



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-163

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MEMORANDUM

DATE: February 23, 2017

TO: Members, Planning and Budget Committee
Members, Audit Committee
Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

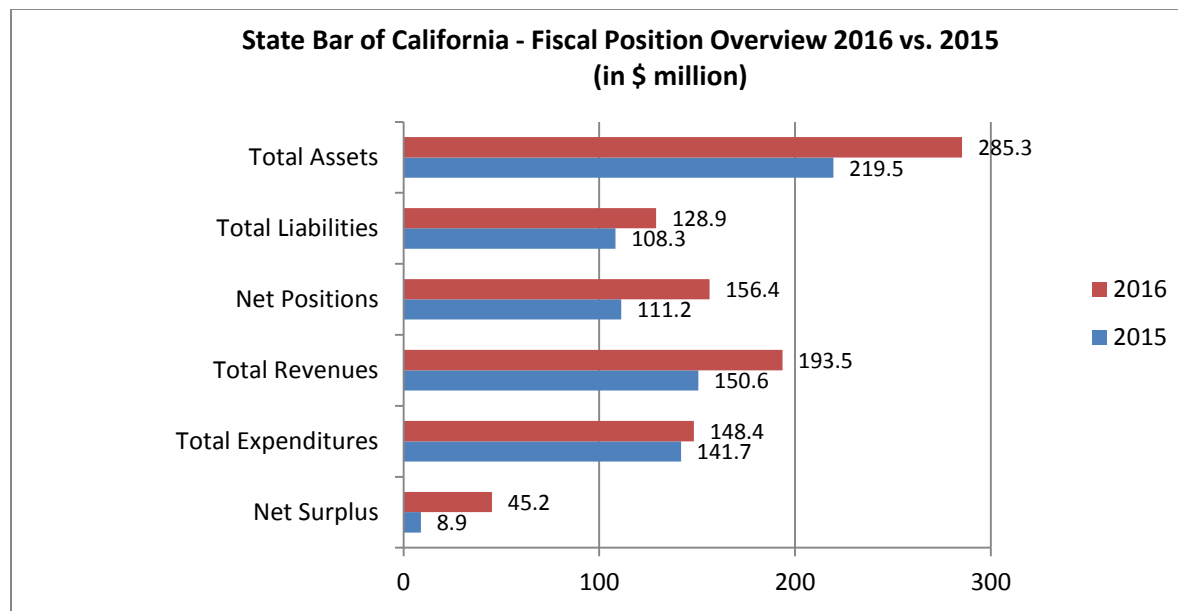
SUBJECT: 2016 Q4 Pre-Audited Financial Statement Report

Attached for your review are the 2016 year end financial statements (Pre-Audited) for the State Bar of California. The statements include:

- Attachment 1 – Assets, Liabilities & Net Assets – All Funds
- Attachment 2 – Assets, Liabilities & Net Assets – Consolidated General Fund, Special Revenue Fund Group & Restricted Fund Group
- Attachment 3 – Revenue, Expenses and Changes in Net Assets – All Funds
- Attachment 4 – Revenue, Expenses and Changes in Net Assets – Consolidated General Fund, Special Revenue Fund Group and Restricted Fund Group
- Attachment 5 – Budget To Actual Comparison By Function – Revenue, Expenses and Net Operating Surplus - Unconsolidated General Fund
- Attachment 6 – Variance Analysis

Key Financial Highlights

As of December 31, 2016, the State Bar closed its fiscal year with positive operating results exceeding the targeted budgetary goals in general. Total assets for the fiscal year end are \$285.3 million, a \$65.8 million increase compared to 2015. Total liabilities also increased by \$20.6 million, from \$108.3 million in 2015 to \$128.9 million in 2016. The net assets value (total assets minus total liabilities) as of December 31, 2016 were \$156.4 million, an increase of \$45.2 million compared to 2015. Total revenues for the fiscal year were \$193.5 million, increased significantly by \$42.9 million compared to 2015. Total operating expenses were \$148.4 million, increased slightly by \$6.7 million. The 2016 operating surplus is \$45.2 compared to \$8.9 million last year. The 2016 operating results boosted the net assets balance up to \$156.4 million. The chart below summarizes the State Bar's operating results and fiscal position as of December 31, 2106 compared to 2015.



Financial Statement Overview

The State Bar's year-end financial statements provide a significant amount of information regarding budgeted versus actual asset balances, liabilities, revenue, and expenses; information enabling comparison to prior year results in each of these areas is also included. The structure of the State Bar's financial statements, as well as an overview of year-to-year comparisons, is outlined in the table below. Detailed description of each category is provided in the Notes section below, as well as in the referenced Attachments. The table on the following page summarizes key elements of the financial statements, and references where additional information regarding each element can be found in either the Attachments or Notes.

Financial Statement Category	2016 (in \$ M)	2015 (in \$ M)	Changes in \$	Changes in %	Reference to Attachment	Financial Statement Notes
Total Assets	285.3	219.5	65.8	30%	1 & 2	(1)
Cash & Investment	133.0	92.8	40.2	43.3%	1 & 2	(1.b)
Accounts Receivable	9.9	2.2	7.7	350%	1 & 2	(1)
OPEB Plan Asset	10.8	9.8	1.0	10.2%	1 & 2	(1)
Total Liabilities	128.9	108.3	20.6	19%	1 & 2	(2)
GASB 68 Deferred Outflows of Resources (Assets)	33.2	15.7	17.5	111%	1 & 2	(1.a)
GASB 68 Deferred Inflows of Resources (Liabilities)	12.0	18.2	(6.2)	(34.1%)	1 & 2	(2), (2.a)
GASB 68 Net Pension Liabilities	60.0	31.2	28.8	92.3%	1 & 2	(2.a)
Loan Payable	29.3	21.3	8.0	37.5%	1 & 2	(2.b)
Unearned Income	13.1	27.0	(13.9)	(51.5%)	1 & 2	(1.e)
Total Revenues	193.5	150.6	42.9	28.5%	3,4,6	(4)
Member Dues/Donation	85.4	84.7	0.7	0.89%	3,4,6	(4)
GF Member Dues	66.4	65.7	0.7	1.1%	3,4,6	(6)
Bank Settlement Grant	44.7	6.1	38.6	635%	3,4,6	(1.c)
Total Expenditures	148.4	141.7	6.7	4.7%	3,4,6	(5)
Personnel Costs	68.7	65.6	3.1	4.7%	3,4,6	(5)
Indirect Cost Allocation	29.1	29.8	0.7	2.3%	3,4,6	(5)
GASB 68 Pension Exp Adj	5.0	(2.1)	7.1	338%	3,4,6	(5)
OCTC	38.7	38.4	(0.3)	(0.75%)	3,4,5,6	NA
State Bar Court	11.7	11.9	(0.2)	(2.04%)	3,4,5,6	NA
Governance	3.5	2.0	1.5	75%	3,4,5,6	NA
CSF Payout	8.0	6.0	2.0	8.3%	3,4,5,6	NA
Travel & Training	4.7	5.5	(0.8)	(14.5%)	3,4,5,6	(5)
Professional Services	3.5	4.5	(1.0)	(22.2%)	3,4,5,6	(5)

Financial Statement Notes:

Attachments 1 & 2: Statement of Assets, Liabilities & Net Assets

This statement reports the Bar's assets, liabilities and net assets:

(1) Assets and Deferred Outflows of Resources – As of December 31, 2016, the State Bar's total assets and deferred outflows of resources were \$285.3 million, up by \$65.8 million or 30% compared to \$219.5 million last year. The increase is due to a combination of 1) a \$40.2 million increase in cash, restricted cash and investment balances in 2016; 2) a \$17.5 million increase in deferred outflows of resources from the Governmental Accounting Standards Board Statement No. 68 ("GASB 68") pension liability adjustments; 3) a \$7.7 million increase in Equal Access Fund ("EAF") grant receivable; and 4) a \$1.0 million increase in the OPEB Plan asset;. These increases are partially offset by a \$0.8 million net decrease in capital assets due to normal depreciation.

(1.a) The State Bar records deferred outflows of resources in its financial statements for consumption of net pension assets that is applicable to future reporting periods. This deferred outflows of resource balance as of December 31, 2016 consists of actuarially determined deferred contribution and expected future investment incomes relates to pension under GASB68. As of December 31, 2016, the deferred outflows of resources were \$33.2 million, increased by \$17.5 million compared to \$15.7 million last year.

(1.b) Cash, restricted cash and investment consisted of balances in demand deposit accounts, money market accounts, the State Bar's share of California's Local Agency Investment Fund and investment securities. As of December 31, 2016, the combined cash, restricted cash and investment balances were \$133.0 million, up by \$40.2 million or 43.31% compared to \$92.8 million last year. The higher cash balance in 2016 is due to a combination of 1) a \$44.7 million additional bank settlement grants awarded to the Legal Service Trust Fund ("LSTF") Program in 2016; 2) a \$10.0 million private loan obtained for tenant improvements at the Bar's 180 Howard Street location; and 3) a \$13.9 million decrease in unearned fees collected in advance.

(1.c) \$44.7 million Bank Settlement Grant: In March 2016, the LSTF Program received a \$44.7 million bank settlement grant award as a result of a settlement between the U.S. Department of Justice and Bank of America. The LSTF Commission approved a grant distribution plan to spend down the grant money in 2016 and future years. Approximately \$0.7 million of this grant was distributed to eligible legal services organizations in 2016.

(1. d) \$10.0 million Tenant Improvement Loan – In March 2016, the State Bar obtained a \$10 million loan to finance a tenant improvement project at its San Francisco location; there are currently three unoccupied floors in that building. The purpose of this investment is to renovate the space to appropriate rental quality to generate future income. This loan is secured by a debt service reserve fund totaling approximately \$2.5 million. Taken together with the Los Angeles building debt service reserve, over \$7.1 million is currently classified as restricted cash in the Bar's financial statements.

(1.e) \$13.9 million Decrease in Fees Collected in Advance – 2017 dues collected as of December 31, 2016 totaled \$13.1 million as compared to \$27 million during the same period in 2015. The State Bar's billing cycle normally begins on December 1 and ends on February 1. The 2017 billing cycle did not begin until December 7, however; in addition, the 2017 authorized fee of \$297 is 5.7% less than the 2016 fee of \$315. Dues collected in the month of December are recorded as unearned fees collected in advance for year-end financial statement presentation.

(1.f) Capital assets consisted of land, buildings, building and leasehold improvements, tenant improvements, office equipment, and furniture and fixtures, net of accumulated depreciation. The net capital assets balance as of December 31, 2016 was \$96.2 million, a \$0.8 million decrease compared to \$97.0 million last year. The decrease is due to normal depreciation and amortization of tenant improvement costs, partially offset by capital expenditures incurred in 2016.

(1.g) Other assets consisted of interest receivable, prepayments, grants receivable, other receivables, and Other Postemployment Benefits (OPEB) assets. The combined balance as of December 31, 2016, was \$22.7 million, up by \$8.7 million or 62.1% compared to \$14.0 million last year. The increase is due to a \$1.0 million increase in OPEB assets due to normal annual required contribution to the OPEB Plan and a \$7.7 million increase in EAF grant receivable due to a delay in releasing the EAF grant by the California Judicial Council. This \$7.7 million EAF grant was received in January 2017 instead of in December 2016. Delay in releasing to 2017 resulted in \$7.7 million increases in grant receivable balance as of December 31, 2016.

