

5.9 Approval of 2024 Quarter Four Financial Statements



The State Bar of California

OPEN SESSION
AGENDA ITEM
3.3 FEBRUARY 2025
FINANCE COMMITTEE

DATE: February 20, 2025

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Approval of 2024 Quarter Four Financial Statements

EXECUTIVE SUMMARY

This staff report presents the unaudited financial results for the twelve months ended December 31, 2024, for approval by the Finance Committee. Finance staff is still in the process of closing the books for fiscal year 2024, therefore, the operating results presented in this staff report are preliminary.

RECOMMENDED ACTION

That the Finance Committee recommends that the Board of Trustees approve the 2024 Quarter Four Financial Statements Report for the twelve months ended December 31, 2024.

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.

The report for review by the committee in this staff report are the Financial Statements for the twelve months ended December 31, 2024. This report provides the committee with an understanding of the State Bar's revenue streams, expenditures, and overall fiscal condition.

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 approve and recommends that the Board of Trustees approve the 2024 Quarter Four Financial Statements Report for the twelve months ended December 31, 2024, in the form presented this day.

Should the Board of Trustees concur, it is:

RESOLVED, that the Board of Trustees, upon recommendation of the Finance Committee, approve the 2024 Quarter Four Financial Statements Report for the twelve months ended December 31, 2024, in the form presented this day.

ATTACHMENT LIST

- A. Quarter Four Financial Statements for the Twelve Months Ended December 31, 2024



The State Bar of California

Date: February 20, 2025

To: Members, Finance Committee
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Quarter Four 2024 Financial Statements Report Operating Results

This memo outlines the State Bar's twelve-months preliminary operating results as of December 31, 2024, with information and comparative analysis regarding revenue and expenses.

FINANCIAL HIGHLIGHTS – REVENUES AND EXPENSES

Table 1 below provides year-to-date budget-to-actual variance highlights for select revenue and expense categories.

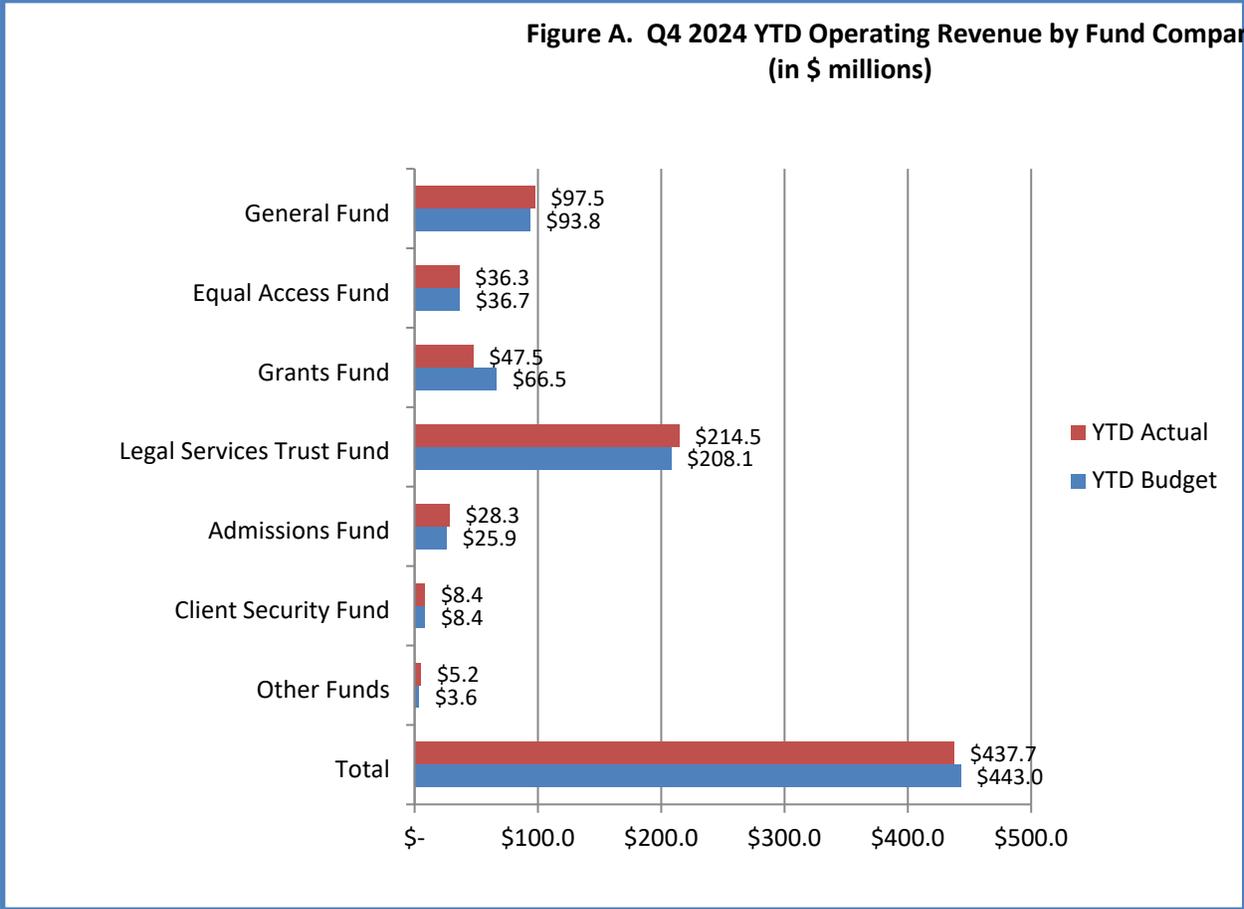
Table 1. YTD Budget-to-Actual Variance Analysis ¹

