



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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MEMORANDUM

DATE: May 11, 2017
TO: Members, Planning and Budget Committee
Members, Board of Trustees
FROM: Christine Wong, Chief Financial Officer
SUBJECT: Financial Statement for the First Quarter Ended March 31, 2017

I. Overview

This report presents a summary of the State Bar's first quarter operating results and fiscal position as of March 31, 2017. It includes information and comparative analyses regarding revenues, expenses, net surplus, assets, liabilities and net position, as presented in the following financial statements, which are attached:

- Attachment 1 – Assets, Liabilities & Net Assets (Consolidated)
- Attachment 2 – Assets, Liabilities & Net Assets (By Fund)
- Attachment 3 – Revenues, Expenses and Changes in Net Assets (Consolidated)
- Attachment 4 – Revenues, Expenses and Changes in Net Assets (By Fund)
- Attachment 5 – Budget to Actual Comparison (Consolidated General Fund)
- Attachment 6 – Variance Analysis

As of March 31, 2017, the Bar closed its first quarter with positive operating results exceeding the targeted budgetary goals in general. Section II below summarizes key financial highlights from the financial statements and sections III and IV provide a more detailed narrative analysis of the State Bar's operating results.

II. Key Financial Highlights

The table on the following page summarizes key financial highlights from the State Bar's financial statements, with references to the Attachments.

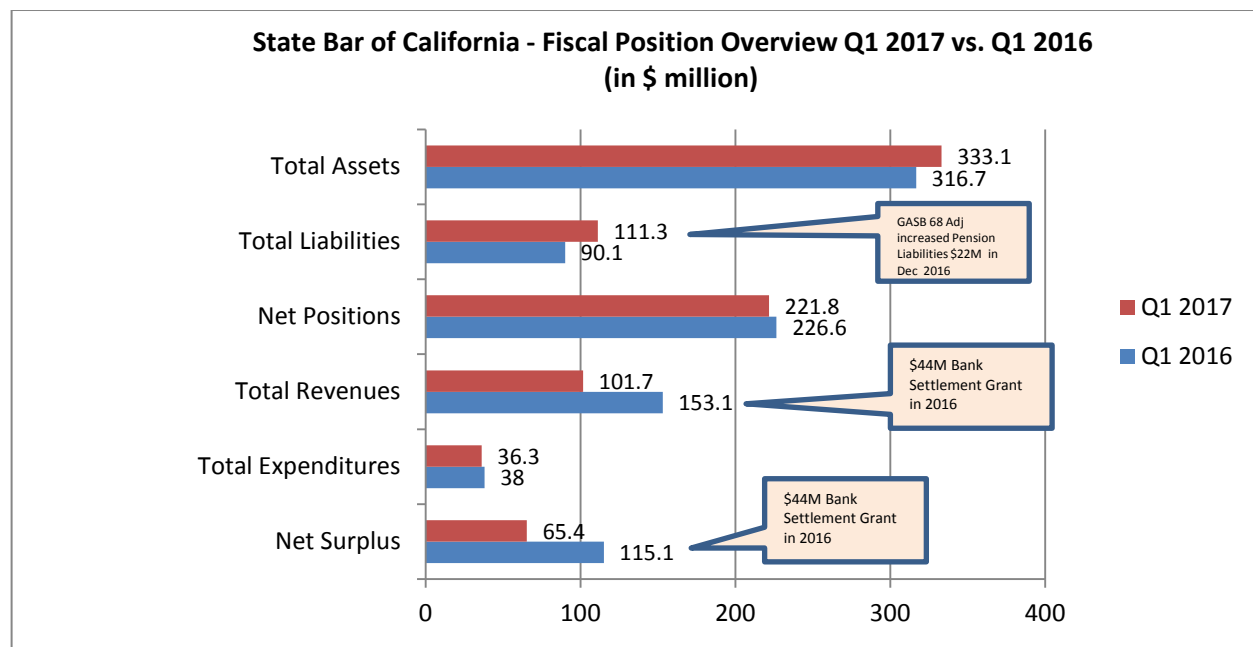
As of March 31, 2017, State Bar's total assets were \$333.1 million, total liabilities were \$111.3 million, and net assets were \$221.8 million. For the reporting quarter, total revenues were \$101.7 million, at 69.7% of \$146.0 million adopted 2017 budget projections. Total expenses were \$36.3 million, at 22% of \$164.9 million adopted budget projections, and year-to-date net surplus was \$65.4 million, approximately \$4.9 million above the budgeted surplus of \$60.5 million. Net surplus for the first quarter is usually higher because most of the membership fees are paid in the first quarter. Below is a summary of key financial highlights of the financial statements:

Financial Statement Category	2017 Q1 (in \$ M)	2016 Q1 (in \$ M)	Changes in \$	Changes in %	Reference to Attachment	Reference to Section
Total Assets	333.1	316.7	16.4	5.2%	1 & 2	(III.A)
Cash & Investment	186.0	189.0	(3.0)	(1.6%)	1 & 2	(III.A)
OPEB Plan Asset	11.0	10.0	1.0	10%	1 & 2	(III.A)
GASB 68 Deferred Outflows of Resources (Assets)	33.2	15.7	17.5	111.4%	1 & 2	(III.A)
Total Liabilities	111.3	90.1	21.2	23.5%	1 & 2	(III.B)
GASB 68 Deferred Inflows of Resources (Liabilities)	11.9	18.2	(6.2)	(34.1%)	1 & 2	(III.B)
GASB 68 Net Pension Liabilities	60.0	31.2	28.8	92.3%	1 & 2	(III.B)
Loan Payable	28.8	31.0	(2.2)	(7.1%)	1 & 2	(III.B)
Total Revenues	101.7	153.1	(51.4)	(33.5%)	3,4,6	(IV.A)
Membership Fees/Donation (Bar-wide)	76.0	79.8	(3.8)	(4.8%)	3,4,6	(IV.A)
GF Member Dues	59.6	62.5	(2.9)	(4.6%)	5	(IV.A)
Bank Settlement Grant	-	44.7	(44.7)	(100%)	3,4,6	(IV.A)
Total Expenditures	36.3	38.0	(1.7)	(4.5%)	3,4,6	(IV.B)
Personnel Costs	17.2	16.0	1.2	7.5%	3,4,6	(IV.B)
Travel & Training	0.49	0.53	(0.04)	(7.5%)	3,4,6	(IV.B)
Catering	0.29	0.24	0.05	20.8%	3,4,6	(IV.B)
Temporary Help	0.14	0.47	(0.33)	(70%)	3,4,6	(IV.B)
Professional Services	0.42	0.45	(0.03)	(6.6%)	3,4,6	(IV.B)
Indirect Cost Allocation	7.8	7.8	-	-%	3,4,6	(IV.B)
CSF Payout	0.9	2.2	(1.3)	(59%)	3,4,6	(IV.B)
OCTC	9.6	9.1	0.5	5.5%	3,4,5,6	NA
State Bar Court	3.0	2.8	0.2	7.1%	3,4,5,6	NA

III. Assets, Liabilities, and Net Position (Attachments 1 & 2)

At the end of the first quarter, the State Bar's assets totaled \$333.1 million, a \$16.4 million increase from the \$316.7 million total asset balance for the same reporting period last year. Total liabilities increased by \$21.2 million, from \$90.1 million in 2016 to \$111.3 million in 2017. The net assets/net position value (total assets – total liabilities) as of March 31, 2017 was \$221.8 million, a decrease of \$4.8 million compared to last year. Attachments 1 and 2 present the State Bar's fiscal position and Figure A below is a chart summarizing the State Bar's fiscal position at the end of the first quarter compared to last year.

Figure A. Assets, Liabilities, and Net Position, First Quarter 2016 and 2017



A. Assets

The State Bar's total assets consist of cash, restricted cash, investments, accounts receivable, capital assets, OPEB Plan assets/investments and deferred outflows of resources. As of March 31, 2017, the Bar's total assets were \$333.1 million, up by \$16.4 million or 5.2% compared to \$316.7 million at the close of first quarter last year. The increase is due to a combination of: 1) a \$17.6 million increase in deferred outflows of resources related to the Governmental Accounting Standards Board Statement No. 68 ("GASB 68") pension liability adjustments; 2) a \$1.7 million increase in accounts receivable and other prepayments and 3) a \$1.0 million increase in the OPEB Plan assets; these increases are partially offset by 4) a \$3.1 decrease in cash and investments and 5) \$0.8 million net decrease in capital assets due to normal depreciation. A description of each follows.

(1) 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. These deferred outflows of resource balances consisted of actuarially determined deferred contributions and expected future investment income related to pensions under GASB 68. As of March 31, 2017, the deferred outflows of resources were \$33.2 million, increased by \$17.6 million compared to \$15.7 million last year.

(2) Other accounts receivable and other assets consist of interest receivable, prepayments, grants receivable and other receivables. The combined balance as of March 31, 2017 was \$7.4 million, up by \$1.7 million from \$5.7 million last year. The higher account receivable balances in 2017 are due largely to an increase in EAF grant receivable as a result of a delay by the Judicial Council of California in releasing the EAF grant.

(3) Other Postemployment Benefits (OPEB) assets represent amounts invested in the State Bar's OPEB Trust Plan with CalPERS to pay for retirees' future health insurance costs. The OPEB asset balance increased by \$1 million from \$10 million last year to \$11 million this year. The \$1 million increase represents the normal annual required contribution made to the OPEB Plan in 2016.

(4) Cash, restricted cash and investment consist 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 March 31, 2017, the combined cash, restricted cash and investment balances were \$185.9 million, down slightly by \$3.1 million or 1.6% compared to \$189.0 million last year. The decrease is due largely to the membership fee reduction under the Supreme Court special assessment for \$297 in 2017 compared to \$315 in 2016.