(2) Liabilities and Deferred Inflows of Resources – The State Bar's total liabilities and deferred inflows of resources consisted of accounts payable to vendor accounts, unearned fees collected in advance, grants payable, loans payable, net pension liability, employee vacation and sick leave accruals and deferred inflows of resources from GASB 68 adjustments. As of December 31, 2016, the State Bar's total liabilities and deferred inflows of resources were \$128.9 million, up by \$20.6 million or 19.1% compared to \$108.3 million last year. The increase is due to a combination of 1) a \$28.7 million increase in pension liabilities; 2) a \$8 million net increase in loans payable; 3) a \$4 million increase in accounts payable and other liabilities; partially offset by 4) a \$13.9 million decrease in unearned fees collected in advance as discussed above; and 5) a \$6.2 million decrease in deferred inflows of resources from GASB 68 adjustments.

(2.a) The State Bar's net pension liabilities as of December 31, 2016 were \$59.9 million, increased by \$28.7 million or 92.31% compared to the \$31.2 million determined last year. The net pension liabilities represent the excess of liabilities for future retiree benefit payments over the net investment asset value from contributions made as of the measurement date, June 30, 2016. The net pension liabilities are very sensitive to the market changes. Other factors affecting the net pension liabilities include net investment incomes earned, benefit payments made to retirees and refunds of employee contributions. Deferred inflows of resources as of December 31, 2016 are \$12.0 million, decreased by \$6.2 million compared to \$18.2 million last year. The deferred inflows of resources balance represents projected interest on pension liabilities for future period.

(2.b) Total current and long-term loans payable as of December 31, 2016 were \$29.3 million, up by \$7.9 million or 36.91% compare to \$21.4 million last year. The increase is due to a \$10 million loan the State Bar obtained for tenant improvement project as discussed above. The \$10 million increase was partially offset by the loan repayments made in 2016.

(2.c) Accounts payable and other liabilities as of December 31, 2016 were \$14.0 million, increased by \$4.0 million or 40% compare to \$10.0 million last year. The increase is due primarily to timing of payments to vendors and grantees.

(3) Net Position –This component of statement of net position consisted of restricted net position, net investments in capital assets, and unrestricted net position. The State Bar's total net position as of December 31, 2016 is \$156.4 million, up by \$45.2 million or 40.6% as compared to \$111.2 million in 2015. The increase represents the excess of revenues over expenditures from various programs as explained below:

(3.a) Restricted Net Position – the part of net position that is subject to internal constraints and external constraints imposed by grantors, or law through constitutional provisions or enabling legislation – increased by \$45.6 million or 80.7% from \$56.5 million in 2015 to \$102.1 million in 2016. The increase is due largely to the \$44.7 million bank settlement grant awarded to the LSTF Program in 2016 as discussed above.

(3.b) Net Investments in Capital Assets – the part of net position that consists of capital assets, net of accumulated depreciation, outstanding balances of mortgages or borrowings that are attributable to the acquisition, construction, and improvement of those assets – decreased by \$8.4 million or 3.09% from \$75.3 million in 2015 to \$66.9 million in 2016. The net decrease is due to loan repayment and normal depreciation of capital assets.

(3.c) Negative Unrestricted Net Position – the part of net assets/liabilities that are used for day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. A majority of the unrestricted net position is captured under the Consolidated General Fund. As of December 31, 2016, the negative unrestricted net position was \$12.6 million, a decrease of \$8 million or 38.8% compare to \$20.6 million negative unrestricted net position in 2015. The changes are due largely to the current year surplus in the Consolidated General Fund.

For the year ended December 31, 2016, the Bar's total assets are \$285.3 million, liabilities are \$128.9 million, and net assets are \$156.4 million.

Attachments 3 & 4: Statement of Revenue, Expenses and Changes in Net Assets **Attachment 6: Variance Analysis**

This statement reports the Bar's revenues, expenses, excess/(deficit) of revenues over expenses and changes in net assets. A high level analytical review was conducted and summarized in the Variance Analysis Report in Attachment 6.

(4) Operating and non-operating Revenues – For the year ended December 31, 2016, the State Bar's total operating and non-operating revenues were \$193.5 million, up by \$42.9 million or 28.5% compared to \$150.6 million in 2015. The increase is due largely to the bank settlement grant awarded to the LSTF Program as discussed above. Member dues and donations increased slightly by approximately \$1.0 million or 1.16% from \$85.2 million last year to \$86.2 million in 2016. The increase is due primarily to normal growth in membership.

(5) Operating Expenses – For fiscal year 2016, the State Bar's total operating expenses were \$148.3 million, an increase of \$6.7 million or 4.71% from \$141.6 million last year. The increase is due to a combination of 1) a \$2.9 million increase in grant expenses due to an increase of Equal Access Grant received in 2016; 2) a \$2.0 million increase in Client Security Fund payout due to the Board's action to transfer \$2.1 million to this Fund to mitigate case processing wait times; and 3) a \$3.1 million increase in personnel and benefit costs due to step and merit increases for existing staff. The personnel costs in 2015 were lower than normal year because a few of the key senior executive positions were vacant until late 2015. These cost increases are partially offset by cost savings in building improvement due to project delay. In addition, in response to the budget cut in 2016, there are cost savings in other operational areas including professional services, travel, catering and temporary help.

Attachment 5: Budget to Actual Comparison by Function – Unconsolidated General Fund Operating Results

(6) In this report, staff compared the year-to-date budget and actual of the Unconsolidated General Fund's operating results. This report is designed to provide the Board with information about how the year-to-date actual performance of the Unconsolidated General Fund comparing with prior year and the anticipated (budgeted) results by function. As of December 31, 2016, the Unconsolidated General Fund surplus is \$1.1 million, reflecting a favorable variance of \$2.4 million compared to the annual budget. The \$1.1 million surplus in the Unconsolidated General Fund reflects a \$5.0 million GASB 68 pension expense adjustment in 2016. Net surplus before the GASB 68 adjustment is \$6.1 million.

The Unconsolidated General Fund's total operating revenues for the year ended are \$70.1 million, up slightly by \$0.7 million, or 1.01% compared to \$69.3 million in 2015. The increase is due to increase in membership dues revenue from normal membership growth. Overall, the Unconsolidated General Fund's total revenues for the year end meet the budget expectation with a small favorable variance of \$0.3 million.

The Unconsolidated General Fund's total operating expenses for the year ended December 31, 2016 are \$69.4 million, up by \$5.1 million compared to \$64.3 million in 2015. The \$69.4 million operating expenses include a \$5.0 million GASB 68 pension expenses adjustment for 2016. Compared to the 2016 annual budget of \$71.1 million, it reflects a \$1.7 million favorable variance. This variance is attributed to capital improvement cost saving due to delay of construction, personnel related cost savings from vacant positions and savings from travel, catering and professional services in response to 2016 budget reduction.

2016 Consolidated General Fund Reserve Balance Compared to Budget:

(7) The 2016 Consolidated General Fund operating and non-operating revenues are \$73.5 million, total operating expenditures are \$72.6 million and net interfund activities are \$1.4 million. Net operating surplus after interfund activities is \$2.3 million. The \$72.6 million operating expenditures include a \$5.0 million GASB 68 Pension Liabilities/Expenses adjustment, which was not available during the budget development process. As the pension liabilities are classified as long-term liabilities, they do not affect the reserve level of the Consolidated General Fund. 2016 Consolidated General Fund net surplus without GASB 68 adjustment and depreciation is \$8.8 million as projected in the budget. Estimated accumulated reserve balance for the Consolidated General Fund as of December 31, 2016 is approximately \$27.1 million as projected in the 2017 Final Proposed Budget.

Notes: Implementation of New Accounting Standards – GASB 68 in 2015:

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, effective for fiscal years beginning after June 15, 2014. In the 2015 year-end financial statements, staff has implemented this new accounting standard and recognized net pension liabilities of \$31.2 million and \$18.9 million as of 12/31/2015 and 12/31/2014, respectively. The net position for 2014 was also restated to reflect the GASB 68 implementation adjustment. In addition, staff also restated the deferred inflows and outflows of resources based on the GASB 68 valuation reports provided by CalPERS as of 6/30/2014 and 6/30/2015. Staff had a discussion with auditors from Moss Adams and determined that the net pension liability and deferred inflows/outflows of resources are classified as long-term assets/liabilities. As a result, the GASB 68 implementation will not affect the calculation of working capital and reserve level for budget purposes in future years.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - All Funds
As of December 31, 2016
Pre-Audit

Attachment 1

		Consolidated General Fund	Special Revenue Fund Group	Restrict Fund Group	Interfund Elimination	YTD Total All Fund December 2016	YTD Total All Fund December 2015	Change
ASSETS								
Cash & Restricted Cash	**	61,746,715	-	-	-	61,746,715	70,966,858	(9,220,143)
Investments	**	71,439,549	-	-	-	71,439,549	21,854,927	49,584,622
Accounts Receivable (net of allowances)		451,303	-	9,506,475	-	9,957,778	2,260,004	7,697,774
Interfund Receivable		22,568,533	17,147,552	68,410,050	108,126,135	-	-	-
Capital Assets (net of depreciation)		96,275,743	-	-	-	96,275,743	97,005,537	(729,794)
OPEB Investment		10,792,270	-	-	-	10,792,270	9,792,271	999,999
Other Assets		1,007,945	836,338	-	-	1,844,283	1,902,410	(58,127)
GASB 68 - Deferred Outflows of Resources		33,237,651	-	-	-	33,237,651	15,671,481	17,566,170
TOTAL ASSETS		297,519,709	17,983,890	77,916,525	108,126,135	285,293,989	219,453,488	65,840,501
LIABILITIES AND NET ASSETS								
Accounts Payable and Accrued Liabilities		6,695,852	428,256	7,438,125	-	14,562,233	10,569,221	3,993,012
Interfund Payable		108,061,183	64,952	-	(108,126,135)	-	-	-
Unearned Income		6,289,664	5,228,401	1,589,471	-	13,107,536	26,977,263	(13,869,727)
Grants Payable		-	-	16,753	-	16,753	16,753	-
Obligations under Debt Agreements		29,338,079	-	-	-	29,338,079	21,358,525	7,979,554
GASB 68 - Net Pension Liabilities		59,917,510	-	-	-	59,917,510	31,156,962	28,760,548
GASB 68 - Deferred Inflows of Resources		11,970,255	-	-	-	11,970,255	18,176,995	(6,206,740)
TOTAL LIABILITIES		222,272,543	5,721,609	9,044,349	(108,126,135)	128,912,366	108,255,719	20,656,647
NET ASSETS								
Net Assets at Beginning of Year		72,918,196	12,875,186	25,404,387	-	111,197,769	102,310,840	8,886,929
Current Operating Excess/(Deficit)		2,328,970	(612,905)	43,467,789	-	45,183,854	8,886,929	36,296,925
TOTAL NET ASSETS		75,247,166	12,262,281	68,872,176	-	156,381,623	111,197,769	45,183,854
TOTAL LIABILITIES & NET ASSETS		297,519,709	17,983,890	77,916,525	-	285,293,989	219,453,488	65,840,501

Note: ** Cash balance included \$7.1 M restricted cash secured with BoA for the LA Facility loan and the SF Tenant Build-out loan.
Combined cash and investment are \$133.1 million and \$92.8 million for 2016 and 2015, respectively.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - General Funds
As of December 31, 2016
Pre-Audit

