

AGENDA ITEM

III.A SEP 2017

DATE: September 6, 2017

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

FROM: Christine Wong, Director of Finance

SUBJECT: Financial Statement Report, Investment Report and CSF Report for the Quarter ended June 30, 2017

EXECUTIVE SUMMARY

In adherence to the State Bar's Fiscal Control Policies and Procedures, the Office of Finance has prepared the 2017 Second Quarter Financial Report for the Board's review. This financial report consists of three separate reports: Financial Statement Report, Investment Report and Client Security Fund (CSF) Report.

BACKGROUND

None.

DISCUSSION

The following matters are on the consent agenda for the Board's September 6, 2017 meeting:

Financial Statement Report, Investment Report and CSF Report for the Quarter ended June 30, 2017

This report will be considered by the Planning and Budget Committee at its September 6, 2017 meeting. Should the board committee concur with the recommendation, it would be in order for the Board to adopt.

FISCAL/PERSONNEL IMPACT

None.

RULE AMENDMENTS

None.

BOARD BOOK IMPACT

None.

BOARD GOALS & OBJECTIVES

State Bar's 2016 Strategic Plan Goals and Objectives – Goal 3: Improve fiscal and operational management, emphasizing integrity, transparency and accountability.

BOARD COMMITTEE RECOMMENDATIONS

The Planning and Budget Committee recommends that the Board of Trustees approve the following resolution:

RESOLVED, that the Board of Trustees approve the 2017 Second Quarter Financial Report in the form this day before the Board, for the quarter ended June 30, 2017, as certified by the Chief Financial Officer, and on file in the San Francisco office of the State Bar.

ATTACHMENT(S) LIST

- A.** Financial Statement Report, Investment Report and CSF Report for the Quarter ended June 30, 2017

The State Bar of California

Financial Statement for the Second Quarter Ended June 30, 2017

I. Overview

This report outlines the State Bar's second quarter operating results and fiscal position as of June 30, 2017, with information and comparative analyses regarding revenues, expenses, net surplus, assets, liabilities and net position. This report includes the following statements/attachments and detailed description of each Attachment is provided in the Notes section below. The table below summarizes key highlights of the financial statements, with references to additional information regarding each element explained in either the Attachments or Notes.

- Attachment 1 – Assets, Liabilities & Net Position (All Funds)
- Attachment 2 – Assets, Liabilities & Net Position (By Fund)
- Attachment 3 – Revenues, Expenses and Changes in Net Position (All Funds)
- Attachment 4 – Revenues, Expenses and Changes in Net Position (By Fund)
- Attachment 5 – Budget to Actual Comparison (Discipline & Administrative Fund **)
- Attachment 6 – Variance Analysis (All Funds)

II. Key Financial Highlights

The State Bar ended its second quarter of 2017 with \$49.5 million year-to-date surplus, which exceeded the targeted budgetary goals in general. Total assets as of June 30, 2017 were \$315.5 million, liabilities were \$109.6 million, and net assets were \$205.9 million. For the reporting quarter, total revenues were \$125.4 million, at 85.9% of \$146.0 million adopted 2017 budget. Total expenses were \$75.9 million at 46% of \$164.9 million adopted budget. Net surplus for the first half year is usually higher because most of the membership fees are collected in the first quarter. Below is a summary of key financial highlights of the financial statements:

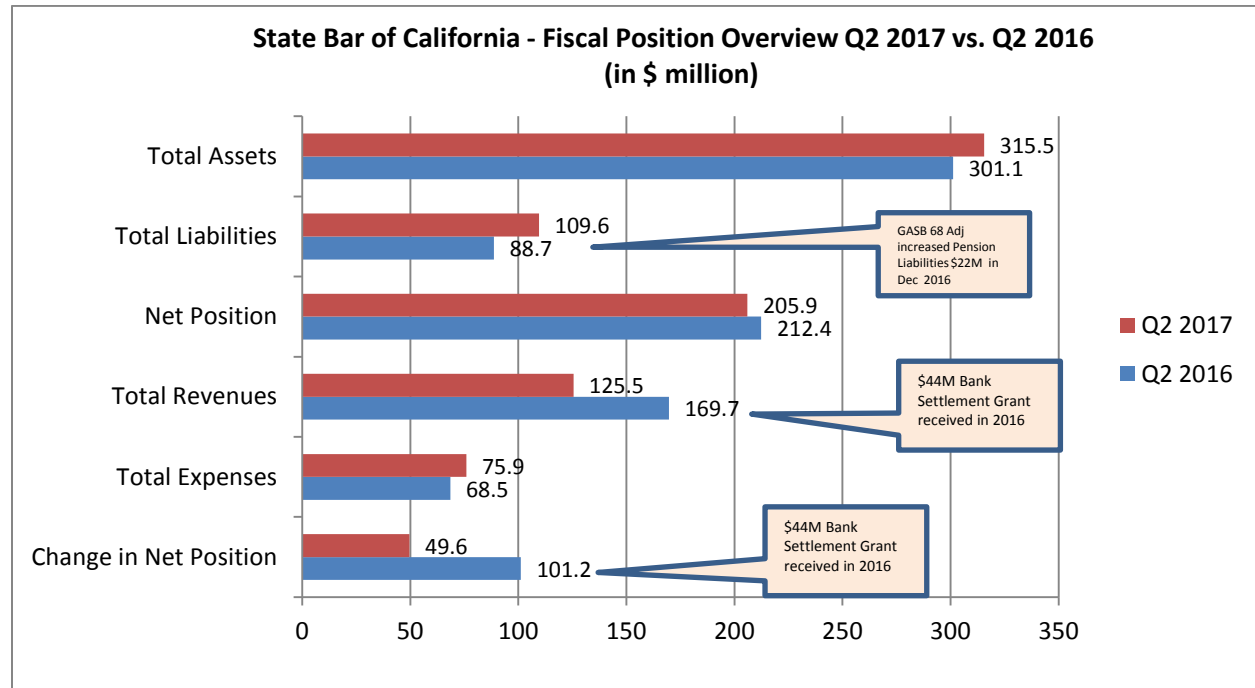
Financial Statement Category	2017 Q2 (in \$ M)	2016 Q2 (in \$ M)	Changes in \$	Changes in %	Reference to Attachment	Financial Statement Notes
Total Assets	315.5	301.1	14.4	4.8%	1 & 2	(III.A))
Cash & Investments	172.3	176.3	(4.0)	(2.3%)	1 & 2	(III.A)
OPEB Plan Asset	11.3	10.3	1.0	9.7%	1 & 2	(III.A)
Deferred Outflows of Resources (Assets)	33.2	15.7	17.5	111.5%	1 & 2	(III.A)

Financial Statement Category	2017 Q2 (in \$ M)	2016 Q2 (in \$ M)	Changes in \$	Changes in %	Reference to Attachment	Financial Statement Notes
Total Liabilities	109.6	88.8	20.8	23.4%	1 & 2	(III.B)
Deferred Inflows of Resources (Liabilities)	11.9	18.2	(6.3)	(34.6%)	1 & 2	(III.B)
Net Pension Liabilities	60.0	31.2	28.8	92.3%	1 & 2	(III.B)
Loan Payable	28.2	30.5	(2.3)	(7.5%)	1 & 2	(III.B)
Total Revenues	125.5	169.7	(44.2)	(26%)	3,4,6	(IV.A)
Membership Fees/Donation (Bar-wide)	81.6	83.8	(2.2)	(2.6%)	3,4,6	(IV.A)
GF Member Dues	64.0	65.6	(1.6)	(2.4%)	3,4,6	(IV.A)
Bank Settlement Grant	-	44.7	(44.7)	(100%)	3,4,6	(IV.A)
Total Expenditures	75.9	68.5	7.4	10.8%	3,4,6	(IV.B)
Personnel Costs	34.7	39.5	(4.8)	(12.1%)	NA	(IV.B)
Travel & Training	1.1	1.4	(0.2)	(14.3%)	NA	(IV.B)
Catering	0.7	0.8	(0.1)	(12.5%)	NA	(IV.B)
Temporary Help	0.7	0.7	(0)	(0%)	NA	(IV.B)
Professional Services	1.3	1.6	(0.3)	(18.7%)	NA	(IV.B)
CSF Payout	1.9	3.0	(1.1)	(36.7%)	NA	(IV.B)

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

The State Bar's total assets for the reporting quarter were \$315.5 million, a \$14.4 million increase compared to \$301.1 million the same reporting period last year. Total liabilities also increased by \$20.8 million, from \$88.8 million in 2016 to \$109.6 million in 2017. Net position (total assets – total liabilities) as of June 30, 2017 were \$205.9 million, a decrease of \$6.5 million compared to \$212.4 million the same reporting period 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 second quarter compared to last year.

Figure A. Assets, Liabilities, and Net Position, As of Second Quarter 2016 and 2017



A. Assets

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan asset and deferred outflows of resources. As of June 30, 2017, the Bar's total assets were \$315.5 million, up by \$14.4 million or 4.8% compared to \$301.1 million at the close of second 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 \$1.0 million increase in the OPEB plan asset; and these increases are partially offset by a \$4.0 decrease in cash & investment.

(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 outflow of resources consisted of actuarially determined deferred contribution and expected future investment incomes relate to pension under GASB68. As of June 30, 2017, the deferred outflows of resources were \$33.2 million, increased by \$17.6 million compared to \$15.7 million last year.

