

OPEN SESSION AGENDA ITEM

50-1 DEC 2017

DATE: November 20, 2017
TO: Members, Board of Trustees
FROM: Kevin Harper, Interim Chief Financial Officer
SUBJECT: Financial Statement Report, Investment Report and CSF Report for the Quarter ended September 30, 2017

EXECUTIVE SUMMARY

In adherence to the State Bar's Fiscal Control Policies and Procedures, the Office of Finance has prepared the 2017 Third 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 December 1, 2017 meeting:

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

FISCAL/PERSONNEL IMPACT

None.

RULE AMENDMENTS

None.

BOARD BOOK IMPACT

None.

STRATEGIC PLAN GOALS & OBJECTIVES 2017-2022

Goal: 3. Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence.

Objective: d: Reallocate funds to support the discipline system based on expenditure review, revenue enhancement measures, implementation of the Bar's reserve policy, and other reengineering efforts.

RECOMMENDATION

The staff recommends that the Board of Trustees approve the following resolution:

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

ATTACHMENT(S) LIST

- A.** Financial Statement Report
- B.** Investment Report
- C.** Client Security Fund (CSF) Report

The State Bar of California

Financial Statement for the Third Quarter Ended September 30, 2017

I. Overview

This report outlines the State Bar's third quarter operating results and fiscal position as of Sept 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 – Variance Analysis (All Funds)

II. Key Financial Highlights

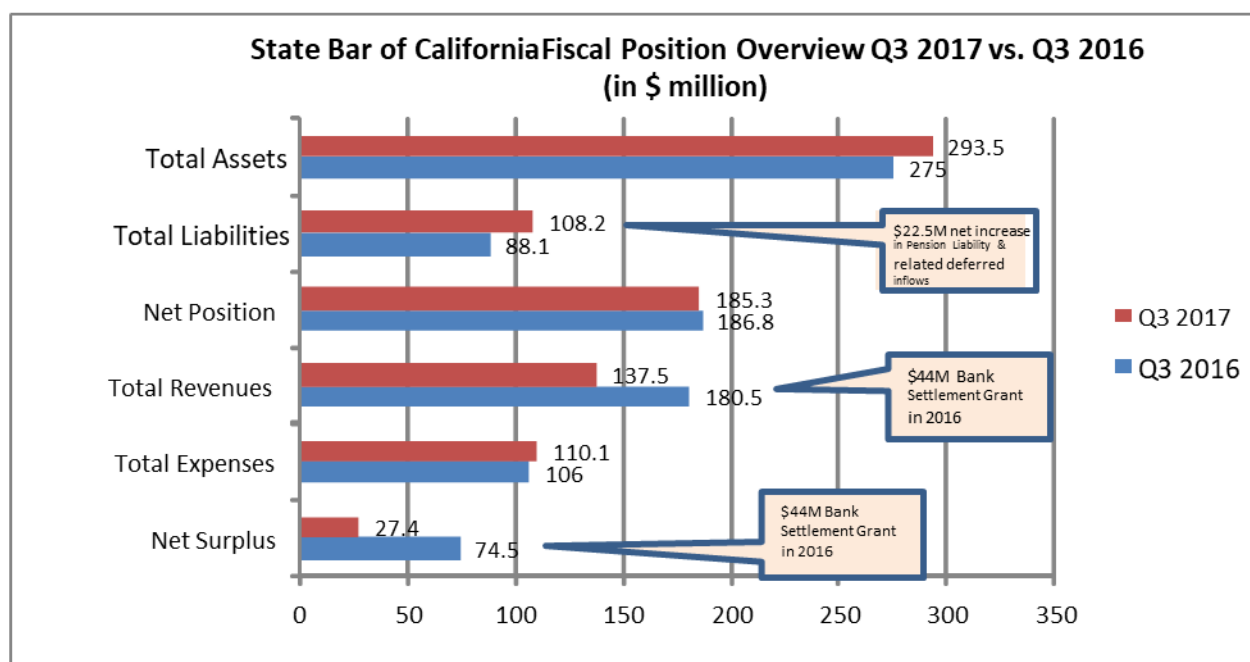
The State Bar ended its third quarter of 2017 with \$28.9 million year-to-date increase in net position, which exceeded the targeted budgetary goals in general. Total assets as of September 30, 2017 were \$293.5 million, liabilities were \$108.2 million, and net assets were \$185.3 million. For the reporting quarter, total revenues were \$137.5 million, at 94.2% of \$146.0 million adopted 2017 budget. Total expenses were \$110.1 million at 66.7% of \$164.9 million adopted budget. Below is a summary of key financial highlights of the financial statements:

Financial Statement Category	2017 Q3 (in \$ M)	2016 Q3 (in \$ M)	Changes in \$	Changes in %	Reference to Attachment	Financial Statement Notes
Total Assets	293.5	275	18.5	6.7%	1 & 2	(III.A)
Cash & Investments	145.2	146.8	(1.6)	-1.1%	1 & 2	(III.A)
Deferred Outflows of Resources (Assets)	33.2	15.7	17.5	111.5%	1 & 2	(III.A)
Total Liabilities	108.2	88.1	20.1	22.8%	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	31.2	28.8	92.3%	1 & 2	(III.B)
Loan Payable	27.6	30	(2.4)	-8.0%	1 & 2	(III.B)
Total Revenues	137.5	180.5	(43.0)	-23.8%	3,4,6	(IV.A)
Membership Fees/Donation (Bar- wide)	83.5	84.6	(1.1)	-1.3%	3,4,6	(IV.A)
GF Member Dues	65.3	66.3	(1.0)	-1.5%	3,4,6	(IV.A)
Bank Settlement Grant	-	44.7	(44.7)	-100.0%	3,4,6	(IV.A)
Total Expenses	110	106	4.0	3.8%	3,4,6	(IV.B)
Personnel Costs	53.1	50.5	2.6	5.1%	NA	(IV.B)
Travel & Training	1.7	1.8	(0.1)	-5.6%	NA	(IV.B)
Catering	0.9	0.9	-	0.0%	NA	(IV.B)
Temporary Help	1.2	1.9	(0.7)	-36.8%	NA	(IV.B)
Professional Services	2.7	2.2	0.5	22.7%	NA	(IV.B)
CSF Payout	3.8	5.6	(1.8)	-32.1%	NA	(IV.B)

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

The State Bar's total assets for the reporting quarter were \$293.5 million, a \$18.5 million increase compared to \$275.0 million the same reporting period last year. Total liabilities also increased by \$20.1 million, from \$88.1 million in 2016 to \$108.2 million in 2017. Net position (total assets – total liabilities) as of September 30, 2017 was \$185.3 million, a decrease of \$1.5 million compared to \$186.8 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 third quarter compared to last year.

Figure A. Assets, Liabilities, and Net Position, As of Third 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 September 30, 2017, the Bar's total assets were \$293.5 million, up by \$18.5 million or 6.7% compared to \$275 million at the close of third quarter last year. The increase results primarily from 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.