Attachment 2
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Consolidated General Fund											
	General Fund	Building	Legal Education & Development	LA Facility	** Public Protection	Support & Administration	Technology improvement	Fixed Asset	Benefit Reserve	*** SF Tenant Improvement	Total GF
ASSETS											
Cash & Restricted Cash	52,446,566	119,678	-	-	4,610,000	1,294,435	-	-	781,036	2,495,000	61,746,715
Accounts Receivable (net of allowances)	450,517					786					451,303
Interfund Receivable	-	4,469,708	7,936,318	-	1,899,987	-	3,862,504	-	-	4,400,016	22,568,533
Investments	71,439,549	-	-	-	-	-	-	-	-	-	71,439,549
Capital Assets (net of depreciation)	-	1,451,023	-	68,680,805	-	-	-	23,030,158	-	3,113,757	96,275,743
OPEB Assets	-	-	-	-	-	-	-	-	10,792,270	-	10,792,270
Other Assets	234,849	-	-	-	-	773,096	-	-	-	-	1,007,945
GASB 68 - Deferred Outflows of Resources	33,237,651	-	-	-	-	-	-	-	-	-	33,237,651
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	157,809,132	6,040,409	7,936,318	68,680,805	6,509,987	2,068,317	3,862,504	23,030,158	11,573,306	10,008,773	297,519,709
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	4,672,076	217,789	1,868	243,577	-	961,951	12,669	-	-	585,922	6,695,852
Interfund Payable	102,029,880		-	3,229,389	-	1,106,366	-	-	1,695,548	-	108,061,183
Unearned Income	6,208,961	80,703	-	-	-	-	-	-	-	-	6,289,664
Obligations under Debt Agreements	-	-	-	19,939,281	-	-	-	-	-	9,398,798	29,338,079
GASB 68 - Net Pension Liabilities	59,917,510	-	-	-	-	-	-	-	-	-	59,917,510
GASB 68 - Deferred Inflows of Resources	11,970,255	-	-	-	-	-	-	-	-	-	11,970,255
TOTAL LIAB. & DEFERRED INFLOWS OF RESOURCES	184,798,682	298,492	1,868	23,412,247	-	2,068,317	12,669	-	1,695,548	9,984,720	222,272,543
NET ASSETS											
Net Assets at Beginning of Year	(28,057,291)	5,078,406	5,942,563	45,444,716	6,501,295	-	3,642,366	24,481,406	9,884,735	-	72,918,196
Current Operating Excess/(Deficit)	1,067,741	663,511	1,991,887	(176,158)	8,692	-	207,469	(1,451,248)	(6,977)	24,053	2,328,970
TOTAL NET ASSETS/(DEFICITS)	(26,989,550)	5,741,917	7,934,450	45,268,558	6,509,987	-	3,849,835	23,030,158	9,877,758	24,053	75,247,166
TOTAL LIABILITIES & NET ASSETS	157,809,132	6,040,409	7,936,318	68,680,805	6,509,987	2,068,317	3,862,504	23,030,158	11,573,306	10,008,773	297,519,709

** The State Bar's loan agreement contains a covenant that requires the maintenance of a \$4,610,000 deposit with Bank of America as a debt service reserve fund. This deposit is classified as restricted cash in the State Bar's Balance Sheet.

*** In April 2016, an additional covenant was added when the State Bar obtained a \$10 M loan for tenant improvement projects in the San Francisco facility. This loan covenant requires the maintenance of a \$2,495,000 deposit with Bank of America as a debt service reserve fund. This deposit is classified as restricted cash in the State Bar's financial statement.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - Special Revenue Funds
As of December 31, 2016
Pre-Audit

Attachment 2
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	Special Revenue Fund Group				
	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
ASSETS					
Cash	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	-	-
Interfund Receivable	8,216,740	-	452,173	8,478,639	17,147,552
Other Assets	835,519	-	-	819	836,338
TOTAL ASSETS	9,052,259	-	452,173	8,479,458	17,983,890
LIABILITIES AND NET ASSETS					
Accounts Payable and Accrued Liabilities	281,599	17,790	-	128,867	428,256
Interfund Payable	-	64,952	-	-	64,952
Unearned Income	4,626,016	-	-	602,385	5,228,401
Grants Payable	-	-	-	-	-
Pension Liability	-	-	-	-	-
Obligations under Debt Agreements	-	-	-	-	-
Grants Payable	-	-	-	-	-
Obligations under Debt Agreements	-	-	-	-	-
TOTAL LIABILITIES	4,907,615	82,742	-	731,252	5,721,609
NET ASSETS					
Net Assets at Beginning of Year	3,977,413	(69,918)	374,532	8,593,159	12,875,186
Current Operating Excess/(Deficit)	167,231	(12,824)	77,641	(844,953)	(612,905)
TOTAL NET ASSETS/(DEFICITS)	4,144,644	(82,742)	452,173	7,748,206	12,262,281
TOTAL LIABILITIES & NET ASSETS	9,052,259	-	452,173	8,479,458	17,983,890

The State Bar of California
Statement of Assets, Liabilities and Net Assets - Restricted Funds
As of December 31, 2016
Pre-Audit

Attachment 2
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	Restricted Fund Group										
	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Total Restricted Fund
ASSETS											
Cash	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	8,866,400	-	-	-	-	640,075	-	-	9,506,475
Interfund Receivable	2,257,469	520,946	222,335	1,216,759	1,659,420	3,223,658	611,999	8,434,148	6,150,577	44,112,739	68,410,050
Investments	-	-	-	-	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	2,257,469	520,946	9,088,735	1,216,759	1,659,420	3,223,658	611,999	9,074,223	6,150,577	44,112,739	77,916,525
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	103,096	45,291	7,076,765	-	-	47,119	47,342	64,911	43,601	10,000	7,438,125
Interfund Payable	-	-	-	-	-	-	-	-	-	-	-
Unearned Income	724,301	9,573	-	-	-	191,637	17,438	646,522	-	-	1,589,471
Grants Payable	-	-	-	-	-	-	-	16,753	-	-	16,753
TOTAL LIABILITIES	827,397	54,864	7,076,765	-	-	238,756	64,780	728,186	43,601	10,000	9,044,349
NET ASSETS											
Net Assets at Beginning of Year	2,200,440	598,573	160,933	1,211,193	512,501	2,233,020	714,349	12,359,725	5,413,653	-	25,404,387
Current Operating Excess/(Deficit)	(770,368)	(132,491)	1,851,037	5,566	1,146,919	751,882	(167,130)	(4,013,688)	693,323	44,102,739	43,467,789
TOTAL NET ASSETS/(DEFICITS)	1,430,072	466,082	2,011,970	1,216,759	1,659,420	2,984,902	547,219	8,346,037	6,106,976	44,102,739	68,872,176
TOTAL LIABILITIES & NET ASSETS	2,257,469	520,946	9,088,735	1,216,759	1,659,420	3,223,658	611,999	9,074,223	6,150,577	44,112,739	77,916,525

The State Bar of California
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	Consolidated General Fund	Special Revenue Fund Group	Restricted Fund Group	Interfund Elimination	Total All Funds Year to Date December 2016	Total All Funds Year to Date December 2015	Change	Percentage Change
OPERATING REVENUES								
Membership Fees and Donations	66,421,447	-	18,986,313	-	85,407,760	84,658,266	749,494	0.89%
MJP Fees	556,890	202,264	-	-	759,154	696,312	62,842	9.02%
Examination Application Fees	-	19,283,821	-	-	19,283,821	19,261,169	22,652	0.12%
Trust Account Revenue	-	-	6,439,199	-	6,439,199	5,584,435	854,764	15.31%
Law Practices Sections Fees	-	6,118,886	-	-	6,118,886	5,891,380	227,506	3.86%
Seminar/Workshop Revenue	10,550	1,242,678	4,432	-	1,257,660	1,532,465	(274,805)	-17.93%
Advertising Revenue	108,811	54,170	-	-	162,981	216,390	(53,409)	-24.68%
Convention Income	-	1,200,752	-	-	1,200,752	1,102,141	98,611	8.95%
Legal Specialization Fees	-	-	2,081,540	-	2,081,540	2,538,384	(456,844)	-18.00%
Law Corporation Registration Fees	1,475,984	-	-	-	1,475,984	1,499,333	(23,349)	-1.56%
Continuing Legal Education Fees	805,130	256,885	12,075	-	1,074,090	971,849	102,241	10.52%
Grant Revenue	-	138,300	12,647,000	-	12,785,300	10,523,350	2,261,950	21.49%
EAF AB 145 Filing Fee Revenue	-	-	3,800,000	-	3,800,000	3,701,281	98,719	2.67%
Settlement Grants	-	-	44,778,670	-	44,778,670	6,085,197	38,693,473	635.86%
Affinity Insurance Revenue	2,283,203	-	-	-	2,283,203	2,428,236	(145,033)	-5.97%
Other Revenue	514,732	1,875,702	475,898	-	2,866,332	2,950,429	(84,097)	-2.85%
Total Operating Revenue	72,176,747	30,373,458	89,225,127	-	191,775,332	149,640,617	42,134,715	28.16%
OPERATING EXPENSES								
Chief Trial Counsel	38,704,019	-	-	-	38,704,019	38,414,925	289,094	0.75%
State Bar Court	11,659,655	-	-	-	11,659,655	11,902,970	(243,315)	-2.04%
Member Records & Compliance	3,727,087	-	-	-	3,727,087	3,215,159	511,928	15.92%
Professional Competence	2,449,308	-	-	-	2,449,308	2,350,938	98,370	4.18%
Probation	1,346,627	-	-	-	1,346,627	1,333,861	12,766	0.96%
Mandatory Fee Arbitration	881,504	-	-	-	881,504	828,658	52,846	6.38%
Judicial Evaluation	923,485	-	-	-	923,485	856,744	66,741	7.79%
Commission on Access to Justice	20,504	-	-	-	20,504	16,631	3,873	23.29%
Center on Access to Justice	1,731,667	-	-	-	1,731,667	1,662,404	69,263	4.17%
California Young Lawyers Association	201,726	-	-	-	201,726	316,518	(114,792)	-36.27%
Communications	1,378,089	-	-	-	1,378,089	1,714,205	(336,116)	-19.61%
Governance	3,530,833	-	-	-	3,530,833	2,060,055	1,470,778	71.40%
CSF application payments	-	-	9,025,182	-	9,025,182	7,745,688	1,279,494	16.52%
Lawyer Assistance Program	-	-	1,542,134	-	1,542,134	1,632,537	(90,403)	-5.54%
Grant Expenses	-	10,000	30,798,302	-	30,808,302	27,870,122	2,938,180	10.54%
Administrations	-	20,292,772	-	-	20,292,772	20,072,708	220,064	1.10%
Sections	-	8,358,117	-	-	8,358,117	8,281,686	76,431	0.92%
Pension Expense - GASB 68	4,987,638	-	-	-	4,987,638	(2,074,874)	7,062,512	-340.38%
General and Administrative	1,022,292	741,472	5,017,687	-	6,781,451	13,480,605	(6,699,154)	-49.69%
Total Operating Expenses	72,564,434	29,402,361	46,383,305	-	148,350,100	141,681,540	6,668,560	4.71%
OPERATING INCOME/(LOSS)	(387,687)	971,097	42,841,822	-	43,425,232	7,959,077	35,466,155	445.61%
NON-OPERATING REVENUE								
Investment Income	298,022	106,012	299,152	-	703,186	185,745	517,441	278.58%
Rental Income	1,938,029	-	-	-	1,938,029	1,683,779	254,250	15.10%
Interest Expense on Loan	(882,593)	-	-	-	(882,593)	(941,672)	59,079	-6.27%
Total Non-Operating Revenue	1,353,458	106,012	299,152	-	1,758,622	927,852	830,770	89.54%
INCOME/(LOSS) BEFORE TRANSFERS	965,771	1,077,109	43,140,974	-	45,183,854	8,886,929	36,296,925	408.43%
Transfer in From Section Spring SEI Fund	1,380,184	629,730	327,668	2,337,582	-	-	-	0.00%
Transfer Out to Section OH Fund	-	(629,730)	-	(629,730)	-	-	-	0.00%
Transfer Out to LAP Fund	-	(238,211)	-	(238,211)	-	-	-	0.00%
Transfer Out to EOB Fund	-	(89,457)	-	(89,457)	-	-	-	0.00%
Transfer Out to GF	-	(1,380,184)	-	(1,380,184)	-	-	-	0.00%
Transfer Out To CSF	-	-	(420,000)	(420,000)	-	-	-	0.00%
Transfer Out To IT Fund	(1,000,000)	-	-	(1,000,000)	-	-	-	0.00%
Transfer in From GF	1,000,000	-	-	1,000,000	-	-	-	0.00%
Transfer in From Leg. Activity Fund to CSF	-	-	420,000	420,000	-	-	-	0.00%
Interfund Transaction - Revenue	37,925	54,335	5,800	98,060	-	-	-	0.00%
Interfund Transaction - Expense	(54,910)	(36,497)	(6,653)	(98,060)	-	-	-	0.00%
Change in Net Position	2,328,970	(612,905)	43,467,789	-	45,183,854	8,886,929	36,296,925	408.43%
CHANGES IN NET ASSETS								
Net Assets at beginning of year	72,918,196	12,875,186	25,404,387	-	111,197,769	102,310,840	8,886,929	8.69%
NET ASSETS AS OF DECEMBER 31, 2016	75,247,166	12,262,281	68,872,176	-	156,381,623	111,197,769	45,183,854	40.63%