(2) Other Postemployment Benefits (OPEB) assets represent amount invested in the State Bar's OPEB Trust Plan with CalPERS to pay for retirees' future health insurance costs. The OPEB assets balance increased by \$1 million from \$10.3 million last year to \$11.3 million. The \$1 million increase represents the annual required contributions made to the OPEB plan in 2016.

(3) Cash, restricted cash and investments 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 June 30, 2017, the combined cash, restricted cash and investment balances were \$172.3 million, down slightly by \$4.0 million or 2.3% compared to \$176.3 million last year. The decrease is due largely to the membership fee reduction under the Supreme Court special assessment for \$297 in 2017 compared \$315 in 2016.

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 June 30, 2017, State Bar's total liabilities were \$109.6 million, up by \$20.8 million or 23.5% compared to \$88.8 million last year. The increase is due to largely a \$22.5 million net increase in pension liabilities and deferred inflows of resources related to GASB 68 pension liabilities adjustment as explained above and the increase was partially offset by a \$2.3 million decrease in debt obligation due to loan repayments made in the past year.

C. Net Position

Net position consists of restricted net position, net investment in capital assets and unrestricted net position. The State Bar's total net position (total assets – total liabilities) as of June 30, 2017 was \$205.9 million, down slightly by \$6.5 million or 3.0% compared to \$212.4 million last year.

IV. Revenues, Expenses & Change in Net Position

Attachments 3 and 4 in this report present the State Bar's operating results through June 30, 2017. Total year-to-date revenues for the reporting quarter were \$125.5 million, align with the budget expectation of \$124.2 million, with a small favorable variance of \$1.3 million. Total operating expenses were \$75.9 million, reflected a favorable variance of \$9.5 million compared to the budget of \$85.4 million. Net change in net position as of June 30, 2017 was \$49.5 million, with a favorable variance for approximately \$10.4 million compared to targeted budget of \$38.1 million.

(A) Revenues

The State Bar's total year-to-date revenues were \$125.5 million, which represents approximately 85.9% 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. The result is also aligned with the year-to-date budget of \$124.2 million, with small favorable variances of 1.0% or \$1.3 million.

Attachment 6 is a summary of the variances in revenues and expenses compared to the prior year. Figures (B) and (C) below summarize the State Bar's year-to-date revenues by fund and by category compared to targeted budget.

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

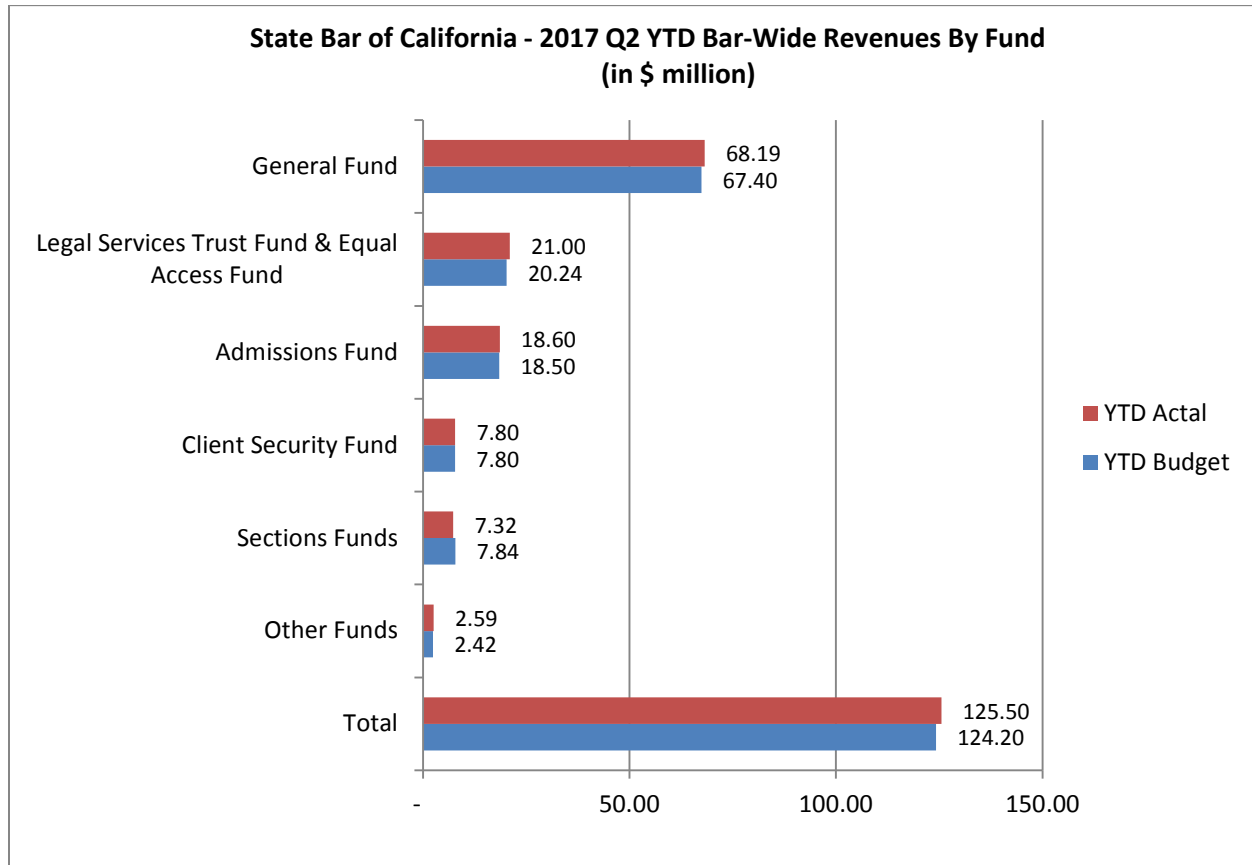
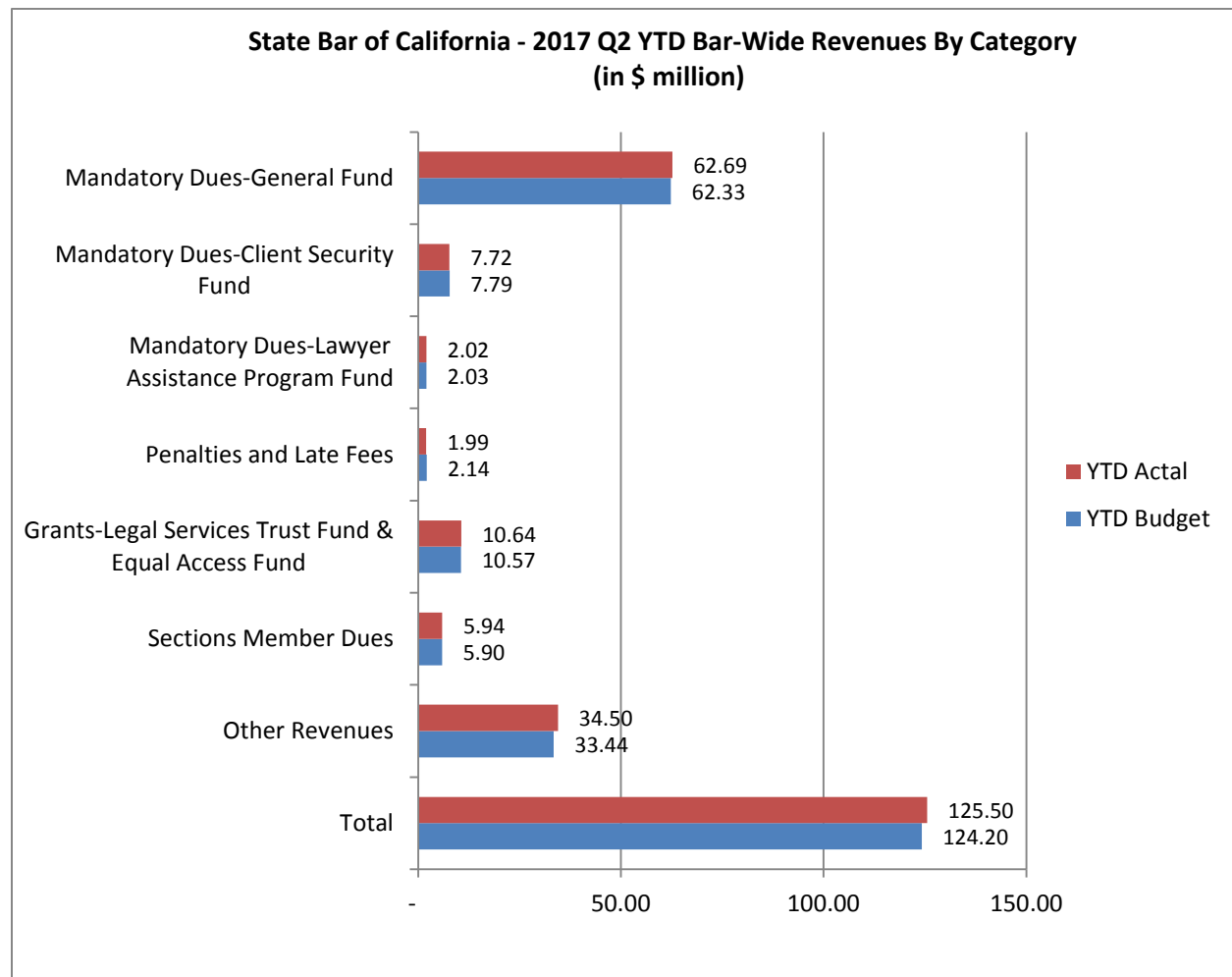


Figure C: Second Quarter YTD Revenues by Category – YTD Actual compared to YTD Budget:



(B) Expenses

The State Bar's total year-to-date operating expenses were \$75.9 million, approximately \$9.7 million lower than budgeted expectation of \$85.4 million. The \$9.5 million budget-to-actual favorable variance is due to a combination of 1) \$5.8 million savings in personnel costs due to vacant positions from delayed hiring; 2) \$1.1 million favorable variance related to Client Security Fund payout; and 3) \$2.6 million favorable variance due to timing of payments largely related to building maintenance and computer projects expenses.