Financial Statement Category	Dec 31, 2024 Actual (in \$M)	Dec 31, 2024 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Revenue	\$437.7	\$443.0	(\$5.3)	-1%
Licensing Fees & Donations	107.7	106.4	1.3	1%
Continuing Legal Education Fees	4.3	0.8	3.5	438%
Trust Account Revenue	207.1	201.0	6.1	3%
Exam Application Fees	25.5	24.2	1.3	5%
Grant Revenue	79.3	98.6	(19.3)	-20%
Operating Expenses	\$337.6	\$365.3	(27.7)	-8%
Access & Inclusion	188.2	206.0	(17.8)	-9%
Admissions	29.9	30.7	(0.8)	-3%
Chief Trial Counsel	78.0	77.0	1.0	1%
Professional Competence	10.6	11.9	(1.3)	-11%
State Bar Court	17.5	17.7	(0.2)	-1%

¹ Table displays total operating revenue and expense, followed by the largest revenue and expense categories only.

REVENUE

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



Overall, State Bar-wide operating revenue for the twelve months ending December 31, 2024, totaled \$437.7 million, below budgeted operating revenue of \$443.0 million by \$5.3 million.

Operating revenue for the General Fund (GF) totaled \$97.5 million, \$3.7 million more than the budgeted revenue of \$93.8 million. The primary driver is \$3.4 million in late compliance and reinstatement fees related to the Client Trust Account Protection Program (CTAPP) and Minimum Continuing Legal Education (MCLE). The budget assumed a lower rate of noncompliance and subsequent penalties in the CTAPP program’s second year. This assumption did not materialize, resulting in significantly higher revenues.

Additional favorability of \$1.1 million is mostly from Late Penalties, Law Corp and LLP renewals, and smaller variances spread across other categories.

While total GF revenues are above budget primarily from CTAPP late compliance and reinstatement fees, Mandatory Licensing Fees ended the year below budget by \$0.8 million.

Operating revenue for the Equal Access Fund totaled \$36.3 million, which is \$0.4 million less than budgeted revenue of \$36.7 million. This variance is primarily due to grant administrative reimbursement costs from staff turnover, resulting in less billable time.

