



# The State Bar of California

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## **OPEN SESSION**

### **AGENDA ITEM**

**54-144 SEPTEMBER 2020**

**FINANCE COMMITTEE III.C**

**DATE: September 8, 2020**

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

**FROM: John Adams, Chief Financial Officer**

**SUBJECT: Q2 Financial Statement Report, Investment Report, and Client Security Fund Report**

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## **EXECUTIVE SUMMARY**

In adherence with the Board of Trustees Policy Manual, Section 5.2.1, the Office of Finance has prepared the accompanying financial reports (unaudited) for the 2nd quarter ended June 30, 2020 for the Board's review. For the 2nd quarter, the financial report consists of three separate reports: Financial Statements, Investment Report, and Client Security Fund Report.

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## **BACKGROUND**

To increase transparency and to ensure public confidence in the operations of the State Bar at all levels, the Office of Finance prepares timely quarterly statements that show the financial condition of the State Bar, investments held by the State Bar, and the activity occurring in the Client Security Fund. The Finance Committee is responsible for reviewing quarterly reports prepared by the Office of Finance.

## **DISCUSSION**

The Financial Report for the 2nd quarter ended June 30, 2020 is composed of multiple attachments, including: the 2nd Quarter Financial Statements, the Investment Report ending as of June 30, 2020, and the 2nd Quarter Client Security Fund Report. This agenda item is also on the consent agenda for the Board's September 24, 2020 meeting.

## **FISCAL/PERSONNEL IMPACT**

None

## **AMENDMENTS TO RULES OF THE STATE BAR**

None

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

None

## **STRATEGIC PLAN GOALS & OBJECTIVES**

Goal: None - compliance

## **RECOMMENDATIONS**

**Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Finance Committee recommends that the Board of Trustees approve the 2020 Second Quarter Financial Report in the form this day before the Board, for the six months ended June 30, 2020, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

**Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Board of Trustees, upon recommendation of the Finance Committee approve the 2020 Second Quarter Financial Report in the form this day before the Board, for the six months ended June 30, 2020, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

## **ATTACHMENT(S) LIST**

- A. Financial Statements as of June 30, 2020
- B. Investment Report for the Second Quarter Ended June 30, 2020
- C. Client Security Fund Report for the Second Quarter Ended June 30, 2020



# The State Bar of California

## OFFICE OF FINANCE

Date: September 8, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: 2nd Quarter 2020 Financial Statements

This memo outlines the State Bar's 2nd quarter operating results and fiscal position as of June 30, 2020, with information and comparative analysis regarding revenue, expenses, net surplus, assets, liabilities, and net position.

### FINANCIAL HIGHLIGHTS

The table below summarizes highlights of the financial statements:

**Table 1. Financial Highlights for Year-to-Date Through June 30, 2020**

ASSETS AND LIABILITIES: YEAR OVER YEAR COMPARISON					
Financial Statement Category	June 30, 2020 (in \$M)	June 30, 2019 (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Total Assets</b>	<b>\$300.5</b>	<b>\$298.2</b>	<b>\$2.3</b>	<b>0.8%</b>	<b>4&amp;5</b>
Cash & Investments	163.2	162.2	1.0	0.6%	4&5
Deferred Outflows of Resources	9.5	14.6	(5.1)	-34.9%	4&5
<b>Total Liabilities</b>	<b>123.2</b>	<b>111.1</b>	<b>\$12.1</b>	<b>10.9%</b>	<b>4&amp;5</b>
Deferred Inflows of Resources	7.7	10.9	(3.2)	-29.3%	4&5
Net Pension Liabilities	67.2	59.4	7.8	13.1%	4&5
Loans Payable	21.0	23.6	(2.6)	-11.0%	4&5
<b>Net Position</b>	<b>\$177.3</b>	<b>187.1</b>	<b>(\$9.8)</b>	<b>-5.3%</b>	<b>4&amp;5</b>

## ASSETS

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan assets and deferred outflows of resources. Total assets increased by \$2.3 million, from \$298.2 million at June 30, 2019 to \$300.5 million at June 30, 2020. Net position (total assets minus total liabilities) at June 30, 2020 was \$177.3 million, a decrease of \$9.8 million compared to \$187.1 million in the prior year. The decrease is mostly from the spend down of the Bank Settlement Funds.

## LIABILITIES

The State Bar's total liabilities consist of accounts payable to vendors, unearned fees collected in advance, grants payable, net pension liabilities, the deferred inflows of resources related to pension, loans payable, and employee vacation and sick leave accruals. As of June 30, 2020, the State Bar's total liabilities were \$123.2 million, up by \$12.1 million compared to \$111.1 million at the 2nd quarter of 2019.

## NET POSITION

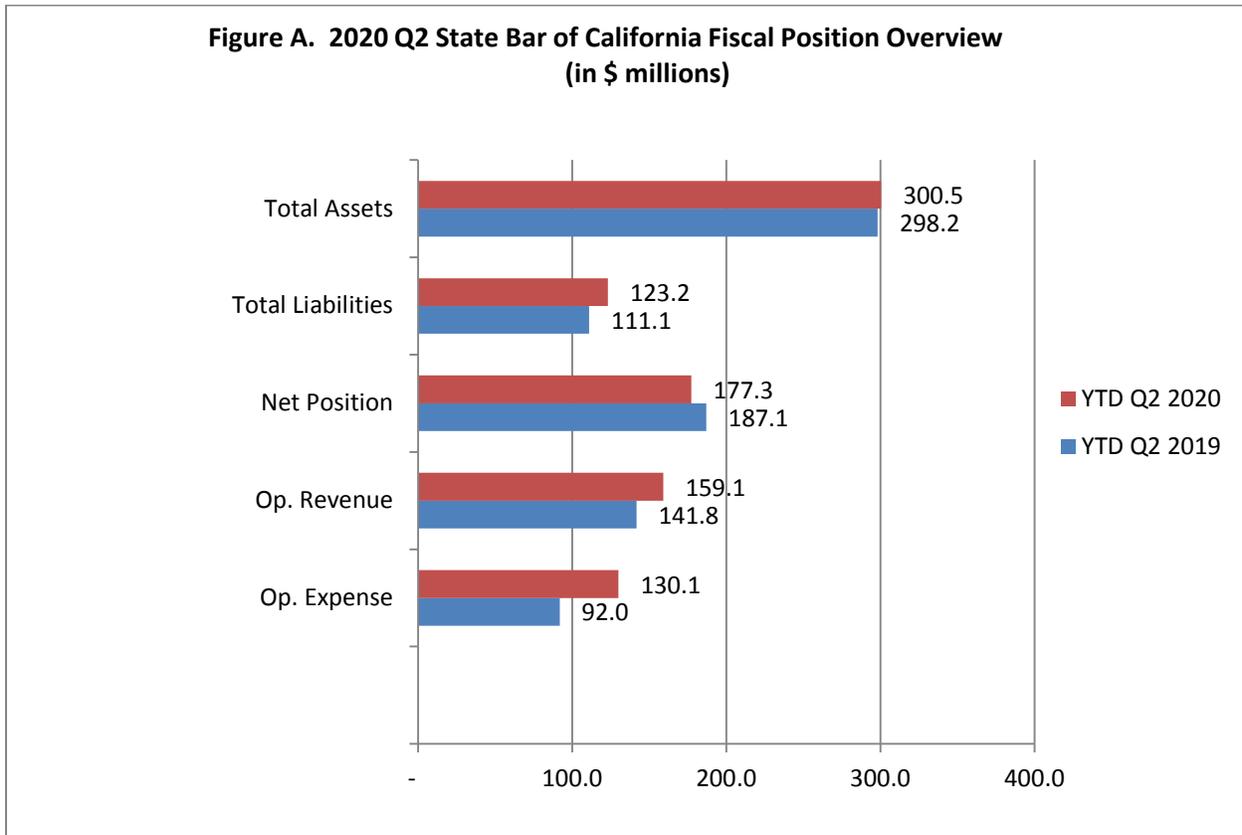
Net position consists of restricted and unrestricted net position and investment in capital assets. The State Bar's total net position (total assets minus total liabilities) as of June 30, 2020 was \$177.3 million, a decrease of \$9.8 million or 5.3 percent compared to \$187.1 million last year.

Year-to-date through June 30, 2020, operating revenue was \$159.1 million, 1.4 percent lower than the budget of \$161.4 million. Total operating expenses were \$127.3 million, 8.6 percent higher than the \$117.2 million budget.