Figures (D) and (E) below summarize the State Bar's year-to-date operating expenses by fund and by category, with year-to-date budget to actual comparison:

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

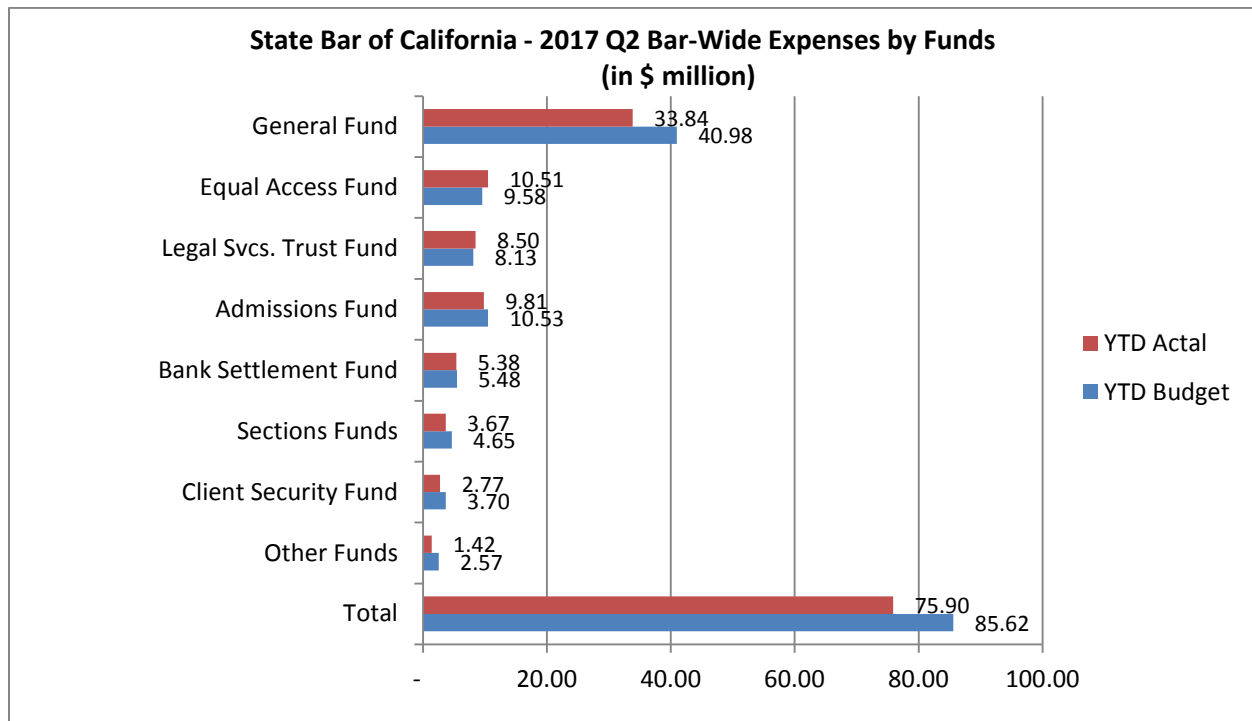
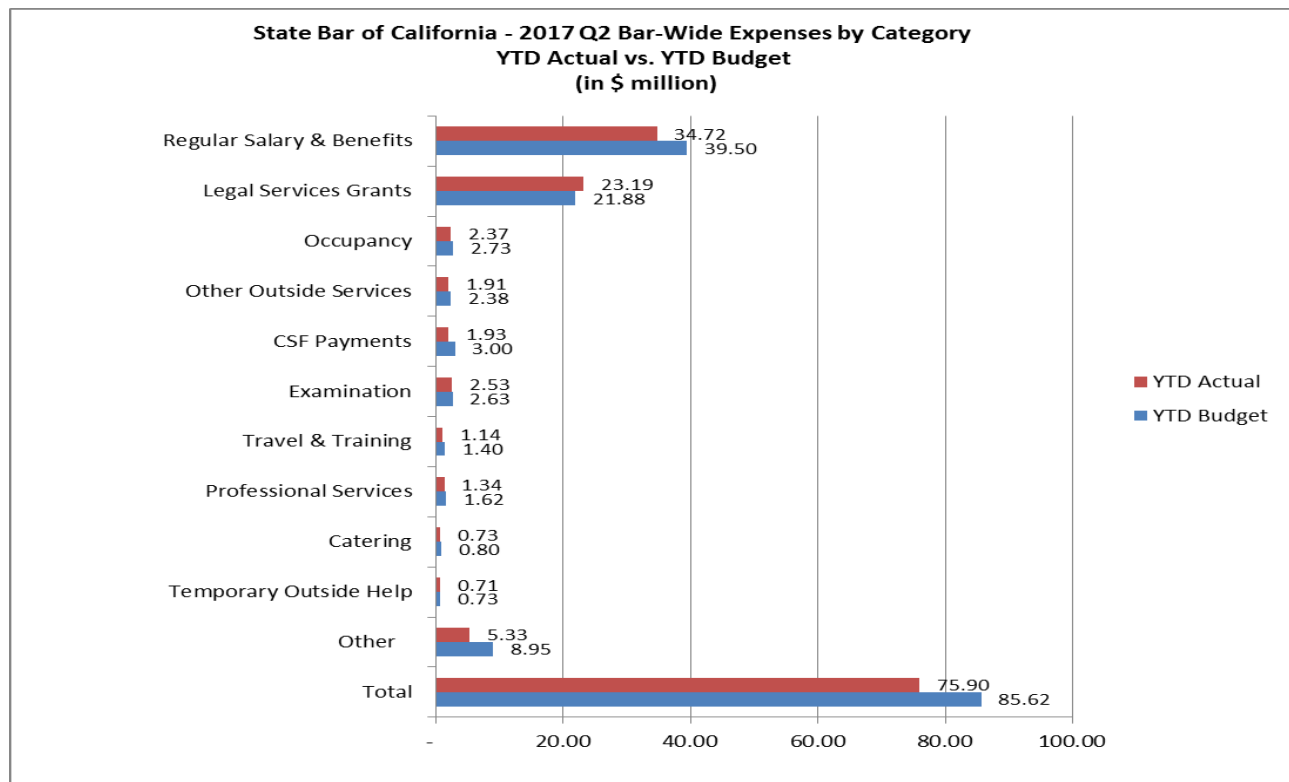


Figure E: Second Quarter YTD Expenses by Category, 2017 YTD Actual compared to YTD Budget:



(C) Net Change in Position

The State Bar closed the second quarter with a net change in position of \$49.5 million, reflecting a \$10.4 million favorable variance compared to the year-to-date targeted budget of \$38.1 million. Of this \$10.4 million favorable variance, approximately \$5.8 million is realized from personnel cost savings due to vacant positions from delayed hiring. The other \$4.6 million is due largely to the timing of vendor payments, building maintenance expenses and equipment purchases.

(D) Budget to Actual Comparison

Attachment 5 presents the second quarter year-to-date operating results of the discipline and administration function in State Bar's General Fund **. As of June 30, 2017, total revenues for this function were \$65.6 million, aligned with the budget. Total year-to-date operating expenses were \$34.2 million, reflecting a favorable variance of \$3.8 million compared to \$38.0 year-to-date budgeted expenses. As explained above, the favorable variance is due largely to the personnel cost savings from delayed hiring in OCTC. Interfund transfer from the General Fund to the Client Security Fund totaled \$1.6 million, aligned with the budget with no variance.

Note: ** To avoid confusion, beginning in June 2017, the "Unconsolidated General Fund" is renamed to "Discipline & Administrative Fund" and the "Consolidated General Fund" is renamed to the "General Fund".

The State Bar of California
Statement of Assets, Liabilities and Net Position - All Funds
As of June 30, 2017

Attachment 1

	General Fund	Special Revenue Fund Group	Restrict Fund Group	Interfund Elimination	YTD Total All Fund June 2017	YTD Total All Fund June 2016	Variance
ASSETS AND DEFERRED OUTFLOWS							
Cash & Restricted Cash	83,448,361	-	-	-	83,448,361	95,638,072	(12,189,711)
Investments	88,851,940	-	-	-	88,851,940	80,697,832	8,154,108
Accounts Receivable (net of allowances)	155,185	846	3,002,757	-	3,158,788	2,003,004	1,155,784
Interfund Receivable	-	25,072,870	75,099,938	(100,172,808)	-	-	-
Capital Assets (net of depreciation)	94,617,022	-	-	-	94,617,022	95,409,898	(792,876)
OPEB Investment	11,292,271	-	-	-	11,292,271	10,292,270	1,000,001
Other Assets	614,824	252,649	-	-	867,473	1,404,867	(537,394)
Deferred Outflows of Resources	33,237,651	-	-	-	33,237,651	15,671,481	17,566,170
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	312,217,254	25,326,365	78,102,695	(100,172,808)	315,473,506	301,117,424	14,356,082
LIABILITIES AND DEFERRED INFLOWS							
Accounts Payable and Accrued Liabilities	4,416,240	399,431	4,567,364	-	9,383,035	8,757,387	625,648
Interfund Payable	100,139,931	32,877	-	(100,172,808)	-	-	-
Unearned Income	80,703	-	-	-	80,703	80,703	-
Grants Payable	-	-	16,753	-	16,753	16,753	-
Loans Payable	28,197,716	-	-	-	28,197,716	30,529,926	(2,332,210)
Net Pension Liabilities	59,917,510	-	-	-	59,917,510	31,156,962	28,760,548
Deferred Inflows of Resources	11,970,255	-	-	-	11,970,255	18,176,995	(6,206,740)
TOTAL LIAB. & DEFERRED INFLOWS OF RESOURCES	204,722,355	432,308	4,584,117	(100,172,808)	109,565,972	88,718,726	20,847,246
NET POSITION							
Net Position 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)	32,351,897	12,513,457	4,660,558	-	49,525,912	101,200,929	(51,675,017)
TOTAL NET POSITION	107,494,899	24,894,057	73,518,578	-	205,907,534	212,398,698	(6,491,164)
TOTAL LIABILITIES & NET POSITION	312,217,254	25,326,365	78,102,695	(100,172,808)	315,473,506	301,117,424	14,356,082