(5) Capital assets consist of land, buildings, building improvements, tenant improvements, office equipment, furniture and fixtures, net of accumulated depreciation. The net capital assets balance as of March 31, 2017 was \$95.4 million, a \$0.8 million decrease compared to \$96.2 million last year. The decrease is due to normal depreciation and amortization of tenant improvement costs, partially offset by capital expenses.

B. Liabilities

The State Bar's total liabilities consist of accounts payable to vendor accounts, unearned fees collected in advance, grants payable, net pension liabilities, the deferred inflows of resources due to implementation of GASB 68, loans payable, and employee vacation and sick leave accruals.

As of March 31, 2017, State Bar's total liabilities were \$111.3 million, up by \$21.2 million or 23.5% compared to \$90.1 million last year. The increase is due to a combination of 1) a \$22.5 million net increase in pension liabilities and deferred inflows of resources related to GASB 68 pension liabilities adjustment as explained above; 2) a \$0.8 million increase in accounts payable and accrual due to timing of payment to vendors; the increase was partially offset by a \$2.2 million decrease in debt obligation due to loan repayments made in the past year.

C. Net Position

This component of the statement of net position consists of restricted net position, net investments in capital assets and unrestricted net position. The State Bar's total net position (total assets – total liabilities) as of March 31, 2017 was \$221.8 million, down slightly by \$4.8 million or 2.1% compared to \$226.6 million last year. The decrease is due largely to the GASB 68 adjustments and spend-down of the Bank Settlement Fund for grant disbursements.

IV. Revenues, Expenses & Net Surplus (Attachments 3, 4, 5 & 6)

Attachments 3 and 4 present the State Bar's operating results for the first quarter ended March 31, 2017. Total revenues for the first quarter were \$101.7 million, which represents a small favorable variance of \$0.1 million compared to budgeted revenue of \$101.6 million. Total operating expenses were \$36.3 million, reflected a favorable variance of \$4.8 million compared to the budget of \$41.1 million. The net operating surplus for the first quarter was \$65.4 million, with a favorable variance for approximately \$4.9 million compared to budgeted surplus of \$60.5 million.

(A) Revenues

The State Bar's total revenues for the reporting quarter were \$101.7 million, which represents approximately 69.7% of the annual budgeted revenues of \$146.0 million. The result is consistent with previous years' operating results as most of the membership fees were received in the first quarter of the fiscal year. Sections' total revenues for the reporting quarter were \$5.7 million, down slightly by \$0.6 million or 9.5% below targeted budget of \$6.3 million. The decrease is due to a lower enrollment in 2017. This unfavorable variance offset the favorable variance in the Consolidated General Fund. As a result, the State Bar's total revenues for the reporting quarter align with the year-to-date budget of \$101.6 million, with a small favorable variances of \$0.1 million.

Figures (B) and (C) below summarize the State Bar's revenues by Fund and by type for the first quarter compared to year-to-date budget.

Figure B: First Quarter Revenues by Fund, 2017 YTD Actual compared to YTD Budget:

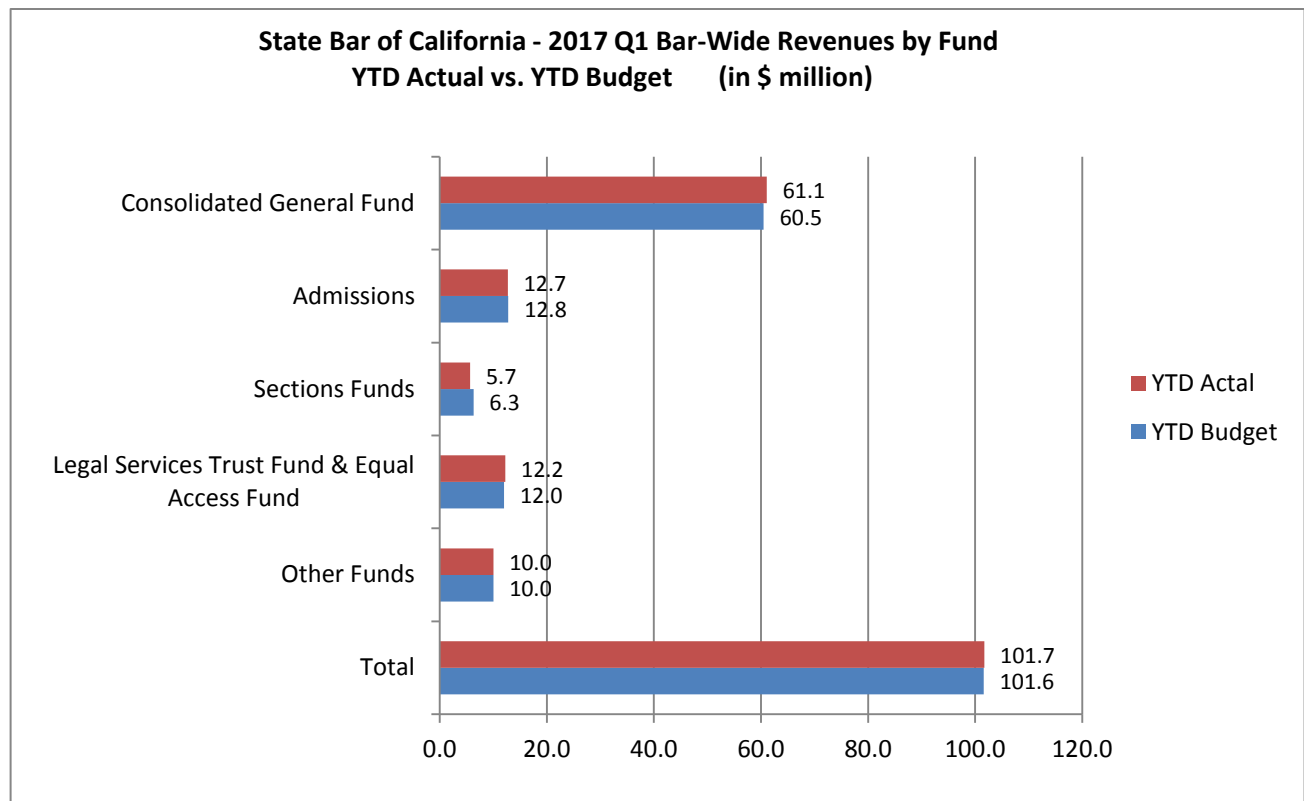
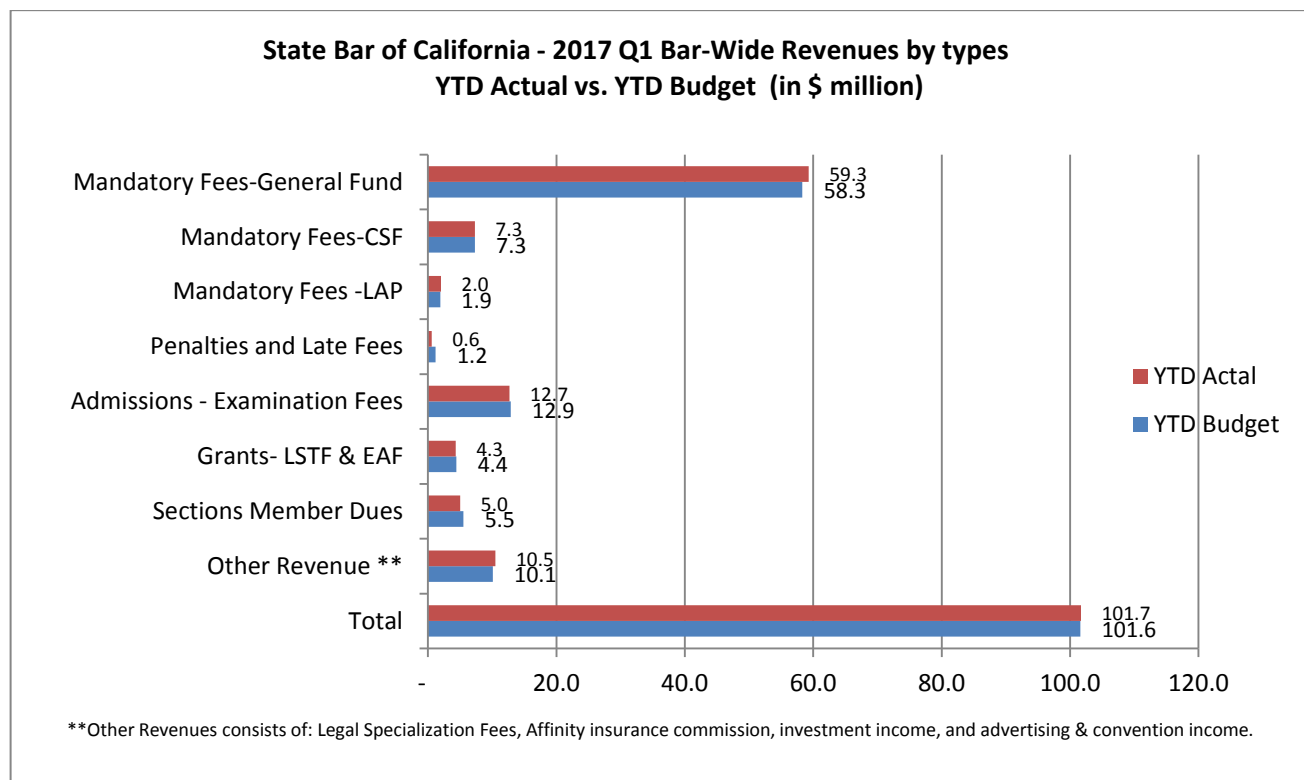


Figure C: First Quarter Revenues by Types, 2017 YTD Actual compared to YTD Budget:



(B) Expenses

For the reporting quarter, the State Bar's total operating expenses were \$36.3 million, approximately \$4.8 million lower than the budgeted \$41.1 million. Attachment 6 summarizes the variances in detail. Year-to-date total expenses represent approximately 22% of the annual budget. The \$4.8 million budget-to-actual variance is due to a combination of 1) cost savings of \$1.5 million in personnel costs due to vacant positions resulting from delayed hiring; 2) cost savings of \$0.6 million in professional services and travel; 3) a \$2.7 million variance due to the timing of payments related to Client Security Payouts, examination related charges, building related maintenance and office equipment purchases.