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Consolidated General Fund											
	General Fund	Building	Legal Education & Development	LA Facility	Public Protection*	Support & Administration	Technology improvement	Fixed Asset Funds	Benefit Reserve	SF Tenant Improvement	Total General Fund
REVENUE											
Membership Fees and Donations	66,416,737	3,770	-	-	-	-	940	-	-	-	66,421,447
Investment Income	227,252	20,008	29,432	(22,872)	8,692	2,088	16,346	-	(6,977)	24,053	298,022
Continuing Legal Education Fees	805,130	-	-	-	-	-	-	-	-	-	805,130
Law Corporation Registration Fees	1,475,984	-	-	-	-	-	-	-	-	-	1,475,984
Rental Income	-	1,539,295	-	398,734	-	-	-	-	-	-	1,938,029
MJP Fees	556,890	-	-	-	-	-	-	-	-	-	556,890
Seminar/Workshop Revenue	10,550	-	-	-	-	-	-	-	-	-	10,550
Advertising Revenue	108,811	-	-	-	-	-	-	-	-	-	108,811
Affinity Insurance Revenue	-	-	2,283,203	-	-	-	-	-	-	-	2,283,203
Other Revenue	504,026	-	2,162	-	-	8,544	-	-	-	-	514,732
TOTAL REVENUE	70,105,380	1,563,073	2,314,797	375,862	8,692	10,632	17,286	-	(6,977)	24,053	74,412,798
EXPENSES											
Chief Trial Counsel	38,704,019	-	-	-	-	-	-	-	-	-	38,704,019
State Bar Court	11,659,655	-	-	-	-	-	-	-	-	-	11,659,655
Member Records & Compliance	3,727,087	-	-	-	-	-	-	-	-	-	3,727,087
Professional Comptence	2,449,308	-	-	-	-	-	-	-	-	-	2,449,308
Probation	1,346,627	-	-	-	-	-	-	-	-	-	1,346,627
Mandatory Fee Arbitration	881,504	-	-	-	-	-	-	-	-	-	881,504
Judicial Evaluation	923,485	-	-	-	-	-	-	-	-	-	923,485
Commission on Access to Justice	20,504	-	-	-	-	-	-	-	-	-	20,504
Center on Access to Justice	1,731,667	-	-	-	-	-	-	-	-	-	1,731,667
California Young Lawyers Association	201,726	-	-	-	-	-	-	-	-	-	201,726
Communications	1,378,089	-	-	-	-	-	-	-	-	-	1,378,089
Governance	3,530,833	-	-	-	-	-	-	-	-	-	3,530,833
Interest Expense on Loan	-	-	-	882,593	-	-	-	-	-	-	882,593
Pension Expense - GASB 68	4,987,638	-	-	-	-	-	-	-	-	-	4,987,638
General and Administrative	(2,128,971)	899,562	315,420	(330,573)	-	5,789	809,817	1,451,248	-	-	1,022,292
TOTAL EXPENSES	69,413,171	899,562	315,420	552,020	-	5,789	809,817	1,451,248	-	-	73,447,027
INCOME/(LOSS) BEFORE TRANSFERS	692,209	663,511	1,999,377	(176,158)	8,692	4,843	(792,531)	(1,451,248)	(6,977)	24,053	965,771
Transfer in From Section-Spring SEI Fund	1,380,184	-	-	-	-	-	-	-	-	-	1,380,184
Transfer in From General Fund	(1,000,000)	-	-	-	-	-	1,000,000	-	-	-	-
Transfer Out To IT Fund	-	-	-	-	-	-	-	-	-	-	-
Interfund Transaction - Revenue	37,925	-	-	-	-	-	-	-	-	-	37,925
Interfund Transaction - Expense	(42,577)	-	(7,490)	-	-	(4,843)	-	-	-	-	(54,910)
	-	-	-	-	-	-	-	-	-	-	-
Change in Net Position	1,067,741	663,511	1,991,887	(176,158)	8,692	-	207,469	(1,451,248)	(6,977)	24,053	2,328,970
CHANGES IN NET ASSETS											
Net Assets at beginning of year	(28,057,291)	5,078,406	5,942,563	45,444,716	6,501,295	-	3,642,366	24,481,406	9,884,735	-	72,918,196
NET ASSETS AS OF DECEMBER 31, 2016	(26,989,550)	5,741,917	7,934,450	45,268,558	6,509,987	-	3,849,835	23,030,158	9,877,758	24,053	75,247,166

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	Special Revenue Fund Group				
	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
REVENUE					
Investment Income	46,410	4,374	-	55,228	106,012
Convention Income	-	597,986	-	602,766	1,200,752
Continuing Legal Education Fees	256,885	-	-	-	256,885
Law Practices (Sections) Revenue	-	-	-	6,118,886	6,118,886
Grant Revenue	-	-	118,300	20,000	138,300
MJP Fees	202,264	-	-	-	202,264
Exam Application & Moral Character Fees	19,283,821	-	-	-	19,283,821
Seminar/Workshop Revenue	-	-	-	1,242,678	1,242,678
Advertising Revenue	-	21,825	-	32,345	54,170
Other Revenue	671,863	59,391	-	1,144,448	1,875,702
TOTAL REVENUE	20,461,243	683,576	118,300	9,216,351	30,479,470
EXPENSES					
Grant Expenses	-	-	10,000	-	10,000
Administrations	20,292,772	-	-	-	20,292,772
CSF application payments	-	-	-	-	-
Sections	-	-	-	8,358,117	8,358,117
Interest Expense on Loan	-	-	-	-	-
General and Administrative	-	710,813	30,659	-	741,472
TOTAL EXPENSES	20,292,772	710,813	40,659	8,358,117	29,402,361
INCOME/(LOSS) BEFORE TRANSFERS	168,471	(27,237)	77,641	858,234	1,077,109
Transfer in From Section-Spring SEI Fund	-	-	-	629,730	629,730
Transfer Out to Section OH Fund				(629,730)	(629,730)
Transfer Out to LAP Fund				(238,211)	(238,211)
Transfer Out to EOB Fund	-	-	-	(89,457)	(89,457)
Transfer Out to GF	-	-	-	(1,380,184)	(1,380,184)
Interfund Transaction - Revenue	-	14,413	-	39,922	54,335
Interfund Transaction - Expense	(1,240)	-	-	(35,257)	(36,497)
Change in Net Position	167,231	(12,824)	77,641	(844,953)	(612,905)
CHANGES IN NET ASSETS					
Net Assets at beginning of year	3,977,413	(69,918)	374,532	8,593,159	12,875,186
NET ASSETS AS OF DECEMBER 31, 2016	4,144,644	(82,742)	452,173	7,748,206	12,262,281

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Restricted Fund Group

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Total Restricted Fund
REVENUE											
Membership Fees and Donations	7,787,097	801,360	-	-	1,161,470	2,046,465	781,170	6,408,751	-	-	18,986,313
Investment Income	29,932	4,203	2,392	5,566	3,785	10,464	3,853	53,156	30,454	155,347	299,152
Continuing Legal Education Revenue	-	-	-	-	-	-	-	-	12,075	-	12,075
Grant Revenue	-	5,000	12,642,000	-	-	-	-	-	-	-	12,647,000
LSTF Trust Account Revenue	-	-	-	-	-	-	-	6,439,199	-	-	6,439,199
EAF AB145 Filing Fee Revenue	-	-	3,800,000	-	-	-	-	-	-	-	3,800,000
Legal Specialization Fees	-	-	-	-	-	-	-	-	2,081,540	-	2,081,540
Seminar/Workshop Revenue	-	4,432	-	-	-	-	-	-	-	-	4,432
Settlement Grants	-	-	-	-	-	-	-	-	-	44,778,670	44,778,670
Other Revenue	14,650	-	457,500	-	-	-	-	-	3,748	-	475,898
TOTAL REVENUE	7,831,679	814,995	16,901,892	5,566	1,165,255	2,056,929	785,023	12,901,106	2,127,817	44,934,017	89,524,279
EXPENSES											
Grant Expenses	-	-	14,837,423	-	-	-	-	15,220,879	-	740,000	30,798,302
CSF Program	9,025,182	-	-	-	-	-	-	-	-	-	9,025,182
Lawyer Assistance Program	-	-	-	-	-	1,542,134	-	-	-	-	1,542,134
General and Administrative	-	1,036,514	213,432	-	18,336	-	531,473	1,693,915	1,432,739	91,278	5,017,687
TOTAL EXPENSES	9,025,182	1,036,514	15,050,855	-	18,336	1,542,134	531,473	16,914,794	1,432,739	831,278	46,383,305
INCOME/(LOSS) BEFORE TRANSFERS	(1,193,503)	(221,519)	1,851,037	5,566	1,146,919	514,795	253,550	(4,013,688)	695,078	44,102,739	43,140,974
Transfer in From Section-Spring SEI Fund	-	89,457	-	-	-	238,211	-	-	-	-	327,668
Transfer in From Leg. Activity Fund	420,000	-	-	-	-	-	-	-	-	-	420,000
Transfer Out To CSF	-	-	-	-	-	-	(420,000)	-	-	-	(420,000)
Interfund Transaction - Revenue	4,380	-	-	-	-	1,120	-	-	300	-	5,800
Interfund Transaction - Expense	(1,245)	(429)	-	-	-	(2,244)	(680)	-	(2,055)	-	(6,653)
Change in Net Position	(770,368)	(132,491)	1,851,037	5,566	1,146,919	751,882	(167,130)	(4,013,688)	693,323	44,102,739	43,467,789
CHANGES IN NET ASSETS											
Net Assets at beginning of year	2,200,440	598,573	160,933	1,211,193	512,501	2,233,020	714,349	12,359,725	5,413,653	-	25,404,387
NET ASSETS AS OF DECEMBER 31, 2016	1,430,072	466,082	2,011,970	1,216,759	1,659,420	2,984,902	547,219	8,346,037	6,106,976	44,102,739	68,872,176