Operating revenue for the Grants Fund totaled \$47.5 million, which is \$19.0 million less than budgeted revenue of \$66.5 million. \$18.6 million of the variance is due to delayed funding for the CARE Court Grant and grant administrative reimbursement costs. The AccessLex grant revenue is also below budget by \$0.2 million from delayed funding; funding is expected to be received in the first half of 2025. The Grants Fund comprises CARE Court, Homeless Prevention (HP) II, HP III, HP IV, CalHFA, Consumer Debt, AccessLex, and grant administrative cost reimbursements.

The Legal Services Trust Fund (LSTF) operating revenue of \$214.5 million, exceeded budgeted revenue of \$208.1 million by \$6.4 million. The primary driver is IOLTA revenue, which accounts for \$6.1 million. The amended budget assumed an average bank balance of \$5.7 billion with an interest rate range of 3.23 percent–3.74 percent throughout the year. However, the actual average daily balance was significantly higher at \$7.2 billion, while the average interest rate was lower at 2.78%. Despite the lower rate, the higher balance more than compensated, resulting in a favorable variance. An additional \$0.2 million variance is due to fewer attorneys opting out of Legal Services voluntary fees than anticipated.

Admissions Fund revenue totaled \$28.3 million, exceeding the budgeted revenues of \$25.9 million by \$2.4 million. The variance is due to the following:

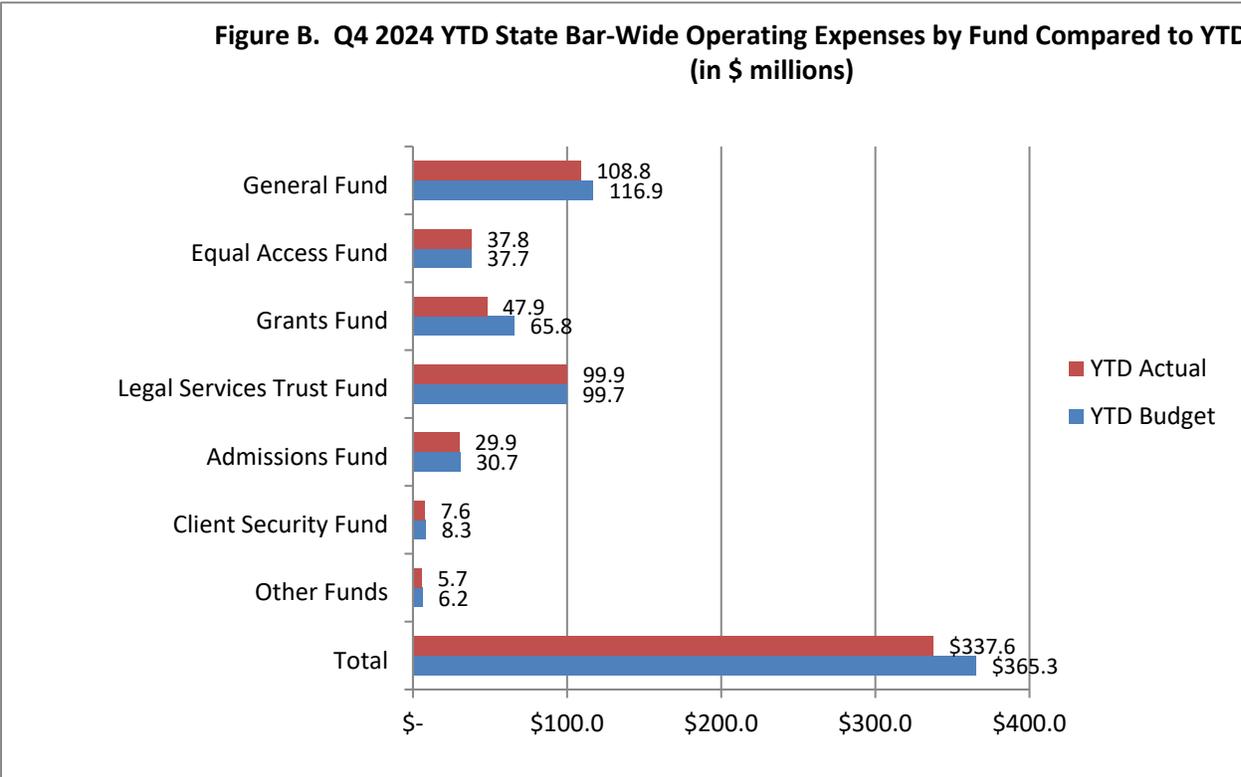
- i. \$0.3 million more exam fee revenue from a larger number of applicants for the February and July bar exams.
- ii. \$0.9 million more revenue was collected for Moral Character Determination fees, Law Students and Attorney Applicants registration fees due to larger number of applicants.
- iii. \$1.2 million in fees from Pro-Hac Vice Fees, Out-of-State Attorney Arbitration Fees, and Law School Accreditation/Registration fees above budget due to the fee increases approved during the year.