Figures (D) and (E) below summarize the State Bar's operating expenses by funds, by categories, with year-to-date budget to actual comparison and Figure (F) summarizes the year-to-date actual % to annual budget:

Figure D: First Quarter Expenses by Fund, 2017 YTD Actual compared to YTD Budget:

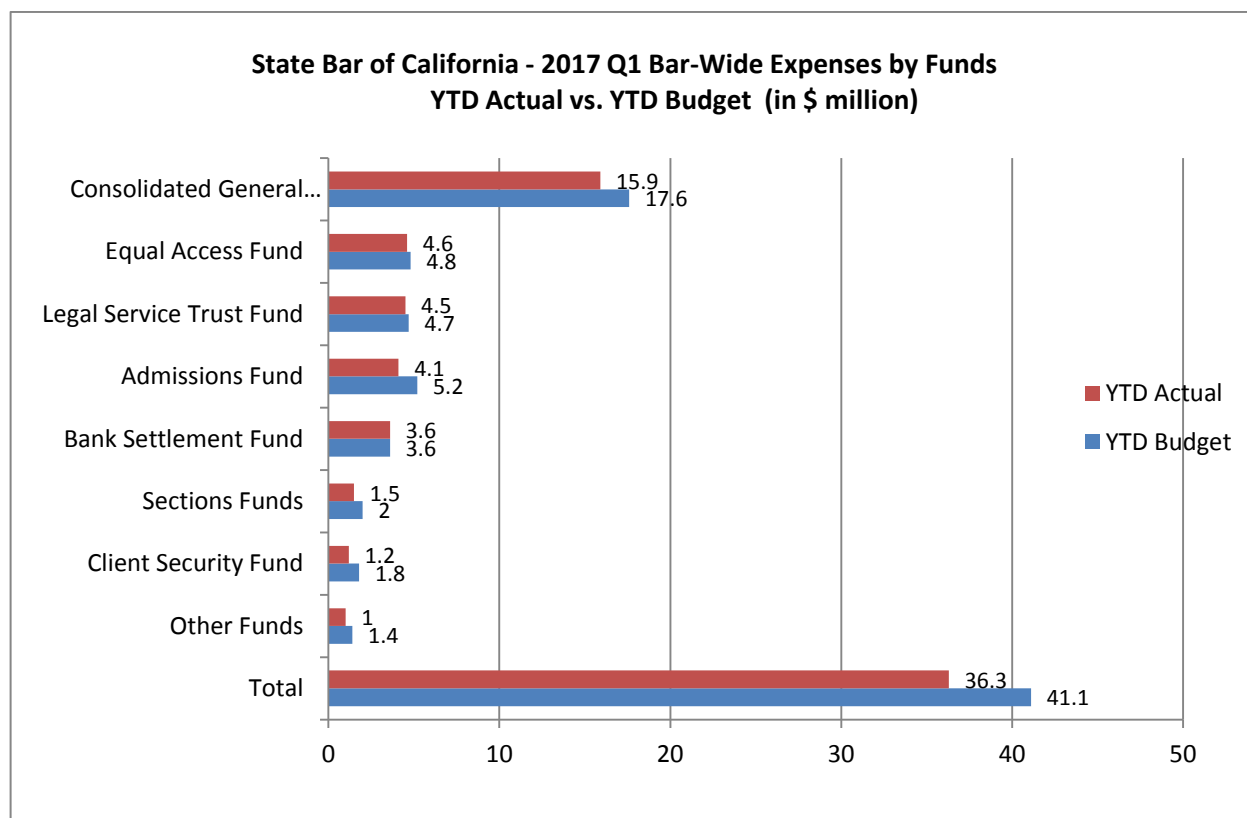


Figure E: First Quarter Expenses by Category, 2017 YTD Actual compared to YTD Budget:

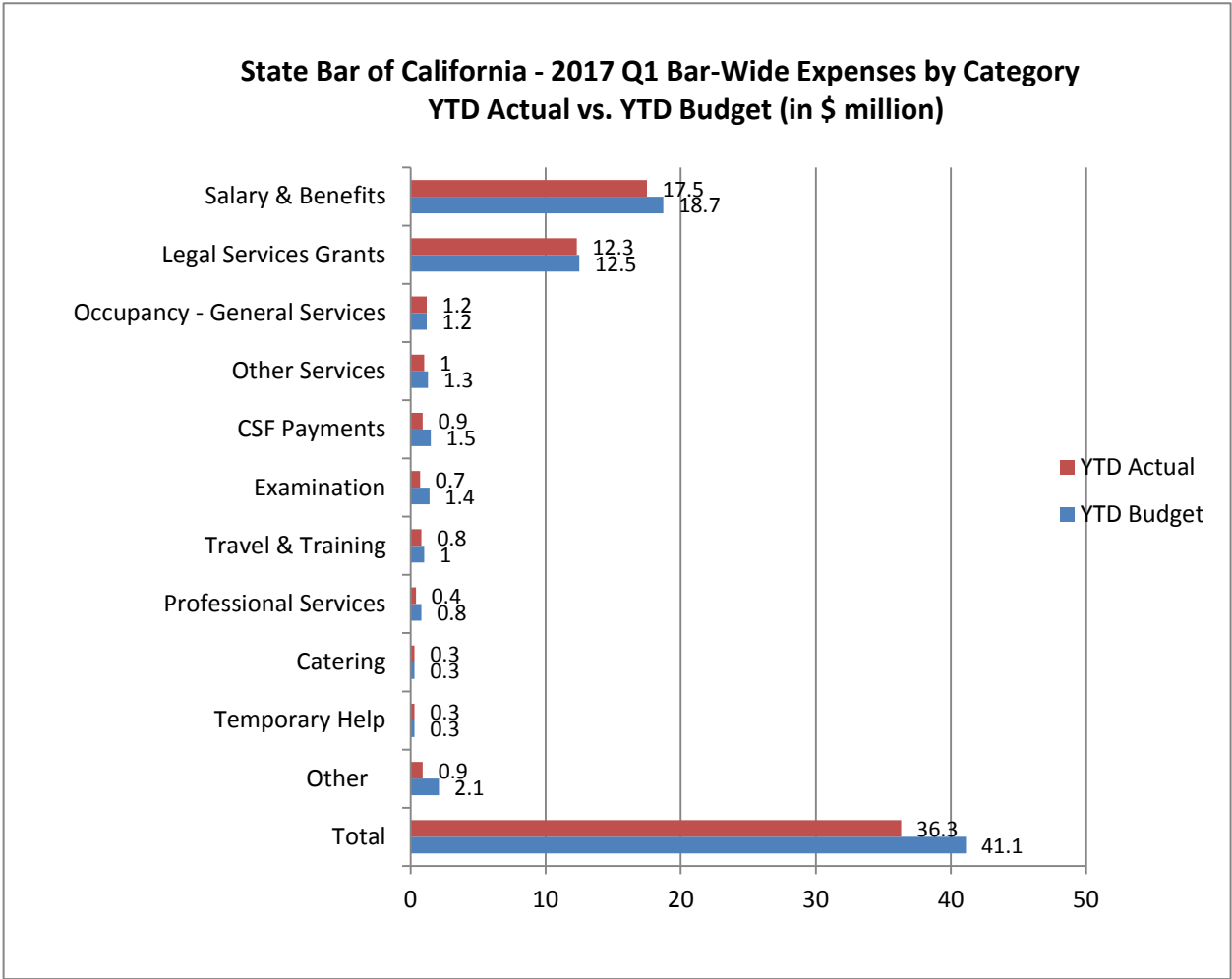
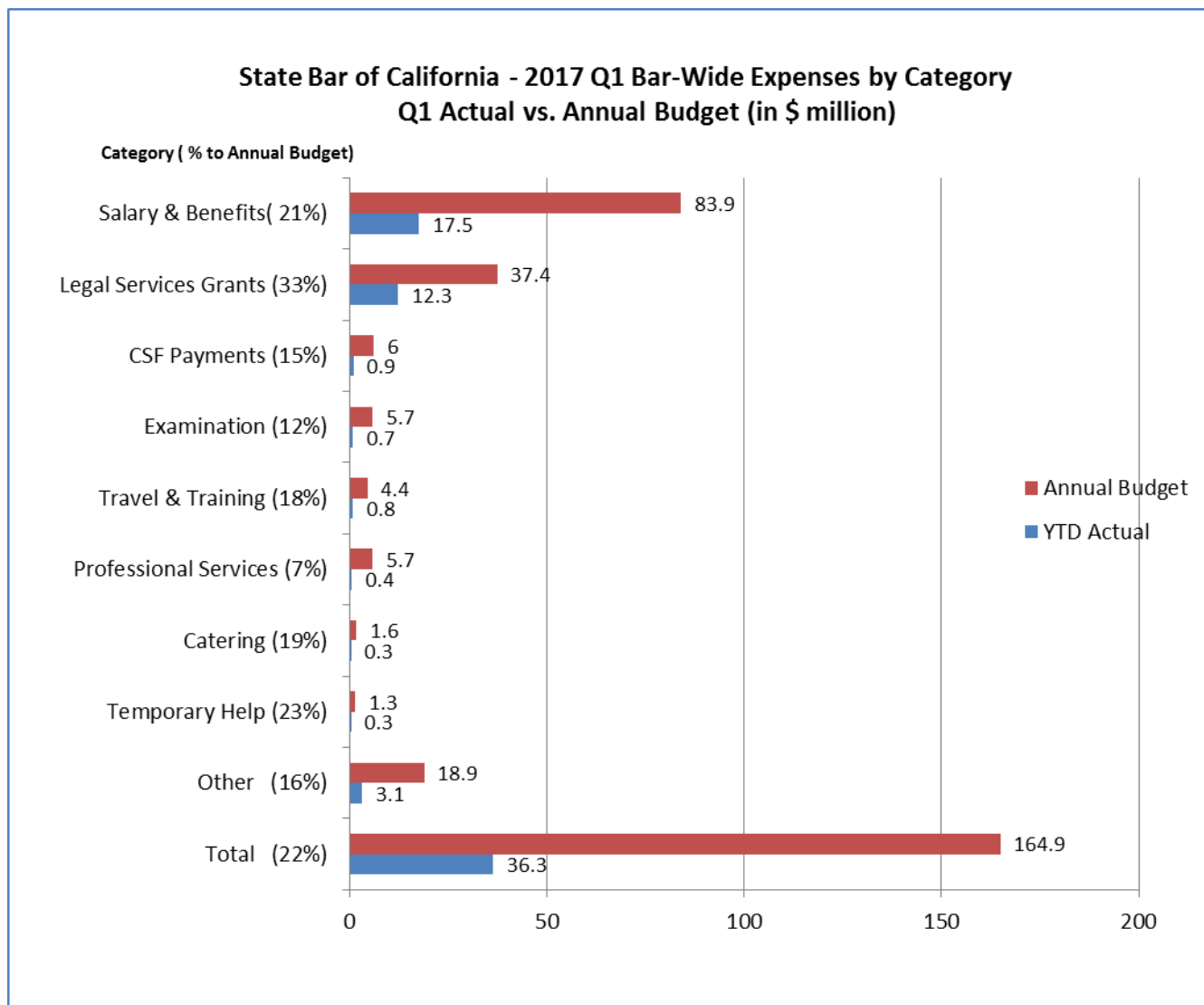


