

#### 4.1 Approval of 2025 Quarter One Financial Statements Report



# The State Bar of California

---

**OPEN SESSION**  
**AGENDA ITEM**  
**4.1 MAY 2025**  
**FINANCE COMMITTEE**

**DATE:** May 22, 2025

**TO:** Members, Finance Committee  
Members, Board of Trustees

**FROM:** Aracely Montoya-Chico, Chief Financial Officer

**SUBJECT:** Approval of 2025 Quarter One Financial Statements Report

---

## **EXECUTIVE SUMMARY**

This staff report presents the unaudited financial results for the three months ended March 31, 2025, for approval by the Finance Committee.

---

## **RECOMMENDED ACTION**

That the Finance Committee recommends that the Board of Trustees approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025, in the form presented this day.

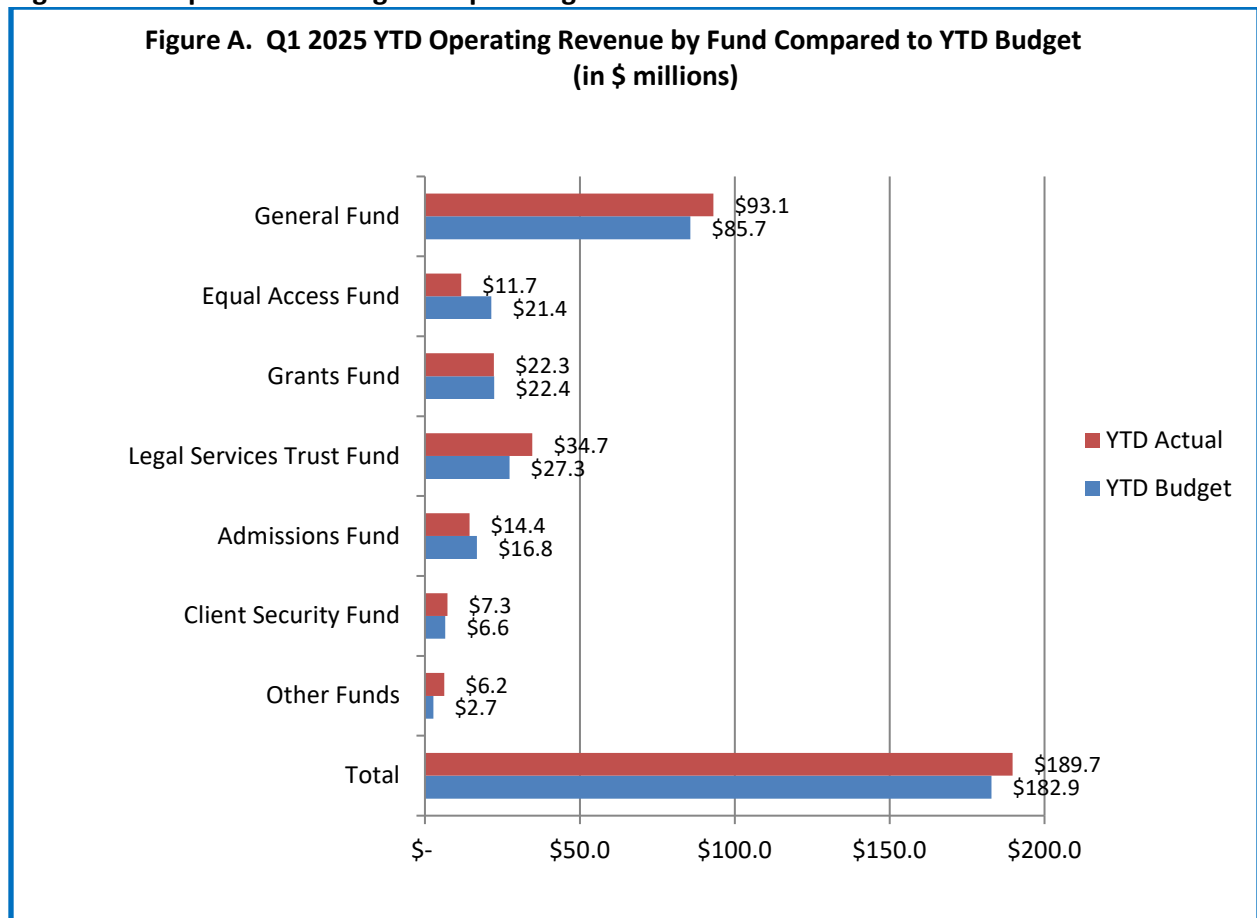
## **DISCUSSION**

The charter of the Finance Committee directs the committee to thoroughly examine the State Bar's finances on a quarterly basis to ensure a "functional and detailed understanding of the State Bar's revenue streams, expenditures, and overall fiscal conditions and issues." This item provides the Finance Committee with the reports it needs to fulfill these responsibilities.