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Budget to Actual Comparison - Unconsolidated General Fund
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	December 2016 Year to Date Actual	December 2016 Year to Date Budget	Variance Favorable (Unfavorable)	December 2015 Prior Year to Date Actual	Inc./((Dec.) From Prior Year	2016 Annual Budget
REVENUE						
Membership Fees	66,416,737	66,605,996	(189,259)	65,739,991	676,746	66,605,996
Investment Income	227,252	105,204	122,048	79,787	147,465	105,204
Law Corp Registration Fees	1,475,984	1,443,000	32,984	1,499,333	(23,349)	1,443,000
CalBar Journal Revenue	108,811	116,904	(8,093)	153,488	(44,677)	116,904
Continuing Legal Education	805,130	593,412	211,718	691,633	113,497	593,412
Seminar/Workshop Revenue	10,550	20,796	(10,246)	20,740	(10,190)	20,796
MJP Fees	556,890	510,000	46,890	523,535	33,355	510,000
Grant Revenue	-	-	-	15,000	(15,000)	-
Other Revenue	504,026	432,396	71,630	612,686	(108,660)	432,396
TOTAL REVENUE	70,105,380	69,827,708	277,672	69,336,193	769,187	69,827,708
EXPENSES						
Chief Trial Counsel	38,704,019	42,401,851	3,697,832	38,414,925	289,094	42,401,851
State Bar Court	11,659,655	11,925,819	266,164	11,902,970	(243,315)	11,925,819
Member Records & Compliance	3,727,087	3,603,784	(123,303)	3,215,159	511,928	3,603,784
Professional Competence	2,449,308	2,654,510	205,202	2,350,938	98,370	2,654,510
Probation	1,346,627	1,376,898	30,271	1,333,861	12,766	1,376,898
Mandatory Fee Arbitration	881,504	907,087	25,583	828,658	52,846	907,087
Judicial Evaluation	923,485	934,194	10,709	856,744	66,741	934,194
Commission on Access to Justice	20,504	28,721	8,217	16,631	3,873	28,721
Center on Access to Justice	1,731,667	1,785,127	53,460	1,662,404	69,263	1,785,127
California Young Lawyers Association	201,726	213,729	12,003	316,518	(114,792)	213,729
Communications	1,378,089	1,570,365	192,276	1,714,205	(336,116)	1,570,365
Governance	3,530,833	2,612,548	(918,285)	2,060,055	1,470,778	2,612,548
Pension Expense - GASB 68 (A)	4,987,638	-	(4,987,638)	(2,074,874)	7,062,512	-
General and Administrative (B)	(2,128,971)	1,095,427	3,224,398	1,660,324	(3,789,295)	1,095,427
TOTAL EXPENSES	69,413,171	71,110,060	1,696,889	64,258,518	5,154,653	71,110,060
INCOME/(LOSS) BEFORE TRANSFERS	692,209	(1,282,352)	1,974,561	5,077,675	(4,385,466)	(1,282,352)
Transfer in From Section-Spring SEI Fund	1,380,184	-	1,380,184	-	1,380,184	-
Transfer in From Grants Fund	-	-	-	-	-	-
Transfer Out - IT Fund	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-
Transfer Out - 180 Howard Bldg Fund	-	-	-	-	-	-
Interfund Transaction - Revenue	37,925	-	37,925	48,326	(10,401)	-
Interfund Transaction - Expense	(42,577)	-	(42,577)	(51,293)	8,716	-
NET OPERATING SURPLUS/(DEFICIT)	1,067,741	(1,282,352)	2,350,093	5,074,708	(4,006,967)	(1,282,352)

Notes: (A) Pension Expense Adjustments are determined by the actuary report according to GASB 68. See additional information in the agenda memo.

(B) General & Admin costs showed negative in 2016 because of the chargeback of the Office of Executive Director overhead.

100% of the Office of Executive Director, BOT, Elections and Appointment overhead were allocated out to programs in 2016 vs. partial allocation (25% to 50%) in 2015.

The State Bar of California
Variance Analysis - December 31, 2016 vs. 2015
Pre-Audit

Attachment 6

	Total All Funds Year to Date December 2016	Total All Funds Year to Date December 2015	Increase/ (Decrease)	Percentage Change	Notes for Variances
OPERATING REVENUES					
Membership Fees and Donations	85,407,760	84,658,266	749,494	0.89%	Normal membership growth
MJP Fees	759,154	696,312	62,842	9.02%	Insignificant
Examination Application Fees	19,283,821	19,261,169	22,652	0.12%	Insignificant
Trust Account Revenue	6,439,199	5,584,435	854,764	15.31%	Increase due to higher interest rate in 2016 compare to 2015
Law Practices Sections Fees	6,118,886	5,891,380	227,506	3.86%	Normal revenue growth for Sections
Seminar/Workshop Revenue	1,257,660	1,532,465	(274,805)	-17.93%	Some programs are operated only in odd numbered year
Advertising Revenue	162,981	216,390	(53,409)	-24.68%	decrease due discontinuation of CalBar Journal in 2016
Convention Income	1,200,752	1,102,141	98,611	8.95%	Insignificant
Legal Specialization Fees	2,081,540	2,538,384	(456,844)	-18.00%	Decrease due to no Legal Specialist Examination operated in 2016 - odd numbered year only
Law Corporation Registration Fees	1,475,984	1,499,333	(23,349)	-1.56%	Insignificant
Continuing Legal Education Fees	1,074,090	971,849	102,241	10.52%	Increase due to a new class of MCLE Audit Deficiency Fee added in 2016
Grant Revenue	12,785,300	10,523,350	2,261,950	21.49%	EAF Grant increased in 2016
EAF AB 145 Filing Fee Revenue	3,800,000	3,701,281	98,719	2.67%	Insignificant
Settlement Grants	44,778,670	6,085,197	38,693,473	100.00%	Additional \$44.7 BoA settlement grant received in 2016
Affinity Insurance Revenue	2,283,203	2,428,236	(145,033)	-5.97%	Insignificant
Other Revenue	2,866,332	2,950,429	(84,097)	-2.85%	Insignificant
Total Operating Revenue	191,775,332	149,640,617	42,134,715	28.16%	
OPERATING EXPENSES					
Chief Trial Counsel	38,704,019	38,414,925	289,094	0.75%	Insignificant
State Bar Court	11,659,655	11,902,970	(243,315)	-2.04%	Insignificant
Member Records & Compliance	3,727,087	3,215,159	511,928	15.92%	Two staff were internally transferred to Member Records, which increased personnel and indirect costs allocated to this program
Professional Comptence	2,449,308	2,350,938	98,370	4.18%	Insignificant
Probation	1,346,627	1,333,861	12,766	0.96%	Insignificant
Mandatory Fee Arbitration	881,504	828,658	52,846	6.38%	Insignificant
Judicial Evaluation	923,485	856,744	66,741	7.79%	Insignificant
Commission on Access to Justice	20,504	16,631	3,873	23.29%	Insignificant
Center on Access to Justice	1,731,667	1,662,404	69,263	4.17%	Insignificant
California Young Lawyers Association	201,726	316,518	(114,792)	-36.27%	Insignificant
Communications	1,378,089	1,714,205	(336,116)	-19.61%	Insignificant
Governance **	3,530,833	2,060,055	1,470,778	79.66%	See Note (A) below
CSF application payments	9,025,182	7,745,688	1,279,494	16.52%	Increased application payout adherence to Board resolution
Lawyer's Assistance Program	1,542,134	1,632,537	(90,403)	-5.54%	personnel cost saving from elimination of an executive position
Grants	30,808,302	27,870,112	2,938,190	10.54%	Increase is consistent with additional grants received from EAF program
Admissions	20,292,772	20,072,708	220,064	1.10%	Insignificant
Sections	8,358,117	8,281,686	76,431	-2.21%	Insignificant
GASB 68 Pension Expenses Adjustment	4,987,638	(2,074,874)	7,062,512	-35.17%	See Note (B) below
General and Administrative	6,781,451	13,480,605	(6,699,154)	0.00%	See Note (C) below
Total Operating Expenses	148,350,100	141,681,530	6,668,570	4.71%	
OPERATING INCOME/(LOSS)	48,412,870	7,959,046	40,453,824	508.27%	
NON-OPERATING REVENUE					
Investment Income	703,186	185,745	517,441	278.58%	due to increased investment return rate and additional fund from BoA settlement grant for investment
Rental Income	1,938,029	1,683,779	254,250	15.10%	Insignificant
Interest Expense on Loan	(882,593)	(941,672)	59,079	-6.27%	additional interest expenses for the SF tenant build-out loan
Total Non-Operating Revenue	1,758,622	927,852	830,770	89.54%	
Changes in Net Position:	50,171,492	8,886,898	41,284,594	464.56%	

** (A) Governance = Office of Executive Director, ORIA, BOT, Elections, Governance in the Public Interest Taskforce. Increase is due to:

- 1) Change in Personnel Costs related to ED hire for \$430,000; 2) internal staff transfers to ORIA for \$470,000;
- 3) new hires in ORIA for \$310,000; 4) increased Executive Director Office staff travel for \$25,000; and
- 4) Workforce Planning Contracts costs for \$230,000.

(B) Pension Expense Adjustments are determined by the actuary report according to GASB 68. See additional information in the agenda memo.

(C) General & Admin cost decreased due to delay in capital improvement and other savings in the Bar-wild operating expenses. The General & Admin expense category captures the indirect costs allocation to programs/funds that are not presented as a separate program in the financial statement.



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

M E M O R A N D U M

DATE: February 21, 2017

TO: Members, Planning and Budget Committee
Members, Audit Committee
Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

SUBJECT: 2016 Q4 Pre-Audited Investment Report

Attached is the annual investment report for the State Bar of California as of December 31, 2016. The report is presented in a format that conforms to the investment policy adopted by the Board of Governors in May 2005. As of the end of December, the market value of the State Bar's investment portfolio totaled \$115.4 million.

The time-weighted average rate of return of the investment portfolio for the reported year is 0.71%, compared to 0.29% in 2015. Actual investment earnings increased approximately 278.58% from \$185,745 in 2015 to \$703,186 in 2016. The increase in investment earnings is due to a larger investment portfolio after receiving the \$44.7 million settlement grant from Bank of America. The higher rate of return is due to investments in bonds with longer durations compared to the prior year.

The unrealized loss for the reporting year is \$230,666. This loss will be amortized over the life of the bonds and will eventually offset the effect on investment income when the bonds mature. An unrealized loss is a bond premium incurred when a bond is purchased at a price in excess of its face value. A bond is traded at a premium when it offers a coupon rate that is higher than prevailing interest rates, a reflection of declining interest rate in the existing bond market. This unrealized loss is considered to be a "paper loss" because all investments are held to maturity.