The State Bar of California
Statement of Assets, Liabilities and Net Position - General Fund
As of June 30, 2017

Attachment 2
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	Discipline & Admin.	Building	Legal Education & Development	LA Facility	** Public Protection	Support & Administration	Technology Improvement	Fixed Asset	Benefit Reserve	*** SF Tenant Improvement	Interfund Elimination	Total GF
ASSETS AND DEFERRED OUTFLOWS												
Cash & Restricted Cash	74,366,438	112,310	-	-	4,610,000	1,083,577	-	-	781,036	2,495,000		83,448,361
Accounts Receivable (net of allowances)	153,737					1,448						155,185
Interfund Receivable	-	5,852,817	8,869,393	-	1,905,947	347,793	3,847,379	-	-	3,519,855	(24,343,184)	-
Investments	88,851,940	-	-	-	-	-	-	-	-	-		88,851,940
Capital Assets (net of depreciation)	-	1,451,023	-	67,696,090	-	-	-	22,314,942	-	3,154,967		94,617,022
OPEB Assets	-	-	-	-	-	-	-	-	11,292,271	-		11,292,271
Other Assets	53,348	-	-	-	-	561,476	-	-	-	-		614,824
Deferred Outflows of Resources	33,237,651	-	-	-	-	-	-	-	-	-		33,237,651
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	196,663,114	7,416,150	8,869,393	67,696,090	6,515,947	1,994,294	3,847,379	22,314,942	12,073,307	9,169,822	(24,343,184)	312,217,254
LIABILITIES AND DEFERRED INFLOWS												
Accounts Payable and Accrued Liabilities	2,792,730	149,031	-	205,677	-	822,951	86,036	-	-	359,815		4,416,240
Interfund Payable	119,203,151			3,078,672				-	2,201,292		(24,343,184)	100,139,931
Unearned Income	-	80,703	-	-	-	-	-	-	-	-		80,703
Loans Payable	-	-	-	19,209,407	-	-	-	-	-	8,988,309		28,197,716
Net Pension Liabilities	59,917,510	-	-	-	-	-	-	-	-	-		59,917,510
Deferred Inflows of Resources	11,970,255	-	-	-	-	-	-	-	-	-		11,970,255
TOTAL LIAB. & DEFERRED INFLOWS OF RESOURCES	193,883,646	229,734	-	22,493,756	-	822,951	86,036	-	2,201,292	9,348,124	(24,343,184)	204,722,355
NET POSITION												
Net Position 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)	29,872,224	1,444,499	935,740	(66,223)	5,960	1,171,343	(88,332)	(715,216)	(5,743)	(202,355)	-	32,351,897
TOTAL NET POSITION/(DEFICITS)	2,779,468	7,186,416	8,869,393	45,202,334	6,515,947	1,171,343	3,761,343	22,314,942	9,872,015	(178,302)	-	107,494,899
TOTAL LIABILITIES & NET POSITION	196,663,114	7,416,150	8,869,393	67,696,090	6,515,947	1,994,294	3,847,379	22,314,942	12,073,307	9,169,822	(24,343,184)	312,217,254

** 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.

*** 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.

The State Bar of California
Statement of Assets, Liabilities and Net Position - Special Revenue Funds
As of June 30, 2017

Attachment 2
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	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
ASSETS					
Cash	-	-	-	-	-
Accounts Receivable (net of allowances)	846	-	-	-	846
Interfund Receivable	12,994,324	-	448,926	11,629,620	25,072,870
Other Assets	250,296	-	-	2,353	252,649
TOTAL ASSETS	13,245,466	-	448,926	11,631,973	25,326,365
LIABILITIES					
Accounts Payable and Accrued Liabilities	305,756	-	-	93,675	399,431
Interfund Payable	-	32,877	-	-	32,877
Unearned Income	-	-	-	-	-
Grants Payable	-	-	-	-	-
Pension Liability	-	-	-	-	-
Loans Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
TOTAL LIABILITIES	305,756	32,877	-	93,675	432,308
NET POSITION					
Net Position at Beginning of Year	4,125,350	(83,014)	452,173	7,886,091	12,380,600
Current Operating Excess/(Deficit)	8,814,360	50,137	(3,247)	3,652,207	12,513,457
TOTAL NET POSITION/(DEFICITS)	12,939,710	(32,877)	448,926	11,538,298	24,894,057
TOTAL LIABILITIES & NET POSITION	13,245,466	-	448,926	11,631,973	25,326,365

The State Bar of California
Statement of Assets, Liabilities and Net Position - Restricted Funds
As of June 30, 2017

Attachment 2
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	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)	-	-	2,362,682	-	-	-	-	640,075	-	-	3,002,757
Interfund Receivable	8,108,625	216,303	3,970,621	1,220,575	2,484,701	4,334,183	506,128	9,752,017	5,641,380	38,865,405	75,099,938
Investments	-	-	-	-	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	8,108,625	216,303	6,333,303	1,220,575	2,484,701	4,334,183	506,128	10,392,092	5,641,380	38,865,405	78,102,695
LIABILITIES											
Accounts Payable and Accrued Liabilities	103,377	28,289	4,299,877	-	-	34,083	-	58,937	42,801	-	4,567,364
Interfund Payable	-	-	-	-	-	-	-	-	-	-	-
Unearned Income	-	-	-	-	-	-	-	-	-	-	-
Grants Payable	-	-	-	-	-	-	-	16,753	-	-	16,753
TOTAL LIABILITIES	103,377	28,289	4,299,877	-	-	34,083	-	75,690	42,801	-	4,584,117
NET POSITION											
Net Position at Beginning of Year	1,426,270	464,735	1,753,275	1,216,759	1,659,420	2,983,158	546,529	8,601,230	6,103,905	44,102,739	68,858,020
Current Operating Excess/(Deficit)	6,578,978	(276,721)	280,151	3,816	825,281	1,316,942	(40,401)	1,715,172	(505,326)	(5,237,334)	4,660,558
TOTAL NET POSITION/(DEFICITS)	8,005,248	188,014	2,033,426	1,220,575	2,484,701	4,300,100	506,128	10,316,402	5,598,579	38,865,405	73,518,578
TOTAL LIABILITIES & NET POSITION	8,108,625	216,303	6,333,303	1,220,575	2,484,701	4,334,183	506,128	10,392,092	5,641,380	38,865,405	78,102,695

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Position - All Funds
For the Six Months Ending June 30, 2017