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 September 30, 2017, the combined cash, restricted cash and investment balances were \$145.2 million, down slightly by \$1.6 million or 1.1% compared to \$146.8 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 September 30, 2017, State Bar's total liabilities were \$108.2 million, up by \$20.1 million or 22.8% compared to \$88.1 million last year. The increase is due largely to a \$22.5 million net increase in pension liabilities and deferred inflows of resources related to GASB 68 pension liabilities adjustment and the increase was partially offset by a \$2.3 million decrease in loans payable due to 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 September 30, 2017 was \$185.3 million, down slightly by \$1.5 million or 0.8% compared to \$186.8 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 September 30, 2017. Total year-to-date revenues for the reporting quarter were \$137.5 million, align with the budget expectation of \$135.6 million, with a small favorable variance of \$1.9 million. Total operating expenses were \$110.1 million, reflected a favorable variance of \$16.6 million compared to the year-to-date budget of \$126.7 million. Net change in net position (net surplus) as of September 30, 2017 was \$28.9 million, with a favorable variance of approximately \$20.1 million compared to targeted budget of \$8.8 million.

A. Revenues

The State Bar's total year-to-date revenues were \$137.5 million, which represents approximately 94.2% 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 two quarters of the fiscal year. The result is also aligned with the year-to-date budget of \$135.6 million, with a small favorable variances of 2.5% or \$1.9 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: Third Quarter YTD Revenues by Fund, 2017 YTD Actual compared to YTD Budget:

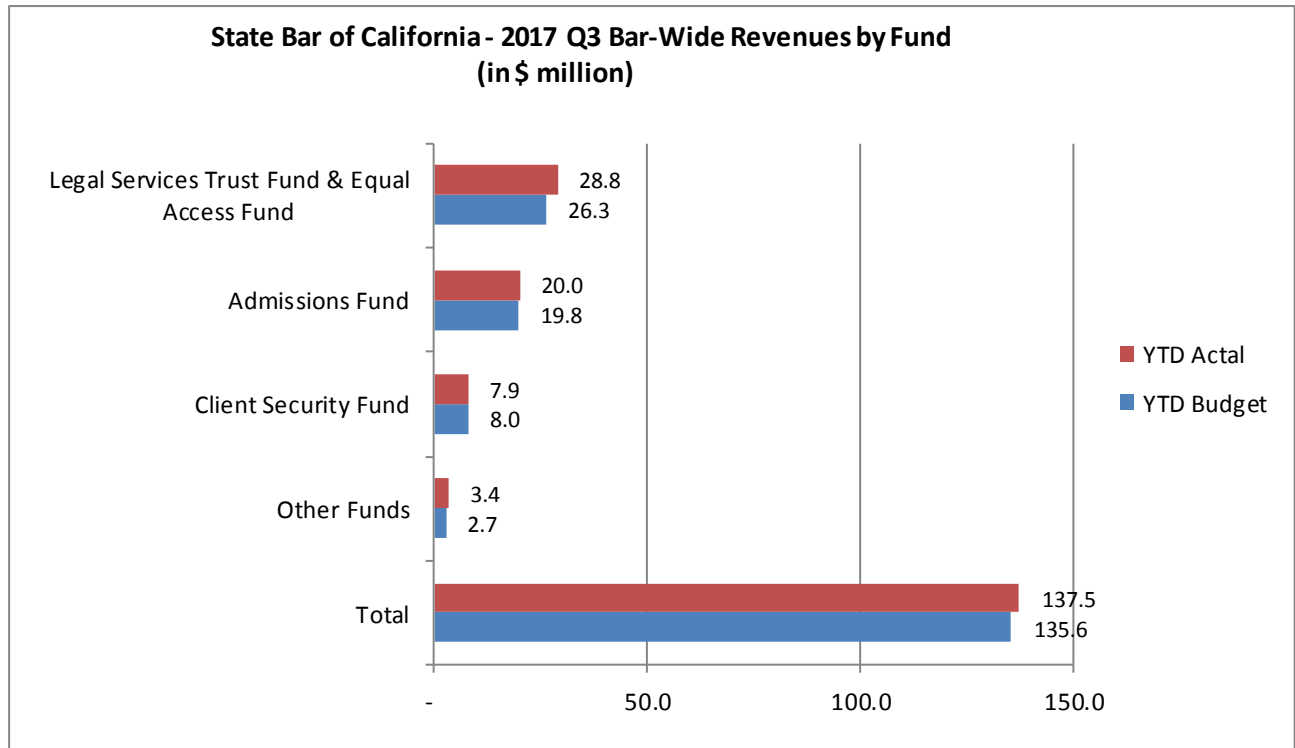
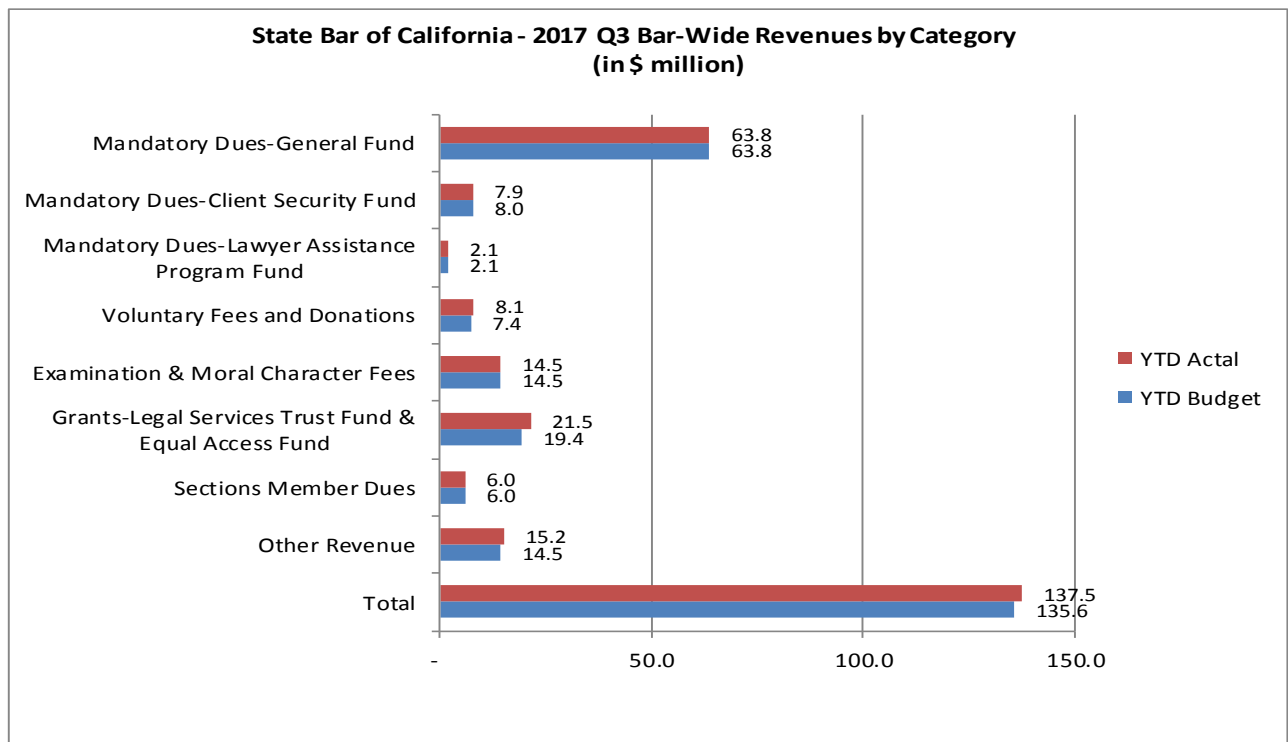


Figure C: Third Quarter YTD Revenues by Category – YTD Actual compared to YTD Budget:

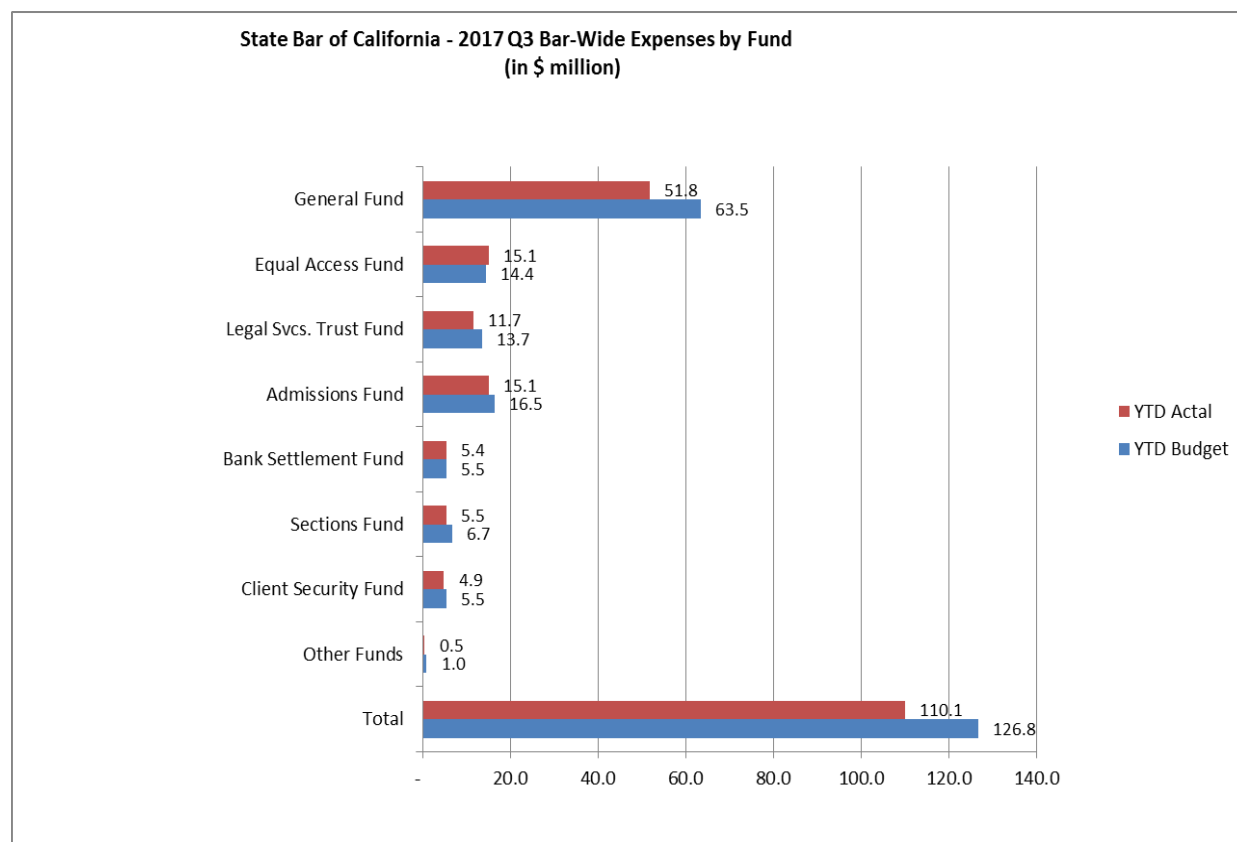


B. Expenses

The State Bar's total year-to-date operating expenses were \$110.1 million, approximately \$16.7 million lower than budgeted expectation of \$126.8 million. The \$16.7 million budget-to-actual favorable variance is due to a combination of 1) \$8.1 million savings in personnel costs due largely to vacant positions; and 2) \$5.0 million favorable variance due to timing of payments largely related to general services, building maintenance and computer technology expenses.

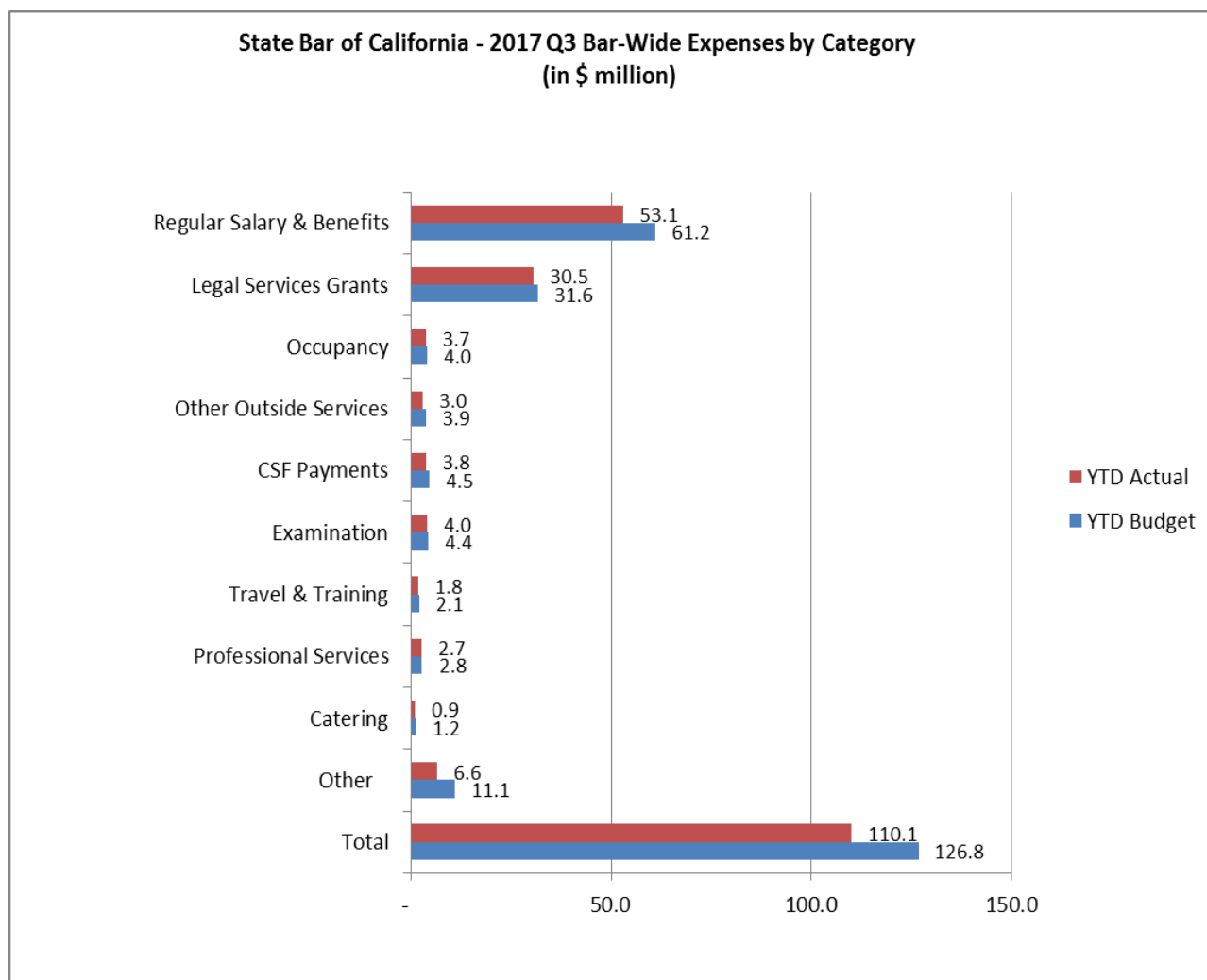
Figures (D) and (E) below summarize the State Bar's year-to-date operating expenses by fund and by category, with year-to-date budget to actual comparison:

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



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".