The table below provides budget to actual comparisons for select revenues and business units:

OPERATING REVENUE AND EXPENSES: ACTUAL TO BUDGET COMPARISON					
Financial Statement Category	2020 Q2 Actual (in \$M)	2020 Q2 Budget (in \$M)	Variance (in \$M)	Variance (in %)	Refer to Attachment
<b>Operating Revenue</b>	<b>159.1</b>	<b>161.4</b>	<b>2.3</b>	<b>-1.4%</b>	<b>1,2,3</b>
Licensing Fees & Donations	106.3	104.6	1.7	1.6%	1,2,3
<b>Operating Expenses</b>	<b>127.3</b>	<b>117.2</b>	<b>-10.1</b>	<b>8.6%</b>	<b>1,2,3</b>
General & Administrative	-4.2	0.9	5.1	-566.7%	1,2,3
Chief Trial Counsel	28.1	29.2	1.1	3.8%	1,2,3
Client Security Fund	6.2	7.9	1.7	21.5%	1,2,3
Admissions	9.3	11.7	2.4	-42.4%	1,2,3
Access & Inclusion	72.9	51.6	-21.3	-41.3%	1,2,3

Figure A. below summarizes the State Bar’s financial position at the end of the 2nd quarter of 2020, compared to the 2nd quarter of 2019.



See attachments 1 and 2 for more detailed comparisons of the State Bar’s financial position at June 30, 2019 versus June 30, 2020.<sup>1</sup>

**REVENUE**

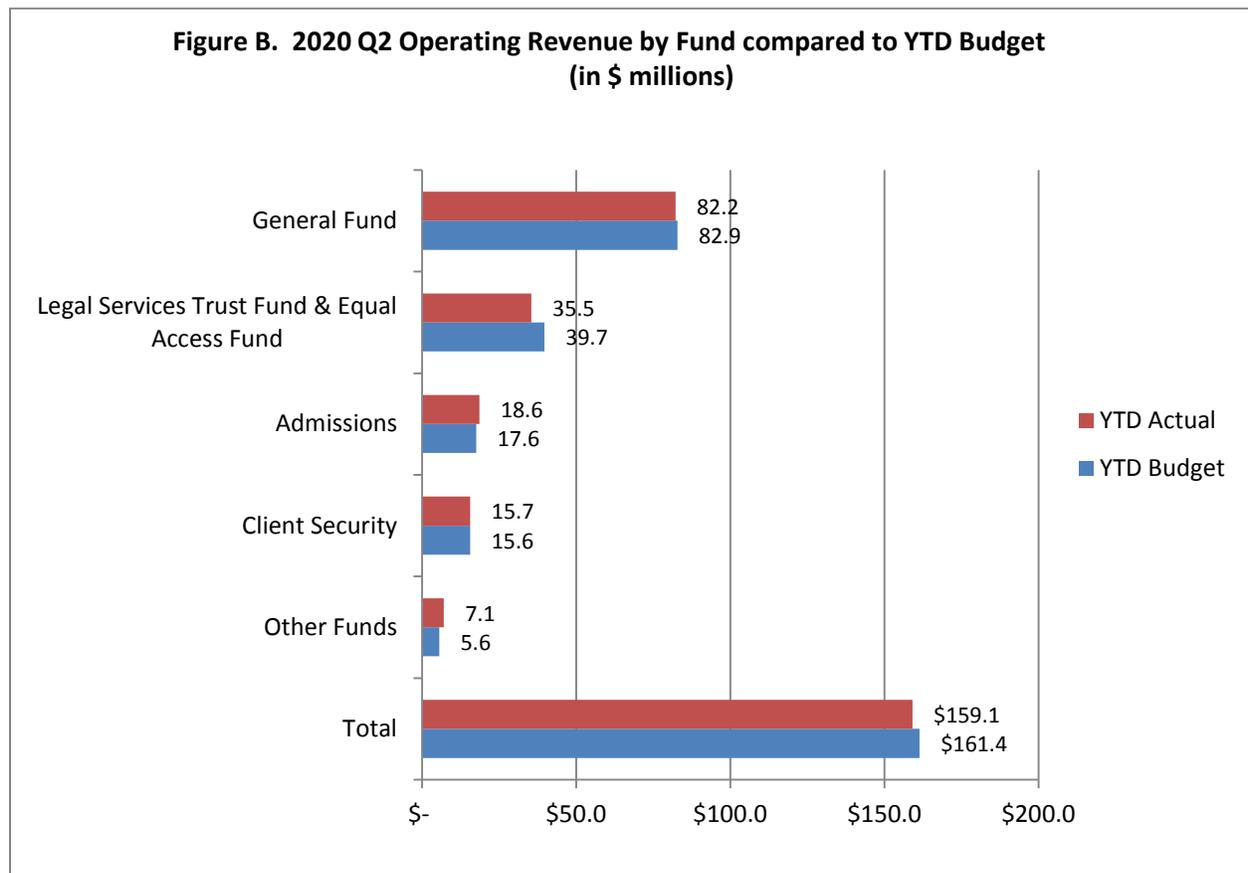
Figures B and C compare budget to actuals for operating revenue, with Figure B presenting at the fund level and Figure C by revenue category. Overall, operating revenue totaled \$159.1 million through the 2nd quarter of 2020, \$2.3 million less than the budgeted operating revenue of \$161.4 million.

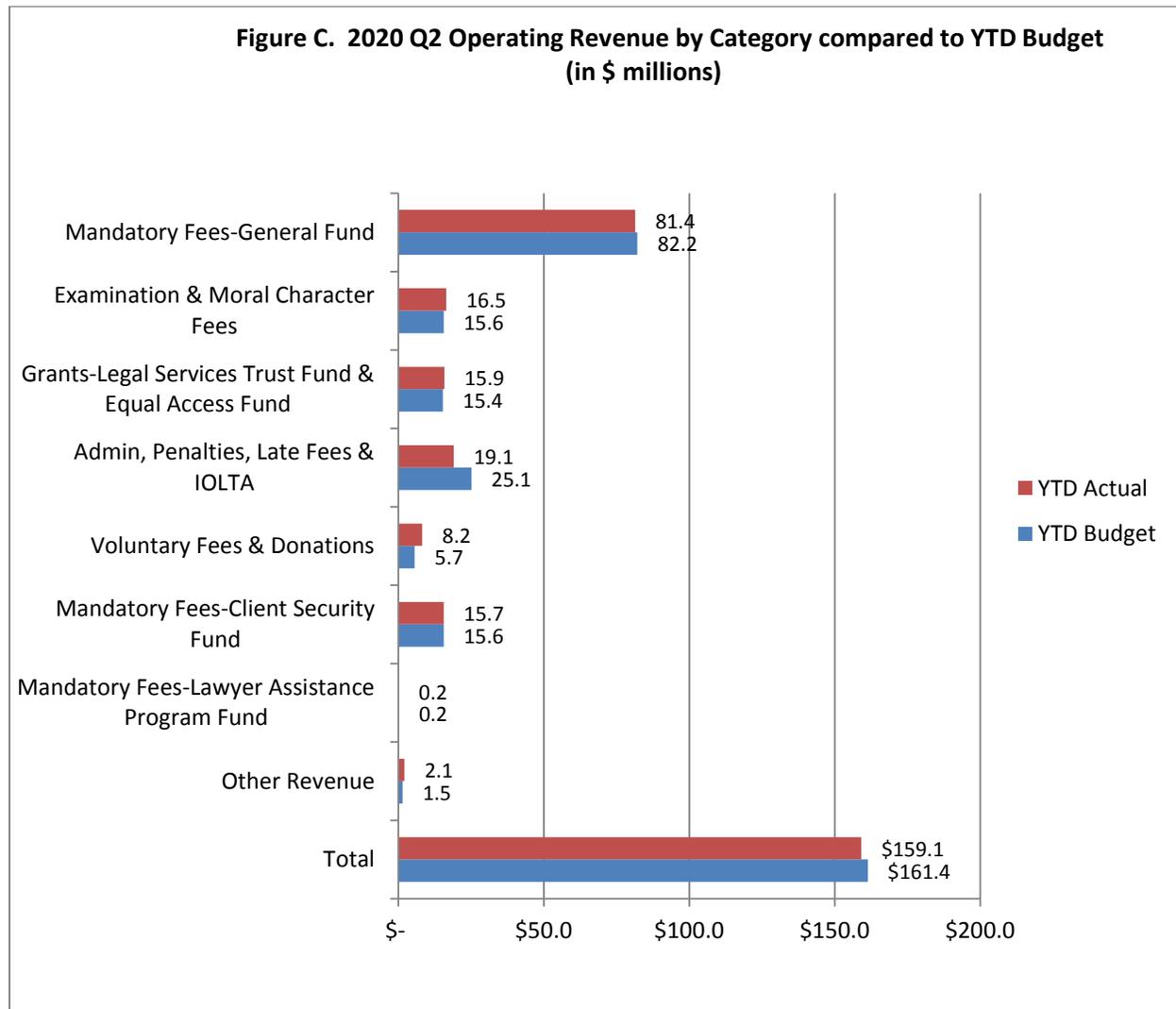
The primary contributors to this positive variance are: Legal Services Trust Fund Voluntary Fees were not adversely impacted by the licensing fee increase. Donations are in the historical range of \$6 million, exceeding budget by \$2.5 million. Exam Fees are greater than budget by \$2.2 million due to greater than anticipated enrollments in the July exam. The July exam was deferred to October due to COVID and will be administered online. Refunds for the October

<sup>1</sup> note that totals for Figures and Attachments may vary depending on revenue/expense items and level of detail displayed, in compliance with generally accepted accounting standards.