This staff report for review by the Committee consists of the Financial Statements for the three months ended March 31, 2025. This report provides the Committee with an understanding of the State Bar's revenue streams, expenditures, and overall fiscal condition.

## REVENUE

Figure A. Comparison of budgeted operating revenues versus actuals at the fund level.



Overall, bar-wide operating revenue for the three months ending March 31, 2025, totaled \$189.7 million, above budgeted operating revenue of \$182.9 million by \$6.8 million.

Operating revenue for the General Fund totaled \$93.1 million, \$7.4 million more than the budgeted revenue of \$85.7 million. The driver is the budget allocation of mandatory licensing fees, impacted by the change to the billing cycle. The two-month shift from December to February in the billing cycle resulted in a greater percentage of licensing fees collected earlier in the year compared to prior years. This does not indicate that total mandatory fee revenue will exceed the budget; rather, a larger percentage of revenue has been received by the end of the quarter.

Operating revenue for the Equal Access Fund totaled \$11.7 million, which is \$9.7 million less than budgeted revenue of \$21.4 million. The entire variance is due to delays in emergency funding intended to support legal services for vulnerable individuals who may be subject to detention, deportation, wage theft, or other risks to their safety arising from actual or potential federal actions. This variance is expected to resolve when funds from the Judicial Council are received by the end of the second quarter.

Operating revenue for the Grants Fund totaled \$22.3 million, slightly less than budget by \$0.1 million or 0.4 percent.

Operating revenue for the Legal Services Trust Fund totaled \$34.7 million, exceeding budgeted revenue of \$27.3 million by \$7.4 million. This variance is due to IOLTA revenues, which are \$7.4 million higher than the budget. The budget assumed a lower average daily balance of \$6.7 billion compared to the actual of \$7.7 billion for the first quarter. Additionally, the budget projected an interest rate of 1.8 percent, whereas the actual rate was 2.3 percent, exceeding expectations. The IOLTA average daily balance and interest rate forecasts are adopted annually by the Legal Services Trust Fund Commission and are then incorporated when developing the budget.