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



C. Net Change in Position

The State Bar closed the third quarter with a net change in position (surplus) of \$28.9 million, reflecting a \$20.1 million favorable variance compared to the year-to-date targeted budget of \$8.8 million. Of this \$20.1 million favorable variance, approximately \$8.1 million is realized from personnel cost savings due to vacant positions and approximately \$5.0 million due to the timing of vendor payments related to general services, building maintenance expenses and equipment purchases.

	General Fund	Special Revenue Fund Group	Restrict Fund Group	Interfund Elimination	YTD Total All Fund September 2017	YTD Total All Fund September 2016	Variance
ASSETS AND DEFERRED OUTFLOWS							
Cash & Restricted Cash	93,750,099	-	-	-	93,750,099	72,170,438	21,579,661
Investments	51,487,396	-	-	-	51,487,396	74,640,744	(23,153,348)
Accounts Receivable (net of allowances)	294,339	123	7,778,874	-	8,073,336	6,125,255	1,948,081
Interfund Receivable	-	20,288,155	67,929,995	(88,218,150)	-	-	-
Capital Assets (net of depreciation)	93,843,565	-	-	-	93,843,565	94,564,885	(721,320)
OPEB Investment	11,542,271	-	-	-	11,542,271	10,542,271	1,000,000
Other Assets	1,406,554	194,469	-	-	1,601,023	1,257,526	343,497
Deferred Outflows of Resources	33,237,651	-	-	-	33,237,651	15,671,481	17,566,170
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	285,561,875	20,482,747	75,708,869	(88,218,150)	293,535,341	274,972,600	18,562,741
LIABILITIES AND DEFERRED INFLOWS							
Accounts Payable and Accrued Liabilities	3,685,701	369,991	4,560,323	-	8,616,015	8,737,529	(121,514)
Interfund Payable	88,199,417	18,733	-	(88,218,150)	-	-	-
Unearned Income	80,703	-	-	-	80,703	80,703	-
Grants Payable	-	-	16,753	-	16,753	16,753	-
Loans Payable	27,618,099	-	-	-	27,618,099	29,975,154	(2,357,055)
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	191,471,685	388,724	4,577,076	(88,218,150)	108,219,335	88,144,096	20,075,239
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)	18,947,188	7,713,423	2,273,773	-	28,934,384	75,630,735	(46,696,351)
TOTAL NET POSITION	94,090,190	20,094,023	71,131,793	-	185,316,006	186,828,504	(1,512,498)
TOTAL LIABILITIES & NET POSITION	285,561,875	20,482,747	75,708,869	(88,218,150)	293,535,341	274,972,600	18,562,741

	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
ASSETS					
Cash	-	-	-	-	-
Accounts Receivable (net of allowances)	123	-	-	-	123
Interfund Receivable	9,095,479	-	423,926	10,768,750	20,288,155
Other Assets	188,912	-	-	5,557	194,469
TOTAL ASSETS	9,284,514	-	423,926	10,774,307	20,482,747
LIABILITIES					
Accounts Payable and Accrued Liabilities	303,016	-	-	66,975	369,991
Interfund Payable	-	18,733	-	-	18,733
TOTAL LIABILITIES	303,016	18,733	-	66,975	388,724
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)	4,856,148	64,281	(28,247)	2,821,241	7,713,423
TOTAL NET POSITION/(DEFICITS)	8,981,498	(18,733)	423,926	10,707,332	20,094,023
TOTAL LIABILITIES & NET POSITION	9,284,514	-	423,926	10,774,307	20,482,747

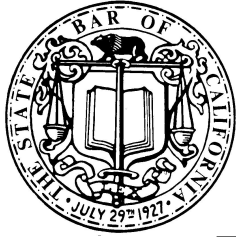
	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Total Restricted Fund
ASSETS											
Cash	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	7,138,799	-	-	-	-	640,075	-	-	7,778,874
Interfund Receivable	6,149,344	138,056	502,885	1,223,603	2,657,138	4,019,115	429,974	8,478,680	5,387,363	38,943,837	67,929,995
Investments	-	-	-	-	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	6,149,344	138,056	7,641,684	1,223,603	2,657,138	4,019,115	429,974	9,118,755	5,387,363	38,943,837	75,708,869
LIABILITIES											
Accounts Payable and Accrued Liabilities	103,024	30,221	4,299,877	-	-	35,096	938	58,509	32,658	-	4,560,323
Interfund Payable	-	-	-	-	-	-	-	-	-	-	-
Unearned Income	-	-	-	-	-	-	-	-	-	-	-
Grants Payable	-	-	-	-	-	-	-	16,753	-	-	16,753
TOTAL LIABILITIES	103,024	30,221	4,299,877	-	-	35,096	938	75,262	32,658	-	4,577,076
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)	4,620,050	(356,900)	1,588,532	6,844	997,718	1,000,861	(117,493)	442,263	(749,200)	(5,158,902)	2,273,773
TOTAL NET POSITION/(DEFICITS)	6,046,320	107,835	3,341,807	1,223,603	2,657,138	3,984,019	429,036	9,043,493	5,354,705	38,943,837	71,131,793
TOTAL LIABILITIES & NET POSITION	6,149,344	138,056	7,641,684	1,223,603	2,657,138	4,019,115	429,974	9,118,755	5,387,363	38,943,837	75,708,869