Attachment 3

	General Fund	Special Revenue Fund Group	Restricted Fund Group	Interfund Elimination	Total All Funds Year to Date June Actual 2017	Total All Funds Year to Date June 2016	CY vs. PY Variance	Total All Funds YTD Budget June 2017	YTD Actual vs. Budget Variance June 2017
OPERATING REVENUES									
Membership Fees and Donations	63,984,212	-	17,604,526	-	81,588,738	83,787,936	(2,199,198)	80,952,800	635,938
MJP Fees	-	637,639	-	-	637,639	624,760	12,879	552,780	84,859
Examination Application Fees	-	17,653,061	-	-	17,653,061	16,983,156	669,905	17,731,050	(77,989)
Trust Account Revenue	-	-	3,323,015	-	3,323,015	3,071,937	251,078	3,000,000	323,015
Law Practices Sections Fees	-	5,942,813	-	-	5,942,813	6,016,532	(73,719)	5,900,000	42,813
Seminar/Workshop Revenue	5,560	535,740	3,490	-	544,790	655,906	(111,116)	901,700	(356,910)
Advertising Revenue	-	16,370	-	-	16,370	91,510	(75,140)	33,600	(17,230)
Convention Income	-	194,254	-	-	194,254	386,162	(191,908)	295,410	(101,156)
Legal Specialization Fees	-	-	311,080	-	311,080	1,926,380	(1,615,300)	252,250	58,830
Law Corporation Registration Fees	818,540	-	-	-	818,540	787,246	31,294	1,021,920	(203,380)
Continuing Legal Education Fees	388,008	-	12,323	-	400,331	565,165	(164,834)	571,140	(170,809)
Grant Revenue	-	10,000	8,535,600	-	8,545,600	5,916,487	2,629,113	8,478,600	67,000
EAF AB 145 Filing Fee Revenue	-	-	2,090,000	-	2,090,000	1,235,000	855,000	2,090,000	-
Settlement Grants	-	-	-	-	-	44,728,659	(44,728,659)	-	-
Affinity Insurance Revenue	1,056,941	-	-	-	1,056,941	551,524	505,417	515,000	541,941
Other Revenue	299,854	893,955	266,153	-	1,459,962	1,517,812	(57,850)	1,348,732	111,230
Total Operating Revenues	66,553,115	25,883,832	32,146,187	-	124,583,134	168,846,172	(44,263,038)	123,644,982	938,152
OPERATING EXPENSES									
Chief Trial Counsel	19,938,037	-	-	-	19,938,037	18,049,165	1,888,872	22,862,228	(2,924,191)
State Bar Court	6,081,693	-	-	-	6,081,693	5,486,629	595,064	6,091,587	(9,894)
Member Records & Compliance	2,079,245	-	-	-	2,079,245	1,766,147	313,098	2,281,691	(202,446)
Professional Competence	1,162,206	-	-	-	1,162,206	1,126,800	35,406	1,304,621	(142,415)
Probation	665,343	-	-	-	665,343	634,564	30,779	567,897	97,446
Mandatory Fee Arbitration	366,575	-	-	-	366,575	395,643	(29,068)	421,185	(54,610)
Judicial Evaluation	357,926	-	-	-	357,926	482,091	(124,165)	333,123	24,803
Commission on Access to Justice	14,853	-	-	-	14,853	11,190	3,663	10,192	4,661
Center on Access to Justice	780,804	-	-	-	780,804	811,130	(30,326)	867,948	(87,144)
California Young Lawyers Association	16,603	-	-	-	16,603	94,633	(78,030)	12,894	3,709
Communications	546,946	-	-	-	546,946	598,368	(51,422)	580,464	(33,518)
Governance	1,841,851	-	-	-	1,841,851	1,448,092	393,759	1,903,368	(61,517)
Client Security Fund	-	-	2,770,883	-	2,770,883	4,823,696	(2,052,813)	3,700,883	(930,000)
Lawyer Assistance Program	-	-	741,648	-	741,648	765,465	(23,817)	870,866	(129,218)
Grant Expenses	-	-	23,186,875	-	23,186,875	16,706,052	6,480,823	21,876,450	1,310,425
Admissions	-	9,813,944	-	-	9,813,944	9,455,650	358,294	10,534,119	(720,175)
Sections	-	3,606,069	-	-	3,606,069	3,468,317	137,752	4,653,803	(1,047,734)
General and Administrative	(668,404)	18,251	2,621,751	-	1,971,598	2,418,970	(447,372)	6,542,632	(4,571,034)
Total Operating Expenses	33,183,678	13,438,264	29,321,157	-	75,943,099	68,542,602	7,400,497	85,415,951	(9,472,852)
OPERATING INCOME/(LOSS)	33,369,437	12,445,568	2,825,030	-	48,640,035	100,303,570	(51,663,535)	38,229,031	10,411,004
NON-OPERATING REVENUE									
Investment Income	208,240	68,633	231,026	-	507,899	453,597	54,302	375,316	132,583
Rental Income	1,013,732	-	-	-	1,013,732	974,686	39,046	879,465	134,267
Interest Expense on Loan	(635,754)	-	-	-	(635,754)	(530,646)	(105,108)	(1,350,000)	714,246
Total Non-Operating Revenue	586,218	68,633	231,026	-	885,877	897,637	(11,760)	(95,219)	981,096
INCOME/(LOSS) BEFORE TRANSFERS	33,955,655	12,514,201	3,056,056	-	49,525,912	101,201,207	(51,675,295)	38,133,812	11,392,100
Transfer in From Unconsolidated GF	-	-	1,600,000	1,600,000	-	-	-	1,600,000	-
Transfer In from Sections-OH Fund	-	65,224	-	65,224	-	-	-	-	65,224
Transfer Out To CSF	(1,600,000)	-	-	(1,600,000)	-	-	-	(1,600,000)	-
Transfer Out to Sections-Education Fund	-	(65,224)	-	(65,224)	-	-	-	-	(65,224)
Interfund Transaction - Revenue	440,549	1,250	6,100	447,899	-	-	-	400,000	47,899
Interfund Transaction - Expense	(444,307)	(1,994)	(1,598)	(447,899)	-	-	-	(400,000)	(47,899)
Change in Net Position	32,351,897	12,513,457	4,660,558	-	49,525,912	101,201,207	(51,675,295)	38,133,812	11,392,100
CHANGE IN NET POSITION									
Net Position at beginning of year	75,143,002	12,380,600	68,858,020	-	156,381,622	111,197,769	45,183,853	156,381,622	156,381,622
NET POSITION AS OF JUNE 30, 2017	107,494,899	24,894,057	73,518,578	-	205,907,534	212,398,976	(6,491,442)	194,515,434	167,773,722

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Position - General Fund
For the Six Months Ending June 30, 2017

Attachment 4
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	Discipline & Admin.	Building	Legal Education & Development	LA Facility	Public Protection	Support & Administration	Technology Improvement	Fixed Asset Funds	Benefit Reserve	SF Tenant Improvement	Total General Fund
REVENUES											
Membership Fees and Donations	63,982,642	1,360	-	-	-	-	210	-	-	-	63,984,212
Investment Income	155,703	15,586	25,550	(9,940)	5,960	(2,737)	11,398	-	(5,743)	12,463	208,240
Continuing Legal Education Fees	388,008	-	-	-	-	-	-	-	-	-	388,008
Law Corporation Registration Fees	818,540	-	-	-	-	-	-	-	-	-	818,540
Rental Income	-	814,365	-	199,367	-	-	-	-	-	-	1,013,732
MJP Fees	-	-	-	-	-	-	-	-	-	-	-
Seminar/Workshop Revenue	5,560	-	-	-	-	-	-	-	-	-	5,560
Advertising Revenue	-	-	-	-	-	-	-	-	-	-	-
Affinity Insurance Revenue	-	-	1,056,941	-	-	-	-	-	-	-	1,056,941
Other Revenue	282,093	-	1,372	-	-	16,389	-	-	-	-	299,854
TOTAL REVENUES	65,632,546	831,311	1,083,863	189,427	5,960	13,652	11,608	-	(5,743)	12,463	67,775,087
EXPENSES											
Chief Trial Counsel	19,938,037	-	-	-	-	-	-	-	-	-	19,938,037
State Bar Court	6,081,693	-	-	-	-	-	-	-	-	-	6,081,693
Member Records & Compliance	2,079,245	-	-	-	-	-	-	-	-	-	2,079,245
Professional Competence	1,162,206	-	-	-	-	-	-	-	-	-	1,162,206
Probation	665,343	-	-	-	-	-	-	-	-	-	665,343
Mandatory Fee Arbitration	366,575	-	-	-	-	-	-	-	-	-	366,575
Judicial Evaluation	357,926	-	-	-	-	-	-	-	-	-	357,926
Commission on Access to Justice	14,853	-	-	-	-	-	-	-	-	-	14,853
Center on Access to Justice	780,804	-	-	-	-	-	-	-	-	-	780,804
California Young Lawyers Association	16,603	-	-	-	-	-	-	-	-	-	16,603
Communications	546,946	-	-	-	-	-	-	-	-	-	546,946
Governance	1,841,851	-	-	-	-	-	-	-	-	-	1,841,851
Interest Expense on Loan	-	-	-	420,936	-	-	-	-	-	214,818	635,754
General and Administrative	310,062	(613,188)	148,123	(165,286)	-	(1,563,271)	499,940	715,216	-	-	(668,404)
TOTAL EXPENSES	34,162,144	(613,188)	148,123	255,650	-	(1,563,271)	499,940	715,216	-	214,818	33,819,432
INCOME/(LOSS) BEFORE TRANSFERS	31,470,402	1,444,499	935,740	(66,223)	5,960	1,576,923	(488,332)	(715,216)	(5,743)	(202,355)	33,955,655
Transfer Out to CSF	(1,600,000)	-	-	-	-	-	-	-	-	-	(1,600,000)
Interfund Transaction - Revenue	40,549	-	-	-	-	-	400,000	-	-	-	440,549
Interfund Transaction - Expense	(38,727)	-	-	-	-	(405,580)	-	-	-	-	(444,307)
Change in Net Position	29,872,224	1,444,499	935,740	(66,223)	5,960	1,171,343	(88,332)	(715,216)	(5,743)	(202,355)	32,351,897
CHANGE IN NET POSITION											
Net Position 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 POSITION AS OF JUNE 30, 2017	2,779,468	7,186,416	8,869,393	45,202,334	6,515,947	1,171,343	3,761,343	22,314,942	9,872,015	(178,302)	107,494,899

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Position - Special Revenue Funds
For the Six Months Ending June 30, 2017

Attachment 4
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	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
REVENUES					
Investment Income	34,755	(109)	-	33,987	68,633
Convention Income	-	275	-	193,979	194,254
Continuing Legal Education Fees	-	-	-	-	-
Law Practices (Sections) Revenue	-	-	-	5,942,813	5,942,813
Grant Revenue	-	-	10,000	-	10,000
MJP Fees	637,639	-	-	-	637,639
Exam Application & Moral Character Fees	17,653,061	-	-	-	17,653,061
Seminar/Workshop Revenue	-	-	-	535,740	535,740
Advertising Revenue	-	-	-	16,370	16,370
Other Revenue	302,693	54,975	-	536,287	893,955
TOTAL REVENUES	18,628,148	55,141	10,000	7,259,176	25,952,465
EXPENSES					
Admissions	9,813,944	-	-	-	9,813,944
Sections	-	-	-	3,606,069	3,606,069
General and Administrative	-	5,004	13,247	-	18,251
TOTAL EXPENSES	9,813,944	5,004	13,247	3,606,069	13,438,264
INCOME/(LOSS) BEFORE TRANSFERS	8,814,204	50,137	(3,247)	3,653,107	12,514,201
Transfer In from Sections-OH Fund				65,224	
Transfer Out to Sections-Education Fund				(65,224)	
Interfund Transaction - Revenue	900	-	-	350	1,250
Interfund Transaction - Expense	(744)	-	-	(1,250)	(1,994)
Change in Net Position	8,814,360	50,137	(3,247)	3,652,207	12,513,457
CHANGE IN NET POSITION					
Net Position at beginning of year	4,125,350	(83,014)	452,173	7,886,091	12,380,600
NET POSITION AS OF JUNE 30, 2017	12,939,710	(32,877)	448,926	11,538,298	24,894,057