Client Security Fund revenue, funded by mandatory licensing fees, aligned with the budgeted revenue of \$8.4 million.

Other Funds' revenues amounted to \$5.2 million, surpassing budgeted revenues of \$3.6 million by \$1.6 million. The variance is primarily due to the Justice Gap Fund donations from class-action suit settlements.

EXPENSES

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



State Bar-wide operating expenses for the twelve months ending December 31, 2024, totaled \$337.6 million, \$27.7 million less than budgeted expenses of \$365.3 million.

General Fund expenses totaled \$108.8 million, \$8.1 million less than budgeted expenses of \$116.9 million. This variance is due to the following:

- i. Professional Services savings of \$6.5 million mostly from delayed or canceled projects (IT \$1.5 million and non-IT offices \$3.7 million), fewer referrals to outside counsel and the Rule 2201 program (\$0.7 million), and delayed Justice Gap Survey invoicing in Mission Advancement and Accountability Division (\$0.3 million).
- ii. IT equipment savings of \$1.1 million from deferred projects and projects handled internally.
- iii. Building Operations savings of \$0.6 million from lower insurance costs following the San Francisco building sale (\$0.2 million), reduction in leased parking spaces in Los Angeles (\$0.1 million), and a budgeting error on the timing of the San Francisco office space consolidation move (\$0.3 million).

Equal Access Fund expenses were \$37.8 million, slightly more than budget by \$0.1 million or 0.3 percent.

Grants Fund expenses were \$47.9 million, \$17.9 million less than the budgeted \$65.8 million. Most of this variance is attributable to the delayed release of funds for the CARE Court grant.

Legal Services Trust Fund expenses were \$99.9 million, slightly more than budgeted expenses by \$0.2 million or 0.2 percent.

Admissions Fund expenses totaled \$29.9 million, \$0.8 million less than budgeted expenses of \$30.7 million. Most of the savings were in Services from testing accommodations improvements, Law School Inspections due to fewer requests from schools for jointly accredited status, and Outside Printing for exam development.

Client Security Fund expenses were \$7.6 million, \$0.7 million less than budgeted expenses of \$8.3 million. The savings are due to fewer applications eligible for payment, as well as CSF attorney turnover and absences that limited the processing of applications.

Other Funds' expenses totaled \$5.7 million, \$0.5 million under budgeted expenses of \$6.2 million. The savings primarily resulted from lower expenditures in the Lawyers' Assistance Program—Voluntary for counseling services and personnel costs in the Elimination of Bias Fund.

NONOPERATING REVENUE/EXPENSES

Nonoperating revenues/expenses encompass investment income, rental income, transfers, and interest expense on loans. Nonoperating revenue totaled \$17.1 million, exceeding the budgeted revenue of \$8.3 million by \$8.8 million. This variance is due to investment income exceeding the budget by \$8.8 million.