	General Fund	Special Revenue Fund Group	Restricted Fund Group	Interfund Elimination	Total All Funds Year to Date Actual September 2017	Total All Funds Year to Date Actual September 2016	CY vs. PY Variance	Total All Funds YTD Budget September 2017	YTD Actual vs. Budget Variance September 2017
OPERATING REVENUES									
Membership Fees, Late Fees and Donations	65,346,014	-	18,111,174	-	83,457,188	84,599,384	(1,142,196)	83,156,800	300,388
MJP Fees	-	727,603	-	-	727,603	696,095	31,508	603,140	124,463
Examination Application Fees	-	18,762,009	-	-	18,762,009	18,062,626	699,383	18,837,050	(75,041)
Trust Account Revenue	-	-	5,072,165	-	5,072,165	4,693,910	378,255	4,500,000	572,165
Law Practices Sections Fees	-	6,013,818	-	-	6,013,818	6,062,352	(48,534)	6,043,800	(29,982)
Seminar/Workshop Revenue	26,508	930,675	4,275	-	961,458	955,385	6,073	1,270,200	(308,742)
Advertising Revenue	-	34,316	-	-	34,316	127,572	(93,256)	40,800	(6,484)
Convention Income	-	335,799	-	-	335,799	1,029,422	(693,623)	398,565	(62,766)
Legal Specialization Fees	-	-	471,320	-	471,320	2,019,285	(1,547,965)	354,250	117,070
Law Corporation Registration Fees	1,309,870	-	-	-	1,309,870	1,301,745	8,125	1,232,910	76,960
Continuing Legal Education Fees	659,828	-	15,937	-	675,765	693,995	(18,230)	793,560	(117,795)
Grant Revenue	-	10,000	13,142,776	-	13,152,776	9,306,600	3,846,176	11,943,300	1,209,476
EAF AB 145 Filing Fee Revenue	-	-	3,261,778	-	3,261,778	2,945,000	316,778	2,945,000	316,778
Settlement Grants	-	-	-	-	-	44,728,659	(44,728,659)	-	-
Affinity Insurance Revenue	1,243,268	-	-	-	1,243,268	1,315,831	(72,563)	802,750	440,518
Other Revenue	387,010	1,264,538	403,988	-	2,055,536	1,977,201	78,335	1,864,472	191,064
Total Operating Revenues	68,972,498	28,078,758	40,483,413	-	137,534,669	180,515,062	(42,980,393)	134,786,597	2,748,072
OPERATING EXPENSES									
Chief Trial Counsel	29,637,670	-	-	-	29,637,670	28,947,406	690,264	34,118,722	(4,481,052)
State Bar Court	9,019,352	-	-	-	9,019,352	8,709,007	310,345	8,988,355	30,997
Attorney Regulation and Consumer Resources	3,157,683	-	-	-	3,157,683	2,819,787	337,896	3,394,734	(237,051)
Professional Competence	1,677,611	-	-	-	1,677,611	1,781,651	(104,040)	1,927,629	(250,018)
Probation	985,669	-	-	-	985,669	1,002,436	(16,767)	839,478	146,191
Mandatory Fee Arbitration	526,028	-	-	-	526,028	639,552	(113,524)	623,916	(97,888)
Judicial Evaluation	509,962	-	-	-	509,962	750,090	(240,128)	494,754	15,208
Commission on Access to Justice	17,291	-	-	-	17,291	15,901	1,390	15,292	1,999
Center on Access to Justice	1,107,998	-	-	-	1,107,998	1,295,980	(187,982)	1,281,570	(173,572)
California Young Lawyers Association	23,230	-	-	-	23,230	147,890	(124,660)	22,767	463
Communications	805,154	-	-	-	805,154	1,005,621	(200,467)	858,380	(53,226)
Governance	2,797,861	-	-	-	2,797,861	2,511,503	286,358	2,804,915	(7,054)
Client Security Fund	-	-	4,884,629	-	4,884,629	6,520,826	(1,636,197)	5,483,035	(598,406)
Lawyer Assistance Program	-	-	1,111,110	-	1,111,110	1,180,988	(69,878)	1,242,411	(131,301)
Grant Expenses	-	25,000	30,513,417	-	30,538,417	23,867,401	6,671,016	31,631,575	(1,093,158)
Admissions	-	15,132,910	-	-	15,132,910	16,004,000	(871,090)	16,501,197	(1,368,287)
Sections	-	5,319,912	-	-	5,319,912	5,378,030	(58,118)	6,721,958	(1,402,046)
General and Administrative	(922,741)	18,251	3,710,498	-	2,806,008	3,460,342	(654,334)	9,825,740	(7,019,732)
Total Operating Expenses	49,342,768	20,496,073	40,219,654	-	110,058,495	106,038,412	4,020,083	126,776,428	(16,717,933)
OPERATING INCOME/(LOSS)	19,629,730	7,582,685	263,759	-	27,476,174	74,476,650	(47,000,476)	8,010,169	19,466,005
NON-OPERATING REVENUE									
Investment Income	332,672	130,147	405,512	-	868,331	614,214	254,117	455,006	413,325
Rental Income	1,534,072	-	-	-	1,534,072	1,403,805	130,267	1,324,242	209,830
Interest Expense on Loan	(944,193)	-	-	-	(944,193)	(863,934)	(80,259)	(944,193)	-
Total Non-Operating Revenue	922,551	130,147	405,512	-	1,458,210	1,154,085	304,125	835,055	623,155
INCOME/(LOSS) BEFORE TRANSFERS	20,552,281	7,712,832	669,271	-	28,934,384	75,630,735	(46,696,351)	8,845,224	20,089,160
Transfer in From Admin. & Discipline Fund	-	-	1,600,000	1,600,000	-	-	-	1,600,000	-
Transfer In from Sections-OH Fund	-	217,766	-	217,766	-	-	-	-	-
Transfer Out To CSF	(1,600,000)	-	-	(1,600,000)	-	-	-	(1,600,000)	-
Transfer Out to Sections-Education Fund	-	(65,224)	-	(65,224)	-	-	-	-	-
Transfer Out to Sections-Winder SEI Fund	-	(152,542)	-	(152,542)	-	-	-	-	-
Interfund Transaction - Revenue	440,999	4,695	6,100	451,794	-	-	-	400,000	-
Interfund Transaction - Expense	(446,092)	(4,104)	(1,598)	(451,794)	-	-	-	(400,000)	-
Change in Net Position	18,947,188	7,713,423	2,273,773	-	28,934,384	75,630,735	(46,696,351)	8,845,224	20,089,160
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 SEPTEMBER 30, 2017	94,090,190	20,094,023	71,131,793	-	185,316,006	186,828,504	(1,512,498)	165,226,846	176,470,782

	Admissions	Annual Meeting	Grants	Sections	Total Special Revenue Fund
REVENUES					
Investment Income	63,629	3,908	-	62,610	130,147
Convention Income	-	275	-	335,524	335,799
Continuing Legal Education Fees	-	-	-	-	-
Law Practices (Sections) Revenue	-	-	-	6,013,818	6,013,818
Grant Revenue	-	-	10,000	-	10,000
MJP Fees	727,603	-	-	-	727,603
Exam Application & Moral Character Fees	18,762,009	-	-	-	18,762,009
Seminar/Workshop Revenue	-	-	-	930,675	930,675
Advertising Revenue	-	-	-	34,316	34,316
Other Revenue	435,661	65,102	-	763,775	1,264,538
TOTAL REVENUES	19,988,902	69,285	10,000	8,140,718	28,208,905
EXPENSES					
Grant Expenses	-	-	25,000	-	25,000
Admissions	15,132,910	-	-	-	15,132,910
Sections	-	-	-	5,319,912	5,319,912
General and Administrative	-	5,004	13,247	-	18,251
TOTAL EXPENSES	15,132,910	5,004	38,247	5,319,912	20,496,073
					-
INCOME/(LOSS) BEFORE TRANSFERS	4,855,992	64,281	(28,247)	2,820,806	7,712,832
					-
Transfer In from Sections-OH Fund				217,766	217,766
Transfer Out to Sections-Education Fund				(65,224)	(65,224)
Transfer Out to Sections-Winder SEI Fund				(152,542)	(152,542)
Interfund Transaction - Revenue	900	-	-	3,795	4,695
Interfund Transaction - Expense	(744)	-	-	(3,360)	(4,104)
					-
Change in Net Position	4,856,148	64,281	(28,247)	2,821,241	7,713,423
					-
Net Position at beginning of year	4,125,350	(83,014)	452,173	7,886,091	12,380,600
NET POSITION AS OF SEPTEMBER 30, 2017	8,981,498	(18,733)	423,926	10,707,332	20,094,024