The State Bar of California
Statement of Revenue, Expenses and Changes in Net Position - Restricted Funds
For the Six Months Ending June 30, 2017

Attachment 4
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	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
REVENUES											
Membership Fees and Donations	7,717,527	90,163	-	-	823,106	2,024,441	156,730	6,792,559	-	-	17,604,526
Investment Income	20,741	1,298	4,890	3,816	6,788	12,637	1,864	29,252	18,681	131,059	231,026
Continuing Legal Education Revenue	-	3,923	-	-	-	-	-	-	8,400	-	12,323
Grant Revenue	-	-	8,465,600	-	-	-	-	70,000	-	-	8,535,600
LSTF Trust Account Revenue	-	-	-	-	-	-	-	3,323,015	-	-	3,323,015
EAF AB145 Filing Fee Revenue	-	-	2,090,000	-	-	-	-	-	-	-	2,090,000
Legal Specialization Fees	-	-	-	-	-	-	-	-	311,080	-	311,080
Seminar/Workshop Revenue	-	3,490	-	-	-	-	-	-	-	-	3,490
Settlement Grants	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	7,849	-	230,000	-	-	20,272	-	-	1,032	7,000	266,153
TOTAL REVENUES	7,746,117	98,874	10,790,490	3,816	829,894	2,057,350	158,594	10,214,826	339,193	138,059	32,377,213
EXPENSES											
Grant Expenses	-	-	10,450,972	-	-	-	-	7,416,859	-	5,319,044	23,186,875
CSF Program	2,770,883	-	-	-	-	-	-	-	-	-	2,770,883
Lawyer Assistance Program	-	-	-	-	-	741,648	-	-	-	-	741,648
General and Administrative	-	375,595	59,367	-	4,613	-	198,995	1,082,685	844,147	56,349	2,621,751
TOTAL EXPENSES	2,770,883	375,595	10,510,339	-	4,613	741,648	198,995	8,499,544	844,147	5,375,393	29,321,157
INCOME/(LOSS) BEFORE TRANSFERS	4,975,234	(276,721)	280,151	3,816	825,281	1,315,702	(40,401)	1,715,282	(504,954)	(5,237,334)	3,056,056
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	6,578,978	(276,721)	280,151	3,816	825,281	1,316,942	(40,401)	1,715,172	(505,326)	(5,237,334)	4,660,558
CHANGE IN NET POSITION											
Net Position at beginning of year	1,426,270	464,735	1,753,275	1,216,759	1,659,420	2,983,158	546,529	8,601,230	6,103,905	44,102,739	68,858,020
NET POSITION AS OF JUNE 30, 2017	8,005,248	188,014	2,033,426	1,220,575	2,484,701	4,300,100	506,128	10,316,402	5,598,579	38,865,405	73,518,578

The State Bar of California
Budget to Actual Comparison - Discipline Administrative Fund
For the Six Months Ending June 30, 2017

Attachment 5

	June 2017 Year to Date Actual	June 2017 Year to Date Budget	Variance Favorable (Unfavorable)	June 2016 Prior Year to Date Actual	Inc./(Dec.) From Prior Year	2017 Annual Budget
REVENUES						
Membership Fees	63,982,642	63,745,000	237,642	65,618,201	(1,635,559)	65,839,600
Investment Income	155,703	52,200	103,503	171,171	(15,468)	105,200
Law Corp Registration Fees	818,540	1,021,920	(203,380)	787,246	31,294	1,443,000
CalBar Journal Revenue	-	-	-	53,785	(53,785)	-
Continuing Legal Education	388,008	561,840	(173,832)	459,205	(71,197)	1,003,700
Seminar/Workshop Revenue	5,560	2,400	3,160	7,875	(2,315)	5,000
MJP Fees	-	-	-	536,620	(536,620)	-
Grant Revenue	-	-	-	-	-	-
Other Revenue	282,093	215,598	66,495	268,872	13,221	437,300
TOTAL REVENUES	65,632,546	65,598,958	33,588	67,902,975	(2,270,429)	68,833,800
EXPENSES						
Chief Trial Counsel (A)	19,938,037	22,862,228	2,924,191	18,049,165	1,888,872	45,632,004
State Bar Court	6,081,693	6,091,587	9,894	5,486,629	595,064	12,021,108
Member Records & Compliance	2,079,245	2,281,691	202,446	1,766,147	313,098	4,542,956
Professional Competence	1,162,206	1,304,621	142,415	1,126,800	35,406	2,572,876
Probation	665,343	567,897	(97,446)	634,564	30,779	1,128,960
Mandatory Fee Arbitration	366,575	421,185	54,610	395,643	(29,068)	836,804
Judicial Evaluation	357,926	333,123	(24,803)	482,091	(124,165)	658,592
Commission on Access to Justice	14,853	10,192	(4,661)	11,190	3,663	20,320
Center on Access to Justice	780,804	867,948	87,144	811,130	(30,326)	1,711,304
California Young Lawyers Association	16,603	12,894	(3,709)	94,633	(78,030)	25,192
Communications	546,946	580,464	33,518	598,368	(51,422)	1,149,764
Governance (B)	1,841,851	1,903,368	61,517	1,448,092	393,759	3,812,828
General and Administrative (C)	310,062	773,024	462,962	725,803	(415,741)	(349,644)
TOTAL EXPENSES	34,162,144	38,010,222	3,848,078	31,630,255	2,531,889	73,763,064
INCOME/(LOSS) BEFORE TRANSFERS	31,470,402	27,588,736	3,881,666	36,272,720	(4,802,318)	(4,929,264)
Transfer Out - CSF	(1,600,000)	(1,600,000)	-	-	(1,600,000)	(1,600,000)
Interfund Transaction - Revenue	40,549	-	40,549	36,405	4,144	-
Interfund Transaction - Expense	(38,727)	-	(38,727)	(35,720)	(3,007)	-
CHANGE IN NET POSITION	29,872,224	25,988,736	3,883,488	36,273,405	(6,401,181)	(6,529,264)

Notes: (A) OCTC YTD budget to actual comparison reflects a favorable variance of \$2.9 million

This is due largely to personal cost saving from vacant position due to delay in hiring.

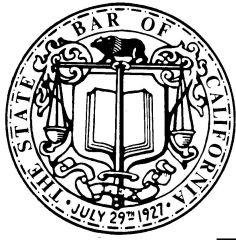
(B) Governance includes Office of Executive Director, ORIA, BOT, Appointments and Elections

(C) General and Administrative budget to actual comparison reflects a favorable variance of 0.5M due to delaying in RIF