The State Bar of California
Investment Report Summary
December 31, 2016

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Government Bonds	68,345,964	68,121,328	59.02%	0.79%
- Corporate Bonds	2,999,250	2,993,220	2.59%	1.12%
- Common Stock-Metlife Inc.	158,221	158,221	0.14%	N.A
- Interest Receivable	-	166,780	0.14%	N.A
Subtotal-Securities, Bonds and Notes	71,503,435	71,439,549	61.90%	
Local Agency Investment Fund	43,913,090	43,976,718	38.10%	0.57%
Subtotal-Other Investments	43,913,090	43,976,718	38.10%	
Grand Total	115,416,525	115,416,267	100%	0.71%

Unrealized Gain/(Loss)-Securities, Bonds and Notes:

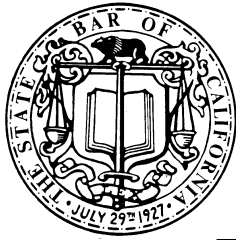
Market Value of Portfolio	71,272,769
Original Cost of Portfolio	71,503,435
Unrealized Gain/(Loss):	<u>(230,666)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of December 31, 2016

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&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>Yield</u>	<u>Trade/ Purchase Date</u>	<u>Maturity Date</u>
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	2,999,970	6,417	0	0.50%	03/30/15	01/27/17
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,000,690	4,875	(11,190)	0.55%	04/14/15	04/13/17
FED HOME LOAN BANK	3130A4U42	AA+	Government Agency	3,000,000	3,005,580	3,001,230	67	(4,350)	0.65%	03/29/16	06/30/17
FED FARM CREDIT BANK	3133EFK30	AA+	Government Agency	3,000,000	3,000,780	2,998,800	11,165	(1,980)	0.75%	03/09/16	07/07/17
FED HOME LN MTG CORP	3137EADV8	AA+	Government Agency	3,000,000	2,995,050	3,000,510	10,438	5,460	0.86%	01/08/16	07/14/17
FED FARM CREDIT BANK	3133EE4K3	AA+	Government Agency	3,000,000	3,003,810	2,999,850	9,600	(3,960)	0.63%	02/16/16	07/21/17
FED HOME LOAN BANK	3130A62S5	AA+	Government Agency	2,000,000	1,995,480	1,999,620	5,125	4,140	0.89%	01/11/16	08/28/17
FED FARM CREDIT BANK	3133EFPH4	AA+	Government Agency	3,000,000	2,999,970	2,999,520	3,410	(450)	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	2,993,880	1,438	(6,090)	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	2,993,880	10,563	(8,940)	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	2,993,880	10,563	(3,900)	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,796,328	6,338	(3,186)	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	2,993,370	6,708	(10,770)	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	4,981,550	8,542	(13,750)	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	4,971,400	4,688	(23,650)	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,487,820	14,972	(12,180)	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	4,969,750	21,389	(30,250)	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	2,984,160	7,802	(26,010)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	4,981,150	11,467	(29,400)	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	2,988,690	6,880	(29,460)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	1,985,280	1,944	(14,720)	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS AND NOTES:				68,300,000	68,345,964	68,121,328	164,388	(224,636)	0.79%		
CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	2,993,220	2,392	(6,030)	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	2,993,220	2,392	(6,030)	1.12%		
METLIFE INC	59156R108	N/A	Common Stock	-	-	158,221	-	158,221			N/A
TOTAL COMMON STOCKS:				-	-	158,221	-	158,221			
TOTAL INVESTMENT HELD BY WELLS FARGO:				71,300,000	71,345,214	71,272,769	166,780	(72,445)			

Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:

71,439,549



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: February 21, 2017

TO: Members, Planning and Budget Committee
Members, Audit Committee
Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Executive Retirement Health Benefit (OPEB) Annual Investment Report as of December 31, 2016

Attached is the 2016 annual investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset.

As of December 31, 2016, the market value of the OPEB assets totaled \$22.1 million. Rate of return of the entire portfolio since date of inception is 10.87%, with an unrealized gain of \$2,163,672.

The Governmental Accounting Standards Board (GASB) requires employers to prepare an actuarial valuation report and to measure the net OPEB liability on a biennial basis. The last valuation report was completed in January 2016, with measurement date of June 30, 2015. In this valuation report, the actuary determined that the annual required contributions for 2016 is approximately \$1.0 million. The annual actual contribution for 2016 is \$1.0 million. Under the existing accounting standards, the State Bar's financial statement is not required to include the OPEB liability. Only the \$1.0 million annual required contribution is included in the financial statement. The valuation report for June 2016 is currently in progress and staff will report the status to the Board at the next meeting.

**The State Bar of California
OPEB Investment Report Summary
December 31, 2016**

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Yield from Date of inception</u>
- CalPERS CERBT Fund Stratgy 3 Investment	\$ 19,900,401	\$ 22,064,073	10.87%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 19,900,401</u>	<u>\$ 22,064,073</u>	
 Grand Total	 <u><u>\$ 19,900,401</u></u>	 <u><u>\$ 22,064,073</u></u>	
 Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 22,064,073	
Original Cost of Portfolio		19,900,401	
Unrealized Gain/(Loss):		<u><u>\$ 2,163,672</u></u>	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: February 23, 2017

TO: Members, Planning and Budget Committee
Members, Audit Committee
Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

SUBJECT: 2016 Q4 Pre-Audited Client Security Fund Report

Attached for your review are a series of reports for the applications activity within the Client Security Fund (CSF) for the year ended December 31, 2016. These reports include:

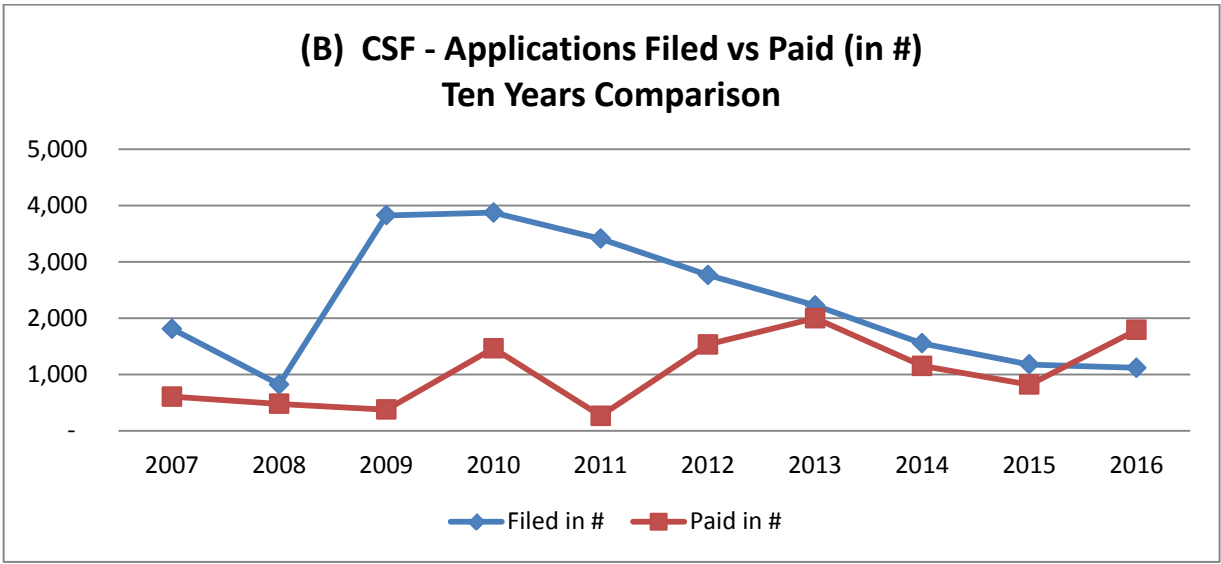
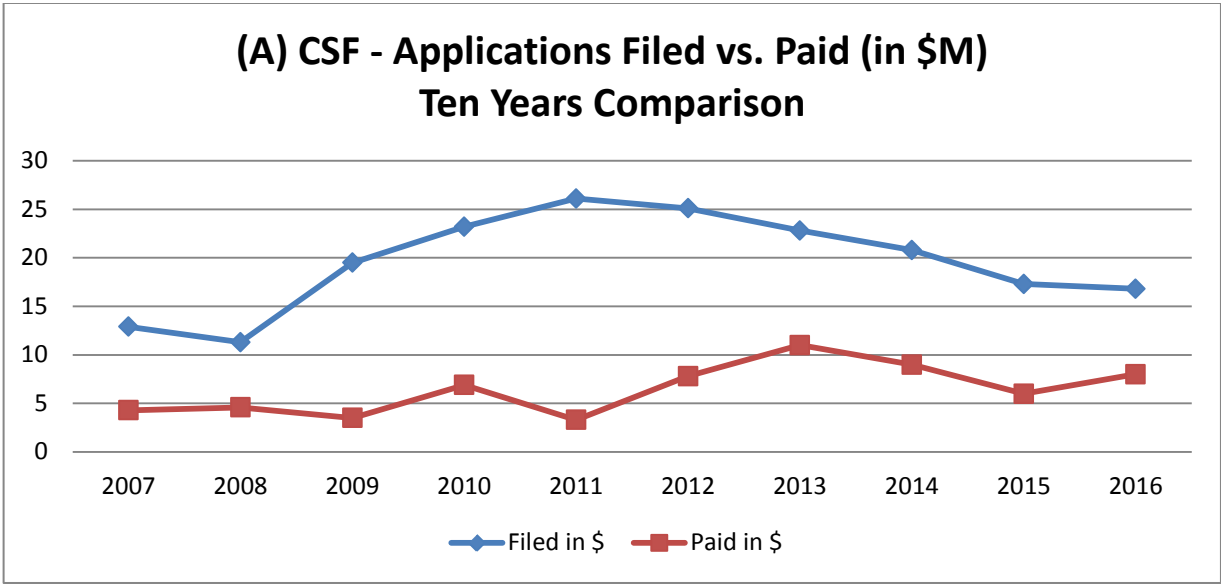
- Attachment 1 - Applications Activity for the year ended December 31, 2016
- Attachment 2 - Applications Aging Report
- Attachment 3 - Cumulative Applications Aging Report
- Attachment 4 - 24 Month Rolling Average of Applications Paid
- Attachment 5 - Analysis of New Applications Paid, Rejected or Withdrawn
- Attachment 6 – Ten Years Comparison