	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, Late Fees and Donations	7,849,919	92,785	-	-	991,666	2,060,521	162,313	6,953,970	-	-	18,111,174
Investment Income	39,494	1,749	8,852	6,844	12,971	23,117	3,051	49,611	32,398	227,425	405,512
Convention Income	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Revenue	-	5,812	-	-	-	-	-	-	10,125	-	15,937
Law Practices (Sections) Revenue	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	-	-	-	-	-	-	-	-
Grant Revenue	-	-	13,053,800	-	-	-	-	80,000	-	8,976	13,142,776
LSTF Trust Account Revenue	-	-	-	-	-	-	-	5,072,165	-	-	5,072,165
EAF AB145 Filing Fee Revenue	-	-	3,261,778	-	-	-	-	-	-	-	3,261,778
Exam Application & Moral Character Fees	-	-	-	-	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-	-	471,320	-	471,320
Seminar/Workshop Revenue	-	4,275	-	-	-	-	-	-	-	-	4,275
Advertising Revenue	-	-	-	-	-	-	-	-	-	-	-
Settlement Grants	-	-	-	-	-	-	-	-	-	-	-
Affinity Insurance Revenue	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	11,522	-	357,041	-	-	27,093	-	-	1,332	7,000	403,988
TOTAL REVENUES	7,900,935	104,621	16,681,471	6,844	1,004,637	2,110,731	165,364	12,155,746	515,175	243,401	40,888,925
EXPENSES											
Grant Expenses	-	-	15,016,848	-	-	-	-	10,175,733	-	5,320,836	30,513,417
CSF Program	4,884,629	-	-	-	-	-	-	-	-	-	4,884,629
Lawyer Assistance Program	-	-	-	-	-	1,111,110	-	-	-	-	1,111,110
General and Administrative	-	461,521	76,091	-	6,919	-	282,857	1,537,640	1,264,003	81,467	3,710,498
TOTAL EXPENSES	4,884,629	461,521	15,092,939	-	6,919	1,111,110	282,857	11,713,373	1,264,003	5,402,303	40,219,654
INCOME/(LOSS) BEFORE TRANSFERS	3,016,306	(356,900)	1,588,532	6,844	997,718	999,621	(117,493)	442,373	(748,828)	(5,158,902)	669,271
Transfer in From Admin. & Discipline Fund	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	4,620,050	(356,900)	1,588,532	6,844	997,718	1,000,861	(117,493)	442,263	(749,200)	(5,158,902)	2,273,773
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 SEPTEMBER 30, 2017	6,046,320	107,835	3,341,807	1,223,603	2,657,138	3,984,019	429,036	9,043,493	5,354,705	38,943,837	71,131,793

	Total All Funds Year to Date September 2017	Total All Funds Year to Date September 2016	Increase/ (Decrease)	Percentage Change	Variance/ Explanations
OPERATING REVENUES					
Membership Fees, Late Fees and Donations	83,457,188	84,599,384	(1,142,196)	-1.35%	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	727,603	696,095	31,508	4.53%	Insignificant
Examination Application Fees	18,762,009	18,062,626	699,383	3.87%	Insignificant
Trust Account Revenue	5,072,165	4,693,910	378,255	8.06%	Insignificant
Law Practices Sections Fees	6,013,818	6,062,352	(48,534)	-0.80%	Insignificant
Seminar/Workshop Revenue	961,458	955,385	6,073	0.64%	Insignificant
Advertising Revenue	34,316	127,572	(93,256)	-73.10%	Insignificant
Convention Income	335,799	1,029,422	(693,623)	-67.38%	Insignificant
Legal Specialization Fees	471,320	2,019,285	(1,547,965)	-76.66%	Decrease due to Fee Holiday in 2017 as part of the spend down plan approved by BOT
Law Corporation Registration Fees	1,309,870	1,301,745	8,125	0.62%	Insignificant
Continuing Legal Education Fees	675,765	693,995	(18,230)	-2.63%	Insignificant
Grant Revenue	13,152,776	9,306,600	3,846,176	41.33%	The Grant contract for 2016/2017 increased by 3.8M compared to 2015/2016.
EAF AB 145 Filing Fee Revenue	3,261,778	2,945,000	316,778	10.76%	Insignificant
Settlement Grants	-	44,728,659	(44,728,659)	-100.00%	Additional \$44.7 BofA settlement grant received in 2016.
Affinity Insurance Revenue	1,243,268	1,315,831	(72,563)	-5.51%	Insignificant
Other Revenue	2,055,536	1,977,201	78,335	3.96%	Insignificant
Total Operating Revenues	137,534,669	180,515,062	(42,980,393)	-23.81%	
OPERATING EXPENSES					
Chief Trial Counsel	29,637,670	28,947,406	690,264	2.38%	Insignificant
State Bar Court	9,019,352	8,709,007	310,345	3.56%	Insignificant
Attorney Regulation and Consumer Resources	3,157,683	2,819,787	337,896	11.98%	Insignificant
Professional Competence	1,677,611	1,781,651	(104,040)	-5.84%	Insignificant
Probation	985,669	1,002,436	(16,767)	-1.67%	Insignificant
Mandatory Fee Arbitration	526,028	639,552	(113,524)	-17.75%	Insignificant
Judicial Evaluation	509,962	750,090	(240,128)	-32.01%	Insignificant
Commission on Access to Justice	17,291	15,901	1,390	8.74%	Insignificant
Center on Access to Justice	1,107,998	1,295,980	(187,982)	-14.50%	Insignificant
California Young Lawyers Association	23,230	147,890	(124,660)	-84.29%	Insignificant
Communications	805,154	1,005,621	(200,467)	-19.93%	Insignificant
Governance	2,797,861	2,511,503	286,358	11.40%	Insignificant
Client Security Fund	4,884,629	6,520,826	(1,636,197)	-25.09%	CSF case composition has resulted in increased year-over-year application denials and prolonged case processing time.
Lawyer Assistance Program	1,111,110	1,180,988	(69,878)	-5.92%	Insignificant
Grant Expenses	30,538,417	23,867,401	6,671,016	27.95%	Increase in grant distribution is consistent with additional grant revenue received in 2017.
Admissions	15,132,910	16,004,000	(871,090)	-5.44%	Insignificant
Sections	5,319,912	5,378,030	(58,118)	-1.08%	Insignificant
General and Administrative	2,806,008	3,460,342	(654,334)	-18.91%	Insignificant
Total Operating Expenses	110,058,495	106,038,412	4,020,083	3.79%	
OPERATING INCOME/(LOSS)	27,476,174	74,476,650	(47,000,476)	-51.51%	
NON-OPERATING REVENUE					
Investment Income	868,331	614,214	254,117	11.97%	Increased investment return rate and additional fund from BofA settlement grant for investment.
Rental Income	1,534,072	1,403,805	130,267	4.01%	Insignificant
Interest Expense on Loan	(944,193)	(863,934)	(80,259)	19.81%	Insignificant
Total Non-Operating Revenue	1,458,210	1,154,085	304,125	-1.31%	
Change in Net Position	28,934,384	75,630,735	(46,696,351)	-51.06%	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: November 20, 2017