Exam are pending and will be reflective in the third quarter reports. Offsetting these favorable variances are Grant Income, which was \$6.4 million higher than budget because of timing of payments, and licensing fees, which was \$0.9 million under budget because the suspension deadline was moved from July 1 to October 1.

See attachment 3 for a comparison of actuals for both operating revenue and operating expenses through the 2020 2nd quarter versus 2019 2nd quarter.





### NONOPERATING REVENUE

Nonoperating revenue consists of investment income, rental income and interest expense on loans. Investment income through Q2 2020 is \$2.1 million, \$0.7 million over the \$1.4 million budget, but was \$0.6 million lower than 2019.

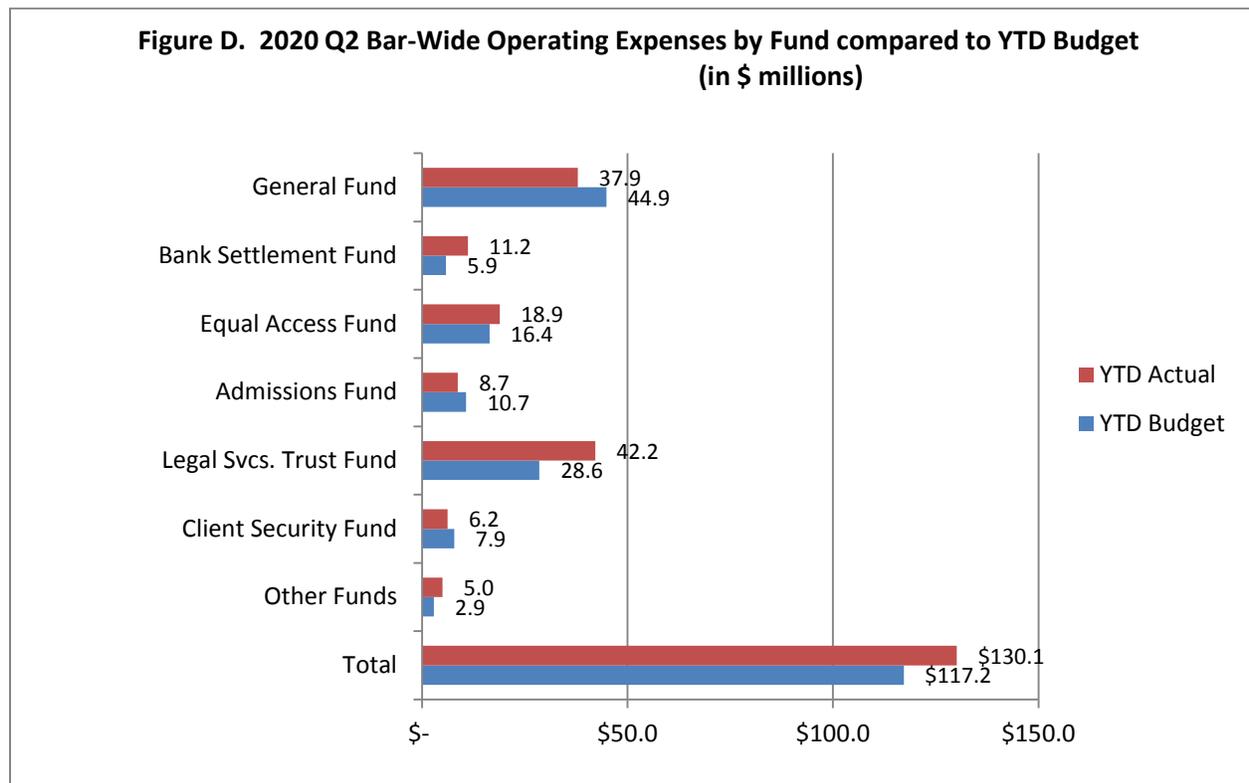
### EXPENSES

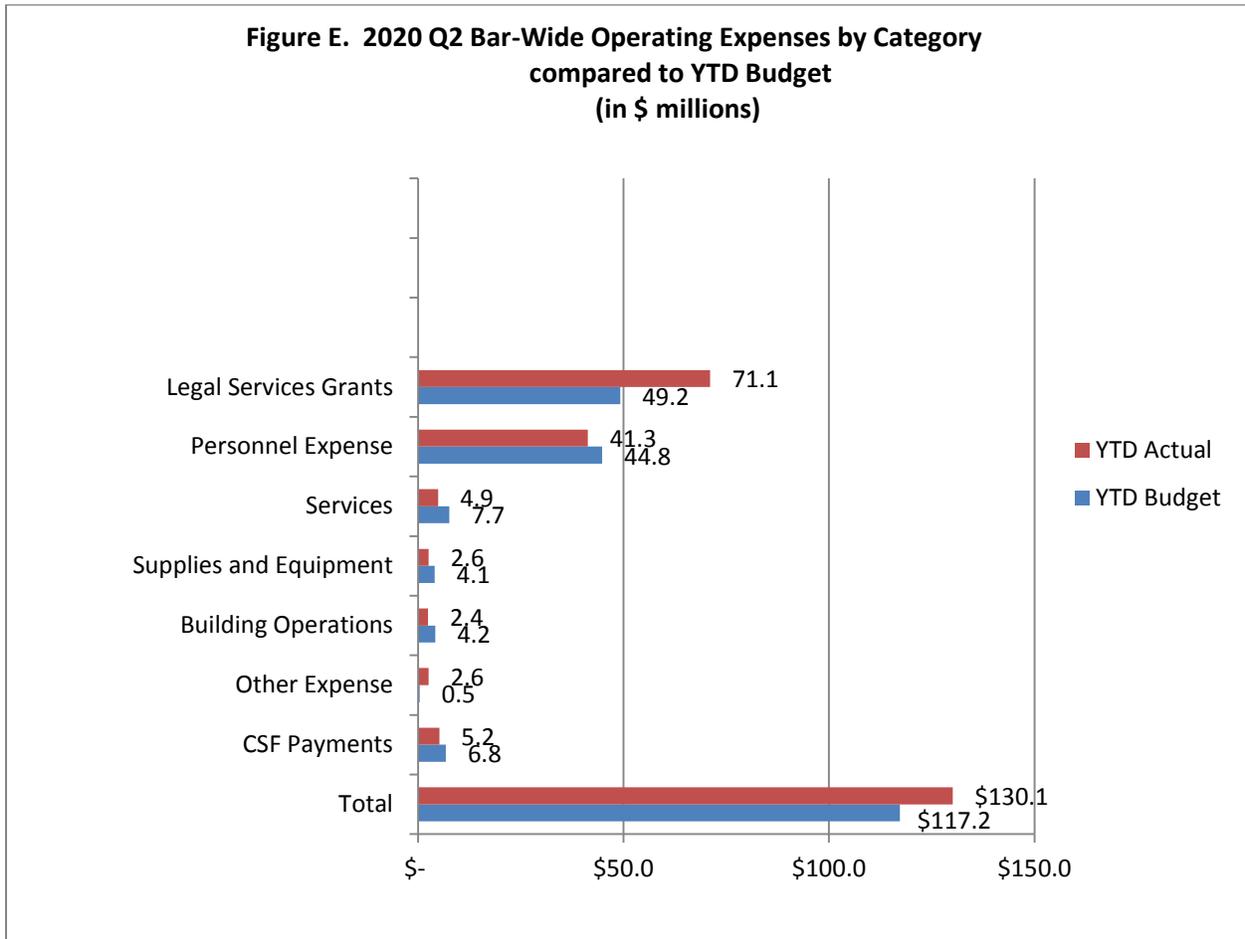
The State Bar’s operating expenses through second quarter 2020 were \$130.1 million, compared to the budget of \$117.2 million. Savings on personnel expenses were \$3.5 million across the entire Bar due to staff vacancies. Client Security Fund payments are below budget by \$1.6 million. Exam expenses are also below budget by \$1.4 million.

Figures D and E summarize the State Bar’s 2020 year-to-date operating expenses by fund, and by category, compared to budget.

There is \$7.0 million of savings in the General Fund, due primarily to savings in personnel expenses and in professional services. The savings in professional services is anticipated to be used in the second half of the fiscal year.

Figure E. shows Legal Services Grant awards exceeding budget by almost \$22 million through the first six months, but Grant payments are projected to be on budget by year end.