ATTACHMENTS

Attachment 1 – Operating Revenue, Operating Expenses, and Changes in Net Position
Attachment 2 – Assets, Liabilities, and Net Position

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Twelve Months Ended December 31, 2024

	General Fund	Other Funds	2024 Actual	2024 Budget	Variance- 2024 Actual vs Budget
OPERATING REVENUE					
Continuing Legal Education Fees	4,305,122	0	4,305,122	846,000	3,459,122
EAF AB 145 Filing Fee Revenue	0	4,551,185	4,551,185	4,611,000	(59,815)
Exam App. & Moral Char. Fees	0	25,473,973	25,473,973	24,146,500	1,327,473
Grant Revenue	0	79,258,096	79,258,096	98,592,511	(19,334,415)
Law Corporation Registration Fees	2,842,866	(0)	2,842,866	2,660,500	182,366
Legal Specialization Fees	2,061,983	55,870	2,117,853	2,095,000	22,853
Licensing Fees and Donations	86,837,953	20,832,076	107,670,029	106,384,000	1,286,029
Multi-Jurisdictional Practice Fees	0	893,458	893,458	980,000	(86,542)
Other Revenue	1,410,168	2,068,104	3,478,272	1,718,000	1,760,272
Trust Account Revenue	0	207,131,688	207,131,688	201,019,000	6,112,688
Total Operating Revenue	97,458,092	340,264,450	437,722,542	443,052,511	(5,329,969)
OPERATING EXPENSES					
Access & Inclusion	0	188,174,755	188,174,755	205,971,011	(17,796,256)
Admissions	0	29,891,392	29,891,392	30,704,500	(813,108)
Regulation	6,890,815	0	6,890,815	7,510,800	(619,985)
Chief Trial Counsel	77,994,301	0	77,994,301	76,978,400	1,015,901
Client Security Fund	0	7,642,909	7,642,909	8,318,500	(675,591)
General & Administrative	52,783,199	358,000	53,141,199	60,506,500	(7,365,301)
Lawyers Assistance Program	0	1,647,415	1,647,415	1,613,000	34,415
Probation	2,221,188	0	2,221,188	2,122,200	98,988
Professional Competence	9,496,531	1,126,069	10,622,600	11,909,300	(1,286,700)
State Bar Court	17,460,597	0	17,460,597	17,705,300	(244,703)
Indirect Charge Out	(58,039,000)	0	(58,039,000)	(58,039,000)	0
Total Operating Expenses	108,807,631	228,840,540	337,648,171	365,300,511	(27,652,340)
OPERATING INCOME/(LOSS)	(11,349,539)	111,423,910	100,074,371	77,752,000	22,322,371

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Twelve Months Ended December 31, 2024

	General Fund	Other Funds	2024 Actual	2024 Budget	Variance- 2024 Actual vs Budget
NON-OPERATING					
Interest and Investment Income	3,836,955	13,838,528	17,675,483	8,927,000	8,748,483
Rental Income	509,789	0	509,789	451,000	58,789
Interest Expense on Loans and Leases	(259,423)	0	(259,423)	(259,000)	(423)
Principal Expense on Loans	849,000	0	849,000	(849,000)	(0)
Total Non-Operating	3,238,321	13,838,528	17,076,849	8,270,000	8,806,849
INCOME/(LOSS) BEFORE TRANSFERS	(8,111,218)	125,262,438	117,151,220	86,022,000	31,129,220
TRANSFERS					
49110-Transfer In From General Fund	(0)	495,000	495,000	495,000	(0)
49224-Transfer in from Legal Spec Fund	(0)	7,652,504	7,652,504	(0)	7,652,504
49232-Trsf In From Justice Gap Fund	(0)	4,916,918	4,916,918	1,000,000	3,916,918
49410-Interfund Transaction-Revenue	59,730	7,235	66,965	(0)	66,965
69228-Transfer Out To LSTF	(0)	(4,916,918)	(4,916,918)	(1,000,000)	(3,916,918)
69320-Transfer Out to Admissions Fund	(495,000)	(7,652,504)	(8,147,504)	(495,000)	(7,652,504)
69410-Interfund Transaction-Expenses	(63,453)	(3,512)	(66,965)	(0)	(66,965)
TOTAL TRANSFERS	(498,723)	498,723	0	0	0
CHANGE IN NET POSITION	(8,609,941)	125,761,161	117,151,220	0	0
Net Position at beginning of year	8,246,219	218,626,493	226,872,712	0	0
NET POSITION AT December 31	(363,722)	344,387,654	344,023,932	0	0