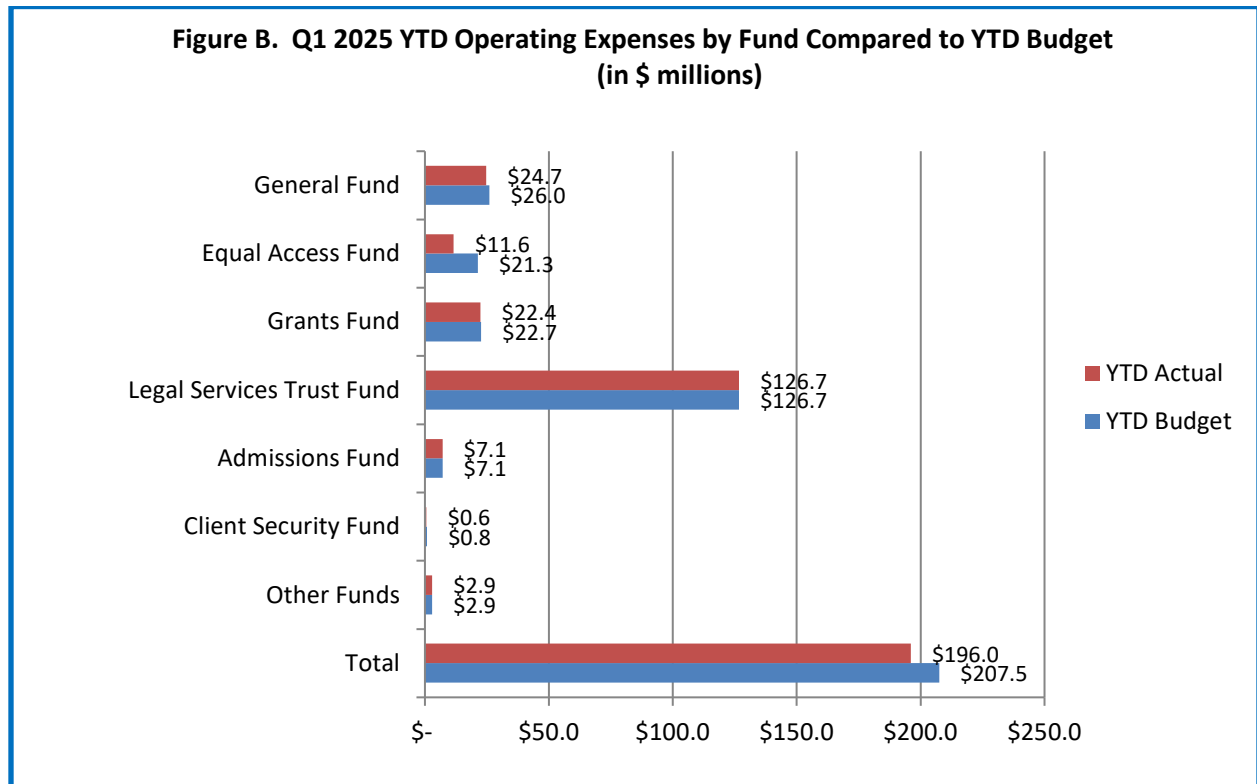
Admissions Fund revenue totaled \$14.4 million, falling \$2.4 million short of the \$16.8 million budget. Revenue from the February bar exam was \$1.3 million below projections due to the withdrawal deadline extension that allowed more applicants to request full refunds. July exam revenue is \$1.0 million below budget, primarily due to the delayed application period opening on March 27, compared to March 1 in prior years. Additional revenue shortfalls are expected as a result of the fee waivers offered to February exam applicants who either withdrew or did not pass.

Client Security Fund revenue, funded by mandatory licensing fees, totaled \$7.3 million, \$0.7 million more than the budgeted revenue of \$6.6 million. This variance is attributable to the same factors affecting mandatory fees in the General Fund, specifically the shift in the billing cycle resulting in a greater portion of revenue being collected earlier in the year.

Other Funds' revenue totaled \$6.2 million, exceeding budgeted revenue of \$2.7 million by \$3.5 million. The higher revenue is primarily due to donations to the Justice Gap Fund from class-action settlements.

## EXPENSES

Figure B. Comparison of budgeted operating expenses versus actuals at the fund level.



State Bar-wide operating expenses for the three months ending March 31, 2025, totaled \$196.0 million, \$11.5 million less than budgeted expenses of \$207.5 million.

General Fund expenses totaled \$24.7 million, \$1.3 million less than the budgeted revenue of \$26.0 million. The variance is primarily attributable to delays in invoicing and project commencement, which resulted in underspending in Professional Services (\$1.1 million) and IT equipment (\$0.2 million).

Equal Access Fund expenses were \$11.6 million, \$9.7 million lower than budgeted expenses of \$21.3 million. The variance is due to delays in the receipt of emergency funding for legal services mentioned above, which also delay the disbursement of such funding. This variance is expected to resolve by the end of the second quarter.

Grants Fund expenses were \$22.4 million, \$0.3 million less than budgeted expenses of \$22.7 million. This variance is due to delays in executing contracts for the CARE Court Grant, a grantee declining additional funds, and personnel savings from staff vacancies.

Legal Services Trust Fund expenses were on budget at \$126.7 million.

Admissions Fund expenses were on budget at \$7.1 million. This trend is not expected to continue due to the significant number of issues experienced in the February bar exam. Further,

the need to revert back to an in-person exam in July will add additional expenses to the Admissions budget. A midyear adjustment will be necessary to increase the Admissions expense budget by approximately \$2.6 million to account for the transition to in-person exam administration in July 2025.

Client Security Fund expenses were \$0.6 million, \$0.2 million less than the budgeted expenses of \$0.8 million. The savings are due to fewer eligible applications (\$0.4 million), partially offset by lower collections reimbursements (\$0.2 million). With the implementation of the Fresh Start Settlement Program in 2025, a budget assumption was made that collections would be \$4.0 million in 2025. Although collections have improved compared to the prior year, they remain slightly below the current budget.

Other Funds' expenses were on budget at \$2.9 million.