Attachments:

- Attachment 1 – Operating Revenue, Operating Expenses and Changes in Net Position (State Bar Wide)
- Attachment 2 – Operating Revenue, Operating Expenses and Changes in Net Position (Non General Funds)
- Attachment 3 – Variances Year-over-Year for Operating Revenue, Operating Expenses and Changes in Net Position (State Bar Wide)
- Attachment 4 – Assets, Liabilities & Net Position (State Bar Wide)
- Attachment 5 – Assets, Liabilities & Net Position (Non-general Funds)

**The State Bar of California Statement of Revenue, Expense & Changes in Net Position -  
Bar Wide As of June 30th, 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	1,094,053	-	1,094,053	1,206,467	(112,414)	(126,960)	1,221,013
Continuing Legal Education Fees	338,027	3,505	341,531	639,117	(297,586)	469,265	(127,734)
EAF AB 145 Filing Fee Revenue	-	6,075,322	6,075,322	4,559,824	1,515,498	3,623,550	2,451,772
Exam App. & Moral Char. Fees	-	17,544,643	17,544,643	17,306,639	238,004	16,881,106	663,537
Grant Revenue	-	9,779,601	9,779,601	9,366,864	412,737	11,727,443	(1,947,842)
Law Corporation Registration Fees	904,172	-	904,172	714,472	189,700	745,224	158,948
Legal Specialization Fees	6,679	1,917,512	1,924,191	1,819,719	104,472	1,770,839	153,353
Licensing Fees and Donations	82,155,105	24,118,929	106,274,034	83,573,106	22,700,928	104,581,461	1,692,573
Multi-Jurisdictional Practice Fees	-	759,235	759,235	756,279	2,956	400,550	358,684
Other Revenue	508,100	649,682	1,157,782	1,753,463	(595,681)	1,103,244	54,538
Trust Account Revenue	-	13,276,830	13,276,830	20,100,371	(6,823,541)	20,206,772	(6,929,942)
<b>Total Operating Revenue</b>	<b>85,006,136</b>	<b>74,125,258</b>	<b>159,131,393</b>	<b>141,796,321</b>	<b>17,335,072</b>	<b>161,382,493</b>	<b>(2,251,099)</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	487,235	72,378,099	72,865,334	39,215,568	33,649,766	51,633,601	21,231,733
Admissions	22,790	9,245,072	9,267,861	10,262,991	(995,130)	11,737,573	(2,469,712)
Attorney Regulation and Consumer Resources	2,528,709	-	2,528,709	2,748,885	(220,176)	2,569,238	(40,529)
Chief Trial Counsel	28,071,380	-	28,071,380	24,502,522	3,568,858	29,249,530	(1,178,150)
Client Security Fund	85	6,239,358	6,239,443	4,559,745	1,679,698	7,867,776	(1,628,333)
General & Administrative	(4,043,881)	-	(4,043,881)	(1,624,107)	(2,419,774)	885,675	(4,929,556)

**The State Bar of California Statement of Revenue, Expense & Changes in Net Position -  
Bar Wide As of June 30th, 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
Governance	2,281,326	459,312	2,740,638	2,713,773	26,865	3,261,623	(520,985)
Lawyers Assistance Program	3,669	1,110,113	1,113,783	1,080,175	33,608	1,160,660	(46,877)
Operating Expense	2,625,053	181	2,625,234	-	2,625,234	0	2,625,234
Probation	943,169	-	943,169	809,429	133,740	976,205	(33,036)
Professional Competence	1,287,115	-	1,287,115	1,455,054	(167,939)	1,550,801	(263,686)
State Bar Court	6,468,462	-	6,468,462	6,228,911	239,551	6,341,426	127,037
<b>Total Operating Expenses</b>	<b>40,675,114</b>	<b>89,432,134</b>	<b>130,107,248</b>	<b>91,952,945</b>	<b>38,154,303</b>	<b>117,234,107</b>	<b>12,873,141</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>44,331,022</b>	<b>(15,306,877)</b>	<b>29,024,145</b>	<b>49,843,376</b>	<b>(20,819,231)</b>	<b>44,148,386</b>	<b>(15,124,241)</b>
<b>NON-OPERATING</b>							
Investment Income	744,634	1,388,560	2,133,194	2,740,800	(607,606)	1,640,517	492,677
Rental Income	2,110,799	-	2,110,799	1,222,865	887,934	2,098,062	12,737
Interest Expense on Loans	(321,623)	(153,918)	(475,541)	(531,305)	55,764	(517,550)	42,009
52908-Interest earned on fac. Fees	-	-	-	-	-	2,500	(2,500)
<b>Total Non-Operating</b>	<b>2,533,811</b>	<b>1,234,641</b>	<b>3,768,452</b>	<b>3,432,359</b>	<b>336,092</b>	<b>3,223,529</b>	<b>544,923</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>46,864,833</b>	<b>(14,072,236)</b>	<b>32,792,597</b>	<b>53,275,736</b>	<b>(20,483,139)</b>	<b>47,371,914</b>	<b>(14,579,317)</b>
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	75,000	75,000	-	75,000	75,000	(0)
49232-Trsf In From Justice Gap Fund	-	1,000,000	1,000,000	2,750,000	(1,750,000)	500,000	500,000

**The State Bar of California Statement of Revenue, Expense & Changes in Net Position -  
Bar Wide As of June 30th, 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
49314-Transfer In From Admissions Fund	725,000	100,000	825,000	-	825,000	412,500	412,500
49410-Interfund Transaction-Revenue	-	-	-	6,179	(6,179)	5,181	(5,181)
69110-Transfer Out To GF	(75,000)	-	(75,000)	-	(75,000)	(75,000)	(0)
69119-Trsf. Out To Tech Improv. Fund	-	(725,000)	(725,000)	-	(725,000)	(362,500)	(362,500)
69224-Trsf Out To Legal Spec. Fund	-	(100,000)	(100,000)	-	(100,000)	(50,000)	(50,000)
69228-Transfer Out To LSTF	-	(1,000,000)	(1,000,000)	(2,750,000)	1,750,000	(500,000)	(500,000)
69410-Interfund Transaction-Expenses	-	-	-	(6,179)	6,179	-	-
<b>TOTAL TRANSFERS</b>	<b>650,000</b>	<b>(650,000)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>5,181</b>	<b>(5,181)</b>
<b>CHANGE IN NET POSITION</b>	<b>47,514,833</b>	<b>(14,722,236)</b>	<b>32,792,597</b>	<b>53,275,736</b>	<b>(20,483,139)</b>	<b>47,377,095</b>	<b>(14,584,498)</b>
Net Position at beginning of year	48,693,432	95,846,847	144,540,279	133,778,747	10,761,532	-	0
<b>NET POSITION AT June 30</b>	<b>96,208,265</b>	<b>81,124,611</b>	<b>177,332,876</b>	<b>187,054,483</b>	<b>(9,721,607)</b>	<b>-</b>	<b>0</b>

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position -  
Non General Funds As of June 30th, 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	-	-	-	-	-	-	-
Continuing Legal Education Fees	810	-	-	-	-	-	-
EAF AB 145 Filing Fee Revenue	-	-	6,075,322	-	-	-	-
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-
Grant Revenue	-	-	9,659,176	-	-	-	-
Law Corporation Registration Fees	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-
Licensing Fees and Donations	15,687,724	314,020	-	904,145	192,349	739,765	6,280,926
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-
Other Revenue	2,800	-	319,256	-	500	-	-
Trust Account Revenue	-	-	-	-	-	-	13,276,830
<b>Total Operating Revenue</b>	<b>15,691,334</b>	<b>314,020</b>	<b>16,053,754</b>	<b>904,145</b>	<b>192,849</b>	<b>739,765</b>	<b>19,557,756</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	-	119,086	18,918,629	2,113	-	-	42,159,080
Admissions	-	-	-	-	-	-	-
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-
Client Security Fund	6,239,358	-	-	-	-	-	-
General & Administrative	-	-	-	-	-	-	-

**The State Bar of California Statement of Revenue, Expenses and Changes in Net  
Position - Non General Funds As of June 30th, 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
Governance	-	-	-	-	-	412,516	-
Lawyers Assistance Program	-	-	-	-	1,110,113	-	-
Probation	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	6,239,358	119,086	18,918,629	2,113	1,110,136	412,516	42,159,098
<b>OPERATING INCOME/(LOSS)</b>	9,451,977	194,934	(2,864,875)	902,032	(917,288)	327,249	(22,601,342)
<b>NON-OPERATING</b>							
Investment Income	42,506	4,576	181,107	40,651	46,789	8,373	555,861
Rental Income	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	42,506	4,576	181,107	40,651	46,789	8,373	555,861
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	9,494,483	199,510	(2,683,767)	942,684	(870,499)	335,623	(22,045,481)

**The State Bar of California Statement of Revenue, Expenses and Changes in Net  
Position - Non General Funds As of June 30th, 2020**