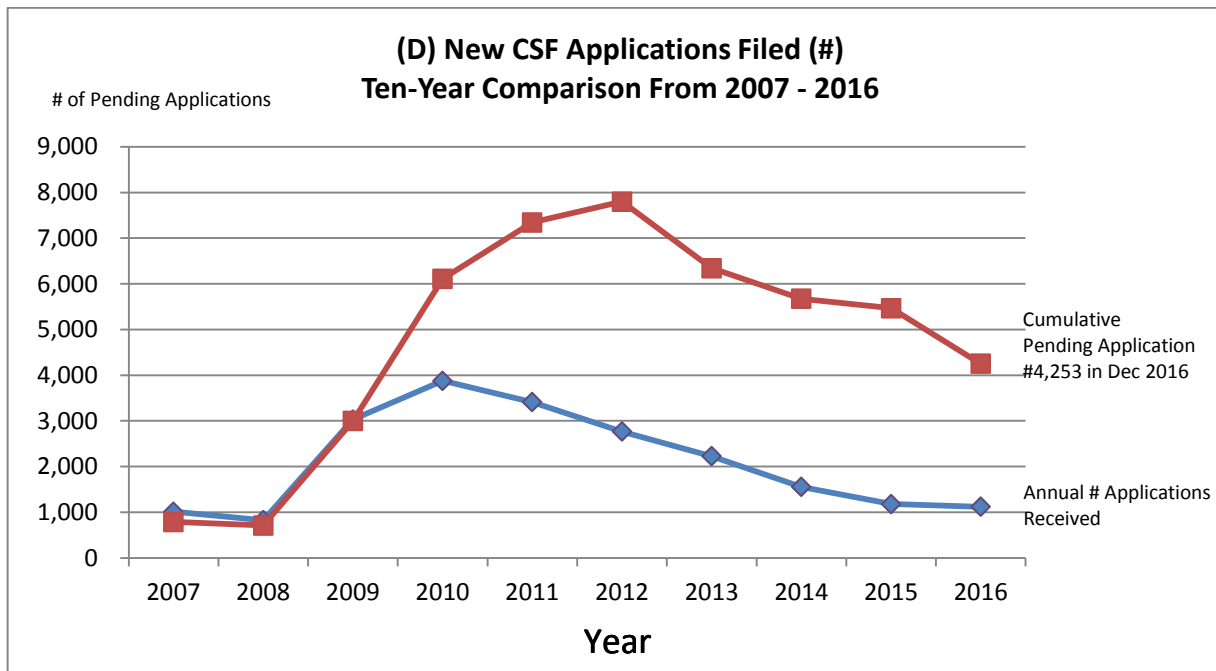
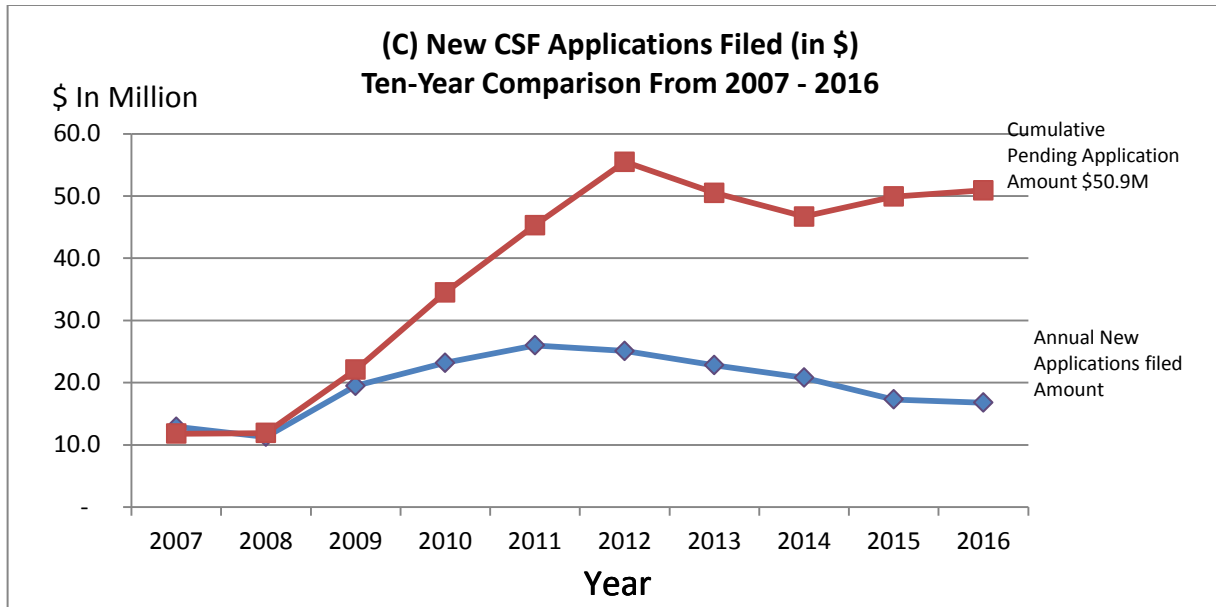
Key Highlights

The CSF maintains funds from which members' clients can be reimbursed for pecuniary losses resulting from dishonest conduct on the part of their attorneys. This fund is replenished through annual assessments of \$40 per active member and \$10 per inactive member. Average annual CSF assessment revenue for the past three years has been approximately \$7.8 million. The application payout budget is set by the Board in the State Bar's Annual Budget. This budget is adjusted from year to year depending on the reserve level and other fiscal resources available from internal fund transfers.

As illustrated in charts A and B below, the number of applications filed hit an historic high in 2010 and 2011 due to the loan modification fraud crisis. Charts C and D below indicate that the annual applications filed started declining gradually in 2013 from 2,228 to 1,120 in 2016. Charts C and D below show the application activities and pending application status in the past ten years. As of December 31, 2016, applications pending for processing are 4,253 in the amount of \$50.9 million. Projected application payout liabilities based on a 24-month rolling

average payout ratio as of December 31, 2016 are approximately \$23.5 million. To mitigate the issues, the Board devoted additional resources by spending down its reserve balance and through inter-fund transfers.

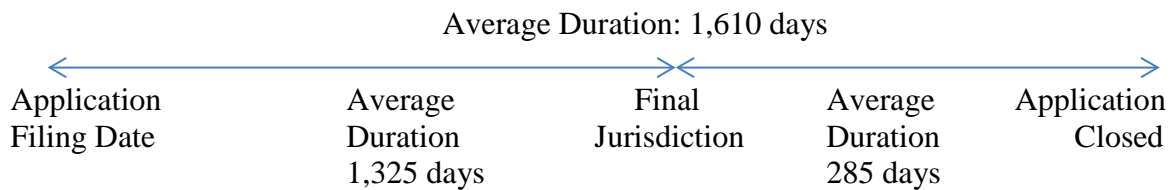




In a normal application process, CSF staff starts processing applications once the discipline against a respondent attorney is finalized. In the past the Office of Finance relied on the aging report to track application processing time. In 2016, the Office of Research & Institutional Accountability developed a metric to measure the processing time based on two key intervals:

1. Discipline – Awaiting Jurisdiction: from filing date to CSF Jurisdiction date; and
2. Case Resolution: from Jurisdiction date to case resolved date.

Based on the data collected in 2016, the average waiting time for applications resolved in 2016, from the time an application was filed to CSF jurisdiction was 1,325 days. The average time from CSF jurisdiction date to application resolution was 285 days. Total average processing time from application filing date to resolution was 1,610 days. The time line below illustrates the application processing time for 2016; because this new tracking methodology was first implemented in 2016, that year will serve as baseline data for measuring case processing timeliness going forward.



Overview of Client Security Fund Reports

As of December 31, a total of 1,120 new applications in the amount of \$16.8 million were filed in 2016. The number of applications filed is down by 4.9% compared to 1,178 applications filed last year. The application amount decreased by \$0.5 million, or 2.8% compared to \$17.3 million filed in 2015.

For the year ended December 31, 2016, total applications processed are 2,332 for approximately \$16.0 million. Total payouts for 2016 are \$8.0 million, up by \$2.0 million compared to \$6.0 million last year. This \$2 million increase in payouts resulted from a Board approved transfer from the Lawyer Assistance Program (LAP) and Legislative Activities Fund to the CSF in 2016¹. Total applications pending for processing as of December 31, 2016 are 4,253 in the amount of \$50.9 million, and for the same period in 2015, there were 5,465 pending applications in the amount of \$49.8 million. As a result of the Board action to devote additional resources to mitigate the pending application waiting time, number of applications pending for processing for the year end of 2016 is down by 1,212 or 22.2% compared to last year.

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 46.2%. Total applications outstanding as of December 31, 2016 are 4,253 for \$50.9 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of December 31, 2016 is \$23.5 million and there is an increase of \$4.6 million or 24.3% compared to \$18.9 million last year. As of December 31, 2016, cash and investments available for applications reimbursement in the CSF are approximately \$1.4 million compared to \$2.2 million last year.

Below are some key indicators for the CSF application process in 2016 as compared to 2015:

¹ Although the LAP transfer was subsequently reversed, the General Fund, rather than the CSF, will absorb the impact of this reversal.

Key Indicator Descriptions	2016	2015	Attachment
New Applications Received # / \$ (in million)	1,120/\$16.8	1,178/\$17.3	1
Total Applications Processed # / \$ (in million)	2,332/\$16.0	1,387/\$14.4	2
% of Paid Applications in # to total in process ²	27%	12%	1
% of Paid Applications in \$ to total in process ³	12%	9.4%	1
Total Payouts \$ (in million)	\$ 8.0	\$ 6.0	2
Total Applications Pending for Processing # / \$ (in million)	4,253/\$50.9	5,465/\$49.8	2
24-month Rolling Average Payout Ratio	44.22%	37.96%	2
Estimated CSF Application Liabilities (in million)	\$23.5	\$18.9	2
Active Member Count	187,666	185,538	5
Estimated Liabilities per Active Member	\$125	\$102	5
Net Assets as of December 31 (in million)	\$1.4	\$2.2	3
Max. CSF Filing Date to Jurisdiction Date	2,443 Days	N/A	NA
Avg. CSF Filing Date to Jurisdiction Date	1,325 Days	N/A	NA
Max. CSF Jurisdiction Date to Close	1,890 Days	N/A	NA
Avg. CSF Jurisdiction Date to Close	285 Days	N/A	NA
Max. CSF Filing Date to Close	2,621 Days	N/A	NA
Avg. CSF Filing Date to Close	1,610 Days	N/A	NA

² # of total in process represents pending application from prior year plus additional application filed in current fiscal year.

³ \$ 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
DECEMBER 31, 2016
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	1,217	\$ 2,255,808	2,644	\$ 10,055,226	866	\$ 6,004,090	365	\$ 5,852,139	119	\$ 4,260,424	60	\$ 3,050,000	194	\$ 18,628,832	5,465	\$ 50,106,519		
New Applications	208	\$ 346,424	359	\$ 1,324,095	200	\$ 1,464,812	191	\$ 3,107,108	53	\$ 1,859,612	21	\$ 1,050,000	88	\$ 7,679,352	1,120	\$ 16,831,403		
Paid Applications	(392)	\$ (708,376)	(1,070)	\$ (3,797,891)	(254)	\$ (1,534,181)	(45)	\$ (571,686)	(14)	\$ (417,351)	(6)	\$ (256,997)	(12)	\$ (751,043)	(1,793)	\$ (8,037,525)	27%	12%
Rejected Applications	(25)	\$ (103,461)	(23)	\$ (355,509)	(5)	\$ (205,428)	(6)	\$ (229,413)	(2)	\$ (197,967)	(7)	\$ (408,875)	(8)	\$ (1,126,613)	(76)	\$ (2,627,266)	1%	4%
Withdrawn Applications	(124)	\$ (215,977)	(184)	\$ (720,933)	(66)	\$ (446,811)	(43)	\$ (701,259)	(7)	\$ (287,521)	(14)	\$ (700,000)	(25)	\$ (2,286,389)	(463)	\$ (5,358,890)	7%	8%
Applications Outstanding	884	\$ 1,574,418	1,726	\$ 6,504,988	741	\$ 5,282,482	462	\$ 7,456,889	149	\$ 5,217,197	54	\$ 2,734,128	237	\$ 22,144,139	4,253	\$ 50,914,241		
New applications % to total	18.57%	2.06%	32.05%	7.87%	17.86%	8.70%	17.05%	18.46%	4.73%	11.05%	1.88%	6.24%	7.86%	45.63%	100.00%	100.00%		
Applications paid % to total	21.86%	8.81%	59.68%	47.25%	14.17%	19.09%	2.51%	7.11%	0.78%	5.19%	0.33%	3.20%	0.67%	9.34%	100.00%	100.00%		
Applications rejected or withdrawn % to total	27.64%	4.00%	38.40%	13.48%	13.17%	8.17%	9.09%	11.65%	1.67%	6.08%	3.90%	13.88%	6.12%	42.74%	100.00%	100.00%		
Applications outstanding % to total	20.79%	3.09%	40.58%	12.78%	17.42%	10.38%	10.86%	14.65%	3.50%	10.25%	1.27%	5.37%	5.57%	43.49%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2016.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total application \$ in process in 2016.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF DECEMBER 31, 2016