Figure F: First Quarter Expenses by Category, 2017 YTD Actual with % to Annual Budget:



(C) Variance Analysis – Current Year YTD Actual vs. Prior Year YTD Actual (Attachment 6)

Attachment 6 summarizes the variance analysis of the State Bar’s operating statement by comparing each revenue and expense category for the reporting quarter to last year.

(D) Net Surplus

The State Bar closed the first quarter with a net operating surplus of \$65.4 million, reflecting a \$4.9 million favorable variance compared to the year-to-date budget. This \$4.9 million surplus is comprised of approximately \$1.5 million in personnel cost savings due to vacant positions from delayed hiring; most of these vacant positions are budgeted for the Supervising Attorney positions in OCTC. The other \$3.4 million is largely due to the timing of payments and office equipment purchases as explained above.

Staff expects that the operating surplus in the next quarter will continue to exceed the budgeted expectation, as the RIF related current year salary savings will be reflected in the next quarter’s financial reports.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - All Funds
As of March 31, 2017

Attachment 1

		Consolidated General Fund	Special Revenue Fund Group	Restrict Fund Group	Interfund Elimination	YTD Total All Fund March 2017	YTD Total All Fund March 2016	Change
ASSETS								
Cash & Restricted Cash	**	117,531,496	-	-	-	117,531,496	140,017,634	(22,486,138)
Investments	**	68,448,780	-	-	-	68,448,780	49,024,803	19,423,977
Accounts Receivable (net of allowances)		724	-	6,043,274	-	6,043,998	4,822,551	1,221,447
Interfund Receivable		22,467,193	25,354,021	76,743,568	124,564,782	-	-	-
Capital Assets (net of depreciation)		95,425,720	-	-	-	95,425,720	96,229,923	(804,203)
OPEB Investment		11,042,271	-	-	-	11,042,271	10,042,271	1,000,000
Other Assets		1,139,930	186,082	-	-	1,326,012	872,702	453,310
GASB 68 - Deferred Outflows of Resources		33,237,651	-	-	-	33,237,651	15,671,481	17,566,170
TOTAL ASSETS		349,293,765	25,540,103	82,786,842	124,564,782	333,055,928	316,681,365	16,374,563
LIABILITIES AND NET ASSETS								
Accounts Payable and Accrued Liabilities		5,384,066	397,438	4,736,865	-	10,518,369	9,682,635	835,734
Interfund Payable		124,498,837	65,945	-	(124,564,782)	-	-	-
Unearned Income		80,703	-	-	-	80,703	80,703	-
Grants Payable		-	-	16,753	-	16,753	16,753	-
Obligations under Debt Agreements		28,771,020	-	-	-	28,771,020	31,010,640	(2,239,620)
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		230,622,391	463,383	4,753,618	(124,564,782)	111,274,610	90,124,688	21,149,922
NET ASSETS								
Net Assets at Beginning of Year		75,143,002	12,380,600	68,858,020	-	156,381,622	111,197,769	45,183,853
Current Operating Excess/(Deficit)		43,528,372	12,696,120	9,175,204	-	65,399,696	115,358,908	(49,959,212)
TOTAL NET ASSETS		118,671,374	25,076,720	78,033,224	-	221,781,318	226,556,677	(4,775,359)
TOTAL LIABILITIES & NET ASSETS		349,293,765	25,540,103	82,786,842	-	333,055,928	316,681,365	16,374,563

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 \$186.0 million and \$189.0 million for Q1 2017 and Q1 2016, respectively.

The State Bar of California
Statement of Assets, Liabilities and Net Assets - General Funds
As of March 31, 2017

Attachment 2
Page 1 of 3

	Consolidated General Fund										
	Unconsolidated 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	108,390,255	81,220	-	-	4,610,000	1,173,985	-	-	781,036	2,495,000	117,531,496
Accounts Receivable (net of allowances)	-	-	-	-	-	724	-	-	-	-	724
Interfund Receivable	-	5,090,006	7,948,895	-	1,902,712	-	3,658,100	-	-	3,867,480	22,467,193
Investments	68,448,780	-	-	-	-	-	-	-	-	-	68,448,780
Capital Assets (net of depreciation)	-	1,451,023	-	68,188,449	-	-	-	22,672,241	-	3,114,007	95,425,720
OPEB Assets	-	-	-	-	-	-	-	-	11,042,271	-	11,042,271
Other Assets	364,978	-	-	-	-	774,952	-	-	-	-	1,139,930
GASB 68 - Deferred Outflows of Resources	33,237,651	-	-	-	-	-	-	-	-	-	33,237,651
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	210,441,664	6,622,249	7,948,895	68,188,449	6,512,712	1,949,661	3,658,100	22,672,241	11,823,307	9,476,487	349,293,765
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	3,643,810	205,756	1,765	205,677	-	871,666	95,201	-	-	360,191	5,384,066
Interfund Payable	119,021,469	-	-	3,172,637	-	356,751	-	-	1,947,980	-	124,498,837
Unearned Income	-	80,703	-	-	-	-	-	-	-	-	80,703
Obligations under Debt Agreements	-	-	-	19,576,285	-	-	-	-	-	9,194,735	28,771,020
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	194,553,044	286,459	1,765	22,954,599	-	1,228,417	95,201	-	1,947,980	9,554,926	230,622,391
NET ASSETS											
Net Assets at Beginning of Year	(27,092,756)	5,741,917	7,933,653	45,268,557	6,509,987	-	3,849,675	23,030,158	9,877,758	24,053	75,143,002
Current Operating Excess/(Deficit)	42,981,376	593,873	13,477	(34,707)	2,725	721,244	(286,776)	(357,917)	(2,431)	(102,492)	43,528,372
TOTAL NET ASSETS/(DEFICITS)	15,888,620	6,335,790	7,947,130	45,233,850	6,512,712	721,244	3,562,899	22,672,241	9,875,327	(78,439)	118,671,374
TOTAL LIABILITIES & NET ASSETS	210,441,664	6,622,249	7,948,895	68,188,449	6,512,712	1,949,661	3,658,100	22,672,241	11,823,307	9,476,487	349,293,765

** 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 March 31, 2017

Attachment 2
Page 2 of 3

	Special Revenue Fund Group				
	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
ASSETS					
Cash	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	-	-
Interfund Receivable	12,798,893	-	448,802	12,106,326	25,354,021
Other Assets	183,598	-	-	2,484	186,082
TOTAL ASSETS	12,982,491	-	448,802	12,108,810	25,540,103
LIABILITIES AND NET ASSETS					
Accounts Payable and Accrued Liabilities	285,019	16,859	-	95,560	397,438
Interfund Payable	-	65,945	-	-	65,945
Unearned Income	-	-	-	-	-
Grants Payable	-	-	-	-	-
Pension Liability	-	-	-	-	-
Obligations under Debt Agreements	-	-	-	-	-
Grants Payable	-	-	-	-	-
Obligations under Debt Agreements	-	-	-	-	-
TOTAL LIABILITIES	285,019	82,804	-	95,560	463,383
NET ASSETS					
Net Assets at Beginning of Year	4,125,350	(83,014)	452,173	7,886,091	12,380,600
Current Operating Excess/(Deficit)	8,572,122	210	(3,371)	4,127,159	12,696,120
TOTAL NET ASSETS/(DEFICITS)	12,697,472	(82,804)	448,802	12,013,250	25,076,720
TOTAL LIABILITIES & NET ASSETS	12,982,491	-	448,802	12,108,810	25,540,103

The State Bar of California
Statement of Assets, Liabilities and Net Assets - Restricted Funds
As of March 31, 2017