### **NONOPERATING REVENUE/EXPENSES**

Nonoperating revenues/expenses encompass investment income, rental income, transfers, and interest expense on loans. Nonoperating revenue totaled \$3.4 million, which was \$0.5 million lower than the budgeted revenue of \$3.9 million. The variance is primarily attributable to lower-than-expected investment income, driven by moving the billing cycle two months later in the year and early disbursement of grant funds.

### **PREVIOUS ACTION**

None

### **FISCAL/PERSONNEL IMPACT**

None

### **AMENDMENTS TO RULES**

None

### **AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL**

None

### **STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS**

None – compliance

### **RESOLUTIONS**

Should the Finance Committee concur, it is:

**RESOLVED**, that the Finance Committee recommends that the Board of Trustees approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025.

**Should the Board of Trustees concur, it is:**

**RESOLVED**, that the Board of Trustees, upon recommendation of the Finance Committee, approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025.

#### **ATTACHMENT LIST**

- A.** Statement of Operating Revenue, Expenses and Changes in Net Position
- B.** Statement of Assets, Liabilities & Net Position

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide for Three Months**  
**Ended March 31, 2025**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2025 Actual</b>	<b>2025 Budget</b>	<b>Variance- 2025 Actual vs Budget</b>
<b>OPERATING REVENUE</b>					
Continuing Legal Education Fees	344,871	0	344,871	403,000	(58,129)
EAF AB 145 Filing Fee Revenue	0	3,597,245	3,597,245	3,613,500	(16,255)
Exam App. & Moral Char. Fees	0	12,742,847	12,742,847	15,255,200	(2,512,353)
Grant Revenue	0	30,292,355	30,292,355	40,157,000	(9,864,645)
Law Corporation Registration Fees	178,470	0	178,470	175,840	2,630
Legal Specialization Fees	1,670,734	0	1,670,734	1,825,800	(155,066)
Licensing Fees and Donations	90,453,555	19,043,122	109,496,677	97,642,000	11,854,677
Multi-Jurisdictional Practice Fees	0	619,605	619,605	640,000	(20,395)
Other Revenue	445,896	1,057,189	1,503,085	1,270,720	232,365
Trust Account Revenue	0	29,228,936	29,228,936	21,914,000	7,314,936
<b>Total Operating Revenue</b>	<b>93,093,526</b>	<b>96,581,299</b>	<b>189,674,825</b>	<b>182,897,060</b>	<b>6,777,765</b>
<b>OPERATING EXPENSES</b>					
Access & Inclusion	0	163,011,860	163,011,860	173,039,473	(10,027,613)
Admissions	0	7,090,317	7,090,317	7,142,470	(52,153)
Regulation	1,701,117	0	1,701,117	2,013,210	(312,093)
Chief Trial Counsel	17,656,917	0	17,656,917	17,356,172	300,745
Client Security Fund	0	636,188	636,188	806,724	(170,536)
General & Administrative	13,285,684	10,680	13,296,364	14,573,431	(1,277,067)
Lawyers Assistance Program	0	369,783	369,783	351,830	17,953
Probation	550,887	0	550,887	478,467	72,420
Professional Competence	2,227,830	151,186	2,379,016	2,563,514	(184,498)
State Bar Court	4,078,610	0	4,078,610	3,999,093	79,517
Indirect Charge Out	(14,803,501)	0	(14,803,501)	(14,803,501)	0
<b>Total Operating Expenses</b>	<b>24,697,544</b>	<b>171,270,014</b>	<b>195,967,558</b>	<b>207,520,883</b>	<b>(11,553,325)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>68,395,982</b>	<b>(74,688,715)</b>	<b>(6,292,733)</b>	<b>(24,623,823)</b>	<b>18,331,090</b>