	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	Total Other Funds
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	-	-	-	-	-	-	-
Continuing Legal Education Fees	2,695	-	-	-	-	-	3,505
EAF AB 145 Filing Fee Revenue	-	-	-	-	-	-	6,075,322
Exam App. & Moral Char. Fees	-	-	-	17,544,643	-	-	17,544,643
Grant Revenue	-	-	42,788	77,637	-	-	9,779,601
Law Corporation Registration Fees	-	-	-	-	-	-	-
Legal Specialization Fees	1,917,212	-	-	300	-	-	1,917,512
Licensing Fees and Donations	-	(0)	-	-	-	-	24,118,929
Multi-Jurisdictional Practice Fees	-	-	-	759,235	-	-	759,235
Other Revenue	19,289	-	-	307,837	-	-	649,682
Trust Account Revenue	-	-	-	-	-	-	13,276,830
<b>Total Operating Revenue</b>	<b>1,939,195</b>	<b>(0)</b>	<b>42,788</b>	<b>18,689,651</b>	<b>-</b>	<b>-</b>	<b>74,125,258</b>

**OPERATING EXPENSES**

Access & Inclusion	-	-	11,178,545	646	-	-	72,378,099
Admissions	518,466	-	-	8,726,605	-	-	9,245,072
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-
Client Security Fund	-	-	-	-	-	-	6,239,358
General & Administrative	-	-	-	-	-	-	-
Governance	-	-	-	10,000	36,616	-	459,132

**The State Bar of California Statement of Revenue, Expenses and Changes in Net  
Position - Non General Funds As of June 30th, 2020**

	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	Total Other Funds
Lawyers Assistance Program	-	-	-	-	-	-	1,110,113
Probation	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	518,466	-	11,178,545	8,737,392	36,616	-	89,431,955
<b>OPERATING INCOME/(LOSS)</b>	1,420,729	0	(11,135,757)	9,952,259	(36,616)	-	(15,306,697)
<b>NON-OPERATING</b>							
Investment Income	61,343	2,647	257,173	174,578	-	12,955	1,388,560
Rental Income	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	153,918	(153,918)
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	61,343	2,647	257,173	174,578	-	140,964	1,234,641
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	1,482,072	2,647	(10,878,584)	10,126,837	(36,616)	(140,964)	(14,072,056)

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Non General Funds As of June 30th, 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	75,000	-	-	-	-	-
49232-Trsf In From Justice Gap Fund	-	-	-	-	-	-	1,000,000
49314-Transfer In From Admissions Fund	-	-	-	-	-	-	-
69119-Trsf. Out To Tech Improv. Fund	-	-	-	-	-	-	-
69224-Trsf Out To Legal Spec. Fund	-	-	-	-	-	-	-
69228-Transfer Out To LSTF	-	-	-	(1,000,000)	-	-	-
<b>Total Transfers</b>	-	75,000	-	(1,000,000)	-	-	1,000,000
<b>CHANGE IN NET POSITION</b>	9,494,483	274,510	(2,683,767)	(57,316)	(870,499)	335,623	(21,045,481)
Net Position at beginning of year	19,594	290,522	8,488,363	2,971,146	3,664,012	484,678	46,871,392
<b>NET POSITION AT March 31</b>	9,514,077	565,032	5,804,596	2,913,830	2,793,513	820,301	25,825,911

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Non General Funds As of June 30th, 2020**

	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	Total Other Funds
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	-	-	-	-	-	-
49232-Trsf In From Justice Gap Fund	-	-	-	-	-	-	1,000,000
49314-Transfer In From Admissions Fund	100,000	-	-	-	-	-	100,000
69119-Trsf. Out To Tech Improv. Fund	-	-	-	(725,000)	-	-	(725,000)
69224-Trsf Out To Legal Spec. Fund	-	-	-	(100,000)	-	-	(100,000)
69228-Transfer Out To LSTF	-	-	-	-	-	-	(1,000,000)
<b>Total Transfers</b>	100,000	-	-	(825,000)	-	-	(725,000)
<b>CHANGE IN NET POSITION</b>	1,582,072	2,647	(10,878,584)	9,301,837	(36,616)	(140,964)	(14,722,056)
Net Position at beginning of year	4,365,619	6,224	20,468,102	8,417,789	155,777	(356,371)	95,846,847
<b>NET POSITION AT March 31</b>	5,947,691	8,871	9,589,518	17,719,626	119,161	(497,335)	81,124,791

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar  
Wide As of June 30th, 2020**

	2020 Actual	2019 Actual	Variance	% Change
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	1,094,053	1,206,467	(112,414)	9.3
Continuing Legal Education Fees	341,531	639,117	(297,586)	46.6
EAF AB 145 Filing Fee Revenue	6,075,322	4,559,824	1,515,498	(33.2)
Exam App. & Moral Char. Fees	17,544,643	17,306,639	238,004	(1.4)
Grant Revenue	9,779,601	9,366,864	412,737	(4.4)
Law Corporation Registration Fees	904,172	714,472	189,700	(26.6)
Legal Specialization Fees	1,924,191	1,819,719	104,472	(5.7)
Licensing Fees and Donations	106,274,034	83,573,106	22,700,928	(27.2)
Multi-Jurisdictional Practice Fees	759,235	756,279	2,956	(0.4)
Other Revenue	1,157,782	1,753,463	(595,681)	34.0
Trust Account Revenue	13,276,830	20,100,371	(6,823,541)	33.9
<b>Total Operating Revenue</b>	<b>159,131,393</b>	<b>141,796,321</b>	<b>17,335,072</b>	<b>(12.2)</b>

**OPERATING EXPENSES**

Access & Inclusion	72,865,334	39,215,568	33,649,766	85.8
Admissions	9,267,861	10,262,991	(995,130)	(9.7)
Attorney Regulation and Consumer Resources	2,528,709	2,748,885	(220,176)	(8.0)
Chief Trial Counsel	28,071,380	24,502,522	3,568,858	14.6
Client Security Fund	6,239,443	4,559,745	1,679,698	36.8
General & Administrative	(4,043,881)	(1,624,107)	(2,419,774)	149.0
Governance	2,740,638	2,713,773	26,865	1.0

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar  
Wide As of June 30th, 2020**

	2020 Actual	2019 Actual	Variance	% Change
Lawyers Assistance Program	1,113,783	1,080,175	33,608	3.1
Probation	943,169	809,429	133,740	16.5
Professional Competence	1,287,115	1,455,054	(167,939)	(11.5)
State Bar Court	6,468,462	6,228,911	239,551	3.8
<b>Total Operating Expenses</b>	<b>130,107,248</b>	<b>91,952,945</b>	<b>38,154,303</b>	<b>41.5</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>29,024,145</b>	<b>49,843,376</b>	<b>(20,819,231)</b>	<b>(41.8)</b>
<b>NON-OPERATING</b>				
Investment Income	2,133,194	2,740,800	(607,606)	22.2
Rental Income	2,110,799	1,222,865	887,934	(72.6)
Interest Expense on Loans	(475,541)	(531,305)	55,764	10.5
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	<b>3,768,452</b>	<b>3,432,359</b>	<b>336,092</b>	<b>9.8</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>32,792,597</b>	<b>53,275,736</b>	<b>20,483,139</b>	<b>38.4</b>
<b>TRANSFERS</b>				
49110-Transfer In From General Fund	75,000	-	75,000	-
49232-Trsf In From Justice Gap Fund	1,000,000	2,750,000	(1,750,000)	63.6
49314-Transfer In From Admissions Fund	825,000	-	825,000	-
49410-Interfund Transaction-Revenue	-	6,179	(6,179)	100.0
69110-Transfer Out To GF	(75,000)	-	(75,000)	-

**The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar  
Wide As of June 30th, 2020**

	<b>2020 Actual</b>	<b>2019 Actual</b>	<b>Variance</b>	<b>% Change</b>
69119-Trsf. Out To Tech Improv. Fund	(725,000)	-	(725,000)	-
69224-Trsf Out To Legal Spec. Fund	(100,000)	-	(100,000)	-
69228-Transfer Out To LSTF	(1,000,000)	(2,750,000)	1,750,000	63.6
69410-Interfund Transaction-Expenses	-	(6,179)	6,179	100.0
<b>TOTAL TRANSFERS</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>32,792,597</b>	<b>53,275,736</b>	<b>(20,483,139)</b>	<b>(38.4)</b>
Net Position at beginning of year	144,540,279	133,778,747	10,761,532	8.0
<b>NET POSITION AT</b>	<b>177,332,876</b>	<b>187,054,483</b>	<b>(9,721,607)</b>	<b>-5.2</b>

