actives eligible	6,165,602	6,008,337
Other active participants	4,396,315	3,692,492
Total accumulated postretirement benefit obligation	18,048,701	17,615,981
Unrecognized loss	(8,901,445)	(10,225,363)
Net postretirement liability	$ 9,147,256	$ 7,390,618

Net periodic postretirement benefit costs for 2007 and 2006 included the following components:

	2007	2006
Service cost	$ 518,975	$ 525,392
Interest cost	1,026,189	880,790
Amortization of losses	708,858	692,793
Total	$ 2,254,022	$ 2,098,975

The weighted average discount rate used in determining the accumulated postretirement benefit obligation for the years ended December 31, 2007 and 2006 was 6.5% and 5.9%, respectively.

9. 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, 2007.

Leases—The State Bar is obligated under various noncancelable operating leases for office space. The lease terms range between three and ten 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, 2007, the carrying value of the building was $38,888,377 with accumulated depreciation of $8,528,281. Future minimum lease obligations and future minimum revenue under these noncancelable operating leases at December 31, 2007 are as follows:

Year Ending December 31	Future Minimum Revenue	Future Minimum Lease Obligations
2008	$ 1,152,675	$ 3,732,512
2009	1,021,941	4,006,032
2010	742,175	4,087,513
2011	761,838	4,143,826
2012	784,616	4,205,770
2013-2014	1,093,015	4,442,610
Total	$ 5,556,260	$ 24,618,264

Expense under operating leases for the years ended December 31, 2007 and 2006 was $3,803,251 and $3,608,983, respectively.

THE STATE BAR OF CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007

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, 2006	$ 167,929,876	$ 162,955,016	$ 4,974,860	97.0%	$ 38,032,621	13.1%
June 30, 2005	$ 154,989,374	$ 147,383,323	$ 7,606,051	95.1%	$ 37,974,788	20.0%
June 30, 2004	$ 143,924,985	$ 134,570,738	$ 9,354,247	93.5%	$ 37,374,856	25.0%

FUND DESCRIPTION

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

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

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

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

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 the ultimate reimbursement by the State Bar related to claims submitted as of December 31, 2007 and 2006 to be $4,768,802 and $4,105,784, respectively, and such amounts are accrued in the accompanying statements of net assets. This fund is replenished through annual assessments of $40 of every active member, and $10 of every 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, 2007 and 2006, the Discipline Fund includes $1,153,924 and $1,152,290, 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.

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.

FUND DESCRIPTION (Continued)

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

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

In 2005, the Uniform Civil Fees and Standard Fee Schedule Act was approved by the Legislature and the Governor. The Act established a new distribution of $4.80 per filing fee to the Equal Access Fund. These revenues were collected by the trial courts starting in January 2006. As of December 31, 2007, filing fees of approximately $4.9 million have been received and distributed to the nonprofit legal aid organizations for the grant year.

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

Information Technology Special Assessment Fund —The Information Technology Special Assessment Fund is used to upgrade the information technology system, including purchasing and maintenance costs and both computer hardware and software.

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.

FUND DESCRIPTION (Continued)

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

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

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

Legislative Activities Fund—The Legislative Activities Fund accounts for the consideration of measures that are deemed outside the parameters established in Keller vs. the State Bar, the purview determination and any litigation in support or defense of that lobbying. Such activities are funded by members electing to support these activities. This fee of $5 is part of the membership fees; however, members have the option to not remit this fee.