**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide for Three Months**  
**Ended March 31, 2025**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2025 Actual</b>	<b>2025 Budget</b>	<b>Variance- 2025 Actual vs Budget</b>
<b>NON-OPERATING</b>					
Interest and Investment Income	394,244	3,194,546	3,588,790	4,060,500	(471,710)
Rental Income	127,384	0	127,384	114,000	13,384
Interest Expense on Loans and Leases	(61,795)	0	(61,795)	(60,000)	(1,795)
Principal Expense on Loans	(215,000)	0	(215,000)	(217,250)	2,250
<b>Total Non-Operating</b>	<b>244,833</b>	<b>3,194,546</b>	<b>3,439,379</b>	<b>3,897,250</b>	<b>(457,871)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>68,640,815</b>	<b>(71,494,169)</b>	<b>(2,853,354)</b>	<b>(20,726,573)</b>	<b>17,873,219</b>
<b>TRANSFERS</b>					
49110-Transfer In From General Fund	0	438,000	438,000	438,000	0
49227-Transfer In from Client Security Fund	2,000,000	0	2,000,000	2,000,000	0
49232-Trsf In From Justice Gap Fund	0	2,935,000	2,935,000	2,935,000	0
69110-Transfer Out To GF	0	(2,000,000)	(2,000,000)	(2,000,000)	0
69228-Transfer Out To LSTF	0	(2,935,000)	(2,935,000)	(2,935,000)	0
69320-Transfer Out to Admissions Fund	(438,000)	0	(438,000)	(438,000)	0
<b>TOTAL TRANSFERS</b>	<b>1,562,000</b>	<b>(1,562,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CHANGE IN NET POSITION</b>	<b>70,202,815</b>	<b>(73,056,169)</b>	<b>(2,853,354)</b>	<b>0</b>	<b>0</b>
Net Position at beginning of year	(14,712,081)	345,048,462	330,336,381	0	0
<b>NET POSITION AT March 31</b>	<b>55,490,734</b>	<b>271,992,293</b>	<b>327,483,027</b>	<b>0</b>	<b>0</b>

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position**  
**Bar Wide as of March 31, 2025**

	General Fund	Other Funds	2025 Actual	Variance- 2025 vs. 2024
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>				
Cash	83,479,021	0	83,479,021	(33,900,568)
Investments	319,995,688	0	319,995,688	40,568,454
Accounts Receivable (net of allowances)	1,700,336	2,733,755	4,434,091	1,342,877
Lease receivable	3,757,605	0	3,757,605	(365,164)
Interfund Rec(Pay)	(293,047,357)	293,047,357	0	0
Other Assets	4,716,803	14,967	4,731,770	3,830,954
Capital Assets (net of depreciation)	109,506,010	0	109,506,010	(6,357,293)
Deferred Outflows	45,249,950	0	45,249,950	2,561,035
<b>Total Assets &amp; Deferred Outflows</b>	<b>275,358,056</b>	<b>295,796,079</b>	<b>571,154,135</b>	<b>7,680,295</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>				
Accounts Payable and Accrued Liabilities	22,663,939	4,319,796	26,983,735	12,748,701
Lease liabilities	48,376,130	0	48,376,130	(2,633,338)
Subscription Liabilities	2,027,140	0	2,027,140	(483,728)
Unearned Income	508	19,483,990	19,484,498	(11,059,931)
Loan Payable	10,747,000	0	10,747,000	(849,000)
Deferred Inflows	25,027,703	0	25,027,703	162,912
OPEB Liability	7,788,422	0	7,788,422	2,015,163
Pension Liability	103,236,480	0	103,236,480	10,949,871
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>219,867,322</b>	<b>23,803,786</b>	<b>243,671,108</b>	<b>10,850,650</b>
<b>NET POSITION</b>				
Net Position at Beginning of Year	(14,712,081)	345,048,462	330,336,381	103,463,669
Change in Net Position	70,202,815	(73,056,169)	(2,853,354)	(106,634,024)
<b>Total Net Position</b>	<b>55,490,734</b>	<b>271,992,293</b>	<b>327,483,027</b>	<b>(3,170,355)</b>
<b>Total Liabilities &amp; Net Position</b>	<b>275,358,056</b>	<b>295,796,079</b>	<b>571,154,135</b>	<b>7,680,295</b>