The State Bar of California
Variance Analysis - June 30, 2017 vs. 2016

Attachment 6

	Total All Funds Year to Date June 2017	Total All Funds Year to Date June 2016	Increase/ (Decrease)	Percentage Change	Variance/ Explanations
OPERATING REVENUES					
Membership Fees and Donations	81,588,738	83,787,936	(2,199,198)	-2.62%	Lower mandatory fees/donations & penalties due largely to lower assessment fees of \$297 in 2017 compared to \$315 in 2016. In addition, part of decrease in membership fees and penalty revenues is the result of the later due date under the Supreme Court Assessment.
MJP Fees	637,639	624,760	12,879	2.06%	
Examination Application Fees	17,653,061	16,983,156	669,905	3.94%	Insignificant
Trust Account Revenue	3,323,015	3,071,937	251,078	8.17%	Insignificant
Law Practices Sections Fees	5,942,813	6,016,532	(73,719)	-1.23%	Insignificant
Seminar/Workshop Revenue	544,790	655,906	(111,116)	-16.94%	Insignificant
Advertising Revenue	16,370	91,510	(75,140)	-82.11%	Insignificant
Convention Income	194,254	386,162	(191,908)	-49.70%	Insignificant
Legal Specialization Fees	311,080	1,926,380	(1,615,300)	-83.85%	Decrease due to Fee Holiday in 2017 as part of the spend down plan approved by BOT
Law Corporation Registration Fees	818,540	787,246	31,294	3.98%	Insignificant
Continuing Legal Education Fees	400,331	565,165	(164,834)	-29.17%	Insignificant
Grant Revenue	8,545,600	5,916,487	2,629,113	44.44%	The Grant contract for 2016/2017 increased by 2.6M compared to 2015/2016.
EAF AB 145 Filing Fee Revenue	2,090,000	1,235,000	855,000	69.23%	Insignificant
Settlement Grants	-	44,728,659	(44,728,659)	-100.00%	Additional \$44.7 BofA settlement grant received in 2016.
Affinity Insurance Revenue	1,056,941	551,524	505,417	91.64%	Insignificant
Other Revenue	1,459,962	1,517,812	(57,850)	-3.81%	Insignificant
Total Operating Revenues	124,583,134	168,846,172	(44,263,038)	-26.22%	
OPERATING EXPENSES					
Chief Trial Counsel	19,938,037	18,049,165	1,888,872	10.47%	Increased personnel costs due to workforce planning in 2017.
State Bar Court	6,081,693	5,486,629	595,064	10.85%	Insignificant
Member Records & Compliance	2,079,245	1,766,147	313,098	17.73%	Insignificant
Professional Competence	1,162,206	1,126,800	35,406	3.14%	Insignificant
Probation	665,343	634,564	30,779	4.85%	Insignificant
Mandatory Fee Arbitration	366,575	395,643	(29,068)	-7.35%	Insignificant
Judicial Evaluation	357,926	482,091	(124,165)	-25.76%	Insignificant
Commission on Access to Justice	14,853	11,190	3,663	32.73%	Insignificant
Center on Access to Justice	780,804	811,130	(30,326)	-3.74%	Insignificant
California Young Lawyers Association	16,603	94,633	(78,030)	-82.46%	Insignificant
Communications	546,946	598,368	(51,422)	-8.59%	Insignificant
Governance	1,841,851	1,448,092	393,759	27.19%	Insignificant
Client Security Fund	2,770,883	4,823,696	(2,052,813)	-42.56%	CSF case composition has resulted in increased year-over-year application denials and prolonged case processing time.
Lawyer Assistance Program	741,648	765,465	(23,817)	-3.11%	Insignificant
Grant Expenses	23,186,875	16,706,052	6,480,823	38.79%	Increase in grant distribution is consistent with additional grant revenue received in 2017.
Admissions	9,813,944	9,455,650	358,294	3.79%	Insignificant
Sections	3,606,069	3,468,317	137,752	3.97%	Insignificant
General and Administrative	1,971,598	2,418,970	(447,372)	-18.49%	
Total Operating Expenses	75,943,099	68,542,602	7,400,497	10.80%	
OPERATING INCOME/(LOSS)	48,640,035	100,303,570	(51,663,535)	-51.51%	
NON-OPERATING REVENUE					
Investment Income	507,899	453,597	54,302	11.97%	Increased investment return rate and additional fund from BofA settlement grant for investment.
Rental Income	1,013,732	974,686	39,046	4.01%	Insignificant
Interest Expense on Loan	(635,754)	(530,646)	(105,108)	19.81%	Additional interest expenses for the SF tenant build-out loan.
Total Non-Operating Revenue	885,877	897,637	(11,760)	-1.31%	
Changes in Net Position:	49,525,912	101,201,207	(51,675,295)	-51.06%	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: September 6, 2017

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

FROM: Christine Wong, Director of Finance

SUBJECT: Investment Report for the Second Quarter Ended June 30, 2017

Attached is the quarterly investment report for the State Bar of California as of June 30, 2017. The report is presented in a format that conforms to the investment policy adopted by the Board of Trustees. The State Bar's investment portfolio consists of fixed income securities, corporate bonds, discount notes, and deposit in the Local Agency Investment Fund (LAIF) with the State Treasurer's Office. As of June 30, 2017, the market value of the investment portfolio was \$153.1 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.85%, compared to 0.65% in 2016. Actual investment earnings increased approximately 11.97% from \$453,597 last year to \$507,899 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 \$206,876. 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
June 30, 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	59,328,534	59,119,989	38.63%	0.82%
- Government Notes	26,429,466	26,432,125	17.27%	0.86%
- Corporate Bonds	2,999,250	2,998,260	1.96%	1.12%
- Common Stock-Metlife Inc.	161,304	161,304	0.11%	N.A
- Interest Receivable	-	142,921	0.09%	N.A
Subtotal-Securities, Bonds and Notes	88,918,554	88,854,599	58.05%	
Local Agency Investment Fund	64,090,927	64,206,294	41.95%	0.85%
Subtotal-Other Investments	64,090,927	64,206,294	41.95%	
Grand Total	153,009,481	153,060,893	100%	0.85%

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

Market Value of Portfolio	88,711,678
Original Cost of Portfolio	88,918,554
Unrealized Gain/(Loss):	<u>(206,876)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of June 30, 2017

Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	*Yield	Trade/ Purchase Date	Maturity Date
FED FARM CREDIT BANK	3133EFK30	AA+	Government Agency	3,000,000	3,000,780	2,999,880	11,165	(900)	0.75%	03/09/16	07/07/17
FED HOME LN MTG CORP	3137EADV8	AA+	Government Agency	3,000,000	2,995,050	2,999,700	10,438	4,650	0.86%	01/08/16	07/14/17
FED FARM CREDIT BANK	3133EE4K3	AA+	Government Agency	3,000,000	3,003,810	2,999,520	9,600	(4,290)	0.63%	02/16/16	07/21/17
FED HOME LOAN BANK	3130A62S5	AA+	Government Agency	2,000,000	1,995,480	1,998,900	5,125	3,420	0.89%	01/11/16	08/28/17
FED FARM CREDIT BANK	3133EFPH4	AA+	Government Agency	3,000,000	2,999,970	2,997,930	3,410	(2,040)	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	2,993,940	1,438	(6,030)	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	2,993,040	10,563	(9,780)	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	2,993,040	10,563	(4,740)	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,795,824	6,338	(3,690)	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	2,992,500	6,708	(11,640)	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	4,981,250	8,542	(14,050)	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	4,982,050	4,688	(13,000)	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,488,205	14,972	(11,795)	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	4,974,250	8,889	(25,750)	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	2,983,380	7,802	(26,790)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	4,975,050	11,467	(35,500)	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	2,985,030	6,880	(33,120)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	1,986,500	1,944	(13,500)	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS:				59,300,000	59,328,534	59,119,989	140,529	(208,545)	0.82%		
Investment held in Special Master account:											
FED HOME LN DISCOUNT NT	313385JQ0	N/A	Government Agency	4,500,000	4,495,358	4,497,125	-	1,767	0.80%	06/08/17	07/26/17 **
FANNIE DISCOUNT NOTE	313589KU6	N/A	Government Agency	5,000,000	4,991,770	4,992,775	-	1,005	0.80%	06/08/17	08/23/17 **
FED HOME LN DISCOUNT NT	313385MF0	N/A	Government Agency	5,000,000	4,987,013	4,987,695	-	682	0.86%	06/08/17	09/27/17 **
FREDDIE MAC DISCOUNT NT	313397NE7	N/A	Government Agency	5,500,000	5,482,322	5,482,351	-	29	0.88%	06/08/17	10/20/17 **
FREDDIE MAC DISCOUNT NT	313397PR6	N/A	Government Agency	6,500,000	6,473,003	6,472,180	-	(823)	0.91%	06/08/17	11/24/17 **
TOTAL GOVERNMENT NOTES HELD IN SM A/C:				26,500,000	26,429,466	26,432,125	-	2,659	0.86%		
CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	2,998,260	2,392	(990)	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	2,998,260	2,392	(990)	1.12%		
METLIFE INC	59156R108	N/A	Common Stock		-	161,304	-	161,304			N/A
TOTAL COMMON STOCKS:				-	-	161,304	-	161,304			
TOTAL INVESTMENT HELD BY WELLS FARGO:				88,800,000	88,757,250	88,711,678	142,921	(48,231)			

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

88,854,599

** Unrealized Gain for investment held in the Special Master account for \$2,659 was not reflected in the State Bar's Q2 financial statement due to delays in recording.
The updated balance will be reflected in next quarter's financial statement.



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: September 6, 2017

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

FROM: Christine Wong, Director of Finance

SUBJECT: Executive Retirement Health Benefit (OPEB) Investment Report
for the Second Quarter Ended June 30, 2017

Attached is the 2017 second quarter investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset. The State Bar's OPEB asset is managed by the California Employer's Retiree Benefit Trust (CERBT) managed by CalPERS, and on an ongoing basis, the State Bar makes quarterly transfers to the CERBT to pay the annual required contribution, as determined by the State Bar's actuary.

As of June 30, 2017, the market value of the OPEB assets totaled \$23.6 million. Rate of return of the entire portfolio since date of inception is 15.57%, with an unrealized gain of \$3.18 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 July 2017, with measurement date of January 1, 2017. In this valuation report, the actuary determined that the annual required contribution for 2017 is approximately \$1.0 million. The Year to Date actual contribution for 2017 is \$0.5 million.

**The State Bar of California
OPEB Investment Report Summary
June 30, 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	\$ 20,400,401	\$ 23,577,193	15.57%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 20,400,401</u>	<u>\$ 23,577,193</u>	
 Grand Total	 <u><u>\$ 20,400,401</u></u>	 <u><u>\$ 23,577,193</u></u>	
 Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 23,577,193	
Original Cost of Portfolio		<u>20,400,401</u>	
Unrealized Gain/(Loss):		<u><u>\$ 3,176,792</u></u>	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: September 6, 2017
TO: Members, Planning and Budget Committee
Members, Board of Trustees
FROM: Christine Wong, Director of Finance
SUBJECT: Client Security Fund Report for the Quarter Ended June 30, 2017

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended June 30, 2017. These reports include:

- Applications Activity for the quarter ended June 30, 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 June 30, a total of 441 new applications in the amount of \$8.1 million were filed. The number of applications filed is down by 20.5% compared to 555 applications filed last year. The application amount decreased by \$1.5 million, or 15.6% compared to \$9.6 million filed in 2016.