The State Bar of California
Statement of Assets, Liabilities & Net Position
Bar Wide as of December 31, 2024

	General Fund	Other Funds	2024 Actual	Variance- 2024 vs. 2023
ASSETS & DEFERRED OUTFLOWS				
Cash	37,140,583	0	37,140,583	(45,341,026)
Investments	350,700,791	0	350,700,791	116,411,069
Accounts Receivable (net of allowances)	1,563,603	19,225,672	20,789,275	(2,361,511)
Lease receivable	4,122,769	0	4,122,769	(11,041,606)
Interfund Rec(Pay)	(351,067,554)	351,067,554	0	0
Other Assets	2,541,732	14,967	2,556,699	1,265,832
Capital Assets (net of depreciation)	115,863,303	0	115,863,303	70,635,918
Deferred Outflows	42,688,915	0	42,688,915	4,803,801
Total Assets & Deferred Outflows	203,554,142	370,308,193	573,862,335	134,372,476
LIABILITIES & DEFERRED INFLOWS				
Accounts Payable and Accrued Liabilities	15,577,824	3,620,761	19,198,585	790,077
Lease liabilities	51,009,468	0	51,009,468	50,217,562
Subscription Liabilities	2,510,868	0	2,510,868	2,510,868
Unearned Income	299,045	22,299,778	22,598,823	(42,551,646)
Loan Payable	11,596,000	0	11,596,000	0
Deferred Inflows	24,864,791	0	24,864,791	3,131,129
OPEB Liability	5,773,259	0	5,773,259	(1,620,044)
Pension Liability	92,286,609	0	92,286,609	10,937,257
Total Liabilities & Deferred Inflows	203,917,864	25,920,539	229,838,403	23,415,204
NET POSITION				
Net Position at Beginning of Year	8,246,219	218,626,493	226,872,712	112,824,635
Change in Net Position	(8,609,941)	125,761,161	117,151,220	(1,867,362)
Total Net Position	(363,722)	344,387,654	344,023,932	110,957,273
Total Liabilities & Net Position	203,554,142	370,308,193	573,862,335	134,372,476