TO: Members, Board of Trustees

FROM: Kevin Harper, Interim Chief Financial Officer

SUBJECT: Investment Report for the Third Quarter Ended September 30, 2017

Attached is the quarterly investment report for the State Bar of California as of September 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 September 30, 2017, the market value of the investment portfolio was \$123.8 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.89%, compared to 0.68% in 2016. Actual investment earnings increased approximately 41.38% from \$614,214 last year to \$868,331 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 \$128,005. 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
September 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	48,333,414	48,173,714	38.90%	0.84%
- Government Notes	11,955,325	11,987,710	9.68%	0.90%
- Corporate Bonds	2,999,250	2,998,560	2.42%	1.12%
- Common Stock-Metlife Inc.	168,698	168,698	0.14%	N.A
- Interest Receivable	-	146,424	0.12%	N.A
Subtotal-Securities, Bonds and Notes	63,456,687	63,475,106	51.25%	
Local Agency Investment Fund	60,229,291	60,371,362	48.75%	0.92%
Subtotal-Other Investments	60,229,291	60,371,362	48.75%	
Grand Total	123,685,978	123,846,468	100%	0.89%

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

Market Value of Portfolio	63,328,682
Original Cost of Portfolio	63,456,687
Unrealized Gain/(Loss):	<u>(128,005)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of September 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	3133EFP4	AA+	Government Agency	3,000,000	2,999,970	2,999,220	10,385	(750)	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	2,998,110	7,063	(1,860)	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	2,996,490	4,938	(6,330)	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	2,996,490	4,938	(1,290)	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,797,894	2,963	(1,620)	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	2,994,690	146	(9,450)	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	4,986,200	17,917	(9,100)	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	4,987,600	14,063	(7,450)	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,489,850	6,222	(10,150)	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	4,986,600	21,389	(13,400)	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	2,985,030	1,240	(25,140)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	4,980,250	23,467	(30,300)	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	2,988,150	14,080	(30,000)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	1,987,140	6,944	(12,860)	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS AND NOTES:				48,300,000	48,333,414	48,173,714	135,752	(159,700)	0.84%		

Investment held in Special Master account:

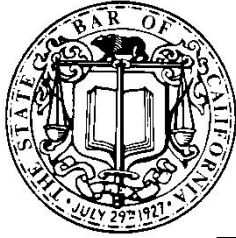
FREDDIE MAC DISCOUNT NT	313397NE7	N/A	Government Agency	5,500,000	5,482,322	5,497,278	-	14,956	0.88%	06/08/17	10/20/17
FREDDIE MAC DISCOUNT NT	313397PR6	N/A	Government Agency	6,500,000	6,473,003	6,490,432	-	17,429	0.91%	06/08/17	11/24/17
TOTAL GOVERNMENT NOTES HELD IN SM A/C:				12,000,000	11,955,325	11,987,710	-	32,385	0.90%		

CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	2,998,560	10,672	(690)	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	2,998,560	10,672	(690)	1.12%		

BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	16,173	-	16,173		08/07/17	N/A
METLIFE INC	59156R108	N/A	Common Stock	-	-	152,525	-	152,525			N/A
TOTAL COMMON STOCKS:				-	-	168,698	-	168,698			

TOTAL INVESTMENT HELD BY WELLS FARGO:				63,300,000	63,287,989	63,328,682	146,424	40,693			
--	--	--	--	-------------------	-------------------	-------------------	----------------	---------------	--	--	--

Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: 63,475,106



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: November 20, 2017

TO: Members, Board of Trustees

FROM: Kevin Harper, Interim Chief Financial Officer

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

Attached is the 2017 third 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 September 30, 2017, the market value of the OPEB assets totaled \$24.4 million. Rate of return of the entire portfolio since date of inception is 18.03%, with an unrealized gain of \$3.72 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 \$0.75 million.

**The State Bar of California
OPEB Investment Report Summary
September 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	\$ 20,650,401	\$ 24,373,303	18.03%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 20,650,401</u>	<u>\$ 24,373,303</u>	
 Grand Total	 <u><u>\$ 20,650,401</u></u>	 <u><u>\$ 24,373,303</u></u>	
 Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 24,373,303	
Original Cost of Portfolio		20,650,401	
Unrealized Gain/(Loss):		<u><u>\$ 3,722,902</u></u>	



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: November 20, 2017
TO: Members, Board of Trustees
FROM: Kevin Harper, Interim Chief Financial Officer
SUBJECT: Client Security Fund Report for the Quarter Ended September 30, 2017

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

- Applications Activity for the quarter ended September 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 September 30, a total of 699 new applications in the amount of \$13.2 million were filed. The number of applications filed is down by 24.2% compared to 922 applications filed last year. The application amount decreased by \$0.7 million, or 5.0% compared to \$13.9 million filed in 2016.

For the quarter ended September 30, 2017, total applications processed are 1,329 for approximately \$11.4 million. Total payouts for the reported quarter are \$3.8 million, down by \$1.8 million compared to \$5.6 million last year. Total applications pending for processing as of September 30, 2017 are 3,623 in the amount of \$52.9 million, and for the same period in 2016, there were 4,975 pending applications in the amount of \$52.5 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 September 30, 2017 is down by 1,352 or 27.2% 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 43.89%. Total applications outstanding as of September 30, 2017 are 3,623 for \$52.9 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of September 30, 2017 is \$23.2 million and there is a decrease of \$0.3 million or 1.3% compared to \$23.5 million last year. As of September 30, 2017, cash and investments available for applications reimbursement in the CSF are approximately \$6.0 million compared to \$5.5 million last year.

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

Key Indicator Descriptions	2017 Q3	2016 Q3	Attachment
New Applications Received # / \$ (in million)	699/\$13.2	922/\$13.9	1
Total Applications Processed # / \$ (in million)	1,329/\$11.4	1,412/\$11.5	2
% of Paid Applications in # to total in process ¹	12.8%	17.3%	1
% of Paid Applications in \$ to total in process ²	5.9%	8.8%	1
Total Payouts \$ (in million)	\$ 3.8	\$ 5.6	2
Total Applications Pending for Processing # / \$ (in million)	3,623/\$52.9	4,975/\$52.5	2
24-month Rolling Average Payout Ratio	43.89%	44.78%	4
Estimated CSF Application Liabilities (in million)	\$23.2	\$23.5	2
Net Assets as of September 30 (in million)	\$6.0	\$5.5	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
SEPTEMBER 30, 2017
YEAR TO DATE ACTIVITIES**

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>			
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	(A)	(B)
Prior Years' Applications	884	1,593,415	1,726	6,512,865	741	5,288,498	462	7,471,112	148	5,226,896	55	2,750,000	237	22,185,138	4,253	51,027,924		
New Applications	147	247,554	182	706,470	138	1,026,853	100	1,631,092	37	1,251,638	6	300,000	89	8,078,130	699	13,241,737		
Paid Applications	(122)	(223,877)	(324)	(1,151,311)	(96)	(543,930)	(65)	(810,182)	(9)	(223,216)	(1)	(50,000)	(17)	(794,522)	(634)	(3,797,038)	12.8%	5.9%
Rejected Applications	(33)	(82,018)	(20)	(177,390)	(6)	(174,989)	(4)	(252,695)	(4)	(267,959)	(3)	(150,000)	(4)	(1,127,714)	(74)	(2,232,765)	1.5%	3.5%
Withdrawn Applications	(157)	(302,658)	(313)	(1,125,549)	(58)	(390,999)	(47)	(732,928)	(14)	(446,554)	(6)	(300,000)	(26)	(2,083,220)	(621)	(5,381,908)	12.5%	8.4%
Applications Outstanding	719	\$ 1,232,416	1,251	\$ 4,765,085	719	\$ 5,205,433	446	\$ 7,306,399	158	\$ 5,540,805	51	\$ 2,550,000	279	\$ 26,257,812	3,623	\$ 52,857,950		
New applications % to total	21.03%	1.87%	26.04%	5.34%	19.74%	7.75%	14.31%	12.32%	5.29%	9.45%	0.86%	2.27%	12.73%	61.01%	100.00%	100.00%		
Applications paid % to total	19.24%	5.90%	51.10%	30.32%	15.14%	14.33%	10.25%	21.34%	1.42%	5.88%	0.16%	1.32%	2.68%	20.92%	100.00%	100.00%		
Applications rejected or withdrawn % to total	27.34%	5.05%	47.91%	17.11%	9.21%	7.43%	7.34%	12.94%	2.59%	9.38%	1.29%	5.91%	4.32%	42.17%	100.00%	100.00%		
Applications outstanding % to total	19.85%	2.33%	34.53%	9.01%	19.85%	9.85%	12.31%	13.82%	4.36%	10.48%	1.41%	4.82%	7.70%	49.68%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2017 Q3.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2017 Q3.