The State Bar *of California*

# 2025 Quarter One Financial Statements Results

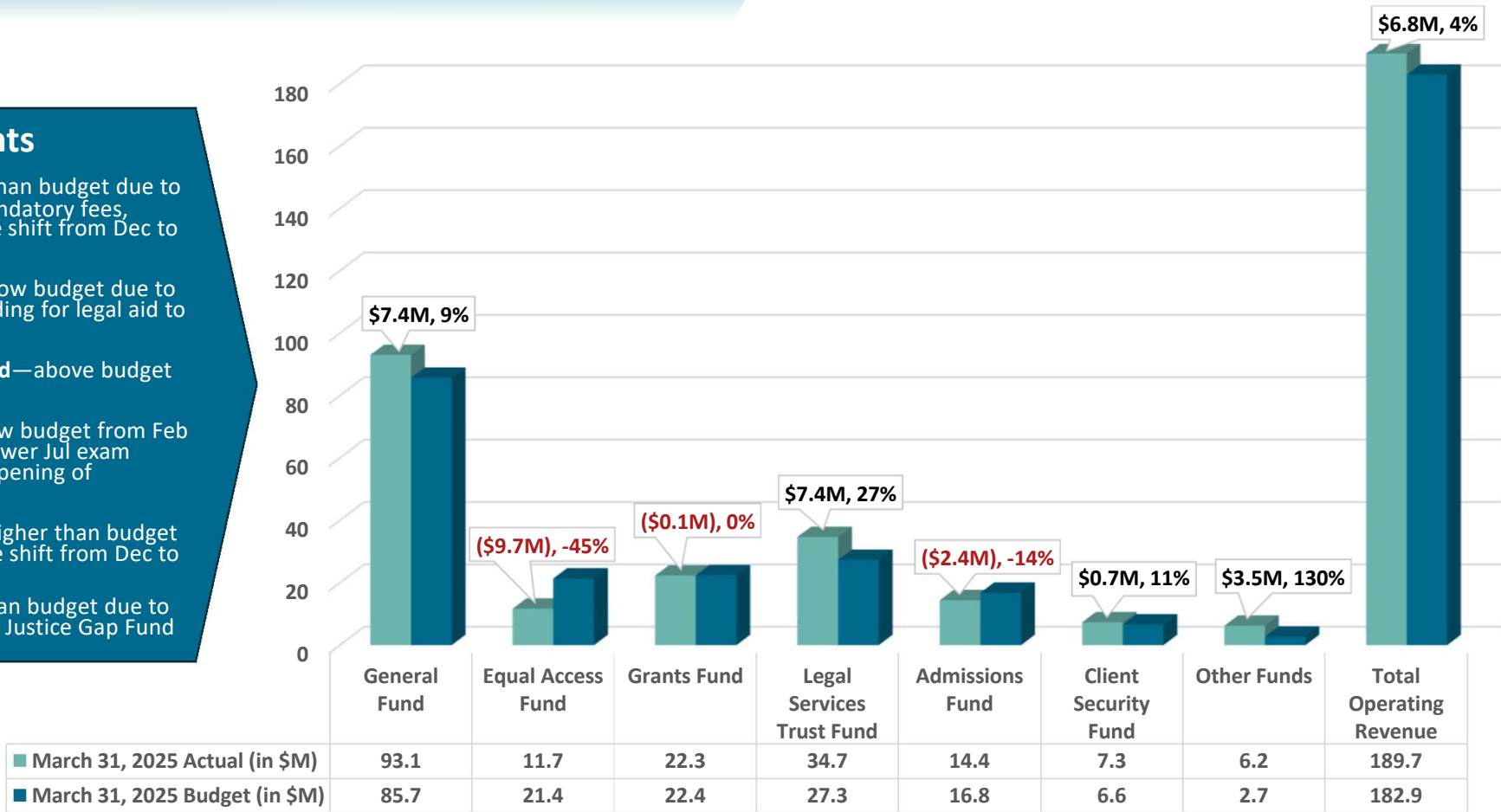
Aracely Montoya-Chico, Chief Financial Officer