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

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

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

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

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

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	General Fund	Admissions	Annual Meeting	Building	Certification Activities	Client Security
ASSETS						
Current Assets						
Cash and cash equivalents	$ 59,979,157	$ 50	$ -	$ -	$ -	$ -
Accounts and other receivables	491,220	-	-	-	-	-
Interfund receivable	-	7,612,670	477,869	569,353	3,159,882	9,464,048
Other current assets	990,290	67,212	-	118,409	-	-
Total current assets	61,460,667	7,679,932	477,869	687,762	3,159,882	9,464,048
Noncurrent assets						
Investments	36,148,485	-	-	-	-	-
Capital assets—net	10,129	-	-	15,472,389	-	-
Total noncurrent assets	36,158,614	-	-	15,472,389	-	-
Total assets	97,619,281	7,679,932	477,869	16,160,151	3,159,882	9,464,048
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	12,068,772	281,928	39,562	69,907	45,505	5,082,105
Interfund payable	54,507,871	-	-	-	-	-
Unearned fees collected in advance	12,030,723	3,545,309	-	-	-	1,391,055
Grants payable	-	-	-	-	-	-
Current portion of long term debt	12,576	-	-	379,167	-	-
Total current liabilities	78,619,942	3,827,237	39,562	449,074	45,505	6,473,160
Noncurrent liabilities						
Accrued postretirement benefits	9,147,256	-	-	-	-	-
Total noncurrent liabilities	9,147,256	-	-	-	-	-
Total liabilities	87,767,198	3,827,237	39,562	449,074	45,505	6,473,160
NET ASSETS						
Restricted	-	3,852,695	438,307	617,854	3,114,377	2,990,888
Invested in capital assets—net of related debt	-	-	-	15,093,223	-	-
Unrestricted	9,852,083	-	-	-	-	-
Total net assets	$ 9,852,083	$ 3,852,695	$ 438,307	$ 15,711,077	$ 3,114,377	$ 2,990,888

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2007

Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
						ASSETS
						Current Assets
$ -	$ -	$ -	$ -	$ -	$ -	Cash and cash equivalents
-	-	-	443,566	230,214	-	Accounts and other receivables
1,153,924	-	1,117,355	914,563	-	318,173	Interfund receivable
-	-	-	-	-	-	Other current assets
1,153,924	-	1,117,355	1,358,129	230,214	318,173	Total current assets
						Noncurrent assets
-	-	-	-	-	-	Investments
-	-	-	-	-	-	Capital assets—net
-	-	-	-	-	-	Total noncurrent assets
1,153,924	-	1,117,355	1,358,129	230,214	318,173	Total assets
						LIABILITIES
						Current liabilities
-	-	20,659	-	-	10	Accounts payable and accrued liabilities
-	-	-	-	142,190	-	Interfund payable
-	-	191,870	-	-	318,170	Unearned fees collected in advance
-	-	-	-	-	-	Grants payable
-	-	-	-	-	-	Current portion of long term debt
-	-	212,529	-	142,190	318,180	Total current liabilities
						Noncurrent liabilities
-	-	-	-	-	-	Accrued postretirement benefits
-	-	-	-	-	-	Total noncurrent liabilities
-	-	212,529	-	142,190	318,180	Total liabilities
						NET ASSETS
1,153,924	-	904,826	1,358,129	88,024	(7)	Restricted
-	-	-	-	-	-	Invested in capital assets—net of related debt
-	-	-	-	-	-	Unrestricted
$ 1,153,924	$ -	$ 904,826	$ 1,358,129	$ 88,024	$ (7)	Total net assets

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2007

	Justice Gap Fund	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities
ASSETS						
Current Assets						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Accounts and other receivables	-	-	-	1,650,000	-	-
Interfund receivable	349,916	1,115,660	885,379	10,532,993	2,138,356	952,697
Other current assets	-	-	21,734	-	-	-
Total current assets	349,916	1,115,660	907,113	12,182,993	2,138,356	952,697
Noncurrent assets						
Investments	-	-	-	-	-	-
Capital assets—net	-	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-	-
Total assets	349,916	1,115,660	907,113	12,182,993	2,138,356	952,697
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	-	49,341	2,865	46,018	6,807	34,377
Interfund payable	-	-	-	-	-	-
Unearned fees collected in advance	100	380,043	-	-	255,690	190,265
Grants payable	-	-	-	3,481,727	-	-
Current portion of long term debt	-	-	-	-	-	-
Total current liabilities	100	429,384	2,865	3,527,745	262,497	224,642
Noncurrent liabilities						
Accrued postretirement benefits	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-	-
Total liabilities	100	429,384	2,865	3,527,745	262,497	224,642
NET ASSETS						
Restricted	349,816	-	-	8,655,248	1,875,859	728,055
Invested in capital assets—net of related debt	-	-	-	-	-	-
Unrestricted	-	686,276	904,248	-	-	-
Total net assets	$ 349,816	$ 686,276	$ 904,248	$ 8,655,248	$ 1,875,859	$ 728,055

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF NET ASSETS (Continued)
DECEMBER 31, 2007

Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Interfund Elimination	Total	
							ASSETS
							Current Assets
$ -	$ -	$ -	$ -	$ -	$ -	$ 59,979,207	Cash and cash equivalents
-	-	-	-	-	-	2,815,000	Accounts and other receivables
6,118,391	7,001,113	558,142	209,577	-	(54,650,061)	-	Interfund receivable
-	2,268	232,029	-	-	-	1,431,942	Other current assets
6,118,391	7,003,381	790,171	209,577	-	(54,650,061)	64,226,149	Total current assets
							Noncurrent assets
-	-	-	-	-	-	36,148,485	Investments
-	-	-	-	21,043,308	-	36,525,826	Capital assets—net
-	-	-	-	21,043,308	-	72,674,311	Total noncurrent assets
6,118,391	7,003,381	790,171	209,577	21,043,308	(54,650,061)	136,900,460	Total assets
							LIABILITIES
							Current liabilities
-	93,997	640,128	-	-	-	18,481,981	Accounts payable and accrued liabilities
-	-	-	-	-	(54,650,061)	-	Interfund payable
-	905,996	-	-	-	-	19,209,221	Unearned fees collected in advance
-	-	-	-	-	-	3,481,727	Grants payable
-	-	-	-	-	-	391,743	Current portion of long term debt
-	999,993	640,128	-	-	(54,650,061)	41,564,672	Total current liabilities
							Noncurrent liabilities
-	-	-	-	-	-	9,147,256	Accrued postretirement benefits
-	-	-	-	-	-	9,147,256	Total noncurrent liabilities
-	999,993	640,128	-	-	(54,650,061)	50,711,928	Total liabilities
							NET ASSETS
-	6,003,388	-	-	-	-	32,131,383	Restricted
-	-	-	-	21,043,308	-	36,136,531	Invested in capital assets—net of related debt
6,118,391	-	150,043	209,577	-	-	17,920,618	Unrestricted
$ 6,118,391	$ 6,003,388	$ 150,043	$ 209,577	$ 21,043,308	$ -	$ 86,188,532	Total net assets

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2007

	General Fund	Admissions	Annual Meeting	Building	Certification Activities	Client Security
OPERATING REVENUES:						
Membership fees	$ 56,227,815	$ -	$ -	$ 1,897,648	$ -	$ 6,536,140
Examination application fees	-	16,167,195	-	-	-	-
Trust account revenue	-	-	-	-	-	-
Law practices (Sections) fees	-	-	-	-	-	-
Seminar/workshop revenue	7,967	-	(339)	-	-	-
Advertising revenue/CalBar Journal	1,094,022	-	-	-	-	-
Convention income	-	-	805,533	-	-	-
Legal specialization fees	-	-	-	-	-	-
Law corp. registration fees	-	-	-	-	669,096	-
Continuing legal education fees	855,539	-	-	-	742,170	-
Grants	7,000	-	-	-	-	-
AB145 Filing Fee revenue	-	-	-	-	-	-
Other	592,129	385,082	154,012	2,000	255,165	-
Total operating revenues	58,784,472	16,552,277	959,206	1,899,648	1,666,431	6,536,140
OPERATING EXPENSES:						
Discipline and adjudication	47,207,419	-	-	-	-	-
Examination costs and administration	-	16,785,842	-	-	-	-
Grants	-	-	-	-	-	-
Law practices (Sections)	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	4,768,802
Communications	2,659,034	-	-	-	-	-
Administration of justice	841,053	-	-	-	-	-
Governance	3,421,441	-	-	-	-	-
Administration of the profession	2,135,190	-	-	-	1,283,361	-
Program development	1,637,140	-	-	-	-	-
General and administration	133,572	-	649,832	1,917,918	-	1,632,028
Total operating expenses	58,034,849	16,785,842	649,832	1,917,918	1,283,361	6,400,830
OPERATING INCOME (LOSS)	749,623	(233,565)	309,374	(18,270)	383,070	135,310
NONOPERATING REVENUES:						
Investment income	2,584,032	432,709	80,356	59,228	138,751	529,984
Rental Income	-	-	-	1,089,844	-	-
Interfund Transfers	-	(18,183)	-	(675,044)	-	-
Interest expense on debt	(44,994)	-	-	-	-	-
Total nonoperating revenues	2,539,038	414,526	80,356	474,028	138,751	529,984
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	3,288,661	180,961	389,730	455,758	521,821	665,294
NET ASSETS—Beginning of year	6,563,422	3,671,734	48,577	15,255,319	2,592,556	2,325,594
NET ASSETS—End of year	$ 9,852,083	$ 3,852,695	$ 438,307	$ 15,711,077	$ 3,114,377	$ 2,990,888