THE STATE BAR OF CALIFORNIA

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF SEPTEMBER 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			(12)	(35,270)	(95)	(295,010)	(107)	(330,280)	1	1,655
2010	298	1,220,150			(58)	(152,492)	(230)	(982,255)	(288)	(1,134,747)	10	85,403
2011	208	1,184,158			(46)	(195,412)	(48)	(337,159)	(94)	(532,571)	114	651,587
2012	468	3,138,440			(191)	(980,651)	(93)	(883,646)	(284)	(1,864,297)	184	1,274,143
2013	341	4,640,810			(103)	(901,133)	(49)	(1,200,918)	(152)	(2,102,051)	189	2,538,759
2014	931	12,677,839			(157)	(1,101,831)	(46)	(724,626)	(203)	(1,826,457)	728	10,851,382
2015	910	12,929,198			(36)	(224,309)	(16)	(413,264)	(52)	(637,573)	858	12,291,625
2016	988	14,903,789			(13)	(90,577)	(63)	(1,235,222)	(76)	(1,325,799)	912	13,577,990
2017			699	13,241,737	(18)	(115,363)	(55)	(1,542,572)	(73)	(1,657,935)	626	11,583,802
TOTAL	4,253	51,027,924	699	13,241,737	(634)	(3,797,038)	(695)	(7,614,672)	(1,329)	(11,411,710)	3,623	52,857,951

Applications Outstanding	\$52,857,951
Estimated Application Payout Ratio	43.89%
Estimated Application Payouts	\$23,199,589

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE APPLICATIONS AGING REPORT
AS OF SEPTEMBER 30, 2017

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected and Withdrawn</u>		<u>Total Applications 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>
2007-2008	1	1,605			-	-	-	-	-	-	1	1,605
2007-2009	109	333,540			(12)	(35,270)	(95)	(295,010)	(107)	(330,280)	2	3,260
2007-2010	407	1,553,690			(70)	(187,762)	(325)	(1,277,265)	(395)	(1,465,027)	12	88,663
2007-2011	615	2,737,848			(116)	(383,174)	(373)	(1,614,424)	(489)	(1,997,598)	126	740,250
2007-2012	1,083	5,876,288			(307)	(1,363,825)	(466)	(2,498,070)	(773)	(3,861,895)	310	2,014,393
2007-2013	1,424	10,517,098			(410)	(2,264,958)	(515)	(3,698,988)	(925)	(5,963,946)	499	4,553,152
2007-2014	2,355	23,194,937			(567)	(3,366,789)	(561)	(4,423,614)	(1,128)	(7,790,403)	1,227	15,404,534
2007-2015	3,265	36,124,135			(603)	(3,591,098)	(577)	(4,836,878)	(1,180)	(8,427,976)	2,085	27,696,159
2007-2016	4,253	51,027,924			(616)	(3,681,675)	(640)	(6,072,100)	(1,256)	(9,753,775)	2,997	41,274,149
2007-2017			699	13,241,737	(634)	(3,797,038)	(695)	(7,614,672)	(1,329)	(11,411,710)	3,623	52,857,951
			699	13,241,737	(634)	(3,797,038)	(640)	(6,072,100)	(1,274)	(9,753,775)	3,623	52,857,951

Net Asset in Client Security Fund:

As of 9/30/2017

\$6,046,317

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

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
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
July17	177,823	39.77%	269,311	447,134
Aug17	1,196,564	58.35%	854,114	2,050,678
Sept17	432,036	30.12%	1,002,515	1,434,551
Total:	<u>13,801,107</u>		Total: <u>17,643,339</u>	<u>31,444,446</u>
24 Month Rolling Average PaidOut Ratio:			43.89%	

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

SEPTEMBER 30, 2017

	<u>1ST QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>
Beginning Balance	4,253	3,982	3,703
Add: Reinstated Applications			
New Applications	237	204	258
Less: Paid / Rejected or Withdrawn	508	483	338
TOTAL	3,982	3,703	3,623
 APPLICATIONS OUTSTANDING AMT.	 \$52,222,498	 \$ 51,554,113	 \$ 52,857,951
# Of Active Attorneys	188,613	188,789	189,608
Cost Per Active Attorney	\$277	\$273	\$279
 ESTIMATED APPLICATIONS LIAB.			
Applications Payout Ratio	46.21%	44.63%	43.89%
Estimated Application Amount *	\$24,132,016	\$23,010,578	\$23,199,591
# of Active Attorneys	188,613	188,789	189,702
Cost per Active Attorney	\$128	\$122	\$122
 APPLICATION ACTIVITIES IN %:			
 NEW APPLICATIONS - YTD			
1 - 2,500	1.55%	1.67%	1.87%
2,501 - 5,000	5.65%	5.35%	5.34%
5,001 - 10,000	7.68%	8.69%	7.75%
10,001 - 25,000	14.37%	13.93%	12.32%
25,001 - 49,999	10.61%	10.42%	9.45%
50,000	3.41%	2.47%	2.27%
50,001 - 100,000	56.72%	57.45%	61.01%
 APPLICATIONS PAID - YTD			
1 - 2,500	8.16%	7.85%	5.90%
2,501 - 5,000	43.08%	41.67%	30.32%
5,001 - 10,000	18.82%	16.92%	14.33%
10,001 - 25,000	15.24%	17.61%	21.34%
25,001 - 49,999	0.32%	2.84%	5.88%
50,000	5.36%	2.51%	1.32%
50,001 - 100,000	9.01%	10.59%	20.92%
 REJ./WDRAWN - YTD			
1 - 2,500	8.39%	6.06%	5.05%
2,501 - 5,000	28.54%	19.70%	17.11%
5,001 - 10,000	9.30%	7.44%	7.43%
10,001 - 25,000	12.85%	11.28%	12.94%
25,001 - 49,999	8.86%	7.39%	9.38%
50,000	4.62%	5.47%	5.91%
50,001 - 100,000	27.43%	42.66%	42.17%
 APPLICATIONS O/S-CUM. - YTD			
1 - 2,500	2.66%	2.38%	2.33%
2,501 - 5,000	10.99%	9.76%	9.01%
5,001 - 10,000	10.04%	10.17%	9.85%
10,001 - 25,000	14.68%	14.79%	13.82%
25,001 - 49,999	10.51%	10.84%	10.48%
50,000	5.24%	5.04%	4.82%
50,001 - 100,000	45.88%	47.01%	49.68%
 NET ASSET, END OF PERIOD	 \$ 9,094,336	 8,005,246	 \$ 6,046,317

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