Attachment 2
Page 3 of 3

	Restricted Fund Group										Total Restricted Fund
	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	
ASSETS											
Cash	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	5,403,199	-	-	-	-	640,075	-	-	6,043,274
Interfund Receivable	9,198,607	441,450	714,590	1,218,504	2,407,254	4,555,497	602,280	11,160,956	5,896,197	40,548,233	76,743,568
Investments	-	-	-	-	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	9,198,607	441,450	6,117,789	1,218,504	2,407,254	4,555,497	602,280	11,801,031	5,896,197	40,548,233	82,786,842
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	104,271	42,601	4,438,484	-	-	35,979	9,960	69,318	36,252	-	4,736,865
Interfund Payable	-	-	-	-	-	-	-	-	-	-	-
Unearned Income	-	-	-	-	-	-	-	-	-	-	-
Grants Payable	-	-	-	-	-	-	-	16,753	-	-	16,753
TOTAL LIABILITIES	104,271	42,601	4,438,484	-	-	35,979	9,960	86,071	36,252	-	4,753,618
NET ASSETS											
Net Assets at Beginning of Year	1,426,270	464,735	2,011,910	1,216,759	1,659,420	2,983,158	546,529	8,342,595	6,103,905	44,102,739	68,858,020
Current Operating Excess/(Deficit)	7,668,066	(65,886)	(332,605)	1,745	747,834	1,536,360	45,791	3,372,365	(243,960)	(3,554,506)	9,175,204
TOTAL NET ASSETS/(DEFICITS)	9,094,336	398,849	1,679,305	1,218,504	2,407,254	4,519,518	592,320	11,714,960	5,859,945	40,548,233	78,033,224
TOTAL LIABILITIES & NET ASSETS	9,198,607	441,450	6,117,789	1,218,504	2,407,254	4,555,497	602,280	11,801,031	5,896,197	40,548,233	82,786,842

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - All Funds
For the Three Months Ending March 31, 2017

Attachment 3

	Consolidated General Fund	Special Revenue Fund Group	Restricted Fund Group	Interfund Elimination	Total All Funds Year to Date March 2017	Total All Funds Year to Date March 2016	Change	Percentage Change
OPERATING REVENUES								
Membership Fees and Donations	59,582,466	-	16,431,210	-	76,013,676	79,837,043	(3,823,367)	-4.79%
MJP Fees	-	499,223	-	-	499,223	493,385	5,838	1.18%
Examination Application Fees	-	12,055,866	-	-	12,055,866	12,120,448	(64,582)	-0.53%
Trust Account Revenue	-	-	1,635,108	-	1,635,108	1,513,274	121,834	8.05%
Law Practices Sections Fees	-	5,007,986	-	-	5,007,986	5,830,397	(822,411)	-14.11%
Seminar/Workshop Revenue	1,620	239,858	-	-	241,478	266,424	(24,946)	-9.36%
Advertising Revenue	-	10,970	-	-	10,970	43,170	(32,200)	-74.59%
Convention Income	-	63,567	-	-	63,567	196,527	(132,960)	-67.65%
Legal Specialization Fees	-	-	126,885	-	126,885	1,743,775	(1,616,890)	-92.72%
Law Corporation Registration Fees	476,120	-	-	-	476,120	505,041	(28,921)	-5.73%
Continuing Legal Education Fees	218,143	-	6,900	-	225,043	284,270	(59,227)	-20.83%
Grant Revenue	-	-	3,463,200	-	3,463,200	3,433,950	29,250	0.85%
EAF AB 145 Filing Fee Revenue	-	-	855,000	-	855,000	855,000	-	0.00%
Settlement Grants	-	-	-	-	-	44,728,659	(44,728,659)	-100.00%
Affinity Insurance Revenue	61,989	-	-	-	61,989	65,384	(3,395)	-5.19%
Other Revenue	160,823	480,646	10,900	-	652,369	730,989	(78,620)	-10.76%
Total Operating Revenue	60,501,161	18,358,116	22,529,203	-	101,388,480	152,647,736	(51,259,256)	-33.58%
OPERATING EXPENSES								
Chief Trial Counsel	9,626,346	-	-	-	9,626,346	9,053,330	573,016	6.33%
State Bar Court	2,984,674	-	-	-	2,984,674	2,786,395	198,279	7.12%
Member Records & Compliance	1,022,949	-	-	-	1,022,949	956,829	66,120	6.91%
Professional Competence	567,341	-	-	-	567,341	574,019	(6,678)	-1.16%
Probation	312,192	-	-	-	312,192	317,213	(5,021)	-1.58%
Mandatory Fee Arbitration	180,828	-	-	-	180,828	190,216	(9,388)	-4.94%
Judicial Evaluation	177,291	-	-	-	177,291	208,958	(31,667)	-15.15%
Commission on Access to Justice	2,548	-	-	-	2,548	8,571	(6,023)	-70.27%
Center on Access to Justice	402,010	-	-	-	402,010	395,227	6,783	1.72%
California Young Lawyers Association	12,307	-	-	-	12,307	64,019	(51,712)	-80.78%
Communications	263,323	-	-	-	263,323	261,600	1,723	0.66%
Governance	891,155	-	-	-	891,155	625,346	265,809	42.51%
Client Security Fund	-	-	1,241,793	-	1,241,793	2,720,038	(1,478,245)	-54.35%
Lawyer Assistance Program	-	-	378,371	-	378,371	368,508	9,863	2.68%
Grant Expenses	-	-	12,302,331	-	12,302,331	11,578,336	723,995	6.25%
Admissions	-	4,156,534	-	-	4,156,534	4,800,980	(644,446)	-13.42%
Sections	-	1,527,205	-	-	1,527,205	1,471,367	55,838	3.79%
General and Administrative	(849,996)	3,371	1,137,990	-	291,365	1,342,692	(1,051,327)	-78.30%
Total Operating Expenses	15,592,968	5,687,110	15,060,485	-	36,340,563	37,723,644	(1,383,081)	-3.67%
OPERATING INCOME/(LOSS)	44,908,193	12,671,006	7,468,718	-	65,047,917	114,924,092	(49,876,175)	-43.40%
NON-OPERATING REVENUE								
Investment Income	93,338	25,858	101,984	-	221,180	166,416	54,764	32.91%
Rental Income	451,599	-	-	-	451,599	495,920	(44,321)	-8.94%
Interest Expense on Loan	(321,000)	-	-	-	(321,000)	(227,520)	(93,480)	-41.09%
Total Non-Operating Revenue	223,937	25,858	101,984	-	351,779	434,816	(83,037)	-19.10%
INCOME/(LOSS) BEFORE TRANSFERS	45,132,130	12,696,864	7,570,702	-	65,399,696	115,358,908	(49,959,212)	-43.31%
Transfer Out To CSF	(1,600,000)	-	-	(1,600,000)	-	-	-	0.00%
Transfer in From Unconsolidated GF	-	-	1,600,000	1,600,000	-	-	-	0.00%
Interfund Transaction - Revenue	39,788	900	6,100	46,788	-	-	-	0.00%
Interfund Transaction - Expense	(43,546)	(1,644)	(1,598)	(46,788)	-	-	-	0.00%
Change in Net Position	43,528,372	12,696,120	9,175,204	-	65,399,696	115,358,908	(49,959,212)	-43.31%
CHANGES IN NET ASSETS								
Net Assets at beginning of year	75,143,002	12,380,600	68,858,020	-	156,381,622	111,197,769	45,183,853	40.63%
NET ASSETS AS OF MARCH 31, 2017	118,671,374	25,076,720	78,033,224	-	221,781,318	226,556,677	(4,775,359)	-2.11%

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - General Funds
For the Three Months Ending March 31, 2017

Attachment 4
Page 1 of 3

Consolidated General Fund											
	Unconsolidated 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	59,581,596	740	-	-	-	-	130	-	-	-	59,582,466
Investment Income	70,377	6,571	11,368	(4,626)	2,725	(2,128)	5,382	-	(2,431)	6,100	93,338
Continuing Legal Education Fees	218,143	-	-	-	-	-	-	-	-	-	218,143
Law Corporation Registration Fees	476,120	-	-	-	-	-	-	-	-	-	476,120
Rental Income	-	351,915	-	99,684	-	-	-	-	-	-	451,599
MJP Fees	-	-	-	-	-	-	-	-	-	-	-
Seminar/Workshop Revenue	1,620	-	-	-	-	-	-	-	-	-	1,620
Advertising Revenue	-	-	-	-	-	-	-	-	-	-	-
Affinity Insurance Revenue	-	-	61,989	-	-	-	-	-	-	-	61,989
Other Revenue	146,549	-	713	-	-	13,561	-	-	-	-	160,823
TOTAL REVENUE	60,494,405	359,226	74,070	95,058	2,725	11,433	5,512	-	(2,431)	6,100	61,046,098
EXPENSES											
Chief Trial Counsel	9,626,346	-	-	-	-	-	-	-	-	-	9,626,346
State Bar Court	2,984,674	-	-	-	-	-	-	-	-	-	2,984,674
Member Records & Compliance	1,022,949	-	-	-	-	-	-	-	-	-	1,022,949
Professional Competence	567,341	-	-	-	-	-	-	-	-	-	567,341
Probation	312,192	-	-	-	-	-	-	-	-	-	312,192
Mandatory Fee Arbitration	180,828	-	-	-	-	-	-	-	-	-	180,828
Judicial Evaluation	177,291	-	-	-	-	-	-	-	-	-	177,291
Commission on Access to Justice	2,548	-	-	-	-	-	-	-	-	-	2,548
Center on Access to Justice	402,010	-	-	-	-	-	-	-	-	-	402,010
California Young Lawyers Association	12,307	-	-	-	-	-	-	-	-	-	12,307
Communications	263,323	-	-	-	-	-	-	-	-	-	263,323
Governance	891,155	-	-	-	-	-	-	-	-	-	891,155
Grant Expenses	-	-	-	-	-	-	-	-	-	-	-
Interest Expense on Loan	-	-	-	212,408	-	-	-	-	-	108,592	321,000
General and Administrative	(528,113)	(234,647)	60,593	(82,643)	-	(715,391)	292,288	357,917	-	-	(849,996)
TOTAL EXPENSES	15,914,851	(234,647)	60,593	129,765	-	(715,391)	292,288	357,917	-	108,592	15,913,968
INCOME/(LOSS) BEFORE TRANSFERS											
	44,579,554	593,873	13,477	(34,707)	2,725	726,824	(286,776)	(357,917)	(2,431)	(102,492)	45,132,130
Transfer Out to CSF											
	(1,600,000)	-	-	-	-	-	-	-	-	-	(1,600,000)
Interfund Transaction - Revenue											
	39,788	-	-	-	-	-	-	-	-	-	39,788
Interfund Transaction - Expense											
	(37,966)	-	-	-	-	(5,580)	-	-	-	-	(43,546)
Change in Net Position											
	42,981,376	593,873	13,477	(34,707)	2,725	721,244	(286,776)	(357,917)	(2,431)	(102,492)	43,528,372
CHANGES IN NET ASSETS											
Net Assets at beginning of year	(27,092,756)	5,741,917	7,933,653	45,268,557	6,509,987	-	3,849,675	23,030,158	9,877,758	24,053	75,143,002
NET ASSETS AS OF MARCH 31, 2017	15,888,620	6,335,790	7,947,130	45,233,850	6,512,712	721,244	3,562,899	22,672,241	9,875,327	(78,439)	118,671,374

