



The State Bar of California

2024 Annual Financial Statement Audit Reports

Coco Zeng, Controller, Office of Finance

Aracely Montoya-Chico, Chief Financial Officer

Annie Louie, MGO Partner

Audit Committee Meeting, May 14, 2025

Overview



Background on
Audit Reports



Key Highlights of
Financial Results



Audit Results
Presentation with Annie
Louie, Macias Gini &
O'Connell (MGO) Partner



Background



**Audit
Committee
Oversight**



**MGO
Engagement**

July 2024



**Statutory
Deadline**

Financial report
submission required
by May 31, 2025



**Prepared by
Office of
Finance**



**Reporting
Period**

January 1 to
December 31, 2024





2024 Reports

- A. Annual Audited Financial Statements & Independent Auditor's Report
- B. Statement of Expenditures of Mandatory Fees
 - i. Compliance with Keller standard
 - ii. Cannot use mandatory fees paid by licensees for political or ideological activities not related to regulation of the legal profession
- C. Legal Services Trust Fund Report
 - i. Provision of Business and Professions Code sections 6210-6228
 - ii. Distribution of IOLTA funds to qualified legal services projects and legal support centers
- D. Report to the Audit Committee and the Board of Trustees



Statements of Net Position

Year Over Year Comparison

	Dec 31, 2024 (in \$000s)	Dec 31, 2023 (in \$000s)	\$ Var	% Var
Total Assets and deferred outflows	\$571,509	\$500,408	\$71,101	14%
Cash and investments	386,354	313,642	72,712	23%
Accounts and other receivables	22,518	21,191	1,327	6%
Capital assets	109,506	115,863	(6,357)	-5%
Total Liabilities and deferred inflows	\$241,173	\$273,536	(\$32,363)	-12%
Lease liability	48,376	51,009	(2,633)	-5%
Unearned revenues	22,522	67,067	(44,545)	-66%
Net pension liability	103,236	92,287	10,949	12%
Total Net Position	\$330,336	\$226,873	\$103,463	46%

Highlights

- Assets and deferred outflows increased \$71M primarily driven by:
 - Higher trust account revenues (IOLTA)
 - Accounts Receivable increase from attorney debt recognition
 - Capital asset depreciation and amortization
- Liabilities and deferred inflows decreased \$32M primarily due to:
 - Decrease in lease liability for 2024 payments
 - Decrease in unearned revenues due to 2025 licensee billing cycle change and less undistributed grants
 - Net pension liability increase (offset)



Statements of Revenues, Expenses and Changes in Net Position

Year Over Year Comparison

	Dec 31, 2024 (in \$000s)	Dec 31, 2023 (in \$000s)	\$ Var	% Var
Operating Revenues	\$442,019	\$432,696	\$9,323	2%
Examination application fees	25,472	18,674	6,798	36%
Trust account revenue	207,132	176,403	30,729	17%
Grant revenue	83,483	119,499	(36,016)	-30%
Operating Expenses	\$353,527	\$331,244	\$22,283	7%
Chief Trial Counsel	82,735	74,366	8,369	11%
Admissions	28,588	25,477	3,111	12%
Grants	179,621	168,744	10,877	6%
Total nonoperating revenues and expenses	\$14,971	\$11,373	\$3,598	32%
Change in Net Position	\$103,464	\$112,825	(\$9,361)	-8%
Net Position – beginning	\$226,873	\$114,048	\$112,825	99%
Net Position – ending	\$330,336	\$226,873	\$103,463	46%

Highlights

- Operating Revenues increased \$9M due to:
 - a. Higher exam fee revenues from more applicants and fee increases
 - b. Increase in trust account revenues (IOLTA) from higher account balances
 - c. Decrease in grant revenues distributed in 2024 (offset)
- Operating Expenses increased \$22M due to:
 - a. Higher personnel costs in Chief Trial Counsel and Admissions
 - b. Increased grant expenses due to more trust account revenues distributed in 2024
- Total net position increased \$103M due to:
 - a. Increased trust account revenues
 - b. General Fund operating at a deficit