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued) YEAR ENDED DECEMBER 31, 2007

Discipline	Education Foundation	Elimination of Bias and Bar Relations	Equal Access	Grants	Information Technology Assessment	
						OPERATING REVENUES:
$ -	$ -	$ 800,444	$ -	$ -	$ (7)	Membership fees
-	-	-	-	-	-	Examination application fees
-	-	-	-	-	-	Trust account revenue
-	-	-	-	-	-	Law practices (Sections) fees
-	1,189,215	(7,461)	-	-	-	Seminar/workshop revenue
-	-	-	-	-	-	Advertising revenue/CalBar Journal
-	208,745	-	-	-	-	Convention income
-	-	-	-	-	-	Legal specialization fees
-	-	-	-	-	-	Law corp. registration fees
-	-	-	-	-	-	Continuing legal education fees
-	-	800	10,512,542	956,895	-	Grants
-	-	-	4,939,050	-	-	AB145 Filing Fee revenue
-	222,576	75	279,584	-	-	Other
-	1,620,536	793,858	15,731,176	956,895	(7)	Total operating revenues
						OPERATING EXPENSES:
-	-	-	-	-	-	Discipline and adjudication
-	-	-	-	-	-	Examination costs and administration
-	-	-	14,577,318	-	-	Grants
-	-	-	-	-	-	Law practices (Sections)
-	-	-	-	-	-	Claims, net of reimbursements
-	-	-	-	-	-	Communications
-	-	-	-	-	-	Administration of justice
-	-	-	-	-	-	Governance
-	-	-	-	-	-	Administration of the profession
-	-	-	-	-	-	Program development
54,656	2,260,395	882,358	252,830	951,154	-	General and administration
54,656	2,260,395	882,358	14,830,148	951,154	-	Total operating expenses
(54,656)	(639,859)	(88,500)	901,028	5,741	(7)	OPERATING INCOME (LOSS)
						NONOPERATING REVENUES:
56,290	20,853	64,770	46,314	-	-	Investment income
-	-	-	-	-	-	Rental Income
-	120,448	-	-	-	-	Interfund Transfers
-	-	-	-	-	-	Interest expense on debt
56,290	141,301	64,770	46,314	-	-	Total nonoperating revenues
1,634	(498,558)	(23,730)	947,342	5,741	(7)	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES
1,152,290	498,558	928,556	410,787	82,283	-	NET ASSETS—Beginning of year
$ 1,153,924	$ -	$ 904,826	$ 1,358,129	$ 88,024	$ (7)	NET ASSETS—End of year

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED DECEMBER 31, 2007

	Justice Gap Fund	Lawyers Assistance Program	Legal Education & Development	Legal Services Trust	Legal Specialization	Legislative Activities
OPERATING REVENUES:						
Membership fees	$ 349,539	$ 1,747,460	$ -	$ -	$ -	$ 787,819
Examination application fees	-	-	-	-	-	-
Trust account revenue	-	-	-	18,055,095	-	-
Law practices (Sections) fees	-	-	-	-	-	-
Seminar/workshop revenue	-	-	-	-	-	-
Advertising revenue/CalBar Journal	-	-	50,000	-	-	-
Convention income	-	-	-	-	-	-
Legal specialization fees	-	-	-	-	1,075,512	-
Law corp. registration fees	-	-	-	-	-	-
Continuing legal education fees	-	-	-	-	16,880	-
Grants	-	-	-	-	-	-
AB145 Filing Fee revenue	-	-	-	-	-	-
Other	-	795,912	955,730	39,232	5,236	-
Total operating revenues	349,539	2,543,372	1,005,730	18,094,327	1,097,628	787,819
OPERATING EXPENSES:						
Discipline and adjudication	-	-	-	-	-	-
Examination costs and administration	-	-	-	-	-	-
Grants	-	-	-	13,803,993	-	-
Law practices (Sections)	-	-	-	-	-	-
Claims, net of reimbursements	-	-	-	-	-	-
Communications	-	-	-	-	-	-
Administration of justice	-	-	-	-	-	-
Governance	-	-	-	-	-	-
Administration of the profession	-	-	-	-	-	-
Program development	-	-	-	-	-	-
General and administration	-	2,256,894	850,190	1,361,751	1,157,745	904,460
Total operating expenses	-	2,256,894	850,190	15,165,744	1,157,745	904,460
OPERATING INCOME (LOSS)	349,539	286,478	155,540	2,928,583	(60,117)	(116,641)
NONOPERATING REVENUES:						
Investment income	277	27,629	32,425	549,256	106,832	54,912
Rental Income	-	-	-	-	-	11,645
Interfund Transfers	-	-	-	-	-	-
Interest expense on debt	-	-	-	-	-	-
Total nonoperating revenues	277	27,629	32,425	549,256	106,832	66,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	349,816	314,107	187,965	3,477,839	46,715	(50,084)
NET ASSETS—Beginning of year	-	372,169	716,283	5,177,409	1,829,144	778,139
NET ASSETS—End of year	$ 349,816	$ 686,276	$ 904,248	$ 8,655,248	$ 1,875,859	$ 728,055

THE STATE BAR OF CALIFORNIA

SUPPLEMENTARY INFORMATION – FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued) YEAR ENDED DECEMBER 31, 2007

Public Protection	Sections	Support and Admin.	Technology Improvements	Fixed Asset Fund	Total	
						OPERATING REVENUES:
$ -	$ -	$ 16,595	$ -	$ -	$ 68,363,453	Membership fees
-	-	-	-	-	16,167,195	Examination application fees
-	-	-	-	-	18,055,095	Trust account revenue
-	4,538,799	-	-	-	4,538,799	Law practices (Sections) fees
-	11,100	-	-	-	1,200,482	Seminar/workshop revenue
-	-	-	-	-	1,144,022	Advertising revenue/CalBar Journal
-	13,716	-	-	-	1,027,994	Convention income
-	-	-	-	-	1,075,512	Legal specialization fees
-	-	-	-	-	669,096	Law corp. registration fees
-	-	-	-	-	1,614,589	Continuing legal education fees
-	-	-	-	-	11,477,237	Grants
-	-	-	-	-	4,939,050	AB145 Filing Fee revenue
-	438,781	64,920	-	-	4,190,434	Other
-	5,002,396	81,515	-	-	134,462,958	Total operating revenues
						OPERATING EXPENSES:
-	-	-	-	-	47,207,419	Discipline and adjudication
-	-	-	-	-	16,785,842	Examination costs and administration
-	-	-	-	-	28,381,311	Grants
-	4,054,910	-	-	-	4,054,910	Law practices (Sections)
-	-	-	-	-	4,768,802	Claims, net of reimbursements
-	-	-	-	-	2,659,034	Communications
-	-	-	-	-	841,053	Administration of justice
-	-	-	-	-	3,421,441	Governance
-	-	-	-	-	3,418,551	Administration of the profession
-	-	-	-	-	1,637,140	Program development
-	-	(122,687)	118,337	1,261,560	16,522,993	General and administration
-	4,054,910	(122,687)	118,337	1,261,560	129,698,496	Total operating expenses
-	947,486	204,202	(118,337)	(1,261,560)	4,764,462	OPERATING INCOME (LOSS)
						NONOPERATING REVENUES:
291,819	359,036	68,148	10,986	-	5,514,607	Investment income
-	-	82	-	-	1,101,571	Rental Income
-	(120,448)	(139,039)	-	832,266	-	Interfund Transfers
-	-	-	-	-	(44,994)	Interest expense on debt
291,819	238,588	(70,809)	10,986	832,266	6,571,184	Total nonoperating revenues
291,819	1,186,074	133,393	(107,351)	(429,294)	11,335,646	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES
5,826,572	4,817,314	16,650	316,928	21,472,602	74,852,886	NET ASSETS—Beginning of year
$ 6,118,391	$ 6,003,388	$ 150,043	$ 209,577	$ 21,043,308	$ 86,188,532	NET ASSETS—End of year