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - Special Revenue Funds
For the Three Months Ending March 31, 2016

Attachment 4
Page 2 of 3

	Special Revenue Fund Group				
	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
REVENUE					
Investment Income	12,765	(65)	-	13,158	25,858
Convention Income	-	275	-	63,292	63,567
Continuing Legal Education Fees	-	-	-	-	-
Law Practices (Sections) Revenue	-	-	-	5,007,986	5,007,986
Grant Revenue	-	-	-	-	-
MJP Fees	499,223	-	-	-	499,223
Exam Application & Moral Character Fees	12,055,866	-	-	-	12,055,866
Seminar/Workshop Revenue	-	-	-	239,858	239,858
Advertising Revenue	-	-	-	10,970	10,970
Other Revenue	160,646	-	-	320,000	480,646
TOTAL REVENUE	12,728,500	210	-	5,655,264	18,383,974
EXPENSES					
Grant Expenses	-	-	-	-	-
Administrations	4,156,534	-	-	-	4,156,534
CSF application payments	-	-	-	-	-
Sections	-	-	-	1,527,205	1,527,205
Interest Expense on Loan	-	-	-	-	-
General and Administrative	-	-	3,371	-	3,371
TOTAL EXPENSES	4,156,534	-	3,371	1,527,205	5,687,110
INCOME/(LOSS) BEFORE TRANSFERS	8,571,966	210	(3,371)	4,128,059	12,696,864
Interfund Transaction - Revenue	900	-	-	-	900
Interfund Transaction - Expense	(744)	-	-	(900)	(1,644)
Change in Net Position	8,572,122	210	(3,371)	4,127,159	12,696,120
CHANGES IN NET ASSETS					
Net Assets at beginning of year	4,125,350	(83,014)	452,173	7,886,091	12,380,600
NET ASSETS AS OF MARCH 31, 2017	12,697,472	(82,804)	448,802	12,013,250	25,076,720

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Assets - Restricted Funds
For the Three Months Ending March 31, 2017

Attachment 4
Page 3 of 3

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	7,296,985	82,990	-	-	747,500	1,908,481	139,295	6,255,959	-	-	16,431,210
Investment Income	5,630	729	673	1,745	2,641	5,010	886	12,665	8,759	63,246	101,984
Continuing Legal Education Revenue	-	-	-	-	-	-	-	-	6,900	-	6,900
Grant Revenue	-	-	3,463,200	-	-	-	-	-	-	-	3,463,200
LSTF Trust Account Revenue	-	-	-	-	-	-	-	1,635,108	-	-	1,635,108
EAF AB145 Filing Fee Revenue	-	-	855,000	-	-	-	-	-	-	-	855,000
Legal Specialization Fees	-	-	-	-	-	-	-	-	126,885	-	126,885
Seminar/Workshop Revenue	-	-	-	-	-	-	-	-	-	-	-
Settlement Grants	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	3,500	-	-	-	-	-	-	-	400	7,000	10,900
TOTAL REVENUE	7,306,115	83,719	4,318,873	1,745	750,141	1,913,491	140,181	7,903,732	142,944	70,246	22,631,187
EXPENSES											
Grant Expenses	-	-	4,647,586	-	-	-	-	4,059,237	-	3,595,508	12,302,331
CSF Program	1,241,793	-	-	-	-	-	-	-	-	-	1,241,793
Lawyer Assistance Program	-	-	-	-	-	378,371	-	-	-	-	378,371
General and Administrative	-	149,605	3,892	-	2,307	-	94,390	472,020	386,532	29,244	1,137,990
TOTAL EXPENSES	1,241,793	149,605	4,651,478	-	2,307	378,371	94,390	4,531,257	386,532	3,624,752	15,060,485
INCOME/(LOSS) BEFORE TRANSFERS	6,064,322	(65,886)	(332,605)	1,745	747,834	1,535,120	45,791	3,372,475	(243,588)	(3,554,506)	7,570,702
Transfer in From Unconsolidated GF	1,600,000	-	-	-	-	-	-	-	-	-	1,600,000
Interfund Transaction - Revenue	4,860	-	-	-	-	1,240	-	-	-	-	6,100
Interfund Transaction - Expense	(1,116)	-	-	-	-	-	-	(110)	(372)	-	(1,598)
Change in Net Position	7,668,066	(65,886)	(332,605)	1,745	747,834	1,536,360	45,791	3,372,365	(243,960)	(3,554,506)	9,175,204
CHANGES IN NET ASSETS											
Net Assets at beginning of year	1,426,270	464,735	2,011,910	1,216,759	1,659,420	2,983,158	546,529	8,342,595	6,103,905	44,102,739	68,858,020
NET ASSETS AS OF MARCH 31, 2017	9,094,336	398,849	1,679,305	1,218,504	2,407,254	4,519,518	592,320	11,714,960	5,859,945	40,548,233	78,033,224

The State Bar of California
Budget to Actual Comparison - Unconsolidated General Fund
For the Three Months Ending March 31, 2017

Attachment 5

	March 2017 Year to Date Actual	March 2017 Year to Date Budget	Variance Favorable (Unfavorable)	March 2016 Prior Year to Date Actual	Inc./(Dec.) From Prior Year	2017 Annual Budget
REVENUE						
Membership Fees	59,581,596	59,139,300	442,296	62,463,487	(2,881,891)	65,839,600
Investment Income	70,377	26,100	44,277	90,331	(19,954)	105,200
Law Corp Registration Fees	476,120	360,930	115,190	505,041	(28,921)	1,443,000
CalBar Journal Revenue	-	-	-	31,495	(31,495)	-
Continuing Legal Education	218,143	220,920	(2,777)	215,955	2,188	883,700
Seminar/Workshop Revenue	1,620	1,200	420	4,660	(3,040)	5,000
MJP Fees	-	-	-	493,385	(493,385)	-
Grant Revenue	-	-	-	-	-	-
Other Revenue	146,549	108,363	38,186	137,579	8,970	437,300
TOTAL REVENUE	60,494,405	59,856,813	637,592	63,941,933	(3,447,528)	68,713,800
EXPENSES						
Chief Trial Counsel (A)	9,626,346	10,805,442	1,179,096	9,053,330	573,016	45,841,516
State Bar Court	2,984,674	2,864,431	(120,243)	2,786,395	198,279	11,913,864
Member Records & Compliance	1,022,949	1,054,189	31,240	956,829	66,120	4,542,956
Professional Comptence	567,341	610,076	42,735	574,019	(6,678)	2,572,876
Probation	312,192	266,417	(45,775)	317,213	(5,021)	1,128,960
Mandatory Fee Arbitration	180,828	197,144	16,316	190,216	(9,388)	836,804
Judicial Evaluation	177,291	158,318	(18,973)	208,958	(31,667)	658,592
Commission on Access to Justice	2,548	5,074	2,526	8,571	(6,023)	20,320
Center on Access to Justice	402,010	406,199	4,189	395,227	6,783	1,711,304
California Young Lawyers Association	12,307	6,670	(5,637)	64,019	(51,712)	25,192
Communications	263,323	271,160	7,837	261,600	1,723	1,149,764
Governance (B)	891,155	875,619	(15,536)	625,346	265,809	3,728,828
General and Administrative (C)	(528,113)	(539,536)	(11,423)	213,899	(742,012)	(265,644)
TOTAL EXPENSES	15,914,851	16,981,203	1,066,352	15,655,622	259,229	73,865,332
INCOME/(LOSS) BEFORE TRANSFERS	44,579,554	42,875,610	1,703,944	48,286,311	(3,706,757)	(5,151,532)
Transfer Out - CSF	(1,600,000)	(1,600,000)	-	-	(1,600,000)	(1,600,000)
Interfund Transaction - Revenue	39,788	-	39,788	36,125	3,663	-
Interfund Transaction - Expense	(37,966)	-	(37,966)	(33,765)	(4,201)	-
NET OPERATING SURPLUS/(DEFICIT)	42,981,376	41,275,610	1,705,766	48,288,671	(5,307,295)	(6,751,532)

Notes: (A) OCTC YTD budget-to-actual comparison reflects a favorable variance of \$1.1 million.

This is due largely to personnel cost saving from vacation position due to delay in hiring.

(B) Governance includes Office of Executive Director, ORIA BOT, Appointments and Elections.

(C) General & Admin costs showed negative amount because the indirect cost chargeback from UGF Executive Director's

Officer is greater than the indirect cost allocated back to the UGF.