The State Bar of California

2024 Quarter Four Financial Statements Results

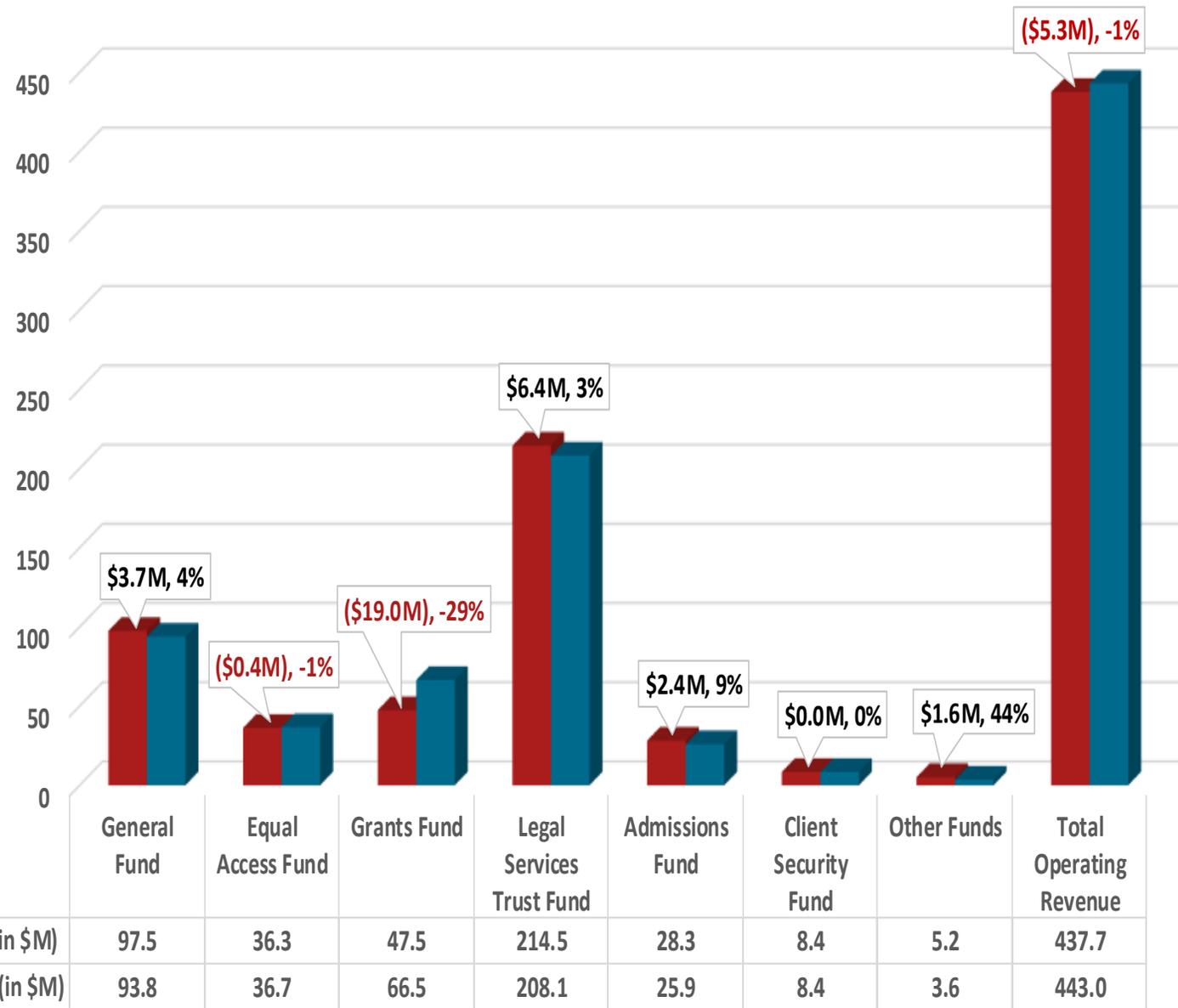
Aracely Montoya-Chico, Chief Financial Officer

Finance Committee, February 20, 2025
Board of Trustees, May 22, 2025

YTD ACTUAL REVENUE COMPARED TO BUDGET BY FUND

Revenue Highlights

- General Fund—more than budget due to late CTAPP/MCLE compliance fees, as well as more late penalties and Law Corp/LLP renewals
- Equal Access Fund—below budget from less grant administrative reimbursement costs from staff turnover (less billable time)
- Grants Fund—below budget due to delayed CARE Court grant funding and grant administrative reimbursement costs
- Legal Services Trust Fund (LSTF)—higher than budget due to IOLTA revenue
- Admissions Fund—higher than budget from more Feb/Jul exam fees; higher Moral Character Determination fees; and higher Pro-Hac Vice, Law School Accreditation/Registration fees from increases
- Other Funds—higher revenues in the Justice Gap Fund from settlement donations