<u>Year</u> <u>Application</u> <u>Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or</u> <u>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>
2008	1	1,605			-	-	-	-	-	-	1	1,605
2009	430	1,336,461			(301)	(855,077)	(21)	(149,449)	(322)	(1,004,526.00)	108	331,935
2010	648	2,221,783			(294)	(770,628)	(56)	(232,354)	(350)	(1,002,982.00)	298	1,218,801
2011	789	4,130,693			(502)	(2,224,329)	(79)	(734,886)	(581)	(2,959,215)	208	1,171,478
2012	872	6,054,355			(331)	(1,992,492)	(73)	(955,122)	(404)	(2,947,614)	468	3,106,741
2013	662	7,571,147			(257)	(1,612,157)	(64)	(1,340,809)	(321)	(2,952,966)	341	4,618,181
2014	1054	13,972,576			(80)	(366,151)	(43)	(984,079)	(123)	(1,350,230)	931	12,622,345
2015	1009	14,817,810			(17)	(129,661)	(82)	(1,760,451)	(99)	(1,890,112)	910	12,927,698
2016		90	1,120	16,831,403	(11)	(87,030)	(121)	(1,829,006)	(132)	(1,916,036)	988	14,915,457
TOTAL	5,465	50,106,520	1,120	16,831,403	(1793)	(8,037,525)	(539)	(7,986,156)	(2,332)	(16,023,681)	4,253	50,914,241

Applications Outstanding **\$50,914,241**

Estimated Application Payout Ratio **46.22%**

Estimated Application Payouts **\$23,532,562**

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF DECEMBER 31, 2016

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</u> <u>#</u>	<u>Amount</u>	<u>Applications Paid</u>		<u>Applications</u> <u>Rejected and</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications</u> <u>Outstanding</u>	
	<u>Prior Years</u>						<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
	<u>#</u>	<u>Amount</u>										
2007-2008	1	1,605			-	-	-	-	-	-	1	1,605
2007-2009	431	1,338,066			(301)	(855,077)	(21)	(149,449)	(322)	(1,004,526)	109	333,540
2007-2010	1,079	3,559,849			(595)	(1,625,705)	(77)	(381,803)	(672)	(2,007,508)	407	1,552,341
2007-2011	1,868	7,690,542			(1,097)	(3,850,034)	(156)	(1,116,689)	(1,253)	(4,966,723)	615	2,723,819
2007-2012	2,740	13,744,897			(1,428)	(5,842,526)	(229)	(2,071,811)	(1,657)	(7,914,337)	1,083	5,830,560
2007-2013	3,402	21,316,044			(1,685)	(7,454,683)	(293)	(3,412,620)	(1,978)	(10,867,303)	1,424	10,448,741
2007-2014	4,456	35,288,620			(1,765)	(7,820,834)	(336)	(4,396,699)	(2,101)	(12,217,533)	2,355	23,071,086
2007-2015	5,465	50,106,430			(1,782)	(7,950,495)	(418)	(6,157,150)	(2,200)	(14,107,645)	3,265	35,998,784
2007-2016	5,465	50,106,520			(1,793)	(8,037,525)	(539)	(7,986,156)	(2,332)	(16,023,681)	4,253	50,914,241
			1,120	16,831,403	(1,793)	(8,037,525)	(539)	(7,986,156)	(2,332)	(16,023,681)	4,253	50,914,241

Net Asset in Client Security Fund:

As of 12/31/2016 **\$1,430,072**

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO
JAN 2015 THROUGH DEC 2016

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
Jan 15	192,463	22.95%	646,123	838,586
Feb15	555,128	48.27%	594,992	1,150,120
Mar15	208,160	18.03%	946,337	1,154,497
Apr 15	162,537	14.20%	982,280	1,144,817
May15	243,019	55.01%	198,752	441,771
Jun15	439,778	35.28%	806,642	1,246,420
July15	136,556	44.92%	167,453	304,009
Aug15	603,625	30.26%	1,391,476	1,995,101
Sept15	1,507,143	71.86%	590,210	2,097,353
Oct 15	485,367	53.03%	429,944	915,311
Nov 15	1,138,956	83.32%	228,042	1,366,998
Dec 15	339,721	19.68%	1,386,523	1,726,244
Jan 16	585,226	49.06%	607,752	1,192,978
Feb16	886,832	67.24%	432,125	1,318,957
Mar16	828,661	56.07%	649,255	1,477,916
Apr16	710,863	28.12%	1,816,690	2,527,553
May16	529,062	60.57%	344,346	873,408
Jun16	608,801	49.98%	609,260	1,218,061
July16	290,255	47.71%	318,127	608,382
Aug16	659,281	57.19%	493,532	1,152,813
Sept16	512,805	45.75%	608,055	1,120,860
Oct16	710,552	53.13%	626,746	1,337,298
Nov 16	278,690	26.44%	775,523	1,054,213
DEC16	1,438,997	67.20%	702,246	2,141,243
Total:	<u>14,052,478</u>		Total: <u>16,352,431</u>	<u>30,404,909</u>
24 Month Rolling Average PaidOut Ratio:			46.22%	

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

Attachment 5

DECEMBER 31, 2016

	<u>1ST QTR</u>	<u>2ND QTR</u>	<u>3RD QTR</u>	<u>4TH QTR</u>
Beginning Balance	5,465	5,245	5,068	4,975
Add: Reinstated Applications				
New Applications	296	259	367	198
Less: Paid / Rejected or Withdrawn	516	436	460	920
TOTAL	5,245	5,068	4,975	4,253
 APPLICATIONS OUTSTANDING AMT.	 \$50,453,486	 \$51,028,918	 \$52,486,532	 \$50,914,242
# Of Active Attorneys	186,067	186,606	187,306	187,666
Cost Per Active Attorney	\$271	\$273	\$280	\$271
 ESTIMATED APPLICATIONS LIAB.				
Applications Payout Ratio	42.36%	41.09%	44.78%	46.22%
Estimated Application Amount *	\$21,372,097	\$20,967,783	\$23,503,469	\$23,532,563
# of Active Attorneys	186,076	186,606	187,306	187,666
Cost per Active Attorney	\$115	\$112	\$125	\$125
 APPLICATION ACTIVITIES IN %:				
 NEW APPLICATIONS - YTD				
1 - 2,500	2.50%	2.13%	2.08%	2.06%
2,501 - 5,000	6.65%	5.42%	7.71%	7.87%
5,001 - 10,000	9.18%	8.11%	8.92%	8.70%
10,001 - 25,000	20.64%	16.27%	18.01%	18.46%
25,001 - 49,999	10.07%	10.64%	10.39%	11.05%
50,000	12.31%	7.31%	7.55%	6.24%
50,001 - 100,000	38.65%	50.12%	45.33%	45.63%
 APPLICATIONS PAID - YTD				
1 - 2,500	7.48%	7.18%	7.94%	8.81%
2,501 - 5,000	40.98%	38.97%	40.64%	47.25%
5,001 - 10,000	22.22%	21.43%	20.11%	19.09%
10,001 - 25,000	9.97%	8.91%	9.07%	7.11%
25,001 - 49,999	5.90%	6.26%	5.89%	5.19%
50,000	0.00%	4.61%	4.58%	3.20%
50,001 - 100,000	13.44%	12.65%	11.77%	9.34%
 REJ./WDRAWN - YTD				
1 - 2,500	2.11%	2.00%	2.79%	4.00%
2,501 - 5,000	7.22%	6.42%	9.33%	13.48%
5,001 - 10,000	7.35%	5.64%	6.69%	8.17%
10,001 - 25,000	9.34%	7.77%	8.83%	11.65%
25,001 - 49,999	4.97%	5.78%	6.16%	6.08%
50,000	8.88%	17.02%	16.31%	13.88%
50,001 - 100,000	60.14%	55.37%	49.89%	42.74%
 APPLICATIONS O/S-CUM. - YTD				
1 - 2,500	4.26%	4.05%	3.68%	3.09%
2,501 - 5,000	18.37%	16.97%	15.79%	12.78%
5,001 - 10,000	11.41%	11.05%	10.90%	10.38%
10,001 - 25,000	12.64%	13.11%	13.97%	14.65%
25,001 - 49,999	8.86%	9.29%	9.51%	10.25%
50,000	6.74%	5.49%	5.49%	5.37%
50,001 - 100,000	37.72%	40.05%	40.66%	43.49%
 NET ASSET, END OF PERIOD	 \$ 6,903,065	 \$ 7,136,178	 \$ 5,513,056	 \$ 1,430,072

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

State Bar of California
Client Security Fund
Ten Years Comparison
2007-2016

Attachment 6

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount	# of Applications	Amount
Applications outstanding, begin of year	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936	5,674	46,703,719	5,465	49,867,330
Prior year's outstanding application adjustment	-	69,048	-	107,497	-	15,532	-	100,260	-	194,064	-	108,564	-	243,483	-	596,474	-	216,816	-	239,189
New Applications	1,013	12,927,446	825	11,290,084	3,028	19,469,661	3,875	23,231,936	3,411	26,086,578	2,767	25,112,748	2,228	22,825,372	1,554	20,842,066	1,178	17,328,024	1,120	16,831,403
TOTAL APPLICATIONS	1,810	22,576,019	1,612	23,208,724	3,738	31,356,734	6,872	45,457,046	9,523	60,794,289	10,112	70,548,416	10,029	78,587,404	7,896	71,967,476	6,852	64,248,559	6,585	66,937,922
Less: Processed Applications:																				
Paid	607	4,352,110	479	4,638,272	378	3,461,950	267	3,331,124	1,534	7,819,854	1,466	6,870,643	1,999	11,054,352	1,152	9,031,386	821	6,012,453	1,793	8,037,525
Rejected	42	2,066,308	57	2,196,878	52	1,930,226	138	2,869,032	54	2,585,888	112	3,092,632	68	3,096,196	116	4,575,621	74	2,929,880	76	2,627,266
Withdrawn	374	4,346,458	366	4,502,033	311	3,839,708	355	4,743,243	590	5,061,443	733	5,066,591	1,620	13,907,920	954	11,656,750	492	5,438,896	463	5,358,890
TOTAL PROCESSED APPLICATIONS	1,023	10,764,876	902	11,337,183	741	9,231,884	760	10,943,399	2,178	15,467,185	2,311	15,029,866	3,687	28,058,468	2,222	25,263,757	1,387	14,381,229	2,332	16,023,681
Applications outstanding, end of year	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936	5,674	46,703,719	5,465	49,867,330	4,253	50,914,241
Applications outstanding inc./(dec.) over beginning balance	(10)	2,231,618	(77)	60,398	2,287	10,253,309	3,115	12,388,797	1,233	10,813,457	456	10,191,446	(1,459)	(4,989,614)	(668)	(3,825,217)	(209)	3,163,611	(1,212)	1,046,911
Applications payout ratio		42.45%		40.68%		39.38%		33.67%		42.22%		48.17%		41.60%		37.68%		37.96%		46.22%
Est. applications payouts		\$5,013,830		\$4,829,343		\$8,712,766		\$11,620,745		\$19,137,103		\$26,743,285		\$21,020,037		\$17,597,961		\$18,929,638		\$23,532,562
Net Application (Liab) Assets, end of year		\$2,990,889		\$4,304,519		\$2,678,965		\$2,322,315		(\$7,215,281)		(\$15,638,262)		(\$15,444,495)		(15,389,407)		(16,727,057)		(22,102,490)
Net Assets per Financial Statement		8,004,719		9,133,862		11,391,731		13,943,060		11,921,822		11,105,023		5,575,542		2,208,554		2,202,581		1,430,072
Estimated Decrease/(Increase) in Application Payouts:		(908,046)		184,487		(3,883,423)		(2,907,979)		(7,516,358)		(7,606,182)		5,723,248		3,422,076		(1,331,677)		(4,602,924)