The State Bar of California
Variance Analysis - March 31, 2017 vs. 2016

Attachment 6

	Total All Funds Year to Date March 2017	Total All Funds Year to Date March 2016	Increase/ (Decrease)	Percentage Change	Notes for Variances
OPERATING REVENUES					
Membership Fees and Donations	76,013,676	79,837,043	(3,823,367)	-4.79%	(A)
MJP Fees	499,223	493,385	5,838	1.18%	Insignificant
Examination Application Fees	12,055,866	12,120,448	(64,582)	-0.53%	Insignificant
Trust Account Revenue	1,635,108	1,513,274	121,834	8.05%	Insignificant
Law Practices Sections Fees	5,007,986	5,830,397	(822,411)	-14.11%	(B)
Seminar/Workshop Revenue	241,478	266,424	(24,946)	-9.36%	Insignificant
Advertising Revenue	10,970	43,170	(32,200)	-74.59%	Insignificant
Convention Income	63,567	196,527	(132,960)	-67.65%	Insignificant
Legal Specialization Fees	126,885	1,743,775	(1,616,890)	-92.72%	Decrease due to Fee Holiday in 2017 as part of the spend-down plan in 2017 budget.
Law Corporation Registration Fees	476,120	505,041	(28,921)	-5.73%	Insignificant
Continuing Legal Education Fees	225,043	284,270	(59,227)	-20.83%	Reduction is mostly in late compliance fees.
Grant Revenue	3,463,200	3,433,950	29,250	0.85%	Insignificant
EAF AB 145 Filing Fee Revenue	855,000	855,000	-	0.00%	NA
Settlement Grants	-	44,728,659	(44,728,659)	-100.00%	\$44.7 BoA settlement grant received in 2016
Affinity Insurance Revenue	61,989	65,384	(3,395)	-5.19%	Insignificant
Other Revenue	652,369	730,989	(78,620)	-10.76%	Insignificant
Total Operating Revenue	101,388,480	152,647,736	(51,259,256)	-33.58%	
OPERATING EXPENSES					
Chief Trial Counsel	9,626,346	9,053,330	573,016	6.33%	Higher cost in 2017 is consistent with the OCTC expansion plan in 2017.
State Bar Court	2,984,674	2,786,395	198,279	7.12%	Insignificant
Member Records & Compliance	1,022,949	956,829	66,120	6.91%	Variance due to internal staff transfer.
Professional Competence	567,341	574,019	(6,678)	-1.16%	Insignificant
Probation	312,192	317,213	(5,021)	-1.58%	Insignificant
Mandatory Fee Arbitration	180,828	190,216	(9,388)	-4.94%	Insignificant
Judicial Evaluation	177,291	208,958	(31,667)	-15.15%	Insignificant
Commission on Access to Justice	2,548	8,571	(6,023)	-70.27%	Insignificant
Center on Access to Justice	402,010	395,227	6,783	1.72%	Insignificant
California Young Lawyers Association	12,307	64,019	(51,712)	-80.78%	Insignificant
Communications	263,323	261,600	1,723	0.66%	Insignificant
Governance	891,155	625,346	265,809	42.51%	(C)
CSF application payments	1,241,793	2,720,038	(1,478,245)	-54.35%	(D)
Lawyer's Assistance Program	378,371	368,508	9,863	2.68%	Insignificant
Grants	12,302,331	11,578,336	723,995	6.25%	Increase is consistent with additional grants distribution in 2017.
Admissions	4,156,534	4,800,980	(644,446)	-13.42%	lower costs in 2017 is due to timing of payments.
Sections	1,527,205	1,471,367	55,838	3.79%	Insignificant
General and Administrative	291,365	1,342,692	(1,051,327)	-78.30%	(E)
Total Operating Expenses	36,340,563	37,723,644	(1,383,081)	-3.67%	
OPERATING INCOME/(LOSS)	65,047,917	114,924,092	(49,876,175)	-43.40%	
NON-OPERATING REVENUE					
Investment Income	221,180	166,416	54,764	32.91%	due to increased investment return rate and additional fund from BoA
Rental Income	451,599	495,920	(44,321)	-8.94%	settlement grant for investment
Interest Expense on Loan	(321,000)	(227,520)	(93,480)	41.09%	Insignificant
Total Non-Operating Revenue	351,779	434,816	(83,037)	-19.10%	additional interest expenses for the SF tenant build-out loan
Changes in Net Position:	65,399,696	115,358,908	(49,959,212)	-43.31%	

Notes:

(A) Lower mandatory fees/donations & penalties due largely to lower assessment fees of \$297 in 2017 compared to \$315 in 2016.

In addition, part of the decrease in membership fees and penalty revenues is the result of the later due date under the Supreme Court Assessment.

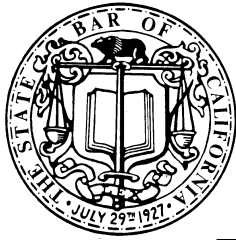
(B) The Sections enrollment in 2017 is slightly lower than last year and the later due date under the Supreme Court Assessment.

(C) Governance = Office of Executive Director, ORIA, BOT, Elections, Governance in the Public Interest Taskforce.

(D) Case composition in CSF resulting in increased year-over-year application denials and lengthy case processing time

(E) Majority of the General & Administrative costs are indirect cost to programs allocated based on budget.

The 2016 indirect cost pool is higher because it consisted of \$4.6 million budget for Howard Street Building improvement, while this budget is reduced down to \$1.7 million in 2017.



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: April 18, 2017

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

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Investment Report for the First Quarter Ended March 31, 2017

Attached is the quarterly investment report for the State Bar of California as of March 31, 2017. 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 March, the market value of the State Bar's investment portfolio totaled \$121.5 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.79%, compared to 0.54% in 2016. Actual investment earnings increased approximately 32.91% from \$166,416 at the first quarter in 2016 to \$221,180 in 2017. 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 quarter is \$230,312. 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 rates 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
March 31, 2017

<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	65,345,994	65,119,942	53.59%	0.79%
- Corporate Bonds	2,999,250	2,994,990	2.46%	1.12%
- Common Stock-Metlife Inc.	155,080	155,080	0.13%	N.A
- Interest Receivable	-	166,780	0.14%	N.A
Subtotal-Securities, Bonds and Notes	68,500,324	68,436,792	56.32%	
Local Agency Investment Fund	52,999,715	53,070,881	43.68%	0.78%
Subtotal-Other Investments	52,999,715	53,070,881	43.68%	
Grand Total	121,500,039	121,507,673	100%	0.79%

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

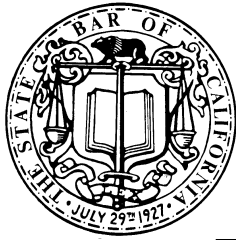
Market Value of Portfolio	68,270,012
Original Cost of Portfolio	68,500,324
Unrealized Gain/(Loss):	<u>(230,312)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of March 31, 2017

<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 LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,000,090	10,500	(11,790)	0.55%	04/14/15	04/13/17
FED HOME LOAN BANK	3130A4U42	AA+	Government Agency	3,000,000	3,005,580	2,999,370	6,067	(6,210)	0.65%	03/29/16	06/30/17
FED FARM CREDIT BANK	3133EFK30	AA+	Government Agency	3,000,000	3,000,780	2,998,260	5,390	(2,520)	0.75%	03/09/16	07/07/17
FED HOME LN MTG CORP	3137EADV8	AA+	Government Agency	3,000,000	2,995,050	2,998,890	4,813	3,840	0.86%	01/08/16	07/14/17
FED FARM CREDIT BANK	3133EE4K3	AA+	Government Agency	3,000,000	3,003,810	2,998,830	4,200	(4,980)	0.63%	02/16/16	07/21/17
FED HOME LOAN BANK	3130A62S5	AA+	Government Agency	2,000,000	1,995,480	1,998,760	1,375	3,280	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	10,385	(450)	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	2,993,220	7,063	(6,750)	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	2,993,220	4,938	(9,600)	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	2,993,220	4,938	(4,560)	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,795,932	2,963	(3,582)	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	2,989,740	146	(14,400)	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	4,980,250	17,917	(15,050)	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	4,979,550	14,063	(15,500)	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,489,640	6,222	(10,360)	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	4,974,350	21,389	(25,650)	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	2,985,900	1,240	(24,270)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	4,977,550	23,467	(33,000)	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	2,986,530	14,080	(31,620)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	1,987,120	6,944	(12,880)	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS AND NOTES:				65,300,000	65,345,994	65,119,942	168,096	(226,052)	0.80%		
CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	2,994,990	10,672	(4,260)	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	2,994,990	10,672	(4,260)	1.12%		
METLIFE INC	59156R108	N/A	Common Stock	-	-	155,080	-	155,080			N/A
TOTAL COMMON STOCKS:				-	-	155,080	-	155,080			

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

68,448,780



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: April 18, 2017

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

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Executive Retirement Health Benefit (OPEB) Investment Report
for the First Quarter Ended March 31, 2017

Attached is the 2017 first quarter investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset.

As of March 31, 2017, the market value of the OPEB assets totaled \$22.9 million. Rate of return of the entire portfolio since date of inception is 13.61%, with an unrealized gain of \$2.74 million.

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 February 2017, with measurement date of June 30, 2015. In this valuation report, the actuary determined that the annual required contributions for 2017 is approximately \$1.0 million. The Year to Date actual contribution for 2017 is \$0.25 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
March 31, 2017**

<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	\$ 20,150,401	\$ 22,893,025	13.61%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 20,150,401</u>	<u>\$ 22,893,025</u>	
 Grand Total	 <u><u>\$ 20,150,401</u></u>	 <u><u>\$ 22,893,025</u></u>	
 Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 22,893,025	
Original Cost of Portfolio		20,150,401	
Unrealized Gain/(Loss):		<u><u>\$ 2,742,624</u></u>	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: May 11, 2017

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

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Client Security Fund Report for the Quarter Ended
March 31, 2017

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended March 31, 2017. These reports include:

- Applications Activity for the year ended March 31, 2017
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn

As of March 31, a total of 237 new applications in the amount of \$4.4 million were filed in 2017. The number of applications filed is down by 19.9% compared to 296 applications filed last year. The application amount decreased by \$0.1 million, or 2.2% compared to \$4.5 million filed in 2016.