**The State Bar of California Statement of Assets, Liabilities and Net Position -  
Bar Wide As of June 30th, 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2020 v. 2019
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	94,151,487	2,495,000	96,646,487	81,786,730	14,859,757
Investments	66,572,081	-	66,572,081	80,419,478	(13,847,396)
Accounts Receivable (net of allowances)	1,902,182	4,392,057	6,294,238	4,601,398	1,692,841
Interfund Rec(Pay)	(81,418,282)	80,847,716	(570,566)	0	(570,566)
Other Assets	6,642,390	173,018	6,815,408	5,765,926	1,049,483
OPEB Investments	10,215,794	-	10,215,794	8,254,371	1,961,423
Capital Assets (net of depreciation)	105,059,789	0	105,059,789	102,741,686	2,318,103
Deferred Outflows	9,507,406	-	9,507,406	14,602,756	(5,095,350)
<b>Total Assets &amp; Deferred Outflows</b>	<b>212,632,848</b>	<b>87,907,790</b>	<b>300,540,639</b>	<b>298,172,345</b>	<b>2,368,294</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	26,715,124	647,176	27,362,300	16,875,985	10,486,315
Unearned Income	(0)	-	(0)	425,752	(425,752)
Loan Payable	14,614,532	6,387,277	21,001,809	23,574,772	(2,572,963)
Deferred Inflows	7,703,640	-	7,703,640	10,878,281	(3,174,641)
Pension Liability	67,154,845	-	67,154,845	59,363,071	7,791,774
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>116,188,141</b>	<b>7,034,453</b>	<b>123,222,594</b>	<b>111,117,862</b>	<b>12,104,732</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	48,693,432	95,846,847	144,540,279	133,778,747	10,761,532

**The State Bar of California Statement of Assets, Liabilities and Net Position -  
Bar Wide As of June 30th, 2020**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2020 Actual</b>	<b>2019 Actual</b>	<b>Variance- 2020 v. 2019</b>
Change in Net Position	47,751,275	(14,973,510)	32,777,766	53,275,736	(20,497,970)
<b>Total Net Position</b>	96,444,707	80,873,337	177,318,045	187,054,483	(9,736,438)
<b>Total Liabilities &amp; Net Position</b>	212,632,848	87,907,790	300,540,639	298,172,345	2,368,294

**The State Bar of California Statement of Assets, Liabilities and Net Position -  
Non General Funds As of June 30th, 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>							
Cash	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	4,096,745	-	0	-	294,493
Interfund Rec(Pay)	9,659,187	565,032	1,698,578	2,913,830	2,814,472	825,895	25,572,453
Other Assets	-	-	-	-	27,788	-	-
OPEB Investments	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>9,659,187</b>	<b>565,032</b>	<b>5,795,322</b>	<b>2,913,830</b>	<b>2,842,260</b>	<b>825,895</b>	<b>25,866,946</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>							
Accounts Payable and Accrued Liabilities	145,130	(0)	(0)	(0)	45,272	5,595	31,764
Unearned Income	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>145,130</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>45,272</b>	<b>5,595</b>	<b>31,764</b>
<b>NET POSITION</b>							
Net Position at Beginning of Year	19,594	290,522	8,488,363	2,971,146	3,664,012	484,678	46,871,392

**The State Bar of California Statement of Assets, Liabilities and Net  
Position - Non General Funds As of June 30th, 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust
Change in Net Position	9,494,463	274,510	(2,693,041)	)57,316_	(867,024)	335,622	(21,036,210)
<b>Total Net Position</b>	9,514,057	565,032	5,795,322	2,913,830	2,796,988	820,300	25,835,182
<b>Total Liabilities &amp; Net Position</b>	9,659,187	565,032	5,795,322	2,913,830	2,842,260	825,895	25,866,946

**The State Bar of California Statement of Assets, Liabilities and Net  
Position - Non General Funds As of June 30th, 2020**

	Legal Special.	IT Special Assess.	Bank Settle.	Admission	Grants	SF Tenant Improve.	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>							
Cash	-	-	-	-	-	2,495,000	2,495,000
Investments	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	-	-	-	4,391,238
Interfund Rec(Pay)	5,953,549	8,872	9,589,516	17,950,532	123,225	3,167,240	80,842,379
Other Assets	-	-	-	151,565	-	-	179,353
OPEB Investments	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	0	0
Deferred Outflows	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>5,953,549</b>	<b>8,872</b>	<b>9,589,516</b>	<b>18,102,097</b>	<b>123,225</b>	<b>5,662,240</b>	<b>87,907,970</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>							
Accounts Payable and Accrued Liabilities	5,858	(0)	-	382,472	4,680	26,406	647,176
Unearned Income	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	6,387,277	6,387,277
Deferred Inflows	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>5,858</b>	<b>(0)</b>	<b>-</b>	<b>382,472</b>	<b>4,680</b>	<b>6,413,683</b>	<b>7,034,453</b>
<b>NET POSITION</b>							
Net Position at Beginning of Year	4,365,619	6,224	20,468,102	8,417,789	155,777	(356,371)	95,846,847
Change in Net Position	1,582,072	2,648	(10,878,586)	9,301,836	(37,231)	(395,071)	(14,973,330)

**The State Bar of California Statement of Assets, Liabilities and Net  
Position - Non General Funds As of June 30th, 2020**

	Legal Special.	IT Special Assess.	Bank Settle.	Admission	Grants	SF Tenant Improve.	Total Other Funds
<b>Total Net Position</b>	5,947,691	8,872	9,589,516	17,719,625	118,546	(751,442)	80,873,517
<b>Total Liabilities &amp; Net Position</b>	5,953,549	8,872	9,589,516	18,102,097	123,225	5,662,240	87,907,970



# The State Bar of California

OFFICE OF FINANCE

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Date: September 8, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Investment Report for the 2nd Quarter Ended June 30, 2020

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Attached is the quarterly Investment Report for the State Bar of California as of June 30, 2020. The report is presented in a format that conforms to the investment policy adopted by the Board of Trustees. The State Bar's investment portfolio consists of fixed income securities and deposits with Wells Fargo Bank and with the State Treasurer's Local Agency Investment Fund (LAIF). As of June 30, 2020, the market value of the investment portfolio was \$145.0 million compared to \$142.6 million as of June 30, 2019.

The quarterly rate of return of the investment portfolio for this quarter is 1.71 percent. Interest rates are lower in comparison to prior year, the quarterly interest rate on deposits in the LAIF decreased from 2.44 percent for the quarter ended June 30, 2019 to 1.41 percent for the quarter ended June 30, 2020. As of September 3, 2020, the daily rate at LAIF was 0.72 percent. For the fiscal year, actual investment earnings decreased from \$2.74 million in 2019 to \$2.13 million in 2020.

The State Bar's investment strategy is to purchase bonds and hold them until maturity to realize the full value of the investment. Unrealized gains or losses in the portfolio would only be recognized if a security was sold before maturity. Temporary price changes or market value fluctuations in the portfolio of held-to-maturity securities are recorded in the State Bar's quarterly financials.

**The State Bar of California  
Investment Report Summary  
June 30, 2020**

<b><u>Asset Group</u></b>	<b><u>Original Cost</u></b>	<b><u>Market Value</u></b>	<b><u>Portfolio Percentage</u></b>	<b><u>Weighted Average Yield</u></b>
Wells Fargo Custody Account:				
- Commercial Paper	\$ 11,871,698	\$ 11,989,680	8.3%	1.26%
- Government Bonds	31,558,071	32,198,428	22.2%	2.44%
- Corporate Bonds	21,612,342	22,269,351	15.4%	2.35%
- Common Stock-Metlife Inc.	-	114,623	0.1%	N/A
Subtotal-Securities, Bonds and Notes	<u>65,042,111</u>	<u>66,572,082</u>	45.9%	
Interest Receivable	-	260,797	0.2%	1.41%
Local Agency Investment Fund	72,114,259	72,114,259	49.7%	1.41%
Fidelity Money Market	<u>6,064,561</u>	<u>6,064,561</u>	4.2%	0.95%
<b>Total</b>	<b><u>\$ 143,220,931</u></b>	<b><u>\$ 145,011,699</u></b>	<b>100.0%</b>	1.71%

**Unrealized Gain/(Loss):**

Market Value of Portfolio -Securities, Bonds and Notes	\$ 66,572,082
Original Cost of Portfolio -Securities, Bonds and Notes	<u>65,042,111</u>
Unrealized Gain/(Loss)	<u><u>\$ 1,529,971</u></u>