For the quarter ended June 30, 2017, total applications processed are 991 for approximately \$7.5 million. Total payouts for the reported quarter are \$2.0 million, down by \$2.2 million compared to \$4.2 million last year. Total applications pending for processing as of June 30, 2017 are 3,703 in the amount of \$51.6 million, and for the same period in 2016, there were 5,068 pending applications in the amount of \$51.0 million. As a result of the Board action to devote additional resources to mitigate the pending application waiting time last year, number of applications pending for processing as of June 30, 2017 is down by 1,365 or 26.9% 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 44.6%. Total applications outstanding as of June 30, 2017 are 3,703 for \$51.6 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of June 30, 2017 is \$23.0 million and there is an increase of \$2.0 million or 10.0% compared to \$21.0 million last year. As of June 30, 2017, cash and investments available for applications reimbursement in the CSF are approximately \$8.0 million compared to \$7.1 million last year.

Below are some key indicators for the CSF application process as of June 30, 2017 compared to 2016:

Key Indicator Descriptions	2017 Q2	2016 Q2	Attachment
New Applications Received # / \$ (in million)	441/\$8.1	555/\$9.6	1
Total Applications Processed # / \$ (in million)	991/\$7.5	952/\$8.6	2
% of Paid Applications in # to total in process ¹	9.0%	12.9%	1
% of Paid Applications in \$ to total in process ²	3.4%	7.0%	1
Total Payouts \$ (in million)	\$ 2.0	\$ 4.2	2
Total Applications Pending for Processing # / \$ (in million)	3,703/\$51.6	5,068/\$51.0	2
24-month Rolling Average Payout Ratio	44.63%	41.09%	4
Estimated CSF Application Liabilities (in million)	\$23.0	\$21.0	2
Net Assets as of June 30 (in million)	\$8.0	\$7.1	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
JUNE 30, 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	1,579,734	1,726	6,508,831	741	5,286,913	462	7,469,612	148	5,208,825	55	2,750,000	237	22,144,138	4,253	50,948,053		
New Applications	83	135,410	113	432,339	94	703,013	69	1,126,656	25	842,663	4	200,000	53	4,645,327	441	8,085,408		
Paid Applications	(87)	(156,215)	(234)	(829,560)	(61)	(336,911)	(30)	(350,548)	(4)	(56,525)	(1)	(50,000)	(6)	(210,856)	(423)	(1,990,615)	9.0%	3.4%
Rejected Applications	(30)	(73,078)	(16)	(129,813)	(2)	(83,100)	(2)	(142,306)	(1)	(116,834)	(2)	(100,000)	(4)	(647,144)	(57)	(1,292,275)	1.2%	2.2%
Withdrawn Applications	(131)	(259,683)	(269)	(951,440)	(48)	(325,378)	(29)	(476,690)	(9)	(288,867)	(4)	(200,000)	(21)	(1,694,399)	(511)	(4,196,457)	10.9%	7.1%
Applications Outstanding	719	\$ 1,226,168	1,320	\$ 5,030,357	724	\$ 5,244,537	470	\$ 7,626,724	159	\$ 5,589,262	52	\$ 2,600,000	259	\$ 24,237,066	3,703	\$ 51,554,114		
New applications % to total	18.82%	1.67%	25.62%	5.35%	21.32%	8.69%	15.65%	13.93%	5.67%	10.42%	0.91%	2.47%	12.02%	57.45%	100.00%	100.00%		
Applications paid % to total	20.57%	7.85%	55.32%	41.67%	14.42%	16.92%	7.09%	17.61%	0.95%	2.84%	0.24%	2.51%	1.42%	10.59%	100.00%	100.00%		
Applications rejected or withdrawn % to total	28.35%	6.06%	50.18%	19.70%	8.80%	7.44%	5.46%	11.28%	1.76%	7.39%	1.06%	5.47%	4.40%	42.66%	100.00%	100.00%		
Applications outstanding % to total	19.42%	2.38%	35.65%	9.76%	19.55%	10.17%	12.69%	14.79%	4.29%	10.84%	1.40%	5.04%	6.99%	47.01%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2017 Q2.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2017 Q2.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF JUNE 30, 2017

<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	108	331,935			(11)	(30,920)	(95)	(291,760)	(106)	(322,680)	2	9,255
2010	298	1,220,150			(53)	(129,207)	(224)	(957,291)	(277)	(1,086,498)	21	133,652
2011	208	1,184,158			(37)	(168,542)	(36)	(201,309)	(73)	(369,851)	135	814,307
2012	468	3,120,017			(154)	(676,320)	(53)	(496,745)	(207)	(1,173,065)	261	1,946,952
2013	341	4,630,948			(64)	(418,002)	(26)	(488,602)	(90)	(906,604)	251	3,724,344
2014	931	12,627,752			(81)	(407,631)	(22)	(322,299)	(103)	(729,930)	828	11,897,822
2015	910	12,927,699			(10)	(57,961)	(8)	(278,878)	(18)	(336,839)	892	12,590,860
2016	988	14,903,789			(11)	(76,327)	(62)	(1,230,248)	(73)	(1,306,575)	915	13,597,214
2017			441	8,085,408	(2)	(25,705)	(42)	(1,221,601)	(44)	(1,247,306)	397	6,838,102
TOTAL	4,253	50,948,053	441	8,085,408	(423)	(1,990,615)	(568)	(5,488,733)	(991)	(7,479,348)	3,703	51,554,113

Applications Outstanding **\$51,554,113**

Estimated Application Payout Ratio **44.63%**

Estimated Application Payouts **\$23,010,578**

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF JUNE 30, 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			(11)	(30,920)	(95)	(291,760)	(106)	(322,680)	3	10,860
2007-2010	407	1,553,690			(64)	(160,127)	(319)	(1,249,051)	(383)	(1,409,178)	24	144,512
2007-2011	615	2,737,848			(101)	(328,669)	(355)	(1,450,360)	(456)	(1,779,029)	159	958,819
2007-2012	1,083	5,857,865			(255)	(1,004,989)	(408)	(1,947,105)	(663)	(2,952,094)	420	2,905,771
2007-2013	1,424	10,488,813			(319)	(1,422,991)	(434)	(2,435,707)	(753)	(3,858,698)	671	6,630,115
2007-2014	2,355	23,116,565			(400)	(1,830,622)	(456)	(2,758,006)	(856)	(4,588,628)	1,499	18,527,937
2007-2015	3,265	36,044,264			(410)	(1,888,583)	(464)	(3,036,884)	(874)	(4,925,467)	2,391	31,118,797
2007-2016	4,253	50,948,053			(421)	(1,964,910)	(526)	(4,267,132)	(947)	(6,232,042)	3,306	44,716,011
2007-2017			441	8,085,408	(423)	(1,990,615)	(568)	(5,488,733)	(991)	(7,479,348)	3,703	51,554,113
			441	8,085,408	(423)	(1,990,615)	(526)	(4,267,132)	(949)	(6,232,042)	3,703	51,554,113

Net Asset in Client Security Fund:

As of 6/30/2017

\$8,005,246

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

Attachment 4

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
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
Apr17	161,862	19.52%	667,375	829,237
May17	495,727	51.74%	462,373	958,100
Jun17	400,335	15.43%	2,193,931	2,594,266
Total:	<u>14,242,008</u>		<u>17,666,538</u>	<u>31,908,546</u>
24 Month Rolling Average Paid Out Ratio:			44.63%	

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

Attachment 5

JUNE 30, 2017

	<u>1ST QTR</u>	<u>2nd QTR</u>
Beginning Balance	4,253	3,982
Add: Reinstated Applications		
New Applications	237	204
Less: Paid / Rejected or Withdrawn	508	483
TOTAL	3,982	3,703
 APPLICATIONS OUTSTANDING AMT.	 \$52,222,498	 \$ 51,554,113
# Of Active Attorneys	188,613	188,789
Cost Per Active Attorney	\$277	\$273
 ESTIMATED APPLICATIONS LIAB.		
Applications Payout Ratio	46.21%	44.63%
Estimated Application Amount *	\$24,132,016	\$23,010,578
# of Active Attorneys	188,613	188,789
Cost per Active Attorney	\$128	\$122
 APPLICATION ACTIVITIES IN %:		
 NEW APPLICATIONS - YTD		
1 - 2,500	1.55%	1.67%
2,501 - 5,000	5.65%	5.35%
5,001 - 10,000	7.68%	8.69%
10,001 - 25,000	14.37%	13.93%
25,001 - 49,999	10.61%	10.42%
50,000	3.41%	2.47%
50,001 - 100,000	56.72%	57.45%
 APPLICATIONS PAID - YTD		
1 - 2,500	8.16%	7.85%
2,501 - 5,000	43.08%	41.67%
5,001 - 10,000	18.82%	16.92%
10,001 - 25,000	15.24%	17.61%
25,001 - 49,999	0.32%	2.84%
50,000	5.36%	2.51%
50,001 - 100,000	9.01%	10.59%
 REJ./WDRAWN - YTD		
1 - 2,500	8.39%	6.06%
2,501 - 5,000	28.54%	19.70%
5,001 - 10,000	9.30%	7.44%
10,001 - 25,000	12.85%	11.28%
25,001 - 49,999	8.86%	7.39%
50,000	4.62%	5.47%
50,001 - 100,000	27.43%	42.66%
 APPLICATIONS O/S-CUM. - YTD		
1 - 2,500	2.66%	2.38%
2,501 - 5,000	10.99%	9.76%
5,001 - 10,000	10.04%	10.17%
10,001 - 25,000	14.68%	14.79%
25,001 - 49,999	10.51%	10.84%
50,000	5.24%	5.04%
50,001 - 100,000	45.88%	47.01%
 NET ASSET, END OF PERIOD	 \$ 9,094,336	 8,005,246

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