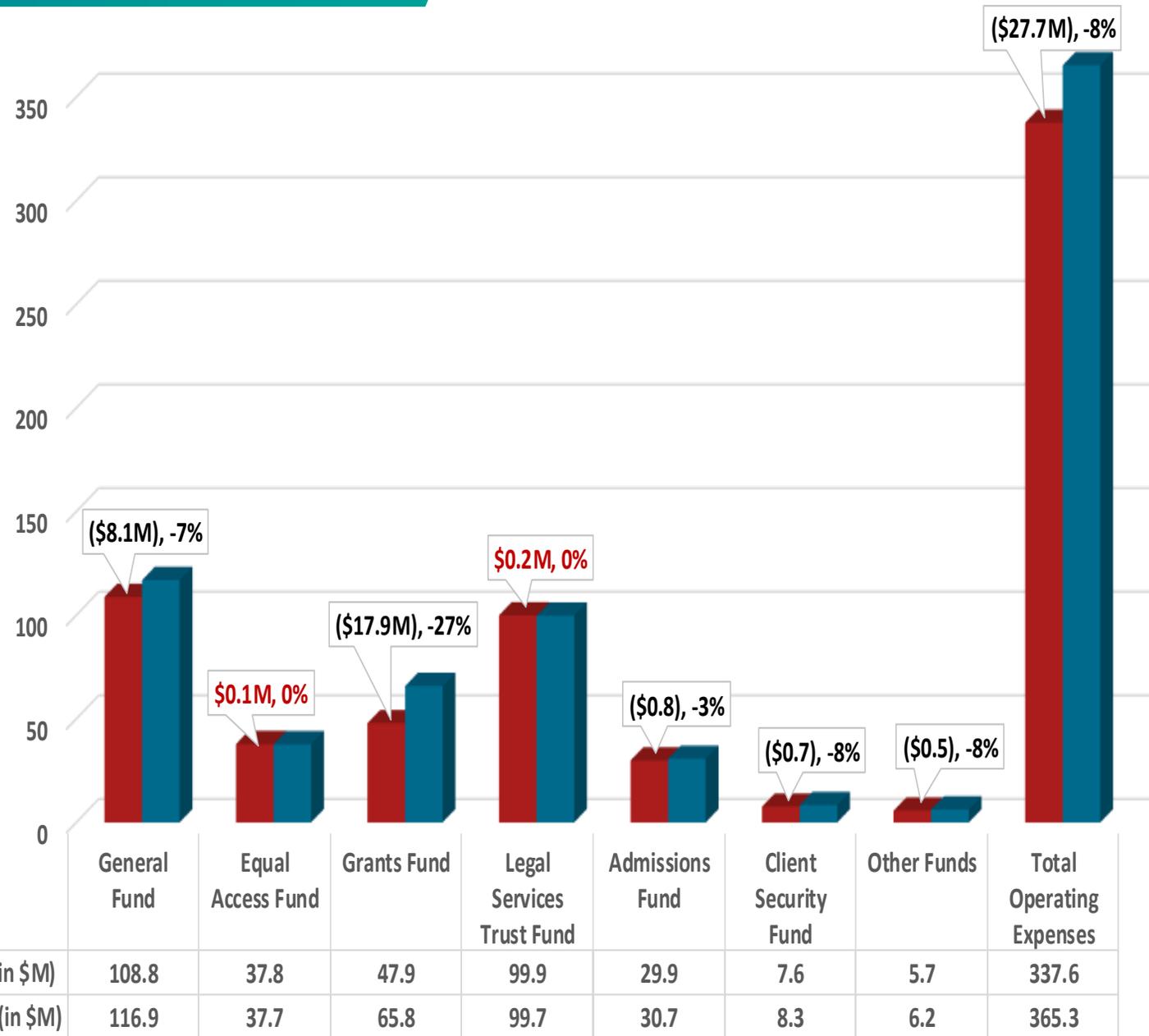
■ December 31, 2024 Actual (in \$M)	97.5	36.3	47.5	214.5	28.3	8.4	5.2	437.7
■ December 31, 2024 Budget (in \$M)	93.8	36.7	66.5	208.1	25.9	8.4	3.6	443.0



YTD ACTUAL EXPENSE COMPARED TO BUDGET BY FUND

Expense Highlights

- General Fund—savings in professional services from delayed or cancelled projects IT equipment, and building operations
- Grants Fund—below budget from delayed CARE Court grant disbursements
- Admissions Fund—savings in services, law school inspections and outside printing
- Client Security Fund—fewer applications eligible for payment
- Other Funds—savings from Lawyers' Assistance Program counseling services



QUESTIONS?