**Investment Month End Report - Wells Fargo Custody Account  
Balance as of Jun 30, 2020**

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
COCA-COLA COMPANY	19121AM73	A-1	Commercial Paper Discount	3,000,000.00	2,958,706.67	2,996,040.00	-	37,333.33	1.690%	02/06/20	12/07/20
MUFG BANK LTD NY BRAN CPDN	62479LHS7	A-1	Commercial Paper Discount	3,000,000.00	2,972,898.33	2,999,160.00	-	26,261.67	1.660%	02/05/20	08/26/20
PRUDENTIAL PLC CPDN	7443M2L53	A-1	Commercial Paper Discount	3,000,000.00	2,963,280.00	2,997,240.00	-	33,960.00	1.680%	02/06/20	11/05/20
TOYOTA MOTOR CREDIT	89233GL53	A-1+	Commercial Paper Discount	3,000,000.00	2,976,813.33	2,997,240.00	-	20,426.67	0.100%	04/30/20	11/05/22
<b>TOTAL COMMERCIAL PAPER :</b>				<b>12,000,000</b>	<b>11,871,698</b>	<b>11,989,680</b>	<b>-</b>	<b>117,982</b>	<b>1.26%</b>		
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	3,035,000.00	2,993,268.75	3,126,930.15	17,959.61	133,661.40	2.367%	02/28/18	04/01/22
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	1,250,000.00	1,250,000.00	1,285,812.50	13,344.24	35,812.50	1.981%	12/17/19	02/01/24
<b>TOTAL MUNICIPAL BONDS AND NOTES:</b>				<b>4,285,000</b>	<b>4,243,269</b>	<b>4,412,743</b>	<b>31,304</b>	<b>169,474</b>	<b>2.25%</b>		
FED HOME LN BANK	313370US5	AA+	Government Agency	3,125,000.00	3,171,512.50	3,141,250.00	27,452.26	(30,262.50)	2.875%	02/28/18	09/11/20
FED HOME LN BK	3130ADUY6	AA+	Government Agency	3,000,000.00	3,007,116.00	3,015,090.00	20,416.67	7,974.00	2.450%	04/04/18	09/21/20
FED HOME LN BK	3130ADW32	AA+	Government Agency	3,500,000.00	3,506,636.00	3,519,075.00	22,152.08	12,439.00	2.450%	04/13/18	09/28/20
FED HOME LN BK	3130ADXP2	AA+	Government Agency	3,000,000.00	3,005,430.00	3,018,420.00	16,741.67	12,990.00	2.450%	04/04/18	10/09/20
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	3,000,000.00	2,978,490.00	3,134,820.00	28,104.17	156,330.00	2.375%	04/04/18	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	6,500,000.00	6,650,910.50	6,907,940.00	63,194.44	257,029.50	3.125%	04/04/18	09/09/22
FED FARM CREDIT BK	3133ELEF7	AA+	Government Agency	2,000,000.00	1,999,360.00	2,035,560.00	9,258.33	36,200.00	1.650%	12/20/19	09/20/21
FED NATL MTG ASSN	3136G3NR2	AA+	Government Agency	3,000,000.00	2,995,347.00	3,013,530.00	3,960.00	18,183.00	1.320%	02/10/20	11/25/20
<b>TOTAL FEDERAL BONDS AND NOTES:</b>				<b>27,125,000</b>	<b>27,314,802</b>	<b>27,785,685</b>	<b>191,280</b>	<b>470,883</b>	<b>2.47%</b>		
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	3,125,000.00	3,169,646.88	3,145,968.75	23,437.50	(23,678.13)	3.000%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	3,125,000.00	3,093,868.75	3,159,312.50	25,000.00	65,443.75	2.250%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA-	Corporate Bond	3,125,000.00	3,071,040.63	3,167,937.50	8,203.12	96,896.87	2.100%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	3,125,000.00	3,016,371.88	3,167,781.25	19,240.45	151,409.37	1.550%	02/28/18	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	3,215,000.00	3,201,014.75	3,359,353.50	11,574.00	158,338.75	2.700%	02/28/18	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	AA-	Corporate Bond	1,500,000.00	1,452,690.00	1,550,445.00	10,122.92	97,755.00	2.150%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	AA-	Corporate Bond	1,625,000.00	1,607,792.88	1,707,062.50	20,718.75	99,269.62	2.700%	02/28/18	01/11/23
INTL BK RECON & DEVELOP	45905UP32	N/A	Corporate Bond	3,000,000.00	2,999,916.00	3,011,490.00	14,164.08	11,574.00	1.561%	02/10/20	09/12/20
<b>TOTAL CORPORATE BONDS:</b>				<b>21,840,000</b>	<b>21,612,342</b>	<b>22,269,351</b>	<b>132,461</b>	<b>657,009</b>	<b>2.24%</b>		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	7,400.12	-	7,400			
METLIFE INC	59156R108	N/A	Common Stock	-	-	107,222.72	-	107,223			
<b>TOTAL COMMON STOCKS:</b>				<b>-</b>	<b>-</b>	<b>114,623</b>	<b>-</b>	<b>114,623</b>			
<b>TOTAL INVESTMENT HELD BY WELLS FARGO:</b>				<b>65,250,000</b>	<b>65,042,111</b>	<b>66,572,082</b>	<b>355,044</b>	<b>1,529,971</b>			



# The State Bar of California

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Date: September 8, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Client Security Fund Report for the 2nd Quarter Ended June 30, 2020

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Attached for your review are a series of reports for the applications activity within the Client Security Fund (CSF) for the quarter ended June 30, 2020. These reports include:

- Status on Applications Activity for the quarter ended June 30, 2020
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid out Ratio
- Analysis of New Applications Paid, Rejected or Withdrawn

As of June 30, a total of 275 new applications in the amount of \$7.2 million were filed. The number of applications filed has decreased by 32 percent compared to 404 applications filed last year. The application amount decreased by \$1.0 million, or 12.2 percent compared to \$8.2 million filed in 2019.

For the quarter ended June 30, 2020, total applications processed are 522 for approximately \$9.5 million. Total payouts for 2020 are \$5.1 million, increased by \$1.3 million compared to \$3.8 million last year. Total applications pending for processing as of June 30, 2020 are 2,134 in the amount of \$45.5 million, and for the same period in 2019, there were 2,532 pending applications in the amount of \$48.8 million.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24 month historical applications payout ratio, currently 40.5 percent. Total applications outstanding as of June 30, 2020 are 2,134 for \$45.5 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated

application payout as of June 30, 2020 is \$18.4 million and there is a decrease of \$0.6 million or 3.2 percent compared to \$19.0 million last year.

As of June 30, 2020, cash and investments available for applications reimbursement in the CSF are approximately \$9.5 million compared to \$3.9 million last year.

Key indicators for the CSF application process as of June 30, 2020 and 2019 are shown below:

<b>Key Indicator Descriptions</b>	<b>2020 Q2</b>	<b>2019 Q2</b>	<b>Attachment</b>
New Applications Received #/\$ (in million)	275/\$7.2	404/\$8.2	1
Total Applications Processed #/\$ (in million)	522/\$9.5	763/\$11.3	2
% of Paid Applications in # to total in process <sup>1</sup>	14.3%	14.0%	1
% of Paid Applications in \$ to total in process <sup>2</sup>	9.3%	6.3%	1
Total Payouts \$ (in million)	\$5.1	\$3.8	2
Total Applications Pending for Processing #/\$ (in million)	2,134/\$45.5	2,532/\$48.8	2
24-month Rolling Average Payout Ratio	40.48%	38.96%	4
Estimated CSF Application Liabilities (in million)	\$18.4	\$19.0	2
Net Assets as of March 31 (in million)	\$9.5	\$3.9	3

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<sup>1</sup> # of total in process represents pending application from prior year plus additional application filed in current fiscal year.

<sup>2</sup> \$ of total in process represents total application amount pending for processing from prior year plus additional applications filed in current fiscal year.

THE STATE BAR OF CALIFORNIA  
 CLIENT SECURITY FUND  
 STATUS ON APPLICATIONS ACTIVITIES  
 June 30, 2020  
YEAR TO DATE ACTIVITIES

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>		(A)	(B)
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount		
Prior Years' Applications	434	744,536	690	2,699,075	436	3,241,084	333	5,800,007	139	5,097,890	30	1,153,800	319	29,084,239	2,381	47,820,631		
New Applications	47	77,764	59	240,558	39	294,006	53	889,013	26	838,593	2	100,000	49	4,707,357	275	7,147,291		
Paid Applications	(73)	(122,293)	(119)	(430,827)	(82)	(580,294)	(64)	(927,872)	(19)	(537,700)	(3)	(100,000)	(34)	(2,386,248)	(394)	(5,085,234)	14.8%	9.3%
Rejected Applications	(2)	(11,190)	(2)	(55,613)	(2)	(86,177)	-	(219,960)	(2)	(215,444)	-	(50,000)	(8)	(1,346,212)	(16)	(1,984,596)	0.6%	3.6%
Withdrawn Applications	(30)	(46,325)	(26)	(98,275)	(19)	(158,268)	(13)	(235,154)	(4)	(149,202)	(4)	(200,000)	(16)	(1,499,042)	(112)	(2,386,265)	4.2%	4.3%
<b>Applications Outstanding</b>	<b>376</b>	<b>\$ 642,491</b>	<b>602</b>	<b>\$ 2,354,919</b>	<b>372</b>	<b>\$ 2,710,352</b>	<b>309</b>	<b>\$ 5,306,034</b>	<b>140</b>	<b>\$ 5,034,137</b>	<b>25</b>	<b>\$ 903,800</b>	<b>310</b>	<b>\$ 28,560,093</b>	<b>2,134</b>	<b>\$ 45,511,826</b>		
<b>New applications % to total</b>	17.09%	1.09%	21.45%	3.37%	14.18%	4.11%	19.27%	12.44%	9.45%	11.73%	0.73%	1.40%	17.82%	65.86%	100.00%	100.00%		
<b>Applications paid % to total</b>	18.53%	2.40%	30.20%	8.47%	20.81%	11.41%	16.24%	18.25%	4.82%	10.57%	0.76%	1.97%	8.63%	46.93%	100.00%	100.00%		
<b>Applications rejected or withdrawn % to total</b>	25.00%	1.32%	21.88%	3.52%	16.41%	5.59%	10.16%	10.41%	4.69%	8.34%	3.13%	5.72%	18.75%	65.10%	100.00%	100.00%		
<b>Applications outstanding % to total</b>	17.62%	1.41%	28.21%	5.17%	17.43%	5.96%	14.48%	11.66%	6.56%	11.06%	1.17%	1.99%	14.53%	62.75%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2020 Q2