Finance Committee & Board of Trustees, May 22–23, 2025

# YTD ACTUAL REVENUE COMPARED TO YTD BUDGET BY FUND

Revenue Highlights

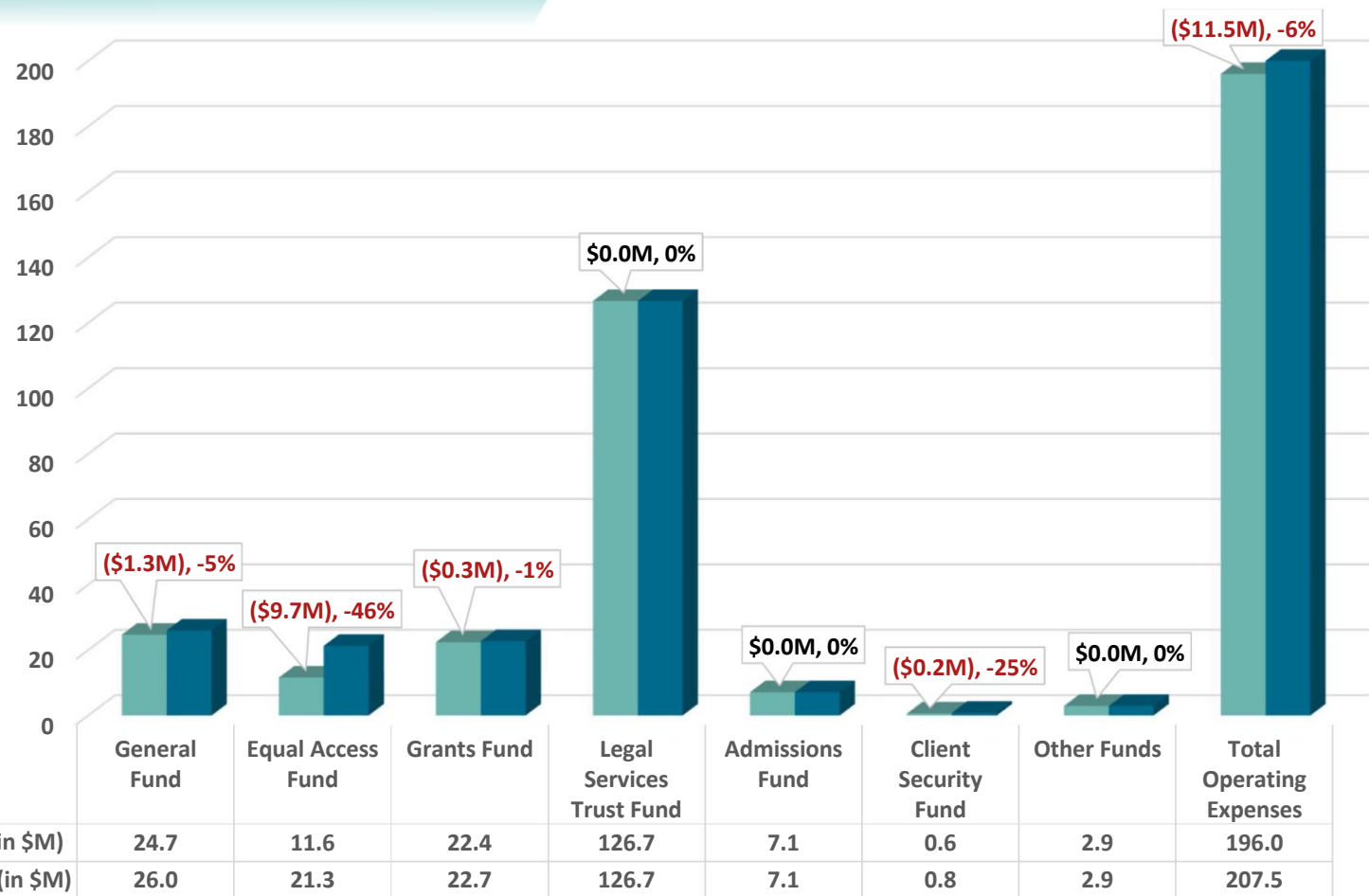
- General Fund**—higher than budget due to budget allocation of mandatory fees, impacted by billing cycle shift from Dec to Feb
- Equal Access Fund**—below budget due to delay in emergency funding for legal aid to vulnerable individuals
- Legal Services Trust Fund**—above budget due to IOLTA revenue
- Admissions Fund**—below budget from Feb bar exam refunds and lower Jul exam revenue from delayed opening of application period
- Client Security Fund**—higher than budget from shift of billing cycle shift from Dec to Feb;
- Other Funds**—higher than budget due to settlement donations to Justice Gap Fund



# YTD ACTUAL EXPENSES COMPARED TO YTD BUDGET BY FUND

## Expense Highlights

- **General Fund**—below budget due to underspending in professional services and IT equipment from delays in invoicing and project commencement
- **Equal Access Fund**—below budget due to delayed emergency funding, with disbursements expected by end of Q2
- **Grants Fund**—below budget from delay in CARE Court contract execution to receive and disburse funds
- **Admissions Fund**—on budget but trend will not continue due to Feb exam issues that occurred and return to in-person July exam
- **Client Security Fund**—below budget due to fewer applications eligible for payment



# QUESTIONS?



The State Bar of California