For the quarter ended March 31, 2017, total applications processed are 508 for approximately \$3.1 million, compared to 516 for \$4.0 million last year. Total payouts for the reported quarter are \$0.9 million, down by \$1.4 million compared to \$2.3 million last year. Year-to-year application denials and more complex matters requiring longer case processing time resulted in lower payouts this year. However, based on the current pending application inventory, staff expect that the CSF Fund will be able to reimburse the full \$6 million budgeted amount by end of the year.

Total applications pending for processing as of March 31, 2017 are 3,982 in the amount of \$52.2 million, and for the same period in 2016, there were 5,245 pending applications in the amount of \$50.5 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 as of March 31, 2017 is down by 1,263 or 24.1% compared to the 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 March 31, 2017 are 3,982 for \$52.2 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of March 31, 2017 is \$24.1 million and there is an increase of \$2.7 million or 12.6% compared to \$21.4 million last year. As of March 31, 2017, cash and investments available for applications reimbursement in the CSF are approximately \$9.1 million compared to \$6.9 million last year.

Below are some key indicators for the CSF application process in first quarter 2017 compared to 2016:

Key Indicator Descriptions	2017 Q1	2016 Q1	Attachment
New Applications Received # / \$ (in million)	237/\$4.4	296/\$4.5	1
Total Applications Processed # / \$ (in million)	508/\$3.1	516/\$4.0	2
% of Paid Applications in # to total in process ¹	4.5%	8%	1
% of Paid Applications in \$ to total in process ²	1.7%	4.2%	1
Total Payouts \$ (in million)	\$ 0.9	\$ 2.3	2
Total Applications Pending for Processing # / \$ (in million)	3,982/\$52.2	5,245/\$50.5	2
24-month Rolling Average Payout Ratio	46.21%	42.36%	4
Estimated CSF Application Payout Cost (in million)	\$24.1	\$21.3	2
Estimated CSF Application Payout Cost/Per Active Attorney	\$128	\$115	5
Net Assets as of December 31 (in million)	\$9.1	\$6.9	3

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

² \$ 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
MARCH 31, 2017
YEAR TO DATE ACTIVITIES**

Attachment 1

	<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>			
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	(A)	(B)
Prior Years' Applications	884	1,578,919	1,726	6,508,701	741	5,285,106	462	7,457,189	149	5,217,198	54	2,734,127	237	22,144,138	4,253	50,925,378		
New Applications	40	68,239	67	248,261	46	337,590	38	631,654	14	466,469	3	150,000	29	2,492,652	237	4,394,865		
Paid Applications	(42)	(76,145)	(113)	(401,817)	(32)	(175,565)	(11)	(142,163)	(1)	(3,000)	(1)	(50,000)	(3)	(84,000)	(203)	(932,690)	4.5%	1.7%
Rejected Applications	(24)	(52,061)	(13)	(83,780)	(1)	(39,660)	(1)	(45,125)	(1)	(72,900)	(1)	(50,000)	-	(181,000)	(41)	(524,526)	0.9%	0.9%
Withdrawn Applications	(65)	(129,677)	(152)	(534,144)	(23)	(161,787)	(14)	(233,012)	(4)	(118,975)	(1)	(50,000)	(5)	(412,934)	(264)	(1,640,529)	5.9%	3.0%
Applications Outstanding	793	\$ 1,389,275	1,515	\$ 5,737,221	731	\$ 5,245,684	474	\$ 7,668,543	157	\$ 5,488,792	54	\$ 2,734,127	258	\$ 23,958,856	3,982	\$ 52,222,498		
New applications % to total	16.88%	1.55%	28.27%	5.65%	19.41%	7.68%	16.03%	14.37%	5.91%	10.61%	1.27%	3.41%	12.24%	56.72%	100.00%	100.00%		
Applications paid % to total	20.69%	8.16%	55.67%	43.08%	15.76%	18.82%	5.42%	15.24%	0.49%	0.32%	0.49%	5.36%	1.48%	9.01%	100.00%	100.00%		
Applications rejected or withdrawn % to total	29.18%	8.39%	54.10%	28.54%	7.87%	9.30%	4.92%	12.85%	1.64%	8.86%	0.66%	4.62%	1.64%	27.43%	100.00%	100.00%		
Applications outstanding % to total	19.91%	2.66%	38.05%	10.99%	18.36%	10.04%	11.90%	14.68%	3.94%	10.51%	1.36%	5.24%	6.48%	45.88%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2017 Q1.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2017 Q1.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF MARCH 31, 2017

<u>Year</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or</u>		<u>Total Applications</u>		<u>Applications Outstanding</u>	
<u>Filed</u>	<u>Year</u>		<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>Withdrawn</u>		<u>Processed</u>		<u>#</u>	<u>Amount</u>
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2008	1	1,605			-	-	-	-	-	-	1	1,605
2009	108	331,935			(6)	(17,546)	(73)	(223,360)	(79)	(240,906)	29	91,029
2010	298	1,219,305			(32)	(86,111)	(120)	(542,440)	(152)	(628,551)	146	590,754
2011	208	1,176,608			(11)	(34,853)	(16)	(137,004)	(27)	(171,857)	181	1,004,751
2012	468	3,116,942			(88)	(371,816)	(33)	(216,343)	(121)	(588,159)	347	2,528,783
2013	341	4,620,649			(45)	(208,797)	(15)	(284,271)	(60)	(493,068)	281	4,127,581
2014	931	12,626,846			(13)	(119,853)	(12)	(107,304)	(25)	(227,157)	906	12,399,689
2015	910	12,927,699			(1)	(25,000)	(4)	(116,014)	(5)	(141,014)	905	12,786,685
2016	988	14,903,789			(7)	(68,714)	(23)	(326,220)	(30)	(394,934)	958	14,508,855
2017			237	4,394,864	-	-	(9)	(212,098)	(9)	(212,098)	228	4,182,766
TOTAL	4,253	50,925,378	237	4,394,864	(203)	(932,690)	(305)	(2,165,054)	(508)	(3,097,744)	3,982	52,222,498

Applications Outstanding **\$52,222,498**

Estimated Application Payout Ratio **46.21%**

Estimated Application Payouts **\$24,132,160**

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF MARCH 31, 2017

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</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>#</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>
2007-2008	1	1,605			-	-	-	-	-	-	1	1,605
2007-2009	109	333,540			(6)	(17,546)	(73)	(223,360)	(79)	(240,906)	30	92,634
2007-2010	407	1,552,845			(38)	(103,657)	(193)	(765,800)	(231)	(869,457)	176	683,388
2007-2011	615	2,729,453			(49)	(138,510)	(209)	(902,804)	(258)	(1,041,314)	357	1,688,139
2007-2012	1,083	5,846,395			(137)	(510,326)	(242)	(1,119,147)	(379)	(1,629,473)	704	4,216,922
2007-2013	1,424	10,467,044			(182)	(719,123)	(257)	(1,403,418)	(439)	(2,122,541)	985	8,344,503
2007-2014	2,355	23,093,890			(195)	(838,976)	(269)	(1,510,722)	(464)	(2,349,698)	1,891	20,744,192
2007-2015	3,265	36,021,589			(196)	(863,976)	(273)	(1,626,736)	(469)	(2,490,712)	2,796	33,530,877
2007-2016	4,253	50,925,378			(203)	(932,690)	(296)	(1,952,956)	(499)	(2,885,646)	3,754	48,039,732
2007-2017			237	4,394,864	(203)	(932,690)	(305)	(2,165,054)	(508)	(3,097,744)	3,982	52,222,498
			237	4,394,864	(203)	(932,690)	(296)	(1,952,956)	(499)	(2,885,646)	3,982	52,222,498

Net Asset in Client Security Fund:

As of 3/31/2017

\$ 9,094,336

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO
APRIL 2015 THROUGH MARCH 2017

Attachment 4

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
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
Jan 17	405,553	45.15%	492,720	898,273
Feb17	142,213	23.90%	452,886	595,099
Mar17	384,925	23.98%	1,219,948	1,604,873
Total:	<u>14,029,418</u>		Total: <u>16,330,533</u>	<u>30,359,951</u>
24 Month Rolling Average PaidOut Ratio:			46.21%	

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

Attachment 5

MARCH 31, 2017

	<u>1ST QTR</u>
Beginning Balance	4,253
Add: Reinstated Applications	
New Applications	237
Less: Paid / Rejected or	
Withdrawn	508
TOTAL	3,982

APPLICATIONS OUTSTANDING AMT.	\$52,222,498
# Of Active Attorneys	188,613
Cost Per Active Attorney	\$277

ESTIMATED APPLICATIONS LIAB.	
Applications Payout Ratio	46.21%
Estimated Application Amount *	\$24,132,160
# of Active Attorneys	188,613
Cost per Active Attorney	\$128

APPLICATION ACTIVITIES IN %:

NEW APPLICATIONS - YTD

1 - 2,500	1.55%
2,501 - 5,000	5.65%
5,001 - 10,000	7.68%
10,001 - 25,000	14.37%
25,001 - 49,999	10.61%
50,000	3.41%
50,001 - 100,000	56.72%

APPLICATIONS PAID - YTD

1 - 2,500	8.16%
2,501 - 5,000	43.08%
5,001 - 10,000	18.82%
10,001 - 25,000	15.24%
25,001 - 49,999	0.32%
50,000	5.36%
50,001 - 100,000	9.01%

REJ./WDRAWN - YTD

1 - 2,500	8.39%
2,501 - 5,000	28.54%
5,001 - 10,000	9.30%
10,001 - 25,000	12.85%
25,001 - 49,999	8.86%
50,000	4.62%
50,001 - 100,000	27.43%

APPLICATIONS O/S-CUM. - YTD

1 - 2,500	2.66%
2,501 - 5,000	10.99%
5,001 - 10,000	10.04%
10,001 - 25,000	14.68%
25,001 - 49,999	10.51%
50,000	5.24%
50,001 - 100,000	45.88%

NET ASSET, END OF PERIOD	\$ 9,094,336
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*Based upon 24 month rolling weighted average of applications payout ratio (See page 4)