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2020 Q2

THE STATE BAR OF CALIFORNIA  
 CLIENT SECURITY FUND  
 APPLICATIONS AGING REPORT  
 AS OF JUNE 30, 2020

<u>Application Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or Withdrawn</u>		<u>Total Applications Processed</u>		<u>Applications Outstanding</u>		
	<u>Year</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>		
2011	1		25,220							-	-	1	25,220
2012	14		135,816		0	-		(3)	(9,500)	(3)	(9,500)	11	126,316
2013	30		242,417		(3)	(12,144)		-	(1,356)	(3)	(13,500)	27	228,917
2014	246		1,352,459		(14)	(61,156)		-	(2,844)	(14)	(64,000)	232	1,288,459
2015	101		1,073,066		(3)	(90,082)		(1)	(49,918)	(4)	(140,000)	97	933,066
2016	184		5,274,675		(64)	(608,395)		(13)	(734,907)	(77)	(1,343,301)	107	3,931,374
2017	560		11,262,004		(205)	(2,584,688)		(19)	(1,294,430)	(224)	(3,879,118)	336	7,382,886
2018	621		15,644,369		(69)	(1,336,300)		(27)	(784,552)	(96)	(2,120,852)	525	13,523,517
2019	624		12,810,605		(36)	(392,469)		(65)	(1,493,355)	(101)	(1,885,824)	523	10,924,781
2020				275	7,147,291							275	7,147,291
<b>TOTAL</b>	<b>2,381</b>	<b>47,820,631</b>		<b>275</b>	<b>7,147,291</b>	<b>(394)</b>	<b>(5,085,234)</b>	<b>(128)</b>	<b>(4,370,862)</b>	<b>(522)</b>	<b>(9,456,095)</b>	<b>2,134</b>	<b>45,511,826</b>

Applications Outstanding **45,511,826**

Estimated Application Payout Ratio **40.48%**

Estimated Application Payouts **\$18,424,740**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**CUMULATIVE APPLICATIONS AGING REPORT**  
**AS OF JUNE 30, 2020**

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected</u> <u>and Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
2010-2011	1	25,220			-	-	-	-	-	-	1	25,220
2010-2012	15	161,036			-	-	(3)	(9,500)	(3)	(9,500)	12	151,536
2010-2013	45	403,454			(3)	(12,144)	(3)	(10,856)	(6)	(23,000)	39	380,454
2010-2014	291	1,747,913			(17)	(73,300)	(3)	(13,700)	(20)	(87,000)	271	1,668,913
2010-2015	392	2,818,701			(20)	(163,382)	(4)	(63,618)	(24)	(227,000)	368	2,601,979
2010-2016	576	8,092,876			(84)	(771,777)	(17)	(798,524)	(101)	(1,570,301)	475	6,533,353
2010-2017	1,136	19,275,914			(289)	(3,356,465)	(36)	(2,092,955)	(325)	(5,449,419)	811	13,916,238
2010-2018	1,757	34,916,844			(358)	(4,692,765)	(63)	(2,877,507)	(421)	(7,570,271)	1,336	27,439,755
2010-2019	2,381	47,726,542	-	-	(394)	(5,085,234)	(128)	(4,370,862)	(522)	(9,456,095)	1,859	38,364,536
			275	7,147,290.73							2,134	45,511,826
			<b>275</b>	<b>7,147,291</b>	<b>(394)</b>	<b>(5,085,234)</b>	<b>(128)</b>	<b>(4,370,862)</b>	<b>(522)</b>	<b>(9,456,095)</b>	<b>2,134</b>	<b>45,511,826</b>

Net Asset in Client Security Fund:

As of: 6/30/2020 \$ 9.5 (in Millions)

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**JULY 2018 THROUGH JUNE 2020**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
July18	233,352	15.31%	1,290,696	1,524,048
Aug18	843,046	35.92%	1,503,880	2,346,926
Sep18	651,994	41.59%	915,793	1,567,787
Oct18	1,822,797	58.99%	1,266,955	3,089,752
Nov18	989,509	40.05%	1,481,305	2,470,815
Dec18	674,954	65.13%	361,308	1,036,263
Jan19	502,309	25.50%	1,467,298	1,969,607
Feb19	502,898	32.61%	1,039,394	1,542,292
Mar19	746,987	43.70%	962,516	1,709,504
Apr19	813,969	36.35%	1,425,378	2,239,347
May19	619,336	22.52%	2,130,501	2,749,837
June19	580,329	55.54%	464,556	1,044,885
July19	942,256	34.23%	1,810,774	2,753,029
Aug19	818,478	61.82%	505,507	1,323,985
Sep19	334,251	30.61%	757,824	1,092,075
Oct19	357,579	51.16%	341,385	698,964
Nov19	618,018	17.23%	2,969,348	3,587,366
Dec19	83,374	24.89%	251,643	335,017
Jan20	2,266,254	60.25%	1,495,016	3,761,270
Feb20	697,500	71.18%	282,350	979,850
Mar20	356,979	28.17%	910,028	1,267,007
Apr20	957,237	53.25%	840,553	1,797,790
May20	490,489	56.73%	374,073	864,561
Jun20	316,775	40.32%	468,841	785,617
<b>Total:</b>	<b><u>17,220,670</u></b>		<b><u>25,316,925</u></b>	<b><u>42,537,595</u></b>

24 Month Rolling Average PaidOut Ratio:

**40.48%**

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED  
OR WITHDRAWN, ESTIMATED  
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY**

**March 31, 2020**

	<u>1ST QTR</u>	<u>2nd QTR</u>
Beginning Balance	2381	2,227
Add: Reinstated Applications and New Applications	152	123
Less: Paid / Rejected or Withdrawn	306	216
TOTAL	2,227	2,134
APPLICATIONS OUTSTANDING AMT.	45,754,583	45,511,826
# Of Active Attorneys	189,884	190,498
Cost Per Active Attorney	\$241	\$239
ESTIMATED APPLICATIONS LIAB.		
Applications Payout Ratio	39.10%	40.48%
Estimated Application Amount *	\$17,889,796	\$18,424,740
# of Active Attorneys	189,629	189,629
Cost per Active Attorney	\$94	\$97
APPLICATION ACTIVITIES IN %:		
NEW APPLICATIONS - YTD		
1 - 2,500	1.14%	1.09%
2,501 - 5,000	3.16%	3.37%
5,001 - 10,000	4.53%	4.11%
10,001 - 25,000	11.30%	12.44%
25,001 - 49,999	8.20%	11.73%
50,000	2.48%	1.40%
50,001 - 100,000	69.19%	65.86%
APPLICATIONS PAID - YTD		
1 - 2,500	2.14%	2.40%
2,501 - 5,000	5.81%	8.47%
5,001 - 10,000	7.56%	11.41%
10,001 - 25,000	13.74%	18.25%
25,001 - 49,999	6.92%	10.57%
50,000	3.01%	1.97%
50,001 - 100,000	60.82%	46.93%
REJ./WDRAWN - YTD		
1 - 2,500	1.42%	1.32%
2,501 - 5,000	4.83%	3.52%
5,001 - 10,000	7.73%	5.59%
10,001 - 25,000	11.84%	10.41%
25,001 - 49,999	9.54%	8.34%
50,000	9.30%	5.72%
50,001 - 100,000	55.33%	65.10%
APPLICATIONS O/S-CUM. - YTD		
1 - 2,500	1.49%	1.41%
2,501 - 5,000	5.44%	5.17%
5,001 - 10,000	6.48%	5.96%
10,001 - 25,000	11.95%	11.66%
25,001 - 49,999	10.67%	11.06%
50,000	1.98%	1.99%
50,001 - 100,000	62.00%	62.75%
NET ASSET, END OF PERIOD	\$ 11,842,558	\$ 9,406,996
PROJECTED NET ASSETS	(\$6,047,238)	(\$9,017,744)

\*Based upon 24 month rolling weighted average of applications payout ratio (See page 4)