2024 AUDIT RESULTS

State Bar of California

Presented by Macias Gini & O'Connell LLP

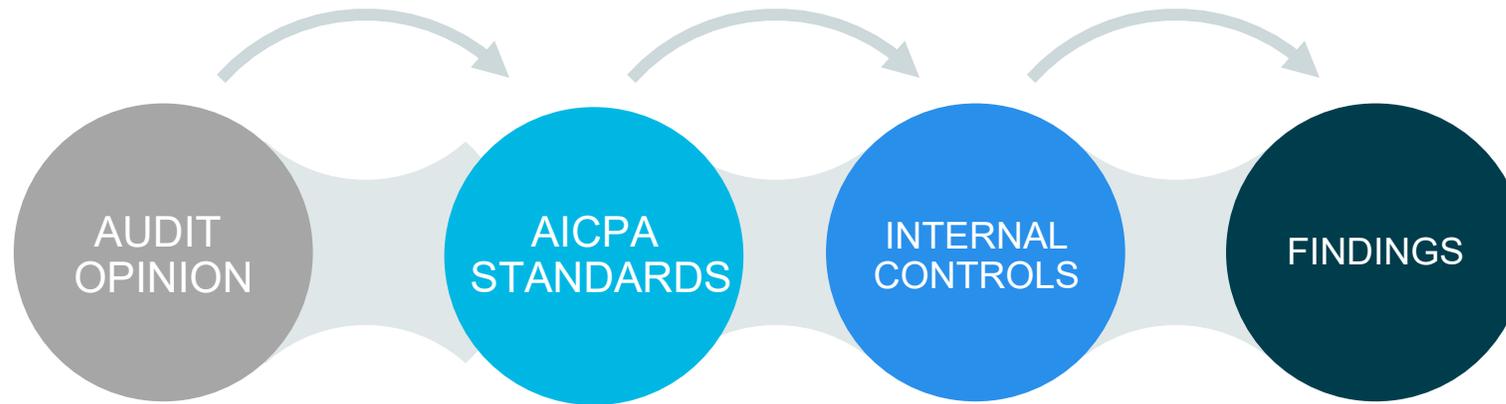
May 14, 2025

Scope of Services

1. Audit of the Basic Financial Statements
2. Examination report on State Bar of California's compliance with the Business and Professions Code related to the Legal Services Trust Fund
3. Examination report on the statement of expenditures of mandatory membership fees
4. Single Audit
5. Report to the Board of Trustees

Auditor Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*.



To express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. This does not relieve you or management of your responsibilities.

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards*, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

To obtain an understanding of the State Bar and its environment, including internal controls over financial reporting and compliance, as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on its effectiveness.

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Management Responsibilities

Management responsibilities – Financial statements

- Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP
- Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Management responsibilities – ICFR

- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Management responsibilities – Other

- To provide the auditor with:
 1. access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 2. additional information that the auditor may request from management for the purpose of the audit; and
 3. unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence
- Identifying and ensuring that the entity complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations
- Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management's:
 1. disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's financial reporting
 2. acknowledgement of their responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud

Audit Committee responsibilities

- Oversight of the financial reporting process and internal control over financial reporting (ICFR)
- Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud

Management and the Audit Committee responsibilities

- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards
- Ensuring that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements.

Audit Results and Required Communications

Auditor's Report	Unmodified opinion on all reports
Deficiencies in internal controls	No matters to report
Significant accounting policies and practices	Note 3 to basic financial statements Implementation of New GASB Statements: <ul style="list-style-type: none">• GASB Statement No. 100, <i>Accounting Changes and Error Corrections</i>• GASB Statement No. 101, <i>Compensated Absences</i> No exceptions noted.

Required Communications (continued)

Significant accounting estimates

Fair value of investments	Investments are generally carried at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Allowance for doubtful accounts on accounts receivable	The allowance for losses on accounts receivable was based on historical experience and management's estimate regarding the likelihood of collectability.
Depreciation of capital assets, including leases and subscription-based information technology arrangements (SBITAs)	<p>Useful lives for depreciable capital assets were determined by management based on the nature of the capital asset. Lease and SBITA terms are derived from existing agreements and the State Bar's expectations for optional extensions or cancellations, where applicable. The State Bar uses the straight-line method of depreciation and amortization.</p> <p>The discount rate used for the calculation of the lease receivables and the subscription liabilities are based on the State Bar's incremental borrowing rate unless the rate is implicit in the lease.</p>
Pension and OPEB liabilities and related balances	Employer and employee contribution requirements, the net pension/OPEB liabilities and related deferred outflows and inflows of resources are based on actuarial calculations performed by the State Bar's and the CalPERS' independent actuaries.

Required Communications (continued)

Significant financial statement disclosures	Pension and OPEB benefits
Financial presentation and disclosure omissions	No matters to report
Corrected and uncorrected audit misstatements	No matters to report
Difficulties encountered in performing the audit	No matters to report
Disagreements with management	No matters to report
Representations Requested from Management	No matters to report
Management consultations with other independent accountants	No matters to report
Other Information in Documents Containing Audited Financial Statements	Required Supplementary Information (RSI) – unaudited Supplementary Information – audited in relation to the basic financial statements

Accounting Updates

Effective for fiscal year 2025

Statement No. 102, *Certain Risk Disclosures*

Effective for fiscal year 2026

Statement No. 103, *Financial Reporting Model Improvements*

Statement No. 104, *Disclosure of Certain Capital Assets*